

**Translation**

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**Summary of Financial Results for the Year Ended March 31, 2023  
(Based on Japanese GAAP)**

May 12, 2023

Company name: kaonavi, inc.  
 Listed stock exchange: Tokyo  
 Stock code: 4435 URL <https://corp.kaonavi.jp/en>  
 Representative: Representative Director, President & CEO Hiroyuki Sato  
 Inquiries: Director & CFO Kimitaka Hashimoto TEL 03(6633)3258  
 Scheduled date of ordinary general meeting of shareholders: June 22, 2023  
 Scheduled date to file Securities Report: June 23, 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 year ended March 31, 2023 (April 1, 2022 - March 31, 2023)**

(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	%
Year ended March 31, 2023	5,990	33.2	322	85.1	317	93.9	246	17.3
Year ended March 31, 2022	4,496	32.2	174	—	164	—	210	—

	Earnings per share	Diluted earnings per share	Net profit / equity	Ordinary profit / total assets	Operation profit / net sales
	Yen	Yen	%	%	%
Year ended March 31, 2023	21.32	20.03	18.3	7.4	5.4
Year ended March 31, 2022	18.30	17.02	19.4	4.7	3.9

(2) Financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	4,623	1,491	32.3	128.77
As of March 31, 2022	3,993	1,208	30.3	104.86

Reference: Shareholders' equity March 31, 2023: 1,491 million yen March 31, 2022: 1,208 million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	816	(134)	(117)	3,400
Year ended March 31, 2022	979	(31)	(68)	2,835

**2. Dividends**

	Dividends per share					Total cash Dividends (Total)	Dividend payout ratio	Ratio of dividends to net assets
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total			
Year ended March 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Year ended March 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Year ending March 31, 2024 (forecast)	—	0.00	—	0.00	0.00	—	—	—

### 3. Forecast for the fiscal year ending March 31, 2024 (April 1, 2023 - March 31, 2024)

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

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Full year	7,390	23.4	720	51.9
	~7,510	~25.4	~960	~102.5

Note: Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Note: The figures for net sales and adjusted operating profit are shown in a range.

Note: The Company has set its mid-term management policy as follows: "Continuous ARR Growth", "Profitability Improvement", and "Promotion of Non-financial Activities".

As part of the measures for continuous ARR growth, the Company aims to build a human resource data platform that delivers the best UX to customers by adding value through various integrated services centered around the HR database. In the fiscal year ending March 31, 2024, the Company intends to expand and evolve the human resource data platform by focusing on developing new features in addition to improving existing features. Also, the Company will explore the possibility of new research and development as well as M&As to create a new business domain.

The low end of net sales is set at 7,390 million yen (+23.4% YoY) based on conservative estimates of new customer acquisition and churn rate, while the high end of net sales is set at 7,510 million yen (+25.4% YoY) based on the assumption of steady growth.

As above, the Company intends to focus on feature development in the fiscal year ending March 31, 2024, and therefore gross profit is expected to be in the range of 5,410 million yen to 5,530 million yen, with a profit margin of 73.2% to 73.6% which is the same level as the previous fiscal year.

Additionally, the Company plans to vigorously advance organizational reinforcement and marketing activities. However, since the Company may make flexible and agile investment decisions considering general trends and the competitive landscape of the market, the Company plans to invest in the range of 2,480 million yen to 2,630 million yen for personnel expenses, and 1,510 million yen to 1,560 million yen for marketing-related expenses. As a result, adjusted operating profit is expected to be in the range of 720 million yen to 960 million yen.

The forecasts set out here are based on information currently available to the Company and certain assumptions deemed rational. The Company does not disclose specific figures for operating profit, ordinary profit and net profit.

As separately disclosed in the "Notice Concerning Recording of Extraordinary Loss and the Difference between Results for the Current Year and the Previous Year" dated today, the Company expects to record an extraordinary loss of 86 million yen for the fiscal year ending March 31, 2024, which corresponds to moving expenses and double rent related to the headquarter relocation.

### 4. Notes

- (1) 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 42,240 thousand yen, and operating profit, ordinary profit, and net profit before income taxes decreased by 110,011 thousand yen each for the current fiscal year.

- (2) Number of shares outstanding (common shares)
- 1) Total number of issued shares at the end of the period (including treasury shares)
 

As of March 31, 2023:	11,581,700 shares	As of March 31, 2022:	11,518,800 shares
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  - 2) Number of treasury stock at the end of period
 

As of March 31, 2023:	280 shares	As of March 31, 2022:	280 shares
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  - 3) Average number of shares outstanding during the period
 

Year ended March 31, 2023:	11,557,249 shares	Year ended March 31, 2022:	11,476,005 shares
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This report of financial results is out of scope of 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. Therefore, forecasts 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 March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,835,157	3,399,662
Accounts receivable - trade	210,235	245,719
Contract assets	—	13,721
Prepaid expenses	142,938	222,411
Other	2,321	2,648
Allowance for doubtful accounts	(189)	(1,426)
Total current assets	3,190,461	3,882,736
Non-current assets		
Property, plant and equipment		
Buildings	199,627	213,806
Accumulated depreciation	(45,295)	(142,749)
Buildings, net	154,331	71,056
Tools, furniture and fixtures	83,813	93,553
Accumulated depreciation	(48,121)	(75,989)
Tools, furniture and fixtures, net	35,692	17,564
Total property, plant and equipment	190,024	88,620
Intangible assets		
Trademark right	297	221
Software	9,813	5,549
Total intangible assets	10,110	5,770
Investments and other assets		
Investment securities	52,002	86,097
Guarantee deposits	388,081	376,877
Long-term prepaid expenses	17,182	3,164
Deferred tax assets	145,101	179,648
Total investments and other assets	602,366	645,786
Total non-current assets	802,499	740,176
Total assets	3,992,960	4,622,912

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	57,192	87,270
Current portion of long-term loans payable	127,164	262,381
Accounts payable - other	310,531	199,347
Accrued expenses	194,352	211,134
Income taxes payable	79,429	73,022
Accrued consumption taxes	101,869	102,736
Deposits received	12,655	18,661
Deferred revenue	1,509,403	2,072,597
Contract liabilities	47,556	39,454
Provision for share-based compensation	17,550	—
<b>Total current liabilities</b>	<b>2,457,700</b>	<b>3,066,602</b>
Non-current liabilities		
Long-term loans payable	327,381	65,000
<b>Total non-current liabilities</b>	<b>327,381</b>	<b>65,000</b>
<b>Total liabilities</b>	<b>2,785,081</b>	<b>3,131,602</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,125,259	1,143,777
Capital surplus		
Legal capital surplus	1,115,259	1,133,777
<b>Total capital surplus</b>	<b>1,115,259</b>	<b>1,133,777</b>
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,031,614)	(785,217)
<b>Total retained earnings</b>	<b>(1,031,614)</b>	<b>(785,217)</b>
Treasury stock	(1,026)	(1,026)
<b>Total shareholders' equity</b>	<b>1,207,879</b>	<b>1,491,310</b>
<b>Total net assets</b>	<b>1,207,879</b>	<b>1,491,310</b>
<b>Total liabilities and net assets</b>	<b>3,992,960</b>	<b>4,622,912</b>

## 2. Statements of Income (cumulative)

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	4,496,344	5,990,097
Cost of sales	1,201,341	1,569,883
Gross profit	3,295,003	4,420,214
Selling, general and administrative expenses	3,120,915	4,097,913
Operating profit	174,089	322,301
Non-operating income		
Interest income	24	31
Miscellaneous income	250	50
Total non-operating income	274	81
Non-operating expenses		
Interest expenses	5,364	4,139
Share issuance cost	1,535	1,191
Loss on sales and retirement of non-current assets	3,932	—
Other	2	—
Total non-operating expenses	10,833	5,329
Ordinary profit	163,530	317,053
Extraordinary losses		
Loss on valuation of investment securities	43,122	27,856
Total extraordinary losses	43,122	27,856
Profit before income taxes	120,408	289,197
Total income taxes	55,442	77,347
Income taxes - deferred	(145,101)	(34,547)
Total income taxes	(89,658)	42,800
Net profit	210,066	246,397

### 3. Statements of Changes in Equity

Fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity							Valuation and translation adjustments		Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total Shareholders' equity	Valuation difference on available-for-sale securities	Total Valuation and translation adjustments	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings					
Balance at beginning of current period	1,066,270	1,056,270	1,056,270	(1,161,509)	(1,161,509)	(792)	960,238	709	709	960,947
Cumulative effects of changes in accounting policies				(80,170)	(80,170)		(80,170)			(80,170)
Restated balance	1,066,270	1,056,270	1,056,270	(1,241,679)	(1,241,679)	(792)	880,068	709	709	880,777
Changes of items during Period										
Issuance of new shares	58,990	58,990	58,990				117,979			117,979
Net profit				210,066	210,066		210,066			210,066
Purchase of treasury shares						(234)	(234)			(234)
Net changes in items other than shareholders' equity								(709)	(709)	(709)
Total changes of items during period	58,990	58,990	58,990	210,066	210,066	(234)	327,811	(709)	(709)	327,102
Balance at end of current Period	1,125,259	1,115,259	1,115,259	(1,031,614)	(1,031,614)	(1,026)	1,207,879	—	—	1,207,879

Fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity							Total net assets
	Capital stock	Capital surplus		Retained earnings		Treasury stock	Total shareholders' equity	
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings			
Balance at beginning of current period	1,125,259	1,115,259	1,115,259	(1,031,614)	(1,031,614)	(1,026)	1,207,879	1,207,879
Changes of items during period								
Issuance of new shares	18,517	18,517	18,517				37,034	37,034
Net profit				246,397	246,397		246,397	246,397
Total changes of items during period	18,517	18,517	18,517	246,397	246,397	—	283,431	283,431
Balance at end of current Period	1,143,777	1,133,777	1,133,777	(785,217)	(785,217)	(1,026)	1,491,310	1,491,310

#### 4. Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
<b>Cash flows from operating activities</b>		
Profit before income taxes	120,408	289,197
Depreciation	58,290	129,662
Guarantee deposits depreciation	18,480	58,531
Interest income	(24)	(31)
Interest expenses	5,364	4,139
Loss (gain) on valuation of investment securities	43,122	27,856
Loss (gain) on sale and retirement of non-current assets	3,932	—
Share issuance cost	1,535	1,191
Miscellaneous income	(28)	—
Increase (decrease) in allowance for doubtful accounts	16	1,236
Increase (decrease) in provision for share-based compensation	20,216	(584)
Decrease (increase) in accounts receivable - trade	(31,635)	(35,484)
Decrease (increase) in contract assets	—	(13,721)
Decrease (increase) in prepaid expenses	(10,059)	(88,695)
Increase (decrease) in accounts payable - trade	11,904	30,078
Increase (decrease) in accounts payable - other	162,166	(109,904)
Increase (decrease) in accrued expenses	(16,720)	16,782
Increase (decrease) in accrued consumption taxes	61,464	867
Increase (decrease) in deferred revenue	459,658	563,194
Increase (decrease) in contract liabilities	47,556	(8,101)
Other	34,349	37,161
<b>Subtotal</b>	<b>989,994</b>	<b>903,375</b>
Interest received	24	31
Interest expenses paid	(5,165)	(3,967)
Income taxes paid	(5,615)	(83,162)
<b>Cash flows from operating activities</b>	<b>979,238</b>	<b>816,276</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(10,804)	(24,895)
Purchase of intangible assets	(281)	(303)
Purchase of investment securities	—	(61,951)
Proceeds from guarantee deposits	(19,851)	(48,888)
Proceeds from refund of leasehold deposits	—	1,561
<b>Cash flows from investing activities</b>	<b>(30,936)</b>	<b>(134,476)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term loans payable	(127,164)	(127,164)
Purchase of treasury shares	(236)	—
Proceeds from issuance of common shares	59,185	9,869
<b>Cash flows from financing activities</b>	<b>(68,215)</b>	<b>(117,295)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>880,087</b>	<b>564,506</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,955,069</b>	<b>2,835,157</b>
<b>Cash and cash equivalents at end of period</b>	<b>2,835,157</b>	<b>3,399,662</b>