

Translation

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Summary of Financial Results for the Year Ended March 31, 2021 (Based on Japanese GAAP)

May 13, 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 of ordinary general meeting of shareholders: June 24, 2021
Scheduled date to file Securities Report: June 25, 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 year ended March 31, 2021 (April 1, 2020 - March 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	%
Year ended March 31, 2021	3,402	29.6	(11)	—	(16)	—	(131)	—
Year ended March 31, 2020	2,625	55.3	(278)	—	(280)	—	(357)	—

	Earnings per share	Diluted earnings per share	Net profit/ equity	Ordinary profit/ total assets	Operation profit/ net sales
	Yen	Yen	%	%	%
Year ended March 31, 2021	(11.59)	—	(13.4)	(0.6)	(0.3)
Year ended March 31, 2020	(32.89)	—	(30.5)	(12.3)	(10.6)

Note: "Diluted earnings per share" is not presented because of the current net loss.

Note: On January 1, 2020, the Company conducted a two-for-one stock split of common stock. "Earnings per share" calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2021	3,014	961	31.9	84.43
As of March 31, 2020	2,398	995	41.5	90.94

Reference: Shareholders' equity

March 31, 2021: 961 million yen

March 31, 2020: 995 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, 2021	384	(236)	173	1,955
Year ended March 31, 2020	(53)	(430)	331	1,635

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2020	—	0.00	—	0.00	0.00	—	—	—
Year ended March 31, 2021	—	0.00	—	0.00	0.00	—	—	—
Year ending March 31, 2022 (forecast)	—	0.00	—	0.00	0.00	—	—	—

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: The recent business trends have been and will likely continue to be uncertain due to the ongoing pandemic. Under the circumstances the shift to remote work has become prevalent, which generates a bigger demand for supporting diverse work style. As most companies started turning to talent management system to adapt to a new norm in addition to streamline or efficiency of HR operations, our business environment has been gradually improving.

Net sales are expected to increase by +33.4% YoY, which is a higher growth rate than the previous fiscal year. Gross profit margin is expected to be 72.2%, which is at the same level as last fiscal year due to continued investment in the product development.

There is no change in our policy of focusing more on future business growth than immediate profitability from the mid-to-long term perspective of enhancing corporate value. The Company intends to balance disciplined expense management with flexible growth investments in marketing and hiring based on market trends and competitive environment, ensuring stable business and financial operations.

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. For reference, the net sales of the forecast before adjustment are 4,520 million yen, and the impact caused by the adoption of the new revenue recognition standard is estimated to be 20 million yen. Please refer to the investor presentation for more details.

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: None
- 4) Restatement of prior period financial statements: None

(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, 2021:	11,382,000 shares	As of March 31, 2020:	10,945,000 shares
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- 2) Number of treasury stock at the end of period

As of March 31, 2021:	208 shares	As of March 31, 2020:	134 shares
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- 3) Average number of shares outstanding during the period

Year ended March 31, 2021:	11,282,644 shares	Year ended March 31, 2020:	10,852,267 shares
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Note: On January 1, 2020, the Company conducted a two-for-one stock split of common stock. "Average number of shares outstanding during the period" calculated assuming the stock split was conducted at the beginning of the previous fiscal year.

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. 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, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and deposits	1,634,775	1,955,069
Accounts receivable - trade	173,650	178,600
Prepaid expenses	55,436	123,585
Other	59	5,526
Allowance for doubtful accounts	(681)	(173)
Total current assets	1,863,239	2,262,608
Non-current assets		
Property, plant and equipment		
Buildings	7,765	192,746
Accumulated depreciation	(7,765)	(13,372)
Buildings, net	—	179,375
Tools, furniture and fixtures	32,543	84,520
Accumulated depreciation	(17,628)	(27,980)
Tools, furniture and fixtures, net	14,916	56,540
Total property, plant and equipment	14,916	235,914
Intangible assets		
Software	18,583	14,076
Total intangible assets	18,583	14,076
Investments and other assets		
Investment securities	20,600	96,146
Guarantee deposits	480,178	386,710
Long-term prepaid expenses	130	18,098
Claims provable in bankruptcy, claims provable in rehabilitation and other	97	—
Allowance for doubtful accounts	(97)	—
Total investments and other assets	500,908	500,954
Total non-current assets	534,406	750,945
Total assets	2,397,645	3,013,552

(Thousands of yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	30,746	45,288
Current portion of long-term loans payable	122,066	127,164
Accounts payable - other	133,661	147,085
Accrued expenses	120,807	211,072
Income taxes payable	16,174	20,694
Deposits received	13,807	10,353
Deferred revenue	599,925	961,557
Provision for share-based compensation	—	26,113
Other	24,513	48,422
Total current liabilities	1,061,699	1,597,747
Non-current liabilities		
Long-term loans payable	340,590	454,545
Deferred tax liabilities	—	313
Total non-current liabilities	340,590	454,858
Total liabilities	1,402,289	2,052,605
Net assets		
Shareholders' equity		
Capital stock	1,018,269	1,066,270
Capital surplus		
Legal capital surplus	1,008,269	1,056,270
Total capital surplus	1,008,269	1,056,270
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,030,761)	(1,161,509)
Total retained earnings	(1,030,761)	(1,161,509)
Treasury stock	(422)	(792)
Total shareholders' equity	995,356	960,238
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	709
Total Valuation and translation adjustments	—	709
Total net assets	995,356	960,947
Total liabilities and net assets	2,397,645	3,013,552

2. Statements of Income (cumulative)

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net sales	2,624,792	3,402,279
Cost of sales	652,444	941,143
Gross profit	1,972,348	2,461,136
Selling, general and administrative expenses	2,249,997	2,472,176
Operating profit (loss)	(277,649)	(11,040)
Non-operating income		
Interest income	18	21
Subsidy income	—	623
Miscellaneous income	145	865
Total non-operating income	163	1,509
Non-operating expenses		
Interest expenses	1,935	4,497
Share issuance cost	—	882
Loss on sales and retirement of non-current assets	381	1,237
Other	2	2
Total non-operating expenses	2,317	6,618
Ordinary profit (loss)	(279,803)	(16,148)
Extraordinary losses		
Impairment loss	72,348	—
Headquarters relocation expenses	—	108,957
Total extraordinary losses	72,348	108,957
Profit (loss) before income taxes	(352,151)	(125,105)
Income taxes - current	4,760	5,643
Total income taxes	4,760	5,643
Net Profit (loss)	(356,911)	(130,748)

3. Statements of Changes in Equity

Fiscal year ended March 31, 2020

(Thousands of yen)

(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			
				Retained earnings brought forward				
Balance at beginning of current period	1,015,659	1,005,659	1,005,659	(673,850)	(673,850)	—	1,347,469	1,347,469
Changes of items during Period								
Issuance of new shares	2,610	2,610	2,610				5,220	5,220
Profit (Loss)				(356,911)	(356,911)		(356,911)	(356,911)
Purchase of treasury shares						(422)	(422)	(422)
Total changes of items during period	2,610	2,610	2,610	(356,911)	(356,911)	(422)	(352,113)	(352,113)
Balance at end of current Period	1,018,269	1,008,269	1,008,269	(1,030,761)	(1,030,761)	(422)	995,356	995,356

Fiscal year ended March 31, 2021

(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	1,018,269	1,008,269	1,008,269	(1,030,761)	(1,030,761)	(422)	995,356	—	—	995,356
Changes of items during Period										
Issuance of new shares	48,001	48,001	48,001				96,001			96,001
Profit (Loss)				(130,748)	(130,748)		(130,748)			(130,748)
Purchase of treasury shares						(370)	(370)			(370)
Net changes in items other than shareholders' equity								709	709	709
Total changes of items during period	48,001	48,001	48,001	(130,748)	(130,748)	(370)	(35,117)	709	709	(34,408)
Balance at end 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

4. Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities		
Profit (loss) before income taxes	(352,151)	(125,105)
Depreciation	14,467	34,280
Impairment loss	72,348	—
Interest income	(18)	(21)
Interest expenses	1,935	4,497
Loss on sales and retirement of non-current assets	381	1,237
Share issuance cost	—	882
Miscellaneous income	(49)	(3)
Subsidy income	—	(623)
Headquarters relocation expenses	—	108,957
Increase (decrease) in allowance for doubtful accounts	(91)	(605)
Increase (decrease) in provision for share-based compensation	—	26,113
Decrease (increase) in accounts receivable - trade	(40,154)	(4,854)
Decrease (increase) in prepaid expenses	(23,677)	(53,777)
Increase (decrease) in accounts payable - trade	11,975	14,542
Increase (decrease) in accounts payable - other	60,481	16,298
Increase (decrease) in accrued expenses	8,129	90,265
Increase (decrease) in deferred revenue	231,694	361,632
Other, net	(32,027)	35,376
Subtotal	(46,758)	509,090
Interest received	18	21
Interest expenses paid	(2,153)	(5,165)
Income taxes paid	(3,808)	(4,758)
Proceeds from subsidy income	—	623
Headquarters relocation expenses paid	—	(116,107)
Net cash provided by (used in) operating activities	(52,701)	383,705
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,936)	(254,884)
Purchase of intangible assets	(4,597)	—
Purchase of investment securities	(20,600)	(74,524)
Payments for guarantee deposits	(393,780)	(30)
Proceeds from guarantee deposits	271	127,128
Payments for asset retirement obligations	—	(34,180)
Net cash provided (used in) investing activities	(429,641)	(236,490)
Cash flows from financing activities		
Proceeds from long-term loans payable	390,000	295,000
Repayments of long-term loans payable	(58,720)	(175,947)
Purchase of treasury shares	(422)	(372)
Proceeds from issuance of common shares	5,220	54,398
Listing related expenses	(4,091)	—
Other, net	(1,012)	—
Net cash provided (used in) financing activities	330,975	173,079
Net increase (decrease) in cash and cash equivalents	(151,367)	320,294
Cash and cash equivalents at beginning of period	1,786,143	1,634,775
Cash and cash equivalents at end of period	1,634,775	1,955,069