

Translation

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April 15, 2024

Summary of Consolidated Financial Results for the Six Months Ended February 29, 2024 (Under Japanese GAAP)

Company name: coconala Inc.
 Listing exchange: Tokyo Stock Exchange
 Securities code: 4176
 URL: <https://coconala.co.jp/>
 Representative: Ayumu Suzuki, Chief Executive Officer
 Inquiries: Gen Tanaka, Head of Business Administration Department
 Phone: +81-3-6712-7771
 Scheduled date for commencing dividend payments: -
 Scheduled date for filing securities report: April 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 Six Months Ended February 29, 2024 (from September 1, 2023 to February 29, 2024)

(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	%
Six months ended February 29, 2024	2,778	26.6	185	—	156	—	139	—
February 28, 2023	2,195	—	(148)	—	(192)	—	(107)	—

(Note) Comprehensive income For the six months ended February 29, 2024: 94 million yen [- %]
 For the six months ended February 28, 2023: (185) million yen [- %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 29, 2024	5.84	5.72
February 28, 2023	(4.54)	—

(Note) Diluted earnings per share for the first two quarters of the fiscal year ended 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 six months ended February 29, 2024	5,917	3,714	35.5
Fiscal year ended August 31, 2023	5,232	3,125	37.2

(Reference) Total shareholders' equity: As of February 29, 2024: 2,097 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 ended August 31, 2023	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Fiscal year ending August 31, 2024	—	0.00			
Fiscal year ending August 31, 2024 (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, 2024 (from September 1, 2023 to August 31, 2024)

(Percentage figures indicate year-on-year changes)

	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: 1 company (Mizuho coconala Inc.); 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 February 29, 2024	23,919,500 shares
As of August 31, 2023	23,839,700 shares

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

As of February 29, 2024	22,900 shares
As of August 31, 2023	4,300 shares

(iii) Average number of shares outstanding during the period

As of February 29, 2024	23,855,586 shares
As of February 28, 2023	23,679,988 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

The Company is developing services such as “coconala Skill Market,” which is an EC type service marketplace, under the vision of “building a world where each of us can live “our own story””. The Company aims to become a unique service EC platform by replacing various transactions that are carried out offline on a daily basis in a much more convenient way online.

While the potential market size of individual and intercompany services targeted by the Company is extremely large at approximately 18 trillion yen, the ratio of online transactions is estimated to be around 1% (value estimated by InfoCom Research, Inc.). The Company believes that online service transactions are a market with high social importance, while lifestyles are changing significantly from the past due to the advent of the 100-year life era and work-style reforms.

During the six months ended February 29, 2024, the Company started providing services to overseas users purchasing products through multilingualization and overseas payment support of “coconala Skill Market” as well as launched new businesses namely “coconala Pro,” “coconala Consult” and “coconala Assist,” and proceeded with the expansion of the coconala economic zone. In addition, the Company established Mizuho coconala Inc., a joint venture, on January 31, 2024 to combine the creditworthiness and broad and strong customer base of Mizuho Bank, Ltd. with the Company’s planning, development and operation know-how and promote the resolution of human resource shortages of companies, which is a social issue in Japan, with digital power.

As a result of the above, the Company posted gross merchandise value (GMV) of 7,617,422 thousand yen (up 7.0% year-on-year), sales of 2,778,177 thousand yen (up 26.6% year-on-year), operating profit of 185,781 thousand yen (operating loss of 148,630 thousand yen in the same period of the previous fiscal year), ordinary profit of 156,565 thousand yen (ordinary loss of 192,463 thousand yen in the same period of the previous fiscal year), and profit attributable to owners of parent of 139,370 thousand yen (loss attributable to owners of parent of 107,618 thousand yen in the same period of the previous fiscal year) for the six months ended February 29, 2024.

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 is expanding functions and strengthening the acquisition of users through marketing investments towards the future expansion of services.

As a result, sales amounted to 2,103,420 thousand yen (up 8.0% year-on-year), while segment profit amounted to 224,189 thousand yen (segment loss of 158,536 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 313,030 thousand yen (up 26.6% year-on-year), while segment profit amounted to 71,712 thousand yen (up 203.2% year-on-year).

(iii) Agent

In “Agent,” the Company acquired the shares of PORT ENGINEERING INC. in July 2023 and made it a wholly owned subsidiary. In addition, the Company launched a new business called “coconala Assist,” a monthly service in which talented assistants support businesses, in October 2023, and expanded the coconala economic zone.

As a result, sales amounted to 361,726 thousand yen, while segment loss amounted to 90,038 thousand yen.

(2) Financial Position

(i) Status of assets, liabilities and net assets

(Assets)

Total assets as of February 29, 2024, increased by 684,176 thousand yen from the end of the previous fiscal year to 5,917,091 thousand yen.

This was mainly due to an increase of 529,373 thousand yen in cash and deposits and 186,337 thousand yen in investment securities.

(Liabilities)

Total liabilities as of February 29, 2024, increased by 95,649 thousand yen from the end of the previous fiscal year to 2,202,600 thousand yen.

This was mainly due to an increase of 89,782 yen in advances received and 36,933 thousand yen in income taxes payable and a decrease of 35,547 thousand yen in deposits received.

(Net assets)

Total net assets as of February 29, 2024, increased by 588,527 thousand yen from the end of the previous fiscal year to 3,714,490 thousand yen.

This was mainly due to an increase of 369,952 thousand yen in non-controlling interests, 139,449 thousand yen in retained earnings and 66,755 thousand yen in share acquisition rights.

(ii) Cash flows

Total cash and cash equivalents as of February 29, 2024 increased by 529,373 thousand yen from the end of the previous fiscal year to 3,523,105 thousand yen. The respective cash flow positions and main factors behind the changes are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 408,629 thousand yen (58,568 thousand yen used in the same quarter of the previous fiscal year). This was mainly due to 156,565 thousand yen of profit (loss) before income taxes, an increase of 89,782 yen in advances received, a decrease of 74,264 thousand yen in trade receivables and 72,728 yen of share-based payment expenses.

(Cash flows from investing activities)

Net cash used in investing activities was 301,543 thousand yen (228,005 thousand yen used in the same quarter of the previous fiscal year). This was mainly due to 214,452 thousand yen for purchase of investment securities and 86,978 thousand yen for payment of guarantee deposits.

(Cash flows from financing activities)

Net cash provided by financing activities was 422,087 thousand yen (297,232 thousand yen provided in the same quarter of the previous fiscal year). This was mainly due to 414,700 thousand yen of proceeds from share issuance to non-controlling shareholders and 7,387 thousand yen of proceeds from issuance of shares resulting from exercise of share acquisition rights.

(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)	Six months ended February 29, 2024 (As of February 29, 2024)
Assets		
Current assets		
Cash and deposits	2,993,732	3,523,105
Accounts receivable - trade	475,700	401,436
Prepaid expenses	116,686	132,366
Other	104,545	81,185
Total current assets	3,690,665	4,138,093
Non-current assets		
Property, plant and equipment		
Buildings	171,161	171,161
Tools, furniture and fixtures	98,034	98,147
Accumulated depreciation	(84,575)	(98,122)
Total property, plant and equipment	184,620	171,186
Intangible assets		
Software	8,466	7,361
Goodwill	144,721	138,042
Customer-related assets	55,100	49,400
Total intangible assets	208,287	194,803
Investments and other assets		
Investment securities	893,174	1,079,512
Long-term prepaid expenses	10,515	5,889
Guarantee deposits	241,507	323,461
Other	4,143	4,143
Total investments and other assets	1,149,341	1,413,007
Total non-current assets	1,542,249	1,778,997
Total assets	5,232,914	5,917,091

(Thousands of yen)

	Previous fiscal year (As of August 31, 2023)	Six months ended February 29, 2024 (As of February 29, 2024)
Liabilities		
Current liabilities		
Accounts payable - trade	62,974	50,480
Accounts payable - other	287,635	307,250
Accrued expenses	49,009	45,839
Income taxes payable	38,927	75,861
Advances received	542,078	631,860
Deposits received	1,001,005	965,458
Provision for point card certificates	3,127	2,684
Provision for coupons	7,567	6,613
Other	97,172	101,426
Total current liabilities	2,089,497	2,187,474
Non-current liabilities		
Deferred tax liabilities	17,453	15,126
Total non-current liabilities	17,453	15,126
Total liabilities	2,106,951	2,202,600
Net assets		
Shareholders' equity		
Share capital	1,238,686	1,244,895
Capital surplus	2,384,341	2,390,490
Retained earnings	(1,677,039)	(1,537,589)
Total shareholders' equity	1,945,989	2,097,796
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	112	124
Total accumulated other comprehensive income	112	124
Share acquisition rights	110,999	177,755
Non-controlling interests	1,068,862	1,438,814
Total net assets	3,125,963	3,714,490
Total liabilities and net assets	5,232,914	5,917,091

(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)

	Six months ended February 28, 2023 (September 1, 2022 - February 28, 2023)	Six months ended February 29, 2024 (September 1, 2023 - February 29, 2024)
Sales	2,195,221	2,778,177
Cost of sales	103,560	415,850
Gross profit	2,091,661	2,362,326
Selling, general and administrative expenses	2,240,291	2,176,545
Operating profit (loss)	(148,630)	185,781
Non-operating income		
Interest income	13	13
Income from refund	5,437	6,604
Other	344	284
Total non-operating income	5,795	6,901
Non-operating expenses		
Interest expenses	99	99
Loss on valuation of investment securities	49,500	30,000
Loss on amortization of stock compensation	—	6,018
Miscellaneous losses	30	—
Total non-operating expenses	49,629	36,118
Ordinary (profit) loss	(192,463)	156,565
Extraordinary income		
Gain on reversal of share acquisition rights	12,500	—
Total extraordinary income	12,500	—
Profit (loss) before income taxes	(179,963)	156,565
Income taxes - current	4,383	66,143
Income taxes - deferred	—	(2,327)
Total income taxes	4,383	63,816
Profit (loss)	(184,346)	92,748
Profit (loss) attributable to non-controlling interests	(76,727)	(46,621)
Profit (loss) attributable to owners of parent	(107,618)	139,370

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

(Thousands of yen)

	Six months ended February 28, 2023 (September 1, 2022 - February 28, 2023)	Six months ended February 29, 2024 (September 1, 2023 - February 29, 2024)
Profit (loss)	(184,346)	92,748
Other comprehensive income		
Valuation difference on available-for-sale securities	(932)	1,885
Total other comprehensive income	(932)	1,885
Comprehensive income	(185,278)	94,634
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(107,625)	139,382
Comprehensive income attributable to non-controlling interests	(77,653)	(44,747)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Six months ended February 28, 2023 (September 1, 2022 - February 28, 2023)	Six months ended February 29, 2024 (September 1, 2023 - February 29, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	(179,963)	156,565
Depreciation	11,869	14,651
Amortization of goodwill	—	6,679
Amortization expense of customer-related assets	—	5,700
Amortization of guarantee deposits	3,210	4,823
Loss (gain) on valuation of investment securities	49,500	30,000
Gain on reversal of share acquisition rights	(12,500)	—
Share-based payment expenses	46,640	72,728
Interest income	(13)	(13)
Interest expenses	99	99
Decrease (increase) in trade receivables	68,599	74,264
Decrease (increase) in prepaid expenses	2,658	(18,807)
Decrease (increase) in long-term prepaid expenses	3,307	6,811
Increase (decrease) in notes and accounts payable - trade	—	(12,494)
Increase (decrease) in accounts payable - other	(166,103)	19,614
Increase (decrease) in accrued expenses	6,567	(3,170)
Increase (decrease) in income taxes payable - factor based tax	6,457	(497)
Increase (decrease) in accrued consumption taxes	43,920	4,218
Increase (decrease) in advances received	79,940	89,782
Increase (decrease) in deposits received	(34,600)	(35,547)
Increase (decrease) in provision for point card certificates	1,516	(443)
Increase (decrease) in provision for coupons	1,150	(953)
Decrease (increase) in other current assets	2,217	23,415
Increase (decrease) in other current liabilities	—	—
Subtotal	(65,526)	437,428
Interest received	13	13
Interest paid	(99)	(99)
Income taxes refund	8,295	—
Income taxes paid	(1,252)	(28,712)
Net cash provided by (used in) operating activities	(58,568)	408,629
Cash flows from investing activities		
Purchase of property, plant and equipment	(35,790)	(113)
Purchase of investment securities	(156,147)	(214,452)
Payments of guarantee deposits	(36,067)	(86,978)
Proceeds from collection of guarantee deposits	—	200
Net cash provided by (used in) investing activities	(228,005)	(301,343)
Cash flows from financing activities		
Proceeds from issuance of shares resulting from exercise of share acquisition rights	25,232	7,387
Proceeds from issuance of share acquisition rights	7,000	—
Proceeds from share issuance to non-controlling shareholders	265,000	414,700
Net cash provided by (used in) financing activities	297,232	422,087
Net increase (decrease) in cash and cash equivalents	10,658	529,373
Cash and cash equivalents at beginning of period	3,050,945	2,993,732
Cash and cash equivalents at end of period	3,061,603	3,523,105

(4) 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 six months ended February 28, 2023 (September 1, 2022 - February 28, 2023)

1. Disclosure of sales 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	1,947,871	—	—	1,947,871	—	1,947,871
Goods transferred over a certain period	—	247,350	—	247,350	—	247,350
Revenue from contracts with customers	1,947,871	247,350	—	2,195,221	—	2,195,221
Other revenue	—	—	—	—	—	—
Revenues from external customers	1,947,871	247,350	—	2,195,221	—	2,195,221
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	1,947,871	247,350	—	2,195,221	—	2,195,221
Segment profit (loss)	(158,536)	23,649	—	(134,887)	(13,742)	(148,630)

(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 six months ended February 29, 2024 (September 1, 2023 - February 29, 2024)

1. Disclosure of sales 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	2,103,420	—	—	2,103,420	—	2,103,420
Goods transferred over a certain period	—	313,030	361,726	674,756	—	674,756
Revenue from contracts with customers	2,103,420	313,030	361,726	2,778,177	—	2,778,177
Other revenue	—	—	—	—	—	—
Revenues from external customers	2,103,420	313,030	361,726	2,778,177	—	2,778,177
Intersegment operating revenue or transfers	—	—	—	—	—	—
Total	2,103,420	313,030	361,726	2,778,177	—	2,778,177
Segment profit (loss)	224,189	71,712	(90,038)	205,863	(20,081)	185,781

(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 six months ended February 28, 2023.

(Significant Subsequent Events)

Not applicable.