Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2024 (Japanese GAAP)

May 13, 2024

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 of ordinary general meeting of shareholders:			June 26, 2024	
Scheduled date to file Securities Report:			June 27, 2024	
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. Consolidated financial results for the year ended March 31, 2024 (April 1, 2023 - March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages show year-on-year changes)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2024	7,625	―	814	―	679	―	675	―	699	―
Year ended March 31, 2023	―	―	―	―	―	―	―	―	―	―

Note: Comprehensive income
Year ended March 31, 2024: 699 million yen (―%) Year ended March 31, 2023: ―million yen (―%)

	Earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Year ended March 31, 2024	60.27	56.73	31.6	10.3	8.9
Year ended March 31, 2023	―	―	―	―	―

Note 1: As consolidated financial statements are being prepared from the fiscal year ended March 31, 2024, figures for the fiscal year ended March 31, 2023 and percentage changes from the previous fiscal year are not shown.

Note 2: Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Note 3: Rate of return on equity and Ordinary profit to total assets are calculated based on shareholders' equity and total assets at the end of the fiscal year, respectively, as this is the first year of consolidation.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	6,544	2,312	33.7	190.45
As of March 31, 2023	―	―	―	―

Reference: Shareholders' equity March 31, 2024: 2,208 million yen March 31, 2023: ―million yen

Note: As consolidated financial statements are being prepared from the fiscal year ended March 31, 2024, figures as of March 31, 2023 are not shown.

(3) Consolidated cash flow

	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, 2024	1,388	(179)	80	4,688
Year ended March 31, 2023	—	—	—	—

Note: As consolidated financial statements are being prepared from the fiscal year ended March 31, 2024, figures for the fiscal year ended March 31, 2023 are not shown.

2. Dividends

	Dividends per share					Total cash Dividends (Total)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2023	—	0.00	—	0.00	0.00	—	—	—
Year ended March 31, 2024	—	0.00	—	0.00	0.00	—	—	—
Year ending March 31, 2025 (forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated financial forecast for the fiscal year ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentages show year-on-year changes)

	Net sales		Adjusted operating profit	
	Millions of yen	%	Millions of yen	%
Full year	9,420 ~ 9,560	23.5 ~ 25.4	—	—

Note 1: Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Note 2: The figures for net sales are shown in a range.

Note 3: 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, 2025, the Company aims to accelerate mid-term ARR growth by further expanding its existing business, talent management system, as well as cultivating new businesses such as labor management system and budget control system. Also, the Company will explore the possibility of new research and development as well as M&As to create a new business domain.

Net sales are expected to grow continuously in the existing business. The low end of net sales is set at 9,420 million yen (+23.5% YoY) based on conservative estimates of new customer acquisition and churn rate, while the high end of net sales is set at 9,560 million yen (+25.4% YoY) based on the assumption of steady growth.

As above, embarking on the new business creation in the fiscal year ending March 31, 2025, the Company will be required to make adaptable investments to drive its start-up phase, hence any forecasted figures for each profit including adjusted operating profit are not to be disclosed.

The forecasts set out here are based on information currently available to the Company and certain assumptions deemed rational.

4. Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(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 March 31, 2024: 11,595,200 shares As of March 31, 2023: 11,581,700 shares

2) Number of treasury stock at the end of period

As of March 31, 2024: 280 shares As of March 31, 2023: 280 shares

3) Average number of shares outstanding during the period

Year ended March 31, 2024: 11,590,005 shares Year ended March 31, 2023: 11,557,249 shares

Reference: Overview of non-consolidated results

Non-consolidated financial results for the year ended March 31, 2024 (April 1, 2023 – March 31, 2024)

(1) Non-consolidated operating results (cumulative)

(Percentages show year-on-year changes)

	Net sales		Adjusted operating profit		Operating profit		Ordinary profit		Net profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2024	7,625	27.3	814	71.7	709	120.0	705	122.3	728	195.7
Year ended March 31, 2023	5,990	33.2	474	117.4	322	85.1	317	93.9	246	17.3

	Earnings per share	Diluted earnings per share
	Yen	Yen
Year ended March 31, 2024	62.86	59.16
Year ended March 31, 2023	21.32	20.03

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2024	6,354	2,238	35.2	193.03
As of March 31, 2023	4,623	1,491	32.3	128.77

Reference: Shareholders' equity March 31, 2024: 2,238 million yen March 31, 2023: 1,491 million yen

<Difference between actual results of the current fiscal year ended March 31, 2024 and the previous year>

Solid sales growth and improved profitability led to net sales, adjusted operating profit, operating profit, ordinary profit and net profit exceeding the results of the previous 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.

Consolidated Financial Statements and Significant Notes Thereto

1. Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024
Assets	
Current assets	
Cash and deposits	4,688
Accounts receivable - trade	332
Contract assets	61
Prepaid expenses	188
Other	6
Allowance for doubtful accounts	(4)
Total current assets	5,271
Non-current assets	
Property, plant and equipment	
Buildings	28
Accumulated depreciation	(7)
Buildings, net	22
Tools, furniture and fixtures	51
Accumulated depreciation	(30)
Tools, furniture and fixtures, net	21
Total property, plant and equipment	42
Intangible assets	
Goodwill	615
Trademark right	0
Software	2
Software in progress	13
Total intangible assets	630
Investments and other assets	
Investment securities	59
Guarantee deposits	73
Deferred tax assets	469
Total investments and other assets	601
Total non-current assets	1,273
Total assets	6,544

(Millions of yen)

	As of March 31, 2024
Liabilities	
Current liabilities	
Accounts payable - trade	112
Short-term loans payable	100
Current portion of long-term loans payable	61
Accounts payable - other	324
Accrued expenses	308
Income taxes payable	141
Accrued consumption taxes	100
Deposits received	24
Deferred revenue	2,693
Contract liabilities	72
Provision for bonuses	40
Other	0
Total current liabilities	3,975
Non-current liabilities	
Long-term loans payable	257
Total non-current liabilities	257
Total liabilities	4,232
Net assets	
Shareholders' equity	
Capital stock	1,153
Capital surplus	1,143
Retained earnings	(87)
Treasury stock	(1)
Total shareholders' equity	2,208
Non-controlling interests	104
Total net assets	2,312
Total liabilities and net assets	6,544

2. Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

(Consolidated Statement of Income)

(Millions of yen)

	Fiscal year ended March 31, 2024
Net sales	7,625
Cost of sales	1,723
Gross profit	5,903
Selling, general and administrative expenses	5,224
Operating profit	679
Non-operating income	
Interest income	0
Miscellaneous income	0
Total non-operating income	0
Non-operating expenses	
Interest expenses	3
Share issuance cost	1
Commission fee	1
Loss on sales and retirement of non-current assets	0
Total non-operating expenses	4
Ordinary profit	675
Extraordinary losses	
Headquarters relocation expenses	87
Loss on valuation of investment securities	27
Total extraordinary losses	114
Profit before income taxes	561
Income taxes – current	152
Income taxes - deferred	(290)
Total income taxes	(138)
Profit	699
Profit attributable to owners of parent	699

(Consolidated Statement of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2024
Profit	699
Comprehensive income	699
(Breakdown)	
Comprehensive income attributable to owners of parent	699

3. Consolidated Statement of Shareholders' Equity

Fiscal year ended March 31, 2024

(Millions of yen)

	Shareholders' equity					Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity		
Balance at beginning of current period	1,144	1,134	(785)	(1)	1,491	—	1,491
Changes of items during Period							
Issuance of new shares	9	9			18		18
Profit attributable to owners of parent			699		699		699
Net changes in items other than shareholders' equity						104	104
Total changes of items during period	9	9	699	—	717	104	821
Balance at end of current Period	1,153	1,143	(87)	(1)	2,208	104	2,312

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2024
Cash flows from operating activities	
Profit before income taxes	561
Depreciation	87
Guarantee deposits depreciation	27
Interest income	(0)
Interest expenses	3
Loss (gain) on valuation of investment securities	27
Loss (gain) on sale and retirement of non-current assets	0
Share issuance cost	1
Commission fee	1
Increase (decrease) in allowance for doubtful accounts	2
Increase (decrease) in provision for bonuses	40
Decrease (increase) in accounts receivable - trade	(80)
Decrease (increase) in contract assets	(44)
Decrease (increase) in prepaid expenses	26
Increase (decrease) in accounts payable - trade	21
Increase (decrease) in accounts payable - other	93
Increase (decrease) in accrued expenses	81
Increase (decrease) in accrued consumption taxes	4
Increase (decrease) in deferred revenue	578
Increase (decrease) in contract liabilities	30
Other	19
Subtotal	1,477
Interest received	0
Interest expenses paid	(2)
Income taxes paid	(87)
Cash flows from operating activities	1,388
Cash flows from investing activities	
Purchase of property, plant and equipment	(31)
Purchase of intangible assets	(7)
Proceeds from guarantee deposits	(11)
Proceeds from refund of leasehold and guarantee deposits	277
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(406)
Cash flows from investing activities	(179)
Cash flows from financing activities	
Net increase (decrease) in short-term loans payable	100
Proceeds from long-term loans payable	300
Repayments of long-term loans payable	(337)
Proceeds from issuance of common shares	18
Other	(1)
Cash flows from financing activities	80
Net increase (decrease) in cash and cash equivalents	1,289
Cash and cash equivalents at beginning of period	3,400
Cash and cash equivalents at end of period	4,688

5. Notes on Consolidated Financial Statement

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information)

The reportable segment of our group is “Talent management system business” only, and “Other business” segment is not significant yet, hence the segment information is omitted.

(Per Share Information)

	Fiscal year ended March 31, 2024
Net assets per share	190.45 yen
Earnings per share	60.27 yen
Diluted earnings per share	56.73 yen

Note 1: The basis for calculation of net assets per share is as follows:

	As of March 31, 2024
Total net assets (millions of yen)	2,312
Amount deducted from the total net assets (millions of yen)	104
(Of which, non-controlling interests (millions of yen))	(104)
Amount of net assets related to common stock as of the end of the fiscal year (millions of yen)	2,208
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (shares)	11,594,920

Note 2: The basis for calculation of earnings per share and diluted earnings per share is as follows:

	Fiscal year ended March 31, 2024
Earnings per share	
Profit (millions of yen)	699
Profit not attributable to common shareholders (millions of yen)	—
Profit attributable to owners of parent related to common stock (millions of yen)	699
Average number of shares of common stock outstanding during the period (shares)	11,590,005
Diluted earnings per share	
Profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (shares)	723,070
(Of which, subscription rights to shares (shares))	(723,070)
Overview of dilutive shares that were not included in the calculation of diluted earnings per share due to its non-dilutive effect	—

(Significant Subsequent Events)

Not applicable.