

Translation

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Summary of Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 11, 2022

Company name: kaonavi, inc.
Listed stock exchange: Tokyo
Stock code: 4435 URL <https://corp.kaonavi.jp/en>
Representative: Representative Director, Hiroyuki Sato
President & Co-CEO
Inquiries: Director & CFO Kimitaka Hashimoto TEL 03(6633)3258
Scheduled date to file Quarterly Securities Report: November 11, 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 six months ended September 30, 2022 (April 1, 2022 - September 30, 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	%
Six months ended September 30, 2022	2,813	35.9	145	47.1	142	50.1	94	50.4
Six months ended September 30, 2021	2,069	31.3	99	(38.8)	95	(40.6)	63	(27.5)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	8.16	7.66
Six months ended September 30, 2021	5.47	5.05

(2) Financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2022	4,184	1,320	31.5
As of March 31, 2022	3,993	1,208	30.3

Reference: Shareholders' equity

September 30, 2022: 1,320 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	5,740 ~5,890	27.7 ~31.0	120 ~300	(31.1) ~72.3

Note: Revisions of most recent financial results forecast: None

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: 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 5,519 thousand yen, and operating income, ordinary income, and net income before tax decreased by 14,867 thousand yen each for the first half of the fiscal year ending March 31, 2023.

- (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, 2022: 11,570,300 shares As of March 31, 2022: 11,518,800 shares

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

As of September 30, 2022: 280 shares As of March 31, 2022: 280 shares

- 3) Average number of shares outstanding during the period

Six months ended September 30, 2022: 11,537,112 shares Six months ended September 30, 2021: 11,449,836 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	2,835,157	2,798,605
Accounts receivable - trade	210,235	198,490
Prepaid expenses	142,938	329,679
Other	2,321	3,426
Allowance for doubtful accounts	(189)	(179)
Total current assets	3,190,461	3,330,021
Non-current assets		
Property, plant and equipment		
Buildings	199,627	213,806
Accumulated depreciation	(45,295)	(71,418)
Buildings, net	154,331	142,387
Tools, furniture and fixtures	83,813	93,323
Accumulated depreciation	(48,121)	(57,236)
Tools, furniture and fixtures, net	35,692	36,086
Total property, plant and equipment	190,024	178,474
Intangible assets		
Trademark right	297	259
Software	9,813	7,607
Total intangible assets	10,110	7,865
Investments and other assets		
Investment securities	52,002	93,401
Guarantee deposits	388,081	421,706
Long-term prepaid expenses	17,182	7,911
Deferred tax assets	145,101	145,101
Total investments and other assets	602,366	668,118
Total non-current assets	802,499	854,457
Total assets	3,992,960	4,184,478

(Thousands of yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	57,192	59,628
Current portion of long-term loans payable	127,164	127,164
Accounts payable - other	310,531	165,584
Accrued expenses	194,352	203,720
Income taxes payable	79,429	70,550
Accrued consumption taxes	101,869	56,073
Deposits received	12,655	15,486
Deferred revenue	1,509,403	1,861,345
Contract liabilities	47,556	31,238
Provision for share-based compensation	17,550	10,084
Total current liabilities	2,457,700	2,600,871
Non-current liabilities		
Long-term loans payable	327,381	263,799
Total non-current liabilities	327,381	263,799
Total liabilities	2,785,081	2,864,670
Net assets		
Shareholders' equity		
Capital stock	1,125,259	1,133,015
Capital surplus		
Legal capital surplus	1,115,259	1,123,015
Other capital surplus	—	2,252
Total capital surplus	1,115,259	1,125,267
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,031,614)	(937,448)
Total retained earnings	(1,031,614)	(937,448)
Treasury stock	(1,026)	(1,026)
Total shareholders' equity	1,207,879	1,319,808
Total net assets	1,207,879	1,319,808
Total liabilities and net assets	3,992,960	4,184,478

2. Statements of Income (cumulative)

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	2,069,300	2,812,874
Cost of sales	583,642	694,423
Gross profit	1,485,658	2,118,451
Selling, general and administrative expenses	1,387,128	1,973,528
Operating profit	98,531	144,924
Non-operating income		
Interest income	11	15
Miscellaneous income	114	28
Total non-operating income	125	43
Non-operating expenses		
Interest expenses	2,856	2,234
Share issuance cost	1,233	822
Other	1	—
Total non-operating expenses	4,090	3,057
Ordinary profit	94,566	141,910
Profit before income taxes	94,566	141,910
Total income taxes	31,946	47,745
Net Profit	62,620	94,166

3. Statements of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	94,566	141,910
Depreciation	29,003	37,483
Interest income	(11)	(15)
Interest expenses	2,856	2,234
Share issuance cost	1,233	822
Miscellaneous income	(28)	—
Increase (decrease) in allowance for doubtful accounts	1	(11)
Increase (decrease) in provision for share-based compensation	10,334	1,145
Decrease (increase) in accounts receivable - trade	4,855	11,746
Decrease (increase) in prepaid expenses	(3,456)	(189,075)
Increase (decrease) in accounts payable - trade	2,415	2,436
Increase (decrease) in accounts payable - other	(63,872)	(143,667)
Increase (decrease) in accrued expenses	(13,684)	9,369
Increase (decrease) in accrued consumption taxes	11,823	(45,796)
Increase (decrease) in deferred revenue	198,284	351,942
Increase (decrease) in contract liabilities	19,871	(16,318)
Other, net	28,138	28,631
Subtotal	322,327	192,835
Interest received	11	15
Interest expenses paid	(2,747)	(2,163)
Income taxes paid	(5,613)	(55,441)
Net cash provided by (used in) operating activities	313,978	135,247
Cash flows from investing activities		
Purchase of property, plant and equipment	—	(24,665)
Purchase of intangible assets	(281)	(303)
Purchase of investment securities	—	(41,399)
Proceeds from guarantee deposits	(5)	(48,888)
Proceeds from refund of leasehold deposits	—	960
Net cash provided (used in) investing activities	(285)	(114,294)
Cash flows from financing activities		
Repayments of long-term loans payable	(63,582)	(63,582)
Purchase of treasury shares	(128)	—
Proceeds from issuance of common shares	48,537	6,078
Net cash provided (used in) financing activities	(15,173)	(57,504)
Net increase (decrease) in cash and cash equivalents	298,520	(36,552)
Cash and cash equivalents at beginning of period	1,955,069	2,835,157
Cash and cash equivalents at end of period	2,253,589	2,798,605