

Translation

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

November 11, 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: November 11, 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 six months ended September 30, 2021 (April 1, 2021 - September 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	%
Six months ended September 30, 2021	2,069	31.3	99	(38.8)	95	(40.6)	63	(27.5)
Six months ended September 30, 2020	1,575	30.1	161	—	159	—	86	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2021	5.47		5.05	
Six months ended September 30, 2020	7.68		6.93	

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of September 30, 2021	3,290		1,043		31.7	
As of March 31, 2021	3,014		961		31.9	

Reference: Shareholders' equity

September 30, 2021: 1,043 million yen

March 31, 2021: 961 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total
Year ended March 31, 2021	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 0.00
Year ending March 31, 2022	—	0.00			
Year ending March 31, 2022 (forecast)			—	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 second 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 six months of the current fiscal year, as a result of this change, net sales, operating profit, ordinary profit, and profit before income taxes each decreased by ¥ 3,539 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, ¥ 19,871 thousand in contract liabilities was recognized in the balance sheet for the second quarter of the current fiscal year and ¥ 19,871 thousand in increase (decrease) in contract liabilities was recognized in the cash flow statement for the first six months 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 September 30, 2021:	11,494,000 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 September 30, 2021:	243 shares	As of March 31, 2021:	208 shares
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- 3) Average number of shares outstanding during the period

Six months ended September 30, 2021:	11,449,836 shares	Six months ended September 30, 2020:	11,233,369 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 September 30, 2021
Assets		
Current assets		
Cash and deposits	1,955,069	2,253,589
Accounts receivable - trade	178,600	173,746
Prepaid expenses	123,585	136,425
Other	5,526	2,132
Allowance for doubtful accounts	(173)	(174)
Total current assets	2,262,608	2,565,718
Non-current assets		
Property, plant and equipment		
Buildings	192,746	192,746
Accumulated depreciation	(13,372)	(29,485)
Buildings, net	179,375	163,261
Tools, furniture and fixtures	84,520	84,520
Accumulated depreciation	(27,980)	(38,608)
Tools, furniture and fixtures, net	56,540	45,912
Total property, plant and equipment	235,914	209,174
Intangible assets		
Software	14,076	12,094
Total intangible assets	14,076	12,094
Investments and other assets		
Investment securities	96,146	96,392
Guarantee deposits	386,710	377,474
Long-term prepaid expenses	18,098	28,716
Total investments and other assets	500,954	502,582
Total non-current assets	750,945	723,850
Total assets	3,013,552	3,289,569

(Thousands of yen)

	As of March 31, 2021	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	45,288	47,703
Current portion of long-term loans payable	127,164	127,164
Accounts payable - other	147,085	83,213
Accrued expenses	211,072	197,388
Income taxes payable	20,694	51,350
Deposits received	10,353	13,136
Deferred revenue	961,557	1,248,028
Contract liabilities	—	19,871
Provision for share-based compensation	26,113	14,675
Other	48,422	52,228
Total current liabilities	1,597,747	1,854,756
Non-current liabilities		
Long-term loans payable	454,545	390,963
Deferred tax liabilities	313	388
Total non-current liabilities	454,858	391,351
Total liabilities	2,052,605	2,246,107
Net assets		
Shareholders' equity		
Capital stock	1,066,270	1,116,280
Capital surplus		
Legal capital surplus	1,056,270	1,106,280
Total capital surplus	1,056,270	1,106,280
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,161,509)	(1,179,060)
Total retained earnings	(1,161,509)	(1,179,060)
Treasury stock	(792)	(920)
Total shareholders' equity	960,238	1,042,581
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	709	880
Total Valuation and translation adjustments	709	880
Total net assets	960,947	1,043,461
Total liabilities and net assets	3,013,552	3,289,569

2. Statements of Income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Net sales	1,575,436	2,069,300
Cost of sales	393,312	583,642
Gross profit	1,182,124	1,485,658
Selling, general and administrative expenses	1,021,028	1,387,128
Operating profit	161,096	98,531
Non-operating income		
Interest income	10	11
Miscellaneous income	693	114
Total non-operating income	703	125
Non-operating expenses		
Interest expenses	1,849	2,856
Share issuance cost	819	1,233
Other	2	1
Total non-operating expenses	2,670	4,090
Ordinary profit	159,128	94,566
Extraordinary losses		
Headquarters relocation expenses	30,395	—
Total extraordinary losses	30,395	—
Profit before income taxes	128,734	94,566
Total income taxes	42,421	31,946
Net Profit	86,313	62,620

3. Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2020	Six months ended September 30, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	128,734	94,566
Depreciation	6,320	29,003
Interest income	(10)	(11)
Interest expenses	1,849	2,856
Share issuance cost	819	1,233
Miscellaneous income	(3)	(28)
Increase (decrease) in allowance for doubtful accounts	(383)	1
Increase (decrease) in provision for share-based compensation	10,714	10,334
Decrease (increase) in accounts receivable - trade	8,118	4,855
Decrease (increase) in prepaid expenses	(17,179)	(3,456)
Increase (decrease) in accounts payable - trade	3,025	2,415
Increase (decrease) in accounts payable - other	68,616	(63,872)
Increase (decrease) in accrued expenses	42,781	(13,684)
Increase (decrease) in deferred revenue	177,024	198,284
Increase (decrease) in contract liabilities	—	19,871
Other, net	31,335	39,961
Subtotal	461,761	322,327
Interest received	10	11
Interest expenses paid	(1,806)	(2,747)
Income taxes paid	(4,513)	(5,613)
Net cash provided by (used in) operating activities	455,452	313,978
Cash flows from investing activities		
Purchase of property, plant and equipment	(89,839)	—
Purchase of intangible assets	—	(281)
Purchase of investment securities	(33,278)	—
Proceeds from guarantee deposits	—	(5)
Net cash provided (used in) investing activities	(123,117)	(285)
Cash flows from financing activities		
Repayments of long-term loans payable	(61,860)	(63,582)
Purchase of treasury shares	(372)	(128)
Proceeds from issuance of common shares	21,561	48,537
Net cash provided (used in) financing activities	(40,671)	(15,173)
Net increase (decrease) in cash and cash equivalents	291,663	298,520
Cash and cash equivalents at beginning of period	1,634,775	1,955,069
Cash and cash equivalents at end of period	1,926,439	2,253,589