

Translation

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Summary of Financial Results
for the Nine Months Ended December 31, 2021
(Based on Japanese GAAP)

February 10, 2022

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: February 10, 2022
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 nine months ended December 31, 2021 (April 1, 2021 - December 31, 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	%
Nine months ended December 31, 2021	3,230	31.4	231	123.8	226	126.7	152	—
Nine months ended December 31, 2020	2,458	29.8	103	—	100	—	(8)	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2021	13.26		12.30	
Nine months ended December 31, 2020	(0.68)		—	

Note: "Diluted earnings per share" for nine months ended December 31, 2020 is not presented because of the current net loss.

(2) Financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of December 31, 2021	3,637		1,143		31.4	
As of March 31, 2021	3,014		961		31.9	

Reference: Shareholders' equity

December 31, 2021: 1,143 million yen

March 31, 2021: 961 million yen

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total
	Yen				
Year ended March 31, 2021	—	0.00	—	0.00	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	4,490	32.0	147	—	136	—	69	—	6.01

Note: Revisions of most recent financial results forecast: Yes

Note: Please refer to the "Announcement of Financial Forecast Revision" disclosed on February 10, 2022 for more details of the revision.

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 third 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 nine 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 ¥ 22,768 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, ¥ 39,991 thousand in contract liabilities was recognized in the balance sheet for the third 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 December 31, 2021:	11,501,800 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 December 31, 2021:	280 shares	As of March 31, 2021:	208 shares
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- 3) Average number of shares outstanding during the period

Nine months ended December 31, 2021:	11,466,105 shares	Nine months ended December 31, 2020:	11,264,055 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 December 31, 2021
Assets		
Current assets		
Cash and deposits	1,955,069	2,563,533
Accounts receivable - trade	178,600	204,909
Prepaid expenses	123,585	151,396
Other	5,526	17,308
Allowance for doubtful accounts	(173)	(205)
Total current assets	2,262,608	2,936,941
Non-current assets		
Property, plant and equipment		
Buildings	192,746	192,746
Accumulated depreciation	(13,372)	(37,542)
Buildings, net	179,375	155,205
Tools, furniture and fixtures	84,520	84,520
Accumulated depreciation	(27,980)	(43,921)
Tools, furniture and fixtures, net	56,540	40,599
Total property, plant and equipment	235,914	195,803
Intangible assets		
Software	14,076	10,954
Total intangible assets	14,076	10,954
Investments and other assets		
Investment securities	96,146	97,006
Guarantee deposits	386,710	372,854
Long-term prepaid expenses	18,098	22,949
Total investments and other assets	500,954	492,809
Total non-current assets	750,945	699,566
Total assets	3,013,552	3,636,507

(Thousands of yen)

	As of March 31, 2021	As of December 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	45,288	46,711
Current portion of long-term loans payable	127,164	127,164
Accounts payable - other	147,085	95,031
Accrued expenses	211,072	222,082
Income taxes payable	20,694	103,483
Deposits received	10,353	5,981
Deferred revenue	961,557	1,392,459
Contract liabilities	—	39,991
Provision for share-based compensation	26,113	16,124
Other	48,422	85,084
Total current liabilities	1,597,747	2,134,110
Non-current liabilities		
Long-term loans payable	454,545	359,172
Deferred tax liabilities	313	576
Total non-current liabilities	454,858	359,748
Total liabilities	2,052,605	2,493,858
Net assets		
Shareholders' equity		
Capital stock	1,066,270	1,121,009
Capital surplus		
Legal capital surplus	1,056,270	1,111,009
Total capital surplus	1,056,270	1,111,009
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,161,509)	(1,089,650)
Total retained earnings	(1,161,509)	(1,089,650)
Treasury stock	(792)	(1,026)
Total shareholders' equity	960,238	1,141,343
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	709	1,306
Total Valuation and translation adjustments	709	1,306
Total net assets	960,947	1,142,649
Total liabilities and net assets	3,013,552	3,636,507

2. Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	2,457,981	3,230,073
Cost of sales	641,321	872,022
Gross profit	1,816,660	2,358,051
Selling, general and administrative expenses	1,713,341	2,126,786
Operating profit	103,318	231,265
Non-operating income		
Interest income	11	12
Miscellaneous income	804	250
Total non-operating income	815	262
Non-operating expenses		
Interest expenses	2,834	4,155
Share issuance cost	876	1,526
Loss on sales and retirement of non-current assets	806	—
Other	2	2
Total non-operating expenses	4,517	5,683
Ordinary profit	99,617	225,844
Extraordinary losses		
Headquarters relocation expenses	102,952	—
Total extraordinary losses	102,952	—
Profit (loss) before income taxes	(3,336)	225,844
Total income taxes	4,364	73,814
Net Profit (loss)	(7,699)	152,030