

Translation

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July 14, 2023

Summary of Consolidated Financial Results for the Nine Months Ended May 31, 2023 (Under Japanese GAAP)

Company name: coconala Inc.
Listing exchange: Tokyo Stock Exchange
Securities code: 4176
URL: <https://coconala.co.jp/en/>
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Scheduled date for filing quarterly securities report: July 14, 2023
Scheduled date for commencing dividend payments: -
Preparation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial results briefing session: Yes

(Amounts are rounded down to the nearest million yen, unless otherwise noted.)

1. Consolidated Financial Results for the First Nine Months Ended May 31, 2023 (from September 1, 2022 to May 31, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
May 31, 2023	3,356	20.4	(220)	—	(262)	—	(166)	—
May 31, 2022	2,787	—	(392)	—	(390)	—	(382)	—

(Note) Comprehensive income For the nine months ended May 31, 2023: (254) million yen [- %]
For the nine months ended May 31, 2022: (384) million yen [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
May 31, 2023	(7.03)	—
May 31, 2022	(16.52)	—

(Note) 1. Diluted earnings per share for the first three quarters of the fiscal year ending August 31, 2023, is not indicated as the Company generated net loss for the period, although there are diluted shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
First nine months ended			
May 31, 2023	4,893	3,001	37.8
Fiscal year ended			
August 31, 2022	4,327	2,437	45.9

(Reference) Total shareholders' equity: As of May 31, 2023: 1,847 million yen
As of August 31, 2022: 1,987 million yen

2. Cash Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	Fiscal year-end	Total
Fiscal year ended August 31, 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ending August 31, 2023	—	0.00	—		
Fiscal year ending August 31, 2023 (Forecast)				0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending August 31, 2023 (from September 1, 2022 to August 31, 2023)

(Percentage figures indicate year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,600	19.9	(220)	-	(260)	-	(150)	-	(6.32)

(Note) Revisions to the most recently announced earnings forecast: None

For the forecast of consolidated financial results for the fiscal year ending August 31, 2023, please refer to the “Notice of Revision of Full-Year Consolidated Earnings Forecast” announced today (July 14, 2023).

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

Newly consolidated: None; Excluded from consolidation: None

(2) Application of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: None

(ii) Changes in accounting policies other than those in i. above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of prior period financial statement: None

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of May 31, 2023	23,801,100 shares
As of August 31, 2022	23,546,600 shares

(ii) Number of treasury shares at the end of the period

As of May 31, 2023	- shares
As of August 31, 2022	- shares

(iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

As of May 31, 2023	23,720,284 shares
As of May 31, 2022	23,127,305 shares

* This summary of quarterly financial results is not subject to quarterly review by a public accountant or audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are deemed to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual results, etc. may materially differ materially from the forecast due to various factors.

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1. Qualitative Information on the Financial Results for the Period under Review

(1) Overview of Operating Results

During the nine months ended May 31, 2023, as the impact of the COVID-19 pandemic subsided due to the lifting of movement restrictions, a slowdown in the overall growth rate of online transactions resulting from less time spent at home and other factors continued to make the future uncertain. Under these circumstances, while focusing on product function development, the Company ran TV commercials nationwide from May 2023 to capture users through mass media, etc. In addition, in April 2023, it introduced an AI assistant function (beta) that uses ChatGPT's automatic sentence generation to more effectively express sellers' service content.

As a result of the above, the Company posted gross merchandise value (GMV) of 10,871,254 thousand yen (up 17.2% year-on-year), operating revenue of 3,356,906 thousand yen (up 20.4% year-on-year), operating loss of 220,914 thousand yen (operating loss of 392,418 thousand yen in the same period of the previous fiscal year), ordinary loss of 262,522 thousand yen (ordinary loss of 390,865 thousand yen in the same period of the previous fiscal year), and loss attributable to owners of parent of 166,674 thousand yen (loss attributable to owners of parent of 382,087 thousand yen in the same period of the previous fiscal year) for the nine months ended May 31, 2023.

The Company launched "coconala Agent," which connects IT freelancers with outsourcing projects from companies, and included it in the financial results for the six months ended February 28, 2023. Beginning with the financial results for the nine months ended May 31, 2023, the definition of GMV has been changed to the sum of "coconala" and "coconala Agent."

Operating results by segment are as follows.

(i) coconala

In "coconala," the Company is aiming to increase the number of registered buyers through active marketing investment by running TV commercials from May 2023.

As a result, operating revenue amounted to 2,971,344 thousand yen (up 18.1% year-on-year), while segment loss amounted to 234,023 thousand yen (segment loss of 383,182 thousand yen in the same period of the previous fiscal year).

(ii) coconala Legal Consultation

In "coconala Legal Consultation," the number of lawyers registered under the fee-based service increased as both precision and volume of the matching of users and lawyers were steady, and against this backdrop, fixed usage fees, which are advertising revenue from lawyers, also grew.

As a result, operating revenue amounted to 385,561 thousand yen (up 41.9% year-on-year), while segment profit amounted to 36,327 thousand yen (segment loss of 2,504 thousand yen in the same period of the previous fiscal year).

(2) Financial Position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets as of May 31, 2023, increased by 566,122 thousand yen from the end of the previous fiscal year to 4,893,521 thousand yen.

This was mainly due to an increase of 251,571 thousand yen in investment securities and 184,439 thousand yen in cash and deposits.

(Liabilities)

Total liabilities as of May 31, 2023, increased by 2,782 thousand yen from the end of the previous fiscal year to 1,892,514 thousand yen.

This was mainly due to a decrease of 137,210 thousand yen in accounts payable due to payments for TV commercial-related expenses, etc., and an increase of 53,017 thousand yen in accrued consumption taxes and 37,162 thousand yen in deposits received.

(Net assets)

Total net assets as of May 31, 2023, increased by 563,339 thousand yen from the end of the previous fiscal year to 3,001,006 thousand yen.

This was mainly due to an increase of 636,740 thousand yen in non-controlling interests despite a decrease of 166,674 thousand yen in retained earnings.

(3) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

For matters related to the forecast of full-year consolidated financial results, please refer to "Notice of Revision of Full-Year Consolidated Earnings Forecast" announced today.

The forecasts of financial results are based on information currently available to and certain assumptions that are deemed to be reasonable by the Company. Actual results, etc. may differ due to various factors.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto
(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of August 31, 2022)	Nine months ended May 31, 2023 (As of May 31, 2023)
Assets		
Current assets		
Cash and deposits	3,050,945	3,235,385
Accounts receivable - trade	333,364	342,796
Prepaid expenses	105,655	132,266
Other	88,408	82,404
Total current assets	3,578,372	3,792,853
Non-current assets		
Property, plant and equipment		
Buildings	102,682	171,070
Tools, furniture and fixtures	82,865	97,382
Accumulated depreciation	(70,924)	(76,263)
Total property, plant and equipment	114,623	192,190
Intangible assets		
Software	10,674	9,018
Total intangible assets	10,674	9,018
Investments and other assets		
Guarantee deposits	179,876	210,665
Long-term prepaid expenses	20,936	13,987
Investment securities	419,090	670,662
Other	3,823	4,143
Total investments and other assets	623,727	899,459
Total non-current assets	749,025	1,100,667
Total assets	4,327,398	4,893,521
Liabilities		
Current liabilities		
Accounts payable - other	443,471	306,261
Accrued expenses	23,454	41,480
Income taxes payable	2,287	16,869
Accrued consumption taxes	-	53,017
Advances received	487,936	500,854
Deposits received	922,567	959,729
Provision for point card certificates	3,502	6,485
Provision for coupons	6,513	7,816
Total current liabilities	1,889,731	1,892,514
Total liabilities	1,889,731	1,892,514
Net assets		
Shareholders' equity		
Share capital	1,221,560	1,235,002
Capital surplus	2,366,763	2,380,656
Retained earnings	(1,601,139)	(1,767,813)
Total shareholders' equity	1,987,184	1,847,845
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	94	96
Total accumulated other comprehensive income	94	96
Share acquisition rights	12,500	78,436
Non-controlling interests	437,888	1,074,628
Total net assets	2,437,666	3,001,006
Total liabilities and net assets	4,327,398	4,893,521

(2) Quarterly Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(Year to quarter end consolidated statement of income)

	(Thousands of yen)	
	Nine months ended May 31, 2022 (September 1, 2021 to May 31, 2022)	Nine months ended May 31, 2023 (September 1, 2022 to May 31, 2023)
Operating revenue	2,787,846	3,356,906
Operating expenses	3,180,264	3,577,820
Operating profit (loss)	(392,418)	(220,914)
Non-operating income		
Interest income	14	14
Income from refund	1,587	7,681
Other	130	426
Total non-operating income	1,732	8,121
Non-operating expenses		
Interest expenses	179	149
Loss on valuation of investment securities	-	49,500
Other	-	80
Total non-operating expenses	179	49,729
Ordinary profit (loss)	(390,865)	(262,522)
Extraordinary income		
Gain on reversal of share acquisition rights	4,500	12,500
Total extraordinary income	4,500	12,500
Profit (loss) before income taxes	(386,365)	(250,022)
Income taxes - current	1,719	4,896
Profit (loss)	(388,085)	(254,919)
Profit (loss) attributable to non-controlling interests	(5,997)	(88,244)
Profit (loss) attributable to owners of parent	(382,087)	(166,674)

(Quarterly Consolidated Statements of Comprehensive Income)
(Year to quarter end consolidated statement of comprehensive income)

	(Thousands of yen)	
	Nine months ended May 31, 2022 (September 1, 2021 to May 31, 2022)	Nine months ended May 31, 2023 (September 1, 2022 to May 31, 2023)
Profit (loss)	(388,085)	(254,919)
Other comprehensive income		
Valuation difference on available-for-sale securities	3,844	440
Total other comprehensive income	3,844	440
Comprehensive income	(384,241)	(254,479)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(381,963)	(166,671)
Comprehensive income attributable to non-controlling interests	(2,277)	(87,807)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)
Not applicable.

(Notes When There Are Significant Changes in Amounts of Equity)
Not applicable.

(Segment Information, Etc.)

[Segment information]

I. For the nine months ended May 31, 2022 (September 1, 2021 – May 31, 2022)

1. Disclosure of operating revenue and profit (loss) for each reportable segment, and breakdown of revenue

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total (Note 2)
	coconala	coconala Legal Consultation	Total		
Operating revenue					
Revenue from contracts with customers	2,516,145	271,700	2,787,846	—	2,787,846
Other revenue	—	—	—	—	—
Revenues from external customers	2,516,145	271,700	2,787,846	—	2,787,846
Intersegment operating revenue or transfers	—	—	—	—	—
Total	2,516,145	271,700	2,787,846	—	2,787,846
Segment profit (loss)	(383,182)	(2,504)	(385,687)	(6,730)	(392,418)

(Note) 1. The “Other” category represents business segments that are not included in the reportable segments and includes the investment business.

2. Total amount of segment profit (loss) corresponds to operating loss described in the quarterly consolidated statement of income.

II. For the nine months ended May 31, 2023 (September 1, 2022 – May 31, 2023)

1. Disclosure of operating revenue and profit (loss) for each reportable segment, and breakdown of revenue

(Thousands of yen)

	Reportable segments			Other (Note 1)	Total (Note 2)
	coconala	coconala Legal Consultation	Total		
Operating revenue					
Revenue from contracts with customers	2,971,344	385,561	3,356,906	—	3,356,906
Other revenue	—	—	—	—	—
Revenues from external customers	2,971,344	385,561	3,356,906	—	3,356,906
Intersegment operating revenue or transfers	—	—	—	—	—
Total	2,971,344	385,561	3,356,906	—	3,356,906
Segment profit (loss)	(234,023)	36,327	(197,695)	(23,218)	(220,914)

(Note) 1. The “Other” category represents business segments that are not included in the reportable segments and includes the investment business.

2. Total amount of segment profit (loss) corresponds to operating loss described in the quarterly consolidated statement of income.

(Significant Subsequent Events)

(Business Combination Through Acquisition)

The Company resolved at the board of directors’ meeting held on June 30, 2023, to acquire all the shares of PORT ENGINEERING INC. and make it a subsidiary, and concluded a share transfer agreement on June 30, 2023. It made PORT ENGINEERING INC. a subsidiary after acquiring its shares on July 3, 2023.

1. Overview of business combination

(1) Name and business description of acquired company

Name of acquired company: PORT ENGINEERING INC.

Business description: Freelance support business

(2) Main reason for business combination

The Company determined that the business combination will realize business expansion for coconala Agent, which connects IT freelancers with outsourcing projects from companies, at an early stage and contribute to maximizing the Company's corporate value. The Company aims to expand its network of IT freelance engineers through a cooperative relationship, including the utilization of the Company's marketing know-how and the expansion of both companies' customer bases.

(3) Date of business combination

July 3, 2023

(4) Legal form of business combination

Share acquisition with cash as consideration

(5) Company name after the combination

No change.

(6) Percentage of voting rights acquired

100%

(7) Main basis for determining the acquiring company

As the Company acquired 100% voting rights through the share acquisition with cash as consideration

2. Acquisition cost of the acquired company and breakdown by type of consideration

Consideration for acquisition Cash and deposits 250 million yen

Acquisition cost	250 million yen
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3. Description and amount of major acquisition-related expenses

Advisory expenses, etc. (estimate) 4 million yen

4. Amount of goodwill incurred, cause of occurrence and method and period of amortization

Not determined as of now.

5. Amount and major breakdown of assets received and liabilities assumed on the date of business combination

Not determined as of now.