

Translation

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**Summary of Financial Results
for the Nine Months Ended December 31, 2022
(Based on Japanese GAAP)**

February 10, 2023

Company name: kaonavi, inc.
 Listed stock exchange: Tokyo
 Stock code: 4435 URL <https://corp.kaonavi.jp/en>
 Representative: Representative Director, President & Co-CEO Hiroyuki Sato
 Inquiries: Director & CFO Kimitaka Hashimoto TEL 03(6633)3258
 Scheduled date to file Quarterly Securities Report: February 10, 2023
 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, 2022 (April 1, 2022 - December 31, 2022)

(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, 2022	4,339	34.3	263	13.6	258	14.4	172	13.4
Nine months ended December 31, 2021	3,230	31.4	231	123.8	226	126.7	152	—

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended December 31, 2022	14.93		14.02	
Nine months ended December 31, 2021	13.26		12.30	

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2022	4,387	1,412	32.2
As of March 31, 2022	3,993	1,208	30.3

Reference: Shareholders' equity December 31, 2022: 1,412 million yen March 31, 2022: 1,208 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, 2022	—	0.00	—	0.00	0.00
Year ending March 31, 2023	—	0.00	—		
Year ending March 31, 2023 (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, 2023 (April 1, 2022 - March 31, 2023)

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

	Net sales		Operating profit	
	Millions of yen	%	Millions of yen	%
Full year	5,960	32.6	282	62.0

Note: Revisions of most recent financial results forecast: Yes

Note: Please refer to the "Announcement of Financial Forecast Revision" disclosed on February 10, 2023, for more details of the revision.

Also, the Company will refrain from disclosing specific forecast figures for ordinary profit and net profit.

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: None

2) Changes in accounting policies due to other reasons: None

3) Changes in accounting estimates: Yes

4) Restatement of prior period financial statements: None

(Changes in accounting estimates)

The company expects to relocate its headquarters in July 2023. Accordingly, the Company has shortened and changed prospectively the useful lives of fixed assets that are not expected to be used after the relocation. In addition, the period for recording asset retirement obligations related to restoration costs associated with the Company's fixed-term building lease contract has been changed so that the cost is to be incurred by the termination date of the contract.

As a result of this change, compared to the previous method, gross profit decreased by 23,059 thousand yen, and operating profit, ordinary profit, and net profit before income taxes decreased by 62,450 thousand yen each for the nine 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 December 31, 2022: 11,577,700 shares As of March 31, 2022: 11,518,800 shares

- 2) Number of treasury stock at the end of period

As of December 31, 2022: 280 shares As of March 31, 2022: 280 shares

- 3) Average number of shares outstanding during the period

Nine months ended December 31, 2022: 11,549,622 shares Nine months ended December 31, 2021: 11,466,105 shares

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, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	2,835,157	3,095,139
Accounts receivable - trade	210,235	235,324
Prepaid expenses	142,938	241,901
Other	2,321	9,696
Allowance for doubtful accounts	(189)	(212)
Total current assets	3,190,461	3,581,848
Non-current assets		
Property, plant and equipment		
Buildings	199,627	213,806
Accumulated depreciation	(45,295)	(107,084)
Buildings, net	154,331	106,722
Tools, furniture and fixtures	83,813	93,553
Accumulated depreciation	(48,121)	(66,613)
Tools, furniture and fixtures, net	35,692	26,940
Total property, plant and equipment	190,024	133,662
Intangible assets		
Trademark right	297	240
Software	9,813	6,578
Total intangible assets	10,110	6,818
Investments and other assets		
Investment securities	52,002	113,953
Guarantee deposits	388,081	399,582
Long-term prepaid expenses	17,182	5,538
Deferred tax assets	145,101	145,101
Total investments and other assets	602,366	664,173
Total non-current assets	802,499	804,653
Total assets	3,992,960	4,386,500

(Thousands of yen)

	As of March 31, 2022	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	57,192	60,467
Current portion of long-term loans payable	127,164	274,672
Accounts payable - other	310,531	132,143
Accrued expenses	194,352	245,968
Income taxes payable	79,429	74,421
Accrued consumption taxes	101,869	81,316
Deposits received	12,655	6,917
Deferred revenue	1,509,403	1,960,584
Contract liabilities	47,556	53,566
Provision for share-based compensation	17,550	—
Total current liabilities	2,457,700	2,890,054
Non-current liabilities		
Long-term loans payable	327,381	84,500
Total non-current liabilities	327,381	84,500
Total liabilities	2,785,081	2,974,554
Net assets		
Shareholders' equity		
Capital stock	1,125,259	1,138,273
Capital surplus		
Legal capital surplus	1,115,259	1,128,273
Other capital surplus	—	5,630
Total capital surplus	1,115,259	1,133,903
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,031,614)	(859,203)
Total retained earnings	(1,031,614)	(859,203)
Treasury stock	(1,026)	(1,026)
Total shareholders' equity	1,207,879	1,411,946
Total net assets	1,207,879	1,411,946
Total liabilities and net assets	3,992,960	4,386,500

2. Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2021	Nine months ended December 31, 2022
Net sales	3,230,073	4,339,234
Cost of sales	872,022	1,089,633
Gross profit	2,358,051	3,249,601
Selling, general and administrative expenses	2,126,786	2,986,854
Operating profit	231,265	262,747
Non-operating income		
Interest income	12	16
Miscellaneous income	250	43
Total non-operating income	262	59
Non-operating expenses		
Interest expenses	4,155	3,231
Share issuance cost	1,526	1,156
Other	2	—
Total non-operating expenses	5,683	4,387
Ordinary profit	225,844	258,419
Profit before income taxes	225,844	258,419
Total income taxes	73,814	86,007
Net Profit	152,030	172,411