

Translation

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January 15, 2024

Summary of Consolidated Financial Results for the Three Months Ended November 30, 2023 (Under Japanese GAAP)

Company name: coconala Inc.
 Listing exchange: Tokyo Stock Exchange
 Securities code: 4176
 URL: <https://coconala.co.jp/>
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 Scheduled date for commencing dividend payments: -
 Scheduled date for filing securities report: January 15, 2024
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results briefing session: Yes

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

1. Consolidated Financial Results for the First Three Months Ended November 30, 2023 (from September 1, 2023 to November 30, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended November 30, 2023	1,398	28.4	97	—	100	—	84	—
November 30, 2022	1,089	—	(220)	—	(267)	—	(191)	—

(Note) Comprehensive income For the three months ended November 30, 2023: 75 million yen [- %]
 For the three months ended November 30, 2022: (255) million yen [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended November 30, 2023	3.53	3.46
November 30, 2022	(8.11)	—

(Note) Diluted earnings per share for the first quarter 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 three months ended November 30, 2023	5,690	3,633	35.8
Fiscal year ended August 31, 2023	5,232	3,125	37.2

(Reference) Total shareholders' equity: As of November 30, 2023: 2,034 million yen
 As of August 31, 2023: 1,946 million yen

2. Cash Dividends

	Annual dividends per share				
	End of Q1	End of Q2	End of Q3	Fiscal year-end	Total
Fiscal year ending August 31, 2024	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ended August 31, 2023	—				
Fiscal year ending August 31, 2024 (Forecast)		0.00	—	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, 2024 (from September 1, 2023 to August 31, 2024)

(Percentage figures indicate year-on-year changes for full year and changes from the same quarter of the previous fiscal year for quarter)

	Sales		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	5,848	25.0	10	—	24	—	1	—	0.04

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

* Notes

(1) Changes in significant subsidiaries during the fiscal year (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 November 30, 2023	23,858,700 shares
As of August 31, 2023	23,839,700 shares

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

As of November 30, 2023	8,600 shares
As of August 31, 2023	4,300 shares

(iii) Average number of shares outstanding during the period

As of November 30, 2023	23,844,649 shares
As of November 30, 2022	23,586,154 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 three months ended November 30, 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, the Company started providing services to overseas users purchasing products through multilingualization and overseas payment support of “coconala Skill Market.” The Company also launched new businesses namely “coconala Pro,” “coconala Consult” and “coconala Assist,” and will promote the use of its services through the expansion of the coconala economic zone, which is the Company’s goal.

As a result of the above, the Company posted gross merchandise value (GMV) of 3,809,140 thousand yen (up 6.8% year-on-year), sales of 1,398,684 thousand yen (up 28.4% year-on-year), operating profit of 97,102 thousand yen (operating loss of 220,658 thousand yen in the same period of the previous fiscal year), ordinary profit of 100,803 thousand yen (ordinary loss of 267,044 thousand yen in the same period of the previous fiscal year), and profit attributable to owners of parent of 84,177 thousand yen (loss attributable to owners of parent of 191,318 thousand yen in the same period of the previous fiscal year) for the three months ended November 30, 2023.

Operating results by segment are as follows. From the first quarter of the current fiscal year, the names of reportable segments have been changed from “Skill Market” to “Marketplace,” from “Legal Consultation” to “Media” and from “Tech Agent” to “Agent,” respectively. Only the names were changed, and such change will have no impact on segment information.

(i) Marketplace

In “Marketplace,” the Company started providing services to overseas individuals through multilingualization and overseas payment support as an effort to expand the overseas market of “coconala Skill Market” in October 2023. As a result, sales amounted to 1,051,462 thousand yen (up 8.4% year-on-year), while segment profit amounted to 130,159 thousand yen (segment loss of 224,231 thousand yen in the same period of the previous fiscal year).

(ii) Media

In “Media,” 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, sales amounted to 153,904 thousand yen (up 29.1% year-on-year), while segment profit amounted to 28,850 thousand yen (up 143.0% year-on-year).

(iii) Agent

In “Agent,” the Company realized business expansion in the said area of the Group at an early stage after acquiring the shares of PORT ENGINEERING INC. in July 2023 and making it a wholly owned subsidiary, and aims to maximize corporate value. In addition, the Company launched a new business called “coconala Assist,” a monthly service in which talented assistants support businesses, in October 2023, and will promote the use of its services through the expansion of the coconala economic zone, which is the Company’s goal.

As a result, sales amounted to 193,317 thousand yen, while segment loss amounted to 50,357 thousand yen.

(2) Financial Position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets as of November 30, 2023, increased by 457,383 thousand yen from the end of the previous fiscal year to 5,690,298 thousand yen.

This was mainly due to an increase of 214,100 thousand yen in investment securities and 171,702 thousand yen in cash and deposits.

(Liabilities)

Total liabilities as of November 30, 2023, decreased by 50,349 thousand yen from the end of the previous fiscal year to 2,056,601 thousand yen.

This was mainly due to a decrease of 31,743 thousand yen in deposits received and 29,225 thousand yen in other current liabilities and an increase of 22,786 thousand yen in advances received.

(Net assets)

Total net assets as of November 30, 2023, increased by 507,732 thousand yen from the end of the previous fiscal year to 3,633,696 thousand yen.

This was mainly due to an increase of 386,324 thousand yen in non-controlling interests and 84,197 thousand yen in retained earnings.

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

There are no changes to the forecasts of full-year financial results announced in the “Consolidated Financial Results for the Fiscal Year Ended August 31, 2023” dated October 13, 2023.

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. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of August 31, 2023)	Three months ended November 30, 2023 (As of November 30, 2023)
Assets		
Current assets		
Cash and deposits	2,993,732	3,165,434
Accounts receivable - trade	475,700	425,664
Prepaid expenses	116,686	172,419
Other	104,545	102,608
Total current assets	3,690,665	3,866,127
Non-current assets		
Property, plant and equipment		
Buildings	171,161	171,161
Tools, furniture and fixtures	98,034	98,147
Accumulated depreciation	(84,575)	(91,316)
Total property, plant and equipment	184,620	177,992
Intangible assets		
Software	8,466	7,913
Goodwill	144,721	141,381
Customer-related assets	55,100	52,250
Total intangible assets	208,287	201,545
Investments and other assets		
Investment securities	893,174	1,107,274
Long-term prepaid expenses	10,515	7,140
Guarantee deposits	241,507	326,073
Other	4,143	4,143
Total investments and other assets	1,149,341	1,444,632
Total non-current assets	1,542,249	1,824,170
Total assets	5,232,914	5,690,298

(Thousands of yen)

	Previous fiscal year (As of August 31, 2023)	Three months ended November 30, 2023 (As of November 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	62,974	57,772
Accounts payable - other	287,635	289,474
Accrued expenses	49,009	45,712
Income taxes payable	38,927	34,551
Advances received	542,078	564,864
Deposits received	1,001,005	969,262
Provision for point card certificates	3,127	2,747
Provision for coupons	7,567	6,816
Other	97,172	67,946
Total current liabilities	2,089,497	2,039,148
Non-current liabilities		
Deferred tax liabilities	17,453	17,453
Total non-current liabilities	17,453	17,453
Total liabilities	2,106,951	2,056,601
Net assets		
Shareholders' equity		
Share capital	1,238,686	1,240,790
Capital surplus	2,384,341	2,386,445
Retained earnings	(1,677,039)	(1,592,842)
Total shareholders' equity	1,945,989	2,034,393
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	112	110
Total accumulated other comprehensive income	112	110
Share acquisition rights	110,999	144,006
Non-controlling interests	1,068,862	1,455,186
Total net assets	3,125,963	3,633,696
Total liabilities and net assets	5,232,914	5,690,298

(2) 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)

	Three months ended November 30, 2022 (September 1, 2022 - November 30, 2022)	Three months ended November 30, 2023 (September 1, 2023 - November 30, 2023)
Sales	1,089,175	1,398,684
Cost of sales	58,076	220,383
Gross profit	1,031,099	1,178,301
Selling, general and administrative expenses	1,251,757	1,081,198
Operating profit (loss)	(220,658)	97,102
Non-operating income		
Interest income	0	1
Income from refund	3,012	5,124
Other	150	220
Total non-operating income	3,163	5,346
Non-operating expenses		
Interest expenses	49	49
Loss on valuation of investment securities	49,500	—
Loss on amortization of stock compensation	—	1,595
Total non-operating expenses	49,549	1,645
Ordinary (profit) loss	(267,044)	100,803
Extraordinary income		
Gain on reversal of share acquisition rights	12,500	—
Total extraordinary income	12,500	—
Profit (loss) before income taxes	(254,544)	100,803
Income taxes - current	572	24,951
Profit (loss)	(255,117)	75,851
Profit (loss) attributable to non-controlling interests	(63,799)	(8,325)
Profit (loss) attributable to owners of parent	(191,318)	84,177

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

(Thousands of yen)

	Three months ended November 30, 2022 (September 1, 2022 - November 30, 2022)	Three months ended November 30, 2023 (September 1, 2023 - November 30, 2023)
Profit (loss)	(255,117)	75,851
Other comprehensive income		
Valuation difference on available-for-sale securities	80	(352)
Total other comprehensive income	80	(352)
Comprehensive income	(255,037)	75,499
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(191,317)	84,175
Comprehensive income attributable to non-controlling interests	(63,719)	(8,675)

(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.

(Additional Information)

(Change in presentation method)

The category of the item presented as “operating revenue” has been changed to “sales” and that of the item presented as “operating expenses” to “selling, general and administrative expenses”. Such change was made as the Company judged that the actual conditions of the Company’s revenue will be indicated more appropriately with the change in the category of such item to “sales” as the significance of Agent business increased due to the acquisition of PORT ENGINEERING INC. in the previous fiscal year.

In addition, a review of the Group's business portfolio, including a reorganization that took place in the first quarter of the fiscal year ending November 30, 2023, has triggered a review of the Group's cost management methods.

Therefore, the Company reviewed the relationship between sales and the corresponding costs, and decided to change the category of part of the system costs that was originally recorded as selling, general and administrative expenses to cost of sales in order to present the Company’s operating results including profit and loss in each stage more appropriately.

As a result, the 58,076 thousand yen that was presented in the category of selling, general and administrative expenses in the quarterly consolidated statement of income for the three months ended November 30, 2022 has been included in cost of sales.

(Segment Information, Etc.)

[Segment information]

I. For the three months ended November 30, 2022 (September 1, 2022 - November 30, 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)
	Marketplace	Media	Agent	Total		
Sales						
Goods transferred at a point in time	969,930	—	—	969,930	—	969,930
Goods transferred over a certain period	—	119,245	—	119,245	—	119,245
Revenue from contracts with customers	969,930	119,245	—	1,089,175	—	1,089,175
Other revenue	—	—	—	—	—	—
Revenues from external customers	969,930	119,245	—	1,089,175	—	1,089,175
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	969,930	119,245	—	1,089,175	—	1,089,175
Segment profit (loss)	(224,231)	11,871	—	(212,360)	(8,297)	(220,658)

(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 three months ended November 30, 2023 (September 1, 2023 - November 30, 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)
	Marketplace	Media	Agent	Total		
Sales						
Goods transferred at a point in time	1,051,462	—	—	1,051,462	—	1,051,462
Goods transferred over a certain period	—	153,904	193,317	347,221	—	347,221
Revenue from contracts with customers	1,051,462	153,904	193,317	1,398,684	—	1,398,684
Other revenue	—	—	—	—	—	—
Revenues from external customers	1,051,462	153,904	193,317	1,398,684	—	1,398,684
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	1,051,462	153,904	193,317	1,398,684	—	1,398,684
Segment profit (loss)	130,159	28,850	(50,357)	108,652	(11,549)	97,102

(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 profit described in the quarterly consolidated statement of income.

2. Matters concerning changes in reportable segments, etc.

(Change in Names of Reportable Segments)

From the first quarter of the current fiscal year, the names of reportable segments have been changed from “Skill Market” to “Marketplace,” from “Legal Consultation” to “Media” and from “Tech Agent” to “Agent,” respectively. Only the names were changed, and such change will have no impact on segment information.

The names after the change are presented also in the segment information for the three months ended November 30, 2022.

(Significant Subsequent Events)

[Absorption-type Merger of Consolidated Subsidiary]

At a meeting of the Board of Directors held on October 13, 2023, the Company resolved to implement an absorption-type merger of its consolidated subsidiary coconala Legal Connect, Inc. with an effective date of December 1, 2023.

1. Overview of the Transaction

(1) Name and business description of combined company

(Surviving company in absorption-type merger)

Name: coconala Inc.

Business description: Operation and development of the skills market “coconala”, operation and development of the corporate skill market “coconala Business”

(Company dissolved in absorption-type merger)

Name: coconala Legal Connect Inc.

Business description: Operation and development of the lawyer consultation site “coconala Legal Consultation”

(2) Date of business combination

December 1, 2023

(3) Legal form of business combination

Absorption-type merger with coconala Legal Connect Inc. as the dissolving company and coconala Inc. as the surviving company

(4) Company name after the combination

coconala Inc.

(5) Other matters concerning the overview of transaction

As a result of a comprehensive review of future management strategies, streamlining of management resources, and efficient business operations, etc., we have decided that each product should be provided to users in an integrated manner, and have decided to reorganize the businesses within the group.

2. Overview of the Accounting Treatment to be Implemented

In accordance with the “Accounting Standard for Business Combination” (ASBJ Statement No. 21, January 16, 2019) and “Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), accounting treatment was implemented as a transaction under common control.