

**Translation**

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**Summary of Financial Results  
for the Three Months Ended June 30, 2021  
(Based on Japanese GAAP)**

August 12, 2021

Company name: kaonavi, inc.  
 Listed stock exchange: Tokyo  
 Stock code: 4435 URL <https://corp.kaonavi.jp/en>  
 Representative: Representative Director, President & CEO Hiroki Yanagihashi  
 Inquiries: Director & CFO Kimitaka Hashimoto TEL 03(6633)3258  
 Scheduled date to file Quarterly Securities Report: August 12, 2021  
 Scheduled date to commence dividend payments: —  
 Supplementary materials: Yes  
 Meeting for institutional investors and analysts: Yes

(Figures are rounded to the nearest million yen)

**1. Financial results for the three months ended June 30, 2021 (April 1, 2021 - June 30, 2021)**

(1) Operating results (cumulative)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2021	1,008	33.9	30	(75.2)	28	(76.6)	18	(78.1)
Three months ended June 30, 2020	753	30.6	120	—	119	—	82	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Three months ended June 30, 2021	1.57		1.45	
Three months ended June 30, 2020	7.31		6.53	

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of June 30, 2021	3,189		949		29.8	
As of March 31, 2021	3,014		961		31.9	

Reference: Shareholders' equity

June 30, 2021: 949 million yen

March 31, 2021: 961 million yen

**2. Dividends**

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2021	—	0.00	—	0.00	0.00
Year ending March 31, 2022	—				
Year ending March 31, 2022 (forecast)		0.00	—	0.00	0.00

Note: Amendments to dividend forecast compared with the most recent disclosure: None

### 3. Forecast for the fiscal year ending March 31, 2022 (April 1, 2021 - March 31, 2022)

(Percentages show the change from the same period of previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Net profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,540	33.4	100	—	93	—	26	—	2.28

Note: Revisions of most recent financial results forecast: None

Note: As “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29), etc. are to be applied in the beginning of fiscal year ending March 31, 2022, the above financial forecast complies with the new standards.

### 4. Notes

- (1) Application of special accounting methods for preparing quarterly financial statements: Yes  
(Calculation of tax expenses)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after application of tax-effect accounting to profit before income taxes for the fiscal year including the first quarter of the fiscal year under review, with quarterly profit before income taxes then multiplied by the estimated effective tax rate.

However, in the event that this tax expense calculation using estimated effective tax rate results in a significantly improbable figure, a method using the statutory effective tax rate may be adopted.

- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- 2) Changes in accounting policies due to other reasons: None
- 3) Changes in accounting estimates: None
- 4) Restatement of prior period financial statements: None

(Application of Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of this change, the Company has changed its method of recognizing revenue related to initial costs, which was previously performed by recognizing revenue in a lump sum at the start of the basic service contract, to the method of recognizing revenue over the term of the contract. Also, the Company changed its method of recognizing revenue related to discounting multiple service contracts entered into with the same customer at the same time or roughly the same time, which was previously performed by recognizing revenue after considering the discount on each service individually, to a method of recognizing revenue after adding up the discounts for each service and allocating discounts to each service according to the ratio of the stand-alone selling price.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year was added to or deducted from the opening balance of retained earnings of the first quarter of the current fiscal year, and thus the new accounting policy was applied from such opening balance.

For the first three months of the current fiscal year, as a result of this change, net sales, operating profit, ordinary profit, and profit before income taxes each increased by ¥ 4,277 thousand. In addition, retained earnings as of the beginning of the current fiscal year decreased by ¥ 80,170 thousand.

Due to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, ¥ 38,610 thousand in contract liabilities was recognized in the balance sheet for the first quarter of the current fiscal year.

- (3) Number of shares outstanding (common shares)

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

As of June 30, 2021:	11,445,300 shares	As of March 31, 2021:	11,382,000 shares
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- 2) Number of treasury stock at the end of period
 

As of June 30, 2021:	243 shares	As of March 31, 2021:	208 shares
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- 3) Average number of shares outstanding during the period
 

Three months ended June 30, 2021:	11,422,198 shares	Three months ended June 30, 2020:	11,169,502 shares
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This quarterly report of financial results is out of scope of quarterly review procedures conducted by independent auditors.

#### \* Cautionary statement with respect to forward-looking statements

The forecasts above are based on the judgments made in accordance with information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

## Quarterly Financial Statements

### 1. Balance Sheets

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	1,955,069	2,132,564
Accounts receivable - trade	178,600	188,777
Prepaid expenses	123,585	132,420
Other	5,526	7,468
Allowance for doubtful accounts	(173)	(183)
Total current assets	2,262,608	2,461,047
Non-current assets		
Property, plant and equipment		
Buildings	192,746	192,746
Accumulated depreciation	(13,372)	(21,428)
Buildings, net	179,375	171,318
Tools, furniture and fixtures	84,520	84,520
Accumulated depreciation	(27,980)	(33,294)
Tools, furniture and fixtures, net	56,540	51,226
Total property, plant and equipment	235,914	222,544
Intangible assets		
Software	14,076	12,950
Total intangible assets	14,076	12,950
Investments and other assets		
Investment securities	96,146	96,124
Guarantee deposits	386,710	382,094
Long-term prepaid expenses	18,098	14,705
Total investments and other assets	500,954	492,923
Total non-current assets	750,945	728,417
Total assets	3,013,552	3,189,464

(Thousands of yen)

	As of March 31, 2021	As of June 30, 2021
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	45,288	41,253
Current portion of long-term loans payable	127,164	127,164
Accounts payable - other	147,085	97,075
Accrued expenses	211,072	212,512
Income taxes payable	20,694	20,143
Deposits received	10,353	11,916
Deferred revenue	961,557	1,211,365
Contract liabilities	—	38,610
Provision for share-based compensation	26,113	18,563
Other	48,422	38,359
Total current liabilities	1,597,747	1,816,960
Non-current liabilities		
Long-term loans payable	454,545	422,754
Deferred tax liabilities	313	306
Total non-current liabilities	454,858	423,060
Total liabilities	2,052,605	2,240,021
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,066,270	1,091,730
Capital surplus		
Legal capital surplus	1,056,270	1,081,730
Total capital surplus	1,056,270	1,081,730
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,161,509)	(1,223,792)
Total retained earnings	(1,161,509)	(1,223,792)
Treasury stock	(792)	(920)
Total shareholders' equity	960,238	948,749
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	709	694
Total Valuation and translation adjustments	709	694
Total net assets	960,947	949,443
Total liabilities and net assets	3,013,552	3,189,464

## 2. Statements of Income (cumulative)

(Thousands of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	752,813	1,008,288
Cost of sales	189,401	293,005
Gross profit	563,412	715,283
Selling, general and administrative expenses	443,178	685,467
Operating profit	120,234	29,816
Non-operating income		
Interest income	2	1
Miscellaneous income	65	—
Total non-operating income	67	1
Non-operating expenses		
Interest expenses	968	1,463
Share issuance cost	—	447
Other	46	1
Total non-operating expenses	1,014	1,911
Ordinary profit	119,288	27,906
Profit before income taxes	119,288	27,906
Total income taxes	37,616	10,019
Net Profit	81,672	17,887