Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Financial Results for the Nine Months Ended December 31, 2020 (Based on Japanese GAAP)

February 12, 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 to file Quarterly Securities Report: February 12, 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 nine months ended December 31, 2020 (April 1, 2020 - December 31, 2020)

(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, 2020	2,458	29.8	103	―	100	―	(8)	―
Nine months ended December 31, 2019	1,893	59.2	(77)	―	(78)	―	(153)	―

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	(0.68)	―
Nine months ended December 31, 2019	(14.15)	―

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” and “Diluted 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
	Millions of yen	Millions of yen	%
As of December 31, 2020	3,058	1,064	34.8
As of March 31, 2020	2,398	995	41.5

Reference: Shareholders’ equity December 31, 2020: 1,064million yen March 31, 2020: 995 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, 2020	―	0.00	―	0.00	0.00
Year ending March 31, 2021	―	0.00	―		
Year ending March 31, 2021 (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, 2021 (April 1, 2020 - March 31, 2021)

(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	3,340	27.2	(210)	―	(216)	―	(330)	―	(29.28)
	~3,400	~29.5	~90	~―	~84	~―	~(30)	~―	~(2.69)

Note: Revisions of most recent financial results forecast: None

Note: The figures are shown in a range.

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

(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, 2020: 11,336,800 shares As of March 31, 2020: 10,945,000 shares

2) Number of treasury stock at the end of period

As of December 31, 2020: 208 shares As of March 31, 2020: 134 shares

3) Average number of shares outstanding during the period

Nine months ended December 31, 2020: 11,264,055 shares Nine months ended December 31, 2019: 10,839,741 shares

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 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, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	1,634,775	1,903,689
Accounts receivable - trade	173,650	171,506
Prepaid expenses	55,436	125,645
Other	59	39,071
Allowance for doubtful accounts	(681)	(392)
Total current assets	1,863,239	2,239,518
Non-current assets		
Property, plant and equipment		
Buildings	7,765	200,512
Accumulated depreciation	(7,765)	(13,080)
Buildings, net	—	187,431
Tools, furniture and fixtures	32,543	86,694
Accumulated depreciation	(17,628)	(23,014)
Tools, furniture and fixtures, net	14,916	63,680
Total property, plant and equipment	14,916	251,112
Intangible assets		
Software	18,583	15,203
Total intangible assets	18,583	15,203
Investments and other assets		
Investment securities	20,600	53,460
Guarantee deposits	480,178	477,128
Long-term prepaid expenses	130	21,492
Claims provable in bankruptcy, claims provable in rehabilitation and other	97	—
Allowance for doubtful accounts	(97)	—
Total investments and other assets	500,908	552,079
Total non-current assets	534,406	818,394
Total assets	2,397,645	3,057,912

(Thousands of yen)

	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Accounts payable - trade	30,746	38,836
Current portion of long-term loans payable	122,066	156,650
Accounts payable - other	133,661	98,395
Accrued expenses	120,807	251,548
Income taxes payable	16,174	11,577
Deposits received	13,807	4,127
Deferred revenue	599,925	860,961
Provision for share-based compensation	—	21,429
Other	24,513	41,854
Total current liabilities	1,061,699	1,485,377
Non-current liabilities		
Long-term loans payable	340,590	508,216
Total non-current liabilities	340,590	508,216
Total liabilities	1,402,289	1,993,593
Net assets		
Shareholders' equity		
Capital stock	1,018,269	1,056,995
Capital surplus		
Legal capital surplus	1,008,269	1,046,995
Total capital surplus	1,008,269	1,046,995
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(1,030,761)	(1,038,460)
Total retained earnings	(1,030,761)	(1,038,460)
Treasury stock	(422)	(792)
Total shareholders' equity	995,356	1,064,737
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	(418)
Total Valuation and translation adjustments	—	(418)
Total net assets	995,356	1,064,319
Total liabilities and net assets	2,397,645	3,057,912

2. Statements of Income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	1,893,414	2,457,981
Cost of sales	457,116	641,321
Gross profit	1,436,298	1,816,660
Selling, general and administrative expenses	1,513,491	1,713,341
Operating profit (loss)	(77,193)	103,318
Non-operating income		
Interest income	8	11
Miscellaneous income	93	804
Total non-operating income	101	815
Non-operating expenses		
Interest expenses	1,135	2,834
Share issuance cost	—	876
Loss on sales and retirement of non-current assets	—	806
Other	1	2
Total non-operating expenses	1,136	4,517
Ordinary profit (loss)	(78,227)	99,617
Extraordinary losses		
Impairment loss	72,348	—
Headquarters relocation expenses	—	102,952
Total extraordinary losses	72,348	102,952
Profit (loss) before income taxes	(150,575)	(3,336)
Total income taxes	2,836	4,364
Net Profit (loss)	(153,411)	(7,699)