

## Translation

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# Summary of Consolidated Financial Results for the Nine Months Ended December 31, 2024 (Japanese GAAP)

February 13, 2025

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 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 nine months ended December 31, 2024 (April 1, 2024 - December 31, 2024)

### (1) Consolidated operating results (cumulative)

(Percentages indicate 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	%
Nine months ended December 31, 2024	6,970	—	596	—	524	—	506	—	412	—
Nine months ended December 31, 2023	—	—	—	—	—	—	—	—	—	—

Note: Comprehensive income

Nine months ended December 31, 2024: 330 million yen (—%)

Nine months ended December 31, 2023: —million yen (—%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2024	35.53	34.59
Nine months ended December 31, 2023	—	—

Note 1: As consolidated quarterly financial statements are being prepared from the fourth quarter of the fiscal year ended March 31, 2024, figures for the third quarter of the fiscal year ended March 31, 2024 and percentage changes from the third quarter of the previous year for the fiscal year ended March 31, 2024 and ending March 31, 2025 are not shown.

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

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2024	7,455	2,659	35.4
As of March 31, 2024	6,544	2,312	33.7

Reference: Shareholders' equity

December 31, 2024: 2,638 million yen

March 31, 2024: 2,208 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, 2024	—	0.00	—	0.00	0.00
Year ending March 31, 2025	—	0.00	—	—	—
Year ending March 31, 2025 (forecast)	—	—	—	0.00	0.00

Note : Amendments to dividend forecast compared with the most recent disclosure: None

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

(Percentages indicate year-on-year changes)

Full year	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	%
	9,490	24.5	560	(31.2)	470	(30.8)	240	(64.4)	250	(64.2)

Note : Revisions of most recent financial results forecast: Yes

#### 4. Notes

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Application of special accounting methods for preparing consolidated 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 first 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.
- (3) 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
- (4) 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, 2024:	11,617,400 shares	As of March 31, 2024:	11,595,200 shares
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  - 2) Number of treasury stock at the end of period

As of December 31, 2024:	317 shares	As of March 31, 2024:	280 shares
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  - 3) Average number of shares outstanding during the period

Nine months ended December 31, 2024:	11,604,142 shares	Nine months ended December 31, 2023:	11,588,432 shares
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Review of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

#### **\* Cautionary statement with respect to forward-looking statements**

The forecasts above are based on the judgments made in accordance with the information currently available. Forecasts therefore include risks and uncertainties. Actual figures may differ from these forecasts due to subsequent changes in the circumstances.

# 1. Qualitative Information regarding Results for the Period

## (1) Overview of Business Results

Our group aims to realize a society in which individual career development and working styles are diversified by understanding the individuality and talents of each person through technology, based on our purpose of "Implement technology to 'WORK' and modify the specifications of society leveraging individual power". To this end, we advocate the vision of "Create a HR data-centric platform" and provide the Talent Management System ("TMS") "kaonavi", which serves as a central data platform that manages all human resources information at one place on the cloud to enable data-driven decision making.

In the face of declining working-age population Japanese companies are to address a variety of human resources issues, such as improving productivity, accommodating diverse ways of working, employee retention and flight risk mitigation, and competitive recruitment to fill the gap. In order to solve these issues, the need for TMS has been increasing and the market is expected to expand continuously in the future.

Our group has set out three goals for its mid-term management policy: "Continued ARR<sup>1</sup> growth", "Profitability improvement", and "Promotion of non-financial activities".

As part of our measures to achieve continued ARR growth, we aim to build a human resources data platform that provides customers with optimal user experience by enhancing added value through various service integrations centered on our human resources database. In the current consolidated fiscal year, we plan to accelerate mid-term ARR growth by further expanding our existing TMS business as well as cultivating new businesses such as labor management system and budget control system.

Under this policy, our group has focused on developing and improving functions to enhance the value for user experience. We have made various enhancements to the product, including adding a function that utilizes generated AI to "Insight Finder", which organizes and analyzes text data. We also have been focused on strengthening our organizational structure which includes active hiring and people development, accelerated marketing activities to raise service awareness, and engaging initiatives for our existing customers.

As a result, at the end of the current 3rd quarter consolidated fiscal period, consolidated ARR increased by 25.1% YoY to 9,538 million yen. Of this, ARR of TMS<sup>2</sup> increased by 22.2% YoY to 9,317 million yen, Active Users of TMS<sup>3</sup> increased by 17.8% YoY to 4,115 companies, and ARPU of TMS<sup>4</sup> increased by 3.7% YoY to 189 thousand yen. The last 12-month average of Churn Rate of TMS<sup>5</sup> was 0.41% (down 0.05 points YoY) remaining at a low level.

Therefore, the Company's financial results for the same period were net sales of 6,970 million yen, adjusting operating profit<sup>6</sup> of 596 million yen, operating profit of 524 million yen, ordinary profit of 506 million yen, and profit attributable to owners of parent of 412 million yen.

The reportable segment of our group is "HR Tech business" only, and "Other business" segment is yet to be significant, hence the segment information is omitted. From the first quarter of the current fiscal year, the name of the reportable segment has been changed from "Talent management systems business" to "HR Tech business". This name change has no impact on segment information.

Note 1: ARR stands for Annual Recurring Revenue. It is calculated by multiplying Monthly Recurring Revenue ("MRR") at the end of the quarter by 12. MRR is total monthly subscription revenue based on the contract value that does not reflect the new revenue recognition standard or limited-time offers such as free months (one of the managerial accounting figures).

Note 2: It is calculated by multiplying monthly subscription revenue from all the subscriptions of the talent management system "kaonavi" at the end of the quarter ("MRR of TMS") by 12.

Note 3: Number of companies and organizations implementing the talent management system "kaonavi" at the end of the quarter.

Note 4: ARPU stands for Average Revenue Per User. It is calculated by dividing the MRR of TMS at the end of the quarter by the Active Users of TMS at the same end of month.

Note 5: Churn Rate based on MRR. It is calculated by dividing the MRR of TMS that has decreased due to cancellations in the current month by the MRR of MTS at the end of the previous month.

Note 6: Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

## **(2) Overview of Financial Position**

### **Explanations of Balance Sheet**

(Assets)

Total assets as of December 31, 2024 were 7,455 million yen, up 911 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 872 million yen in cash and deposits.

(Liabilities)

Total liabilities as of December 31, 2024 were 4,796 million yen, up 565 million yen from the end of the previous consolidated fiscal year. This was mainly due to an increase of 634 million yen in deferred revenue.

(Net assets)

Total net assets as of December 31, 2024 were 2,659 million yen, up 347 million yen from the end of the previous consolidated fiscal year. This was mainly due to the recording of 412 million yen in profit attributable to owners of parent.

## **(3) Explanations of Consolidated Financial Results Forecasts and Other Forward-Looking Statements**

The Company has revised the financial forecast for the fiscal year ending March 31, 2025, which was announced on May 13, 2024. Please refer to the "Announcement of Financial Forecast Revision" disclosed today for more details of the revision.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	4,688	5,561
Accounts receivable - trade	332	346
Contract assets	61	66
Prepaid expenses	188	257
Other	6	12
Allowance for doubtful accounts	(4)	(2)
Total current assets	5,271	6,241
Non-current assets		
Property, plant and equipment		
Buildings	28	28
Accumulated depreciation	(7)	(11)
Buildings, net	22	17
Vehicles	—	3
Accumulated depreciation	—	(1)
Vehicles, net	—	2
Tools, furniture and fixtures	51	61
Accumulated depreciation	(30)	(35)
Tools, furniture and fixtures, net	21	26
Total property, plant and equipment	42	45
Intangible assets		
Goodwill	615	564
Trademark right	0	0
Software	2	11
Software in progress	13	23
Total intangible assets	630	598
Investments and other assets		
Investment securities	59	28
Guarantee deposits	73	74
Deferred tax assets	469	469
Total investments and other assets	601	572
Total non-current assets	1,273	1,214
Total assets	6,544	7,455

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	112	118
Short-term borrowings	100	100
Current portion of long-term loans payable	61	61
Accounts payable - other	324	285
Accrued expenses	308	376
Income taxes payable	141	76
Accrued consumption taxes	100	127
Deposits received	24	12
Deferred revenue	2,693	3,327
Contract liabilities	72	72
Provision for bonuses	40	31
Other	0	1
Total current liabilities	3,975	4,585
Non-current liabilities		
Long-term loans payable	257	211
Total non-current liabilities	257	211
Total liabilities	4,232	4,796
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,153	1,154
Capital surplus	1,143	1,160
Retained earnings	(87)	326
Treasury stock	(1)	(1)
Total shareholders' equity	2,208	2,638
Non-controlling interests	104	21
Total net assets	2,312	2,659
<b>Total liabilities and net assets</b>	<b>6,544</b>	<b>7,455</b>

**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income**  
**Consolidated Statement of Income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2024
Net sales	6,970
Cost of sales	1,678
Gross profit	5,292
Selling, general and administrative expenses	4,768
Operating profit	524
Non-operating income	
Interest income	0
Compensation income	2
Miscellaneous income	0
Total non-operating income	2
Non-operating expenses	
Interest expenses	4
Share issuance cost	1
Foreign exchange losses	2
Commission fee	14
Loss on sales and retirement of non-current assets	0
Miscellaneous losses	0
Total non-operating expenses	21
Ordinary profit	506
Extraordinary losses	
Compensation expenses	14
Loss on valuation of investment securities	30
Total extraordinary losses	44
Profit before income taxes	462
Total income taxes	132
Profit	330
Loss attributable to non-controlling interests	(83)
Profit attributable to owners of parent	412

**Consolidated Statement of Comprehensive Income (cumulative)**

(Millions of yen)

	Nine months ended December 31, 2024
Profit	330
Comprehensive income	330
(Breakdown)	
Comprehensive income attributable to owners of parent	412
Comprehensive income attributable to non-controlling interests	(83)

### (3) Notes to Quarterly Consolidated Financial Statement

(Segment Information, Etc.)

The reportable segment of our group is “HR Tech business” only, and “Other business” segment is yet to be significant, hence the segment information is omitted.

From the first quarter of the current fiscal year, the name of the reportable segment has been changed from “Talent management systems business” to “HR Tech business”. This name change has no impact on segment information.

(Notes to Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Notes to Going Concern Assumption)

Not applicable.

(Notes to Quarterly Consolidated Statement of Cash Flows)

Quarterly consolidated statement of cash flows for the third quarter of the current fiscal year has not been prepared. Depreciation and amortization (including which related to intangible assets excluding goodwill) and amortization of goodwill for the third quarter of the current fiscal year are as follows:

	Nine months ended December 31, 2024
Depreciation and amortization	17 million yen
Amortization of goodwill	51 million yen

(Notes to Revenue Recognition)

Breakdown of revenue from contracts with customers

(Millions of yen)

	Nine months ended December 31, 2024
Subscription revenue	6,260
Support revenue	701
Others	9
Revenue from contracts with customers	6,970
Other revenue	—
Net revenue from external customers	6,970

Note 1: Subscription revenue is net sales from basic fees for subscription services in each business.

Note 2: Support revenue derives from additional offerings to drive adoption of the subscription services including initial implementation, setup, and other one-off engagements for each business.



### (Per Share Information)

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

	Nine months ended December 31, 2024
(1) Earnings per share	35.53 Yen
(The basis for calculation)	
Profit attributable to owners of parent (millions of yen)	412
Profit not attributable to common shareholders (millions of yen)	—
Profit attributable to owners of parent related to common stock (millions of yen)	412
Average number of shares of common stock outstanding during the period (shares)	11,604,142
(2) Diluted earnings per share	34.59 Yen
(The basis for calculation)	
Profit attributable to owners of parent adjustment (millions of yen)	—
Increase in common stock (shares)	315,869
Overview of dilutive shares that were not included in the calculation of diluted earnings per share due to not having a dilutive effect, which had significant changes from the previous consolidated fiscal year	—

### (Significant Subsequent Events)

The Company hereby announces that it has adopted at its board of directors' meeting held on February 13, 2025 a resolution to the effect that it shall express its opinion in support of a tender offer by Keystone Investment Holdings, L.P. (the "Tender Offeror") for the Company's common shares (the "Company Shares") and stock acquisition rights (such tender offer is hereinafter referred to as the "Tender Offer"), and that it shall recommend that its shareholders tender their shares in the Tender Offer, and that it shall leave to the holders of the stock acquisition rights the decision on whether to tender those rights in the Tender Offer.

It should be noted that the Company's board resolution mentioned above was made on the assumption that the Tender Offeror contemplates taking the Company private through the Tender Offer and subsequent procedures, and that the Company Shares are to be delisted.

For details, please refer to the "Announcement of Opinion on the Tender Offer for the Company Shares, Etc. by Keystone Investment Holdings, L.P." released today (February 13, 2025).