

カオナビ

FY2021 1Q Financial Results

August 12, 2021

1. Company Overview

2. FY2021 1Q Financial Highlights

3. FY2021 Financial Forecast

4. Appendix

Mission / Vision

Mission

Innovate management to focus on individuality

Vision

Create a HR data-centric platform



What Is KAONAVI ?

A database-centered talent management system



Features and Effects

Committed to empowering user companies to promote “Work Style Reform” and “Digital Transformation” by offering capabilities to accelerate talent management

KAONAVI's features and expected effects

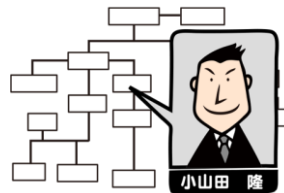
HR Database



Pickup List



Organization Chart



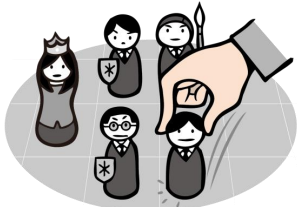
Performance Review



Employee Survey



Matrix Chart



Employee Data Graph



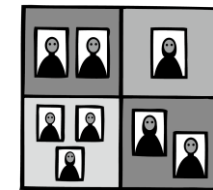
Pulse Survey



Approval Workflow



Aptitude Test (SPI3)



Business Efficiency

Centralize all HR data in the cloud

Productivity Improvement

Right person for the right position through talent visualization

Talent Development

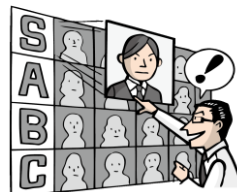
Transparent evaluation process set out by workflow

Turnover Prevention

Better communication, highly engaged

Management Enhancement

Focus on HR strategy based on visualized HR data



Our Strengths

Ensuring both the system and know-how working side by side for our users to thrive in talent management initiatives without any silver bullet



Our Strengths : System

System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Our Strengths : Know-how

Hands-on know-how available for our users to adapt to their own talent management

Community



A place where users can learn directly from other users

Library



Overwhelming amount of use cases across industries, business types and scale

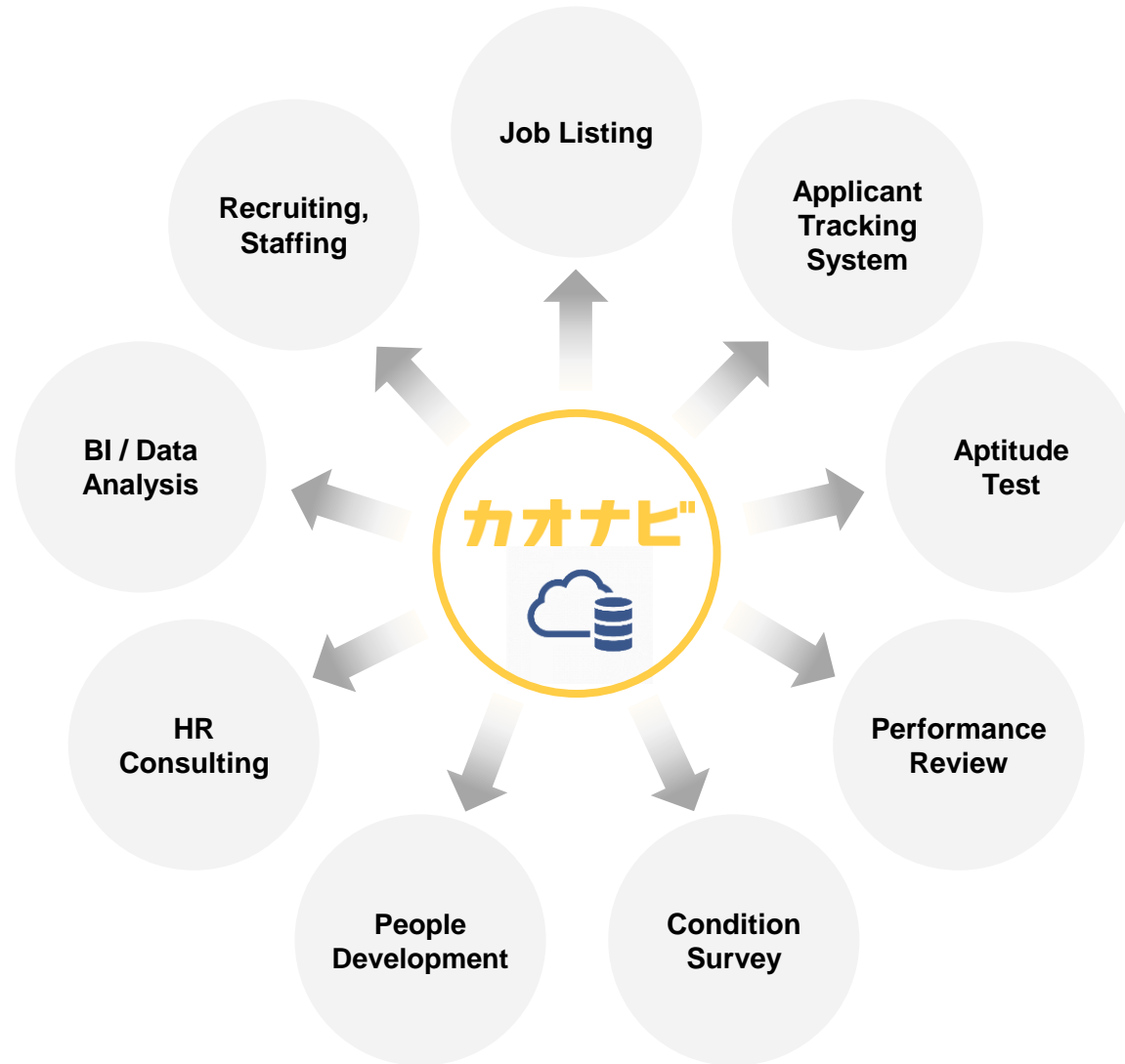
Dedicated Staff



Accompanied by our support staff with a wealth of experience and expertise

The HR Data Platform Strategy

Paving the way forward for a HR data platform to expand the business into new areas



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Financial Results

Net sales increased by 33.9% YoY. Gross profit also increased steadily, and its margin rose to 70.9%

	FY2020 1Q	FY2020 4Q	FY2021 1Q	YoY	QoQ
JPY MM	Same period last year	Previous quarter	Actual		
Net Sales	753	944	1,008	<u>+33.9%</u>	+6.8%
Gross Profit	563	644	715	+27.0%	+11.0%
Margin	74.8%	68.2%	<u>70.9%</u>	-3.9pt	+2.7pt
Operating Profit	120	-114	30	-75.2%	-
Margin	16.0%	-	3.0%	-13.0pt	-
Ordinary Profit	119	-116	28	-76.6%	-
Net Profit	82	-123	18	-78.1%	-

Business Highlights

Subscription Revenue *1

889 JPY MM
(+32.1% YoY)

Active Users *2

2,122 Companies
(+15.2% YoY)

ARPU *3

150 JPY Thou.
(+19.2% YoY)

MRR Churn Rate *4

0.69 %

LTV/CAC *5

5.1 x

*1 : Monthly subscription fee (FY2021Q1)

*2 : Number of companies and organizations that are using KAONAVI (June 2021)

*3 : Average monthly subscription fee per user company (FY2021Q1)

*4 : Last 12-month average churn rate based on MRR (June 2021). Please refer to page 15 for details

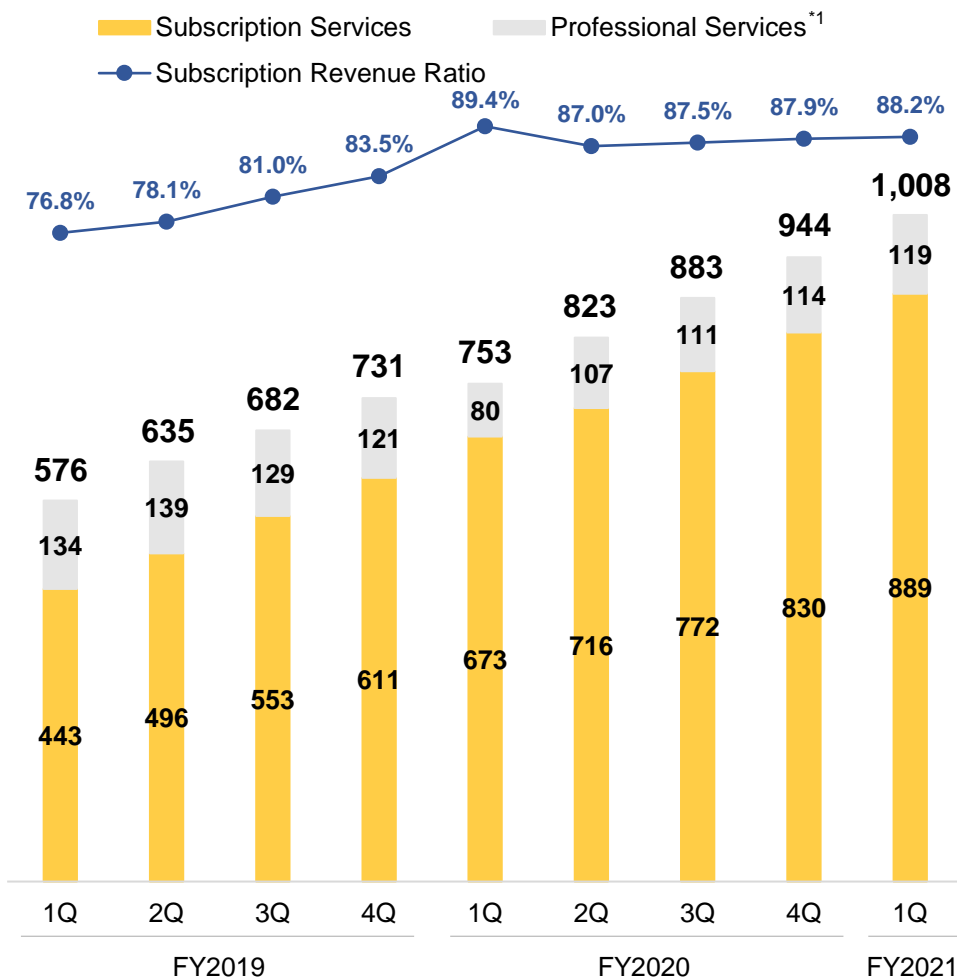
*5 : The ratio is calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost) in FY2021Q1. Please refer to page 16 for details

Net Sales

Subscription revenue increased by 32.1% YoY, and its ratio remains high

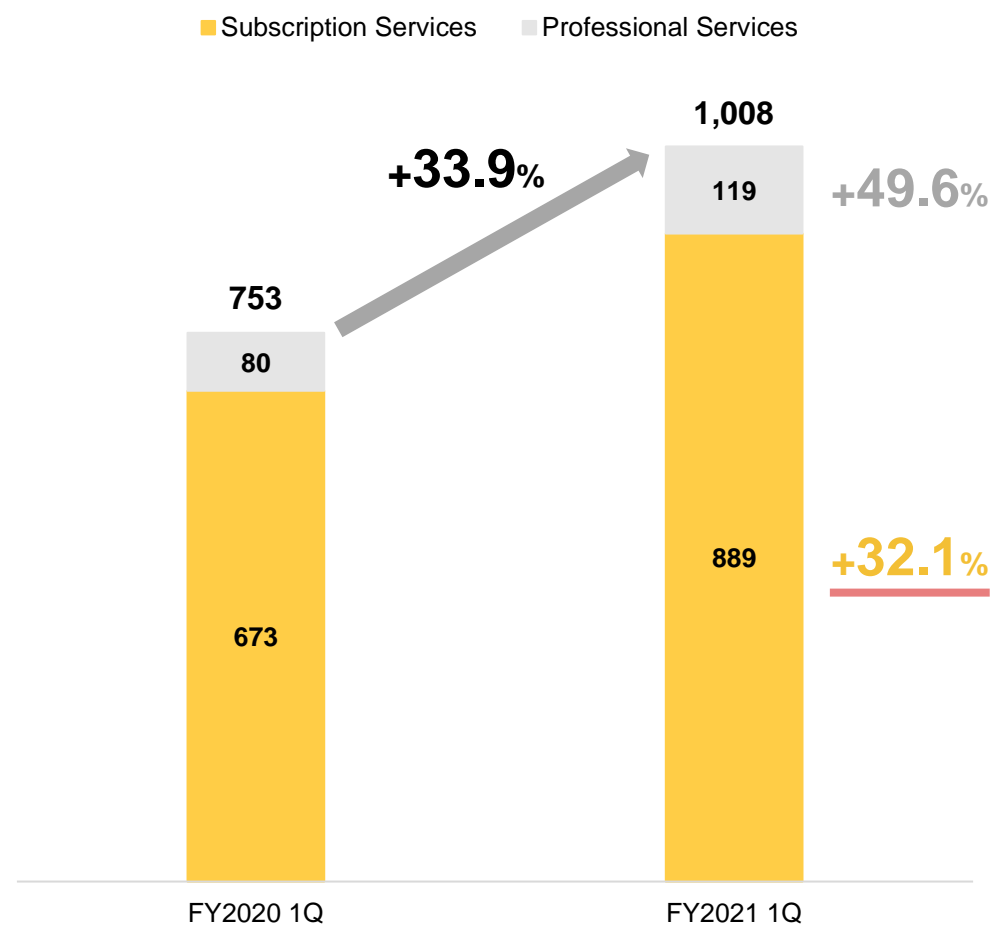
Net Sales

JPY MM



Net Sales (YoY)

JPY MM



*1 : Initial setting support, paid seminar and option services

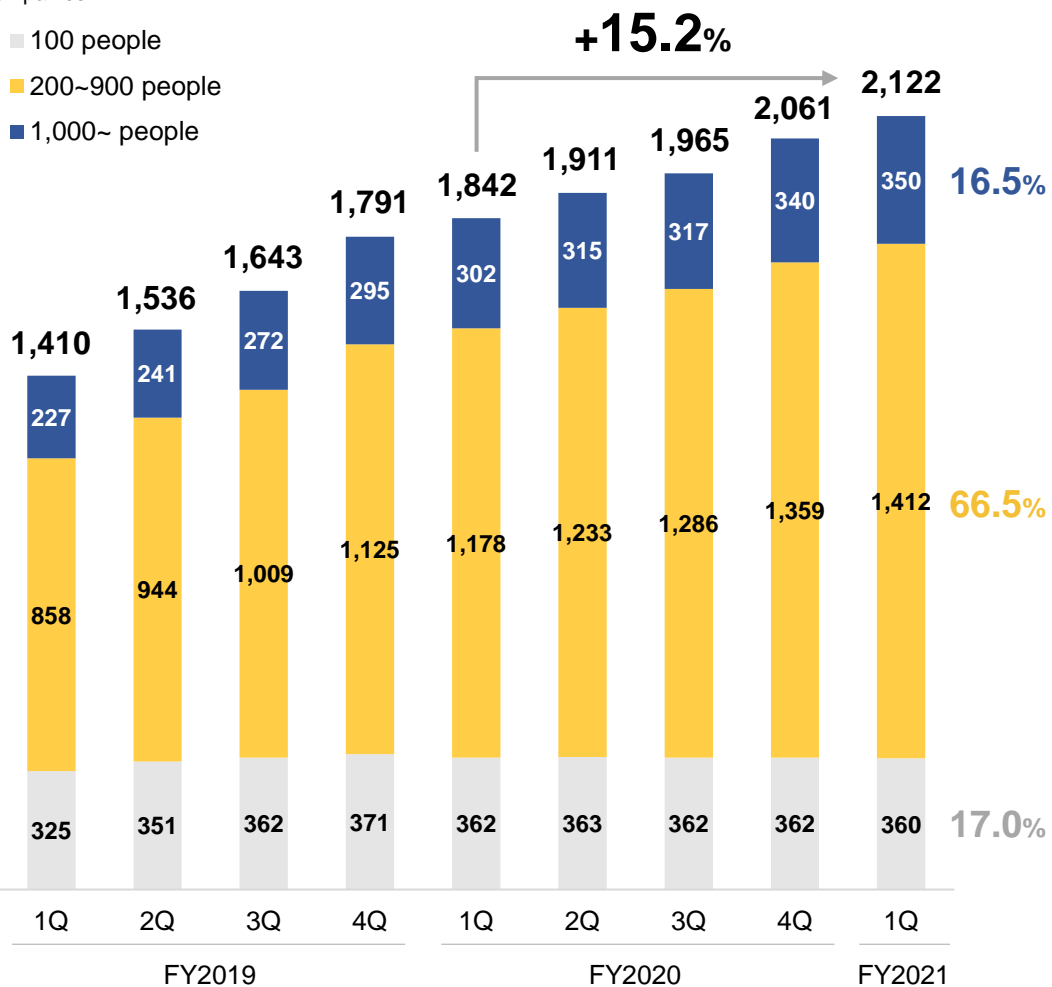
Active Users and ARPU

The number of active users and ARPU increased steadily, by +15.2% and +19.2% YoY, respectively

Active Users by the Size of Registered Employees

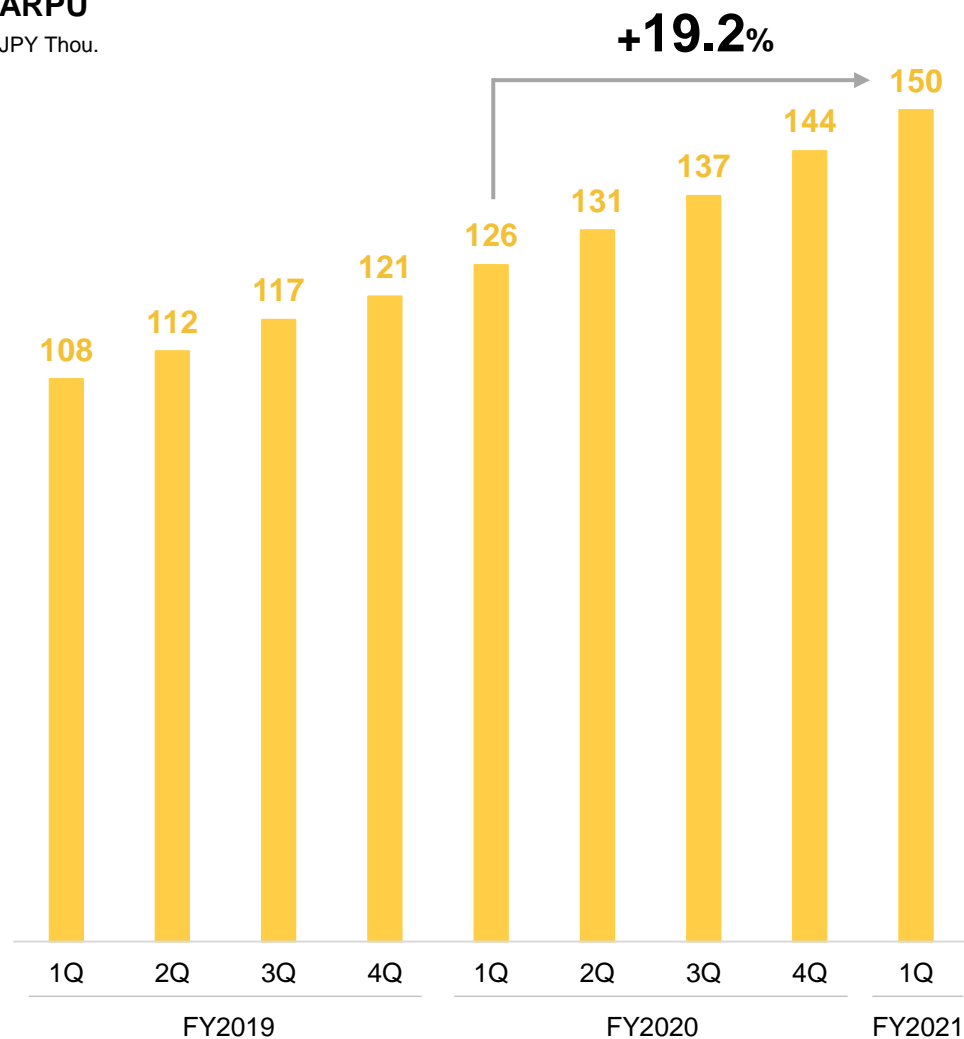
Companies

- 100 people
- 200~900 people
- 1,000~ people



ARPU

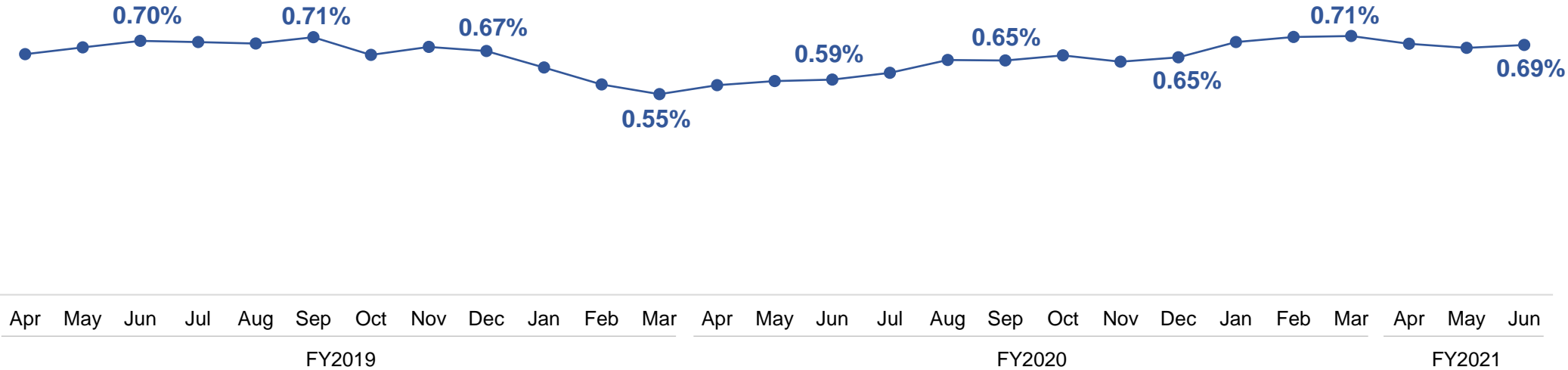
JPY Thou.



Churn Rate

Maintaining a low churn rate by focusing on CS and lifting the database value proposition with data accumulation

Last 12-Month Average of MRR Churn Rate ^{*1}



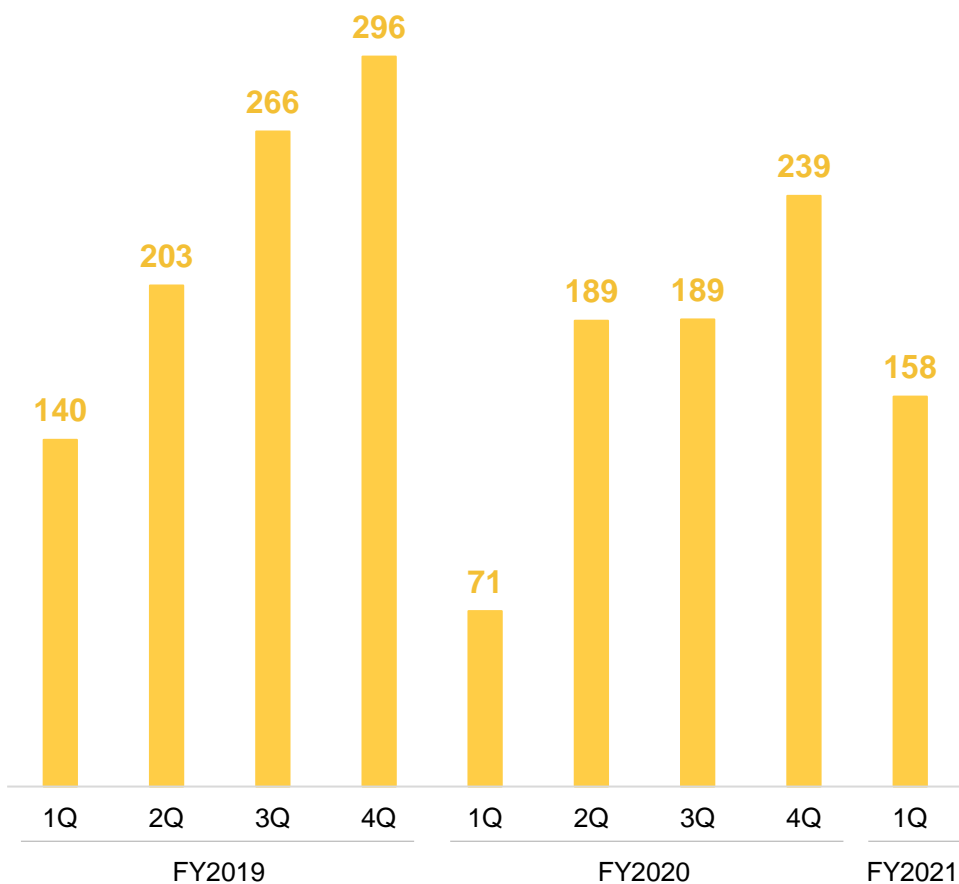
^{*1} : MRR churn rate = MRR lost in the month / MRR as of the end of previous month

Unit Economics

Maintaining healthy unit economics

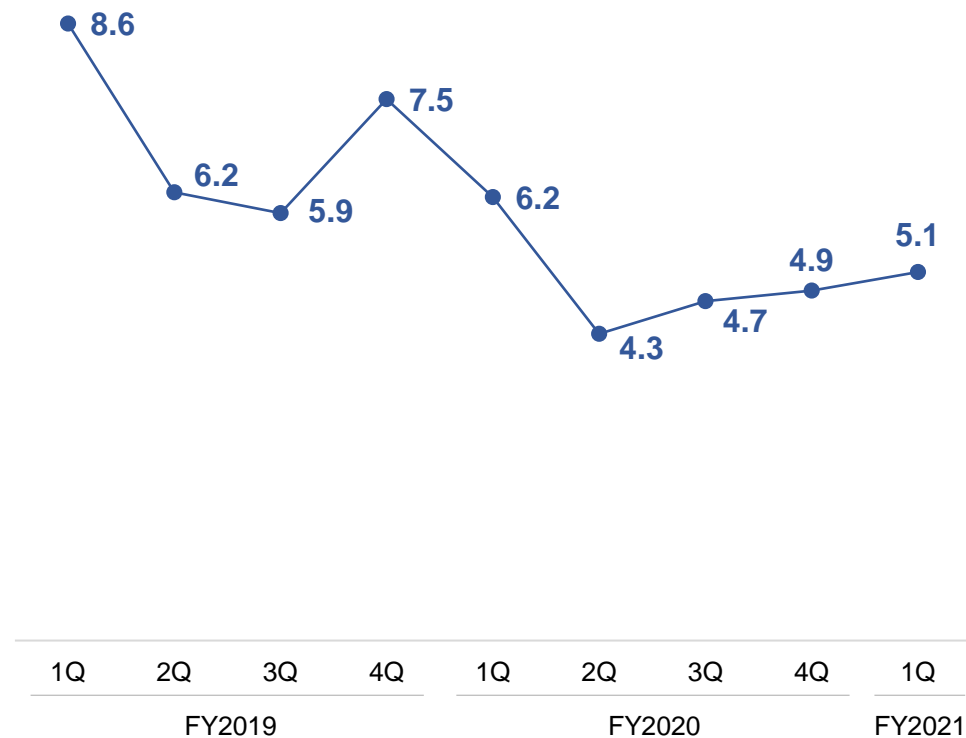
Marketing-related Expenses *1

JPY MM



LTV/CAC *2

X



*1 : Expenses related to marketing activities such as advertising and sales promotion

*2 : LTV= (ARPU / Last 3-month average of MRR churn rate) x Gross profit margin

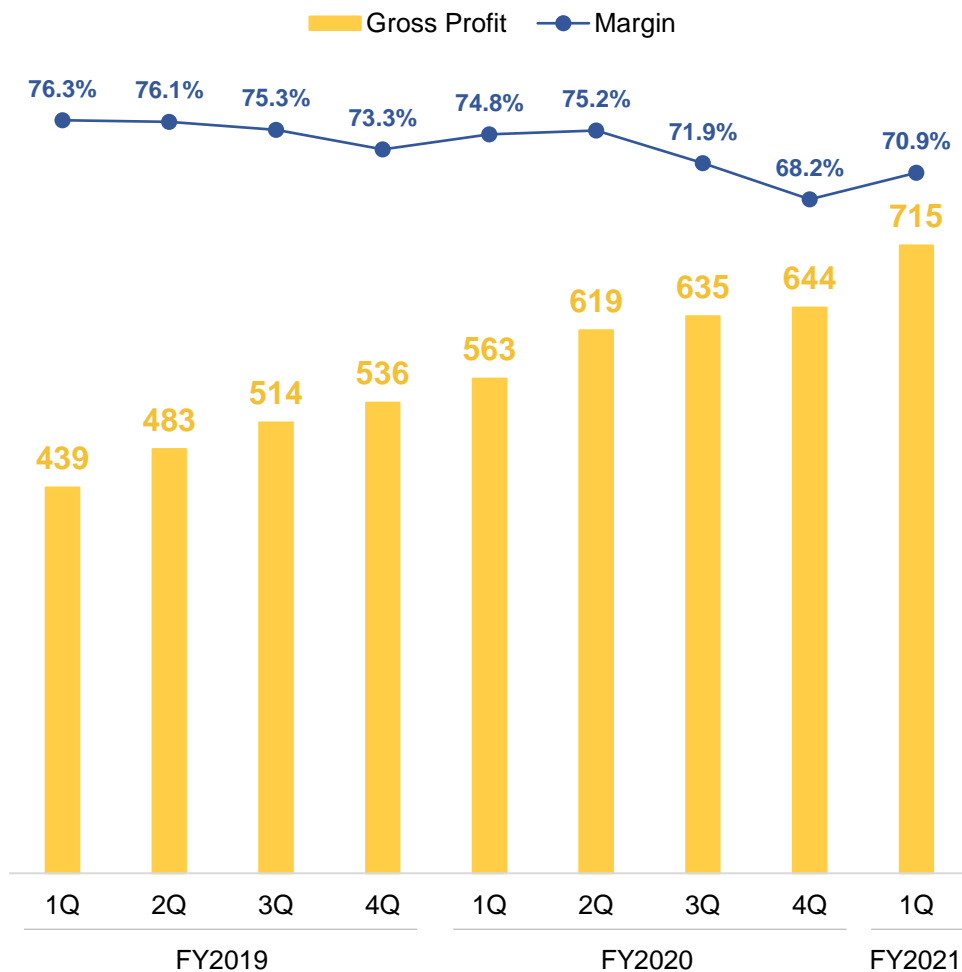
CAC= Sales & Marketing cost (personnel costs for sales & marketing, customer success and PR, marketing-related expenses, rents, system usage fee, etc.) / # of new customers acquired

Gross Profit and Operating Profit

Gross profit, a source of profitability, has increased steadily in line with the net sales growth

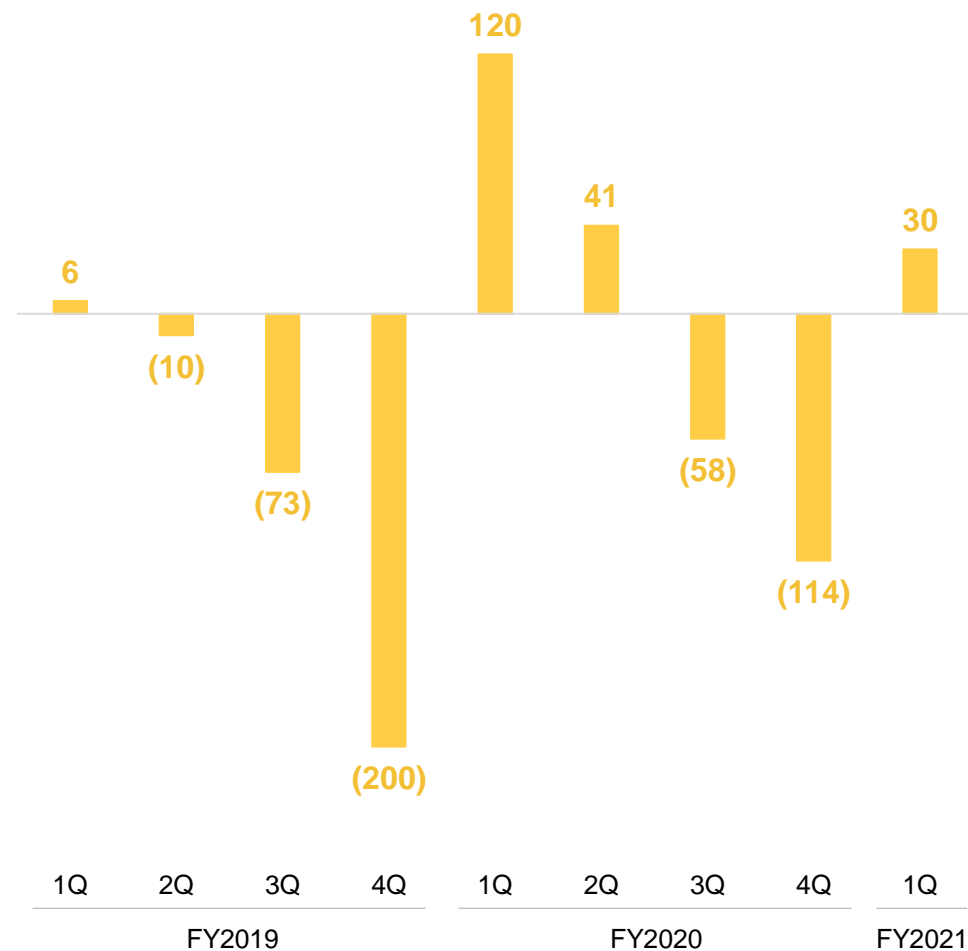
Gross Profit

JPY MM



Operating Profit

JPY MM

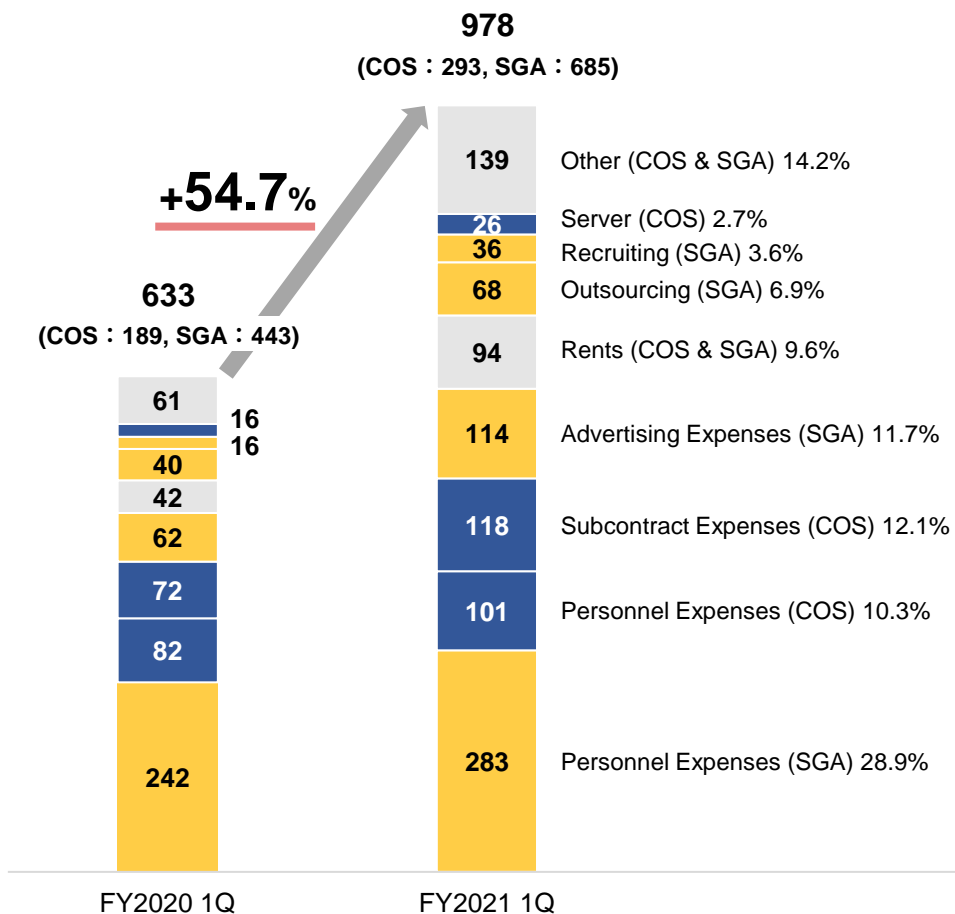


Cost Analysis

Operating expenses increased by 54.7% YoY, primarily due to an increase in personnel expenses, marketing expenses and rents

Operating Expenses (YoY)

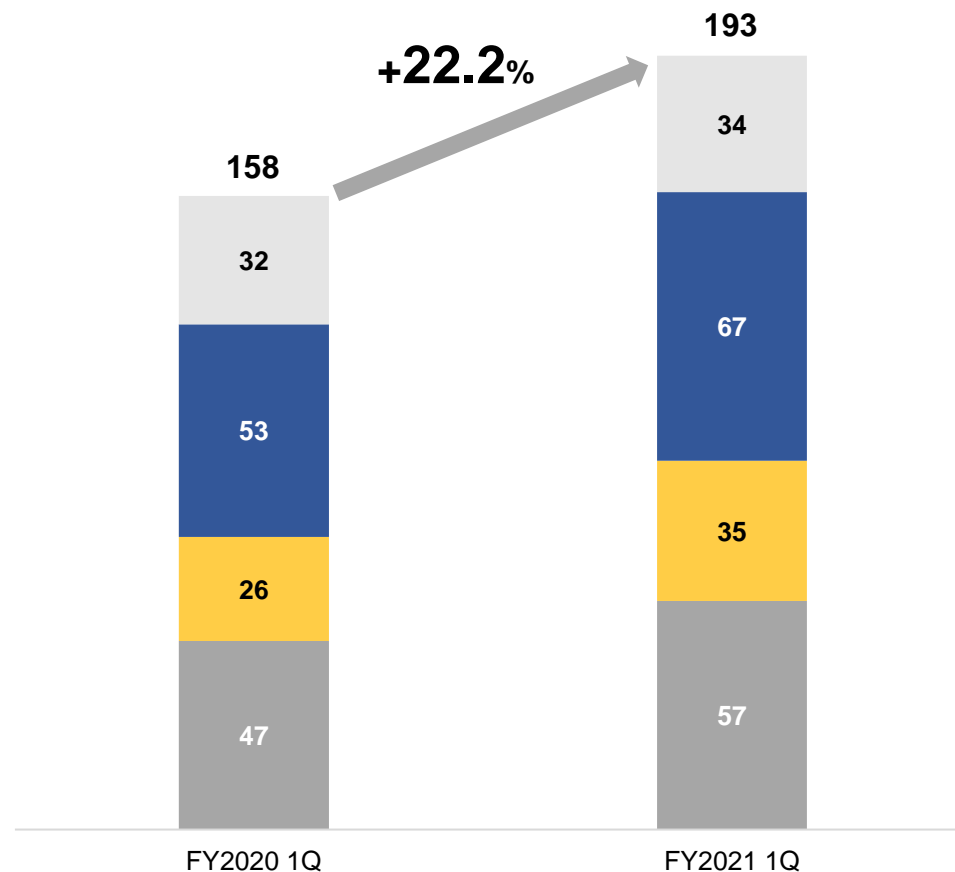
JPY MM



of Employees by Group (YoY) *1

People

■ Sales & Marketing ■ Customer Success / Support ■ Engineer ■ Corporate



*1 : The number of full-time employees at the end of the quarter

Free Cash Flow and Deferred Revenue

Steadily improving cash-generation capacity due to a growth of subscription revenue

FCF

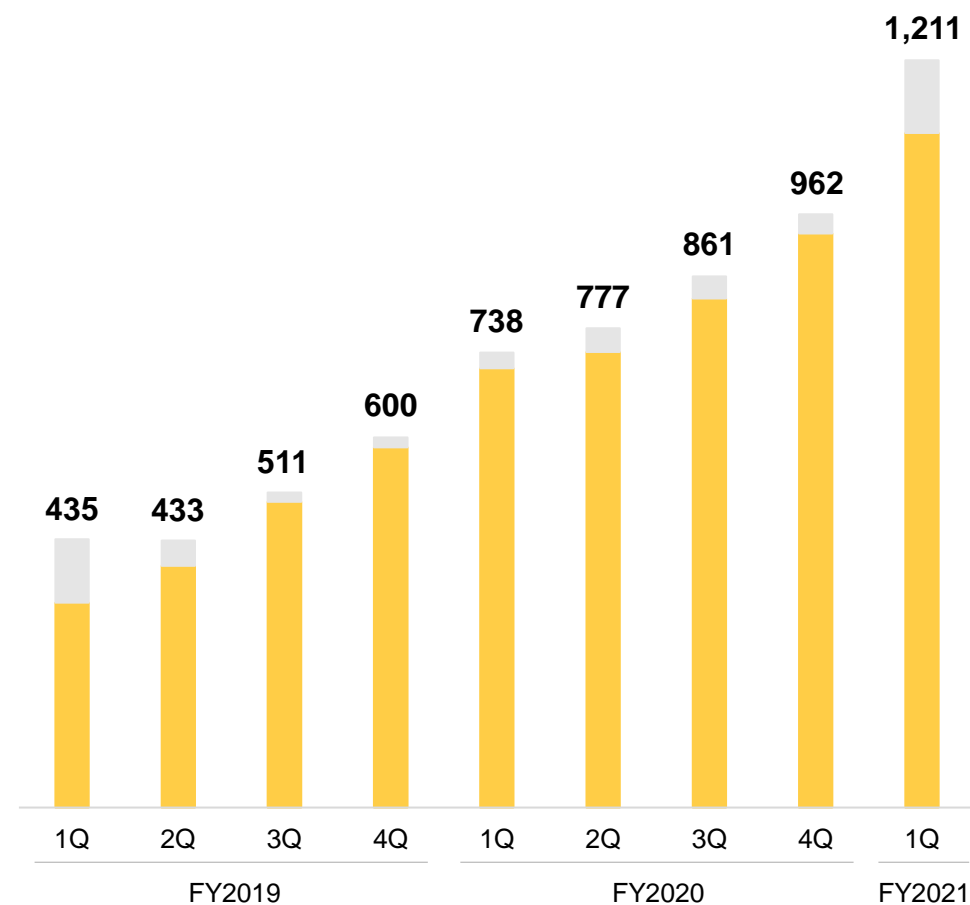
JPY MM



Deferred Revenue

JPY MM

■ Subscription Services *1 ■ Professional Services



*1 : The ratio of annual payment to MRR in June 2021 was 64.7%

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FY2021 Financial Forecast

Staying on track to achieve our full-year forecast

JPY MM	FY2020 Actual	FY2021* ¹ Forecast	YoY	FY2021 Q1* ² Actual	vs. Forecst
Net Sales	3,402	4,540	+33.4%	1,008	22.2%
Subscription	2,991	3,840	+28.4%	889	23.2%
Professional	411	700	+70.4%	119	17.0%
Gross Profit	2,461	3,280	+33.3%	715	21.8%
Margin	72.3%	72.2%	-0.1pt	70.9%	-
Operating Profit	-11	100	-	30	29.8%
Margin	-	2.2%	-	3.0%	-
Ordinary Profit	-16	93	-	28	30.0%
Net Profit	-131	26	-	18	68.8%

*1 : Without applying the new revenue recognition standard, net sales is expected to be JPY 4,520MM (JPY 3,920MM for subscription services and JPY 600MM for professional services)

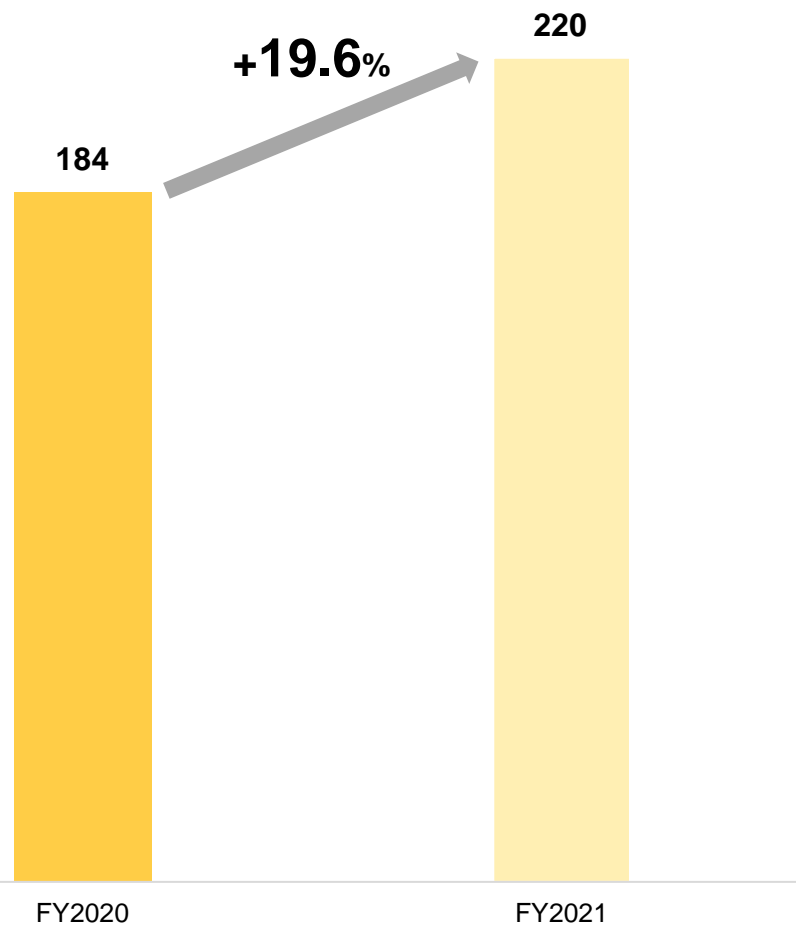
*2 : Without applying the new revenue recognition standard, net sales was JPY 1,004MM (JPY 903MM for subscription services and JPY 101MM for professional services)

Cost Discipline

Plan to proactively hire talents and invest in marketing activities to accelerate revenue growth

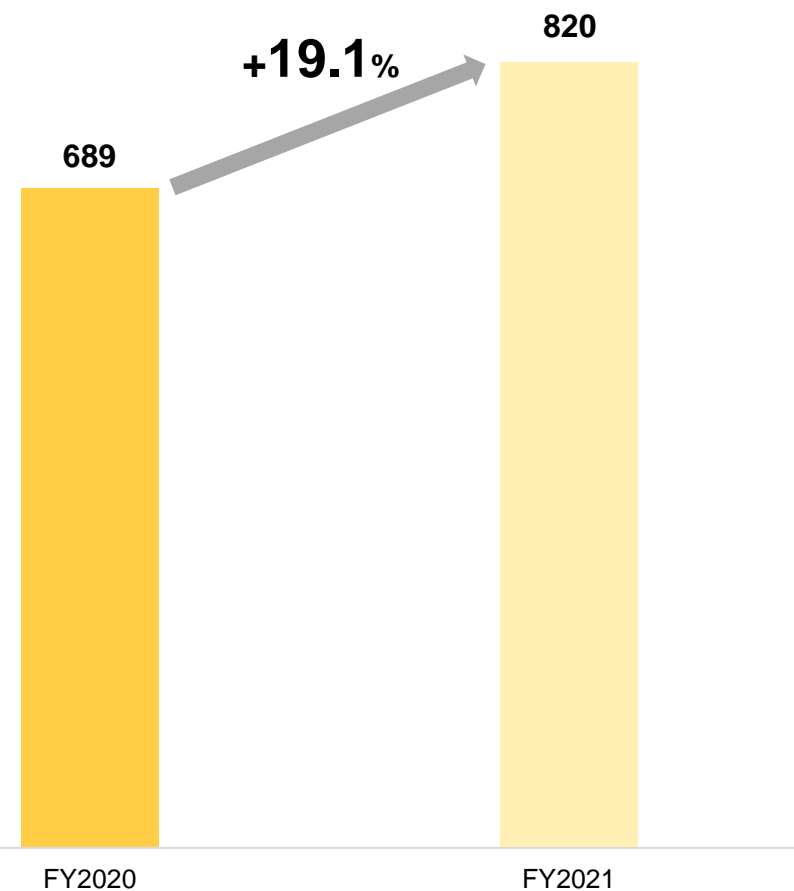
Staffing Plan (# of Employees)

People



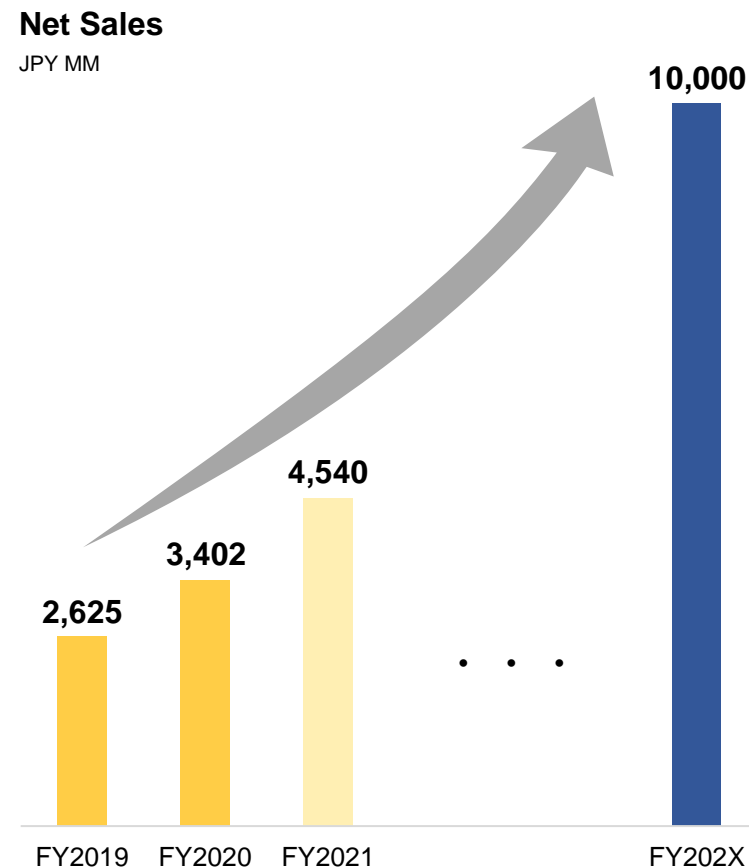
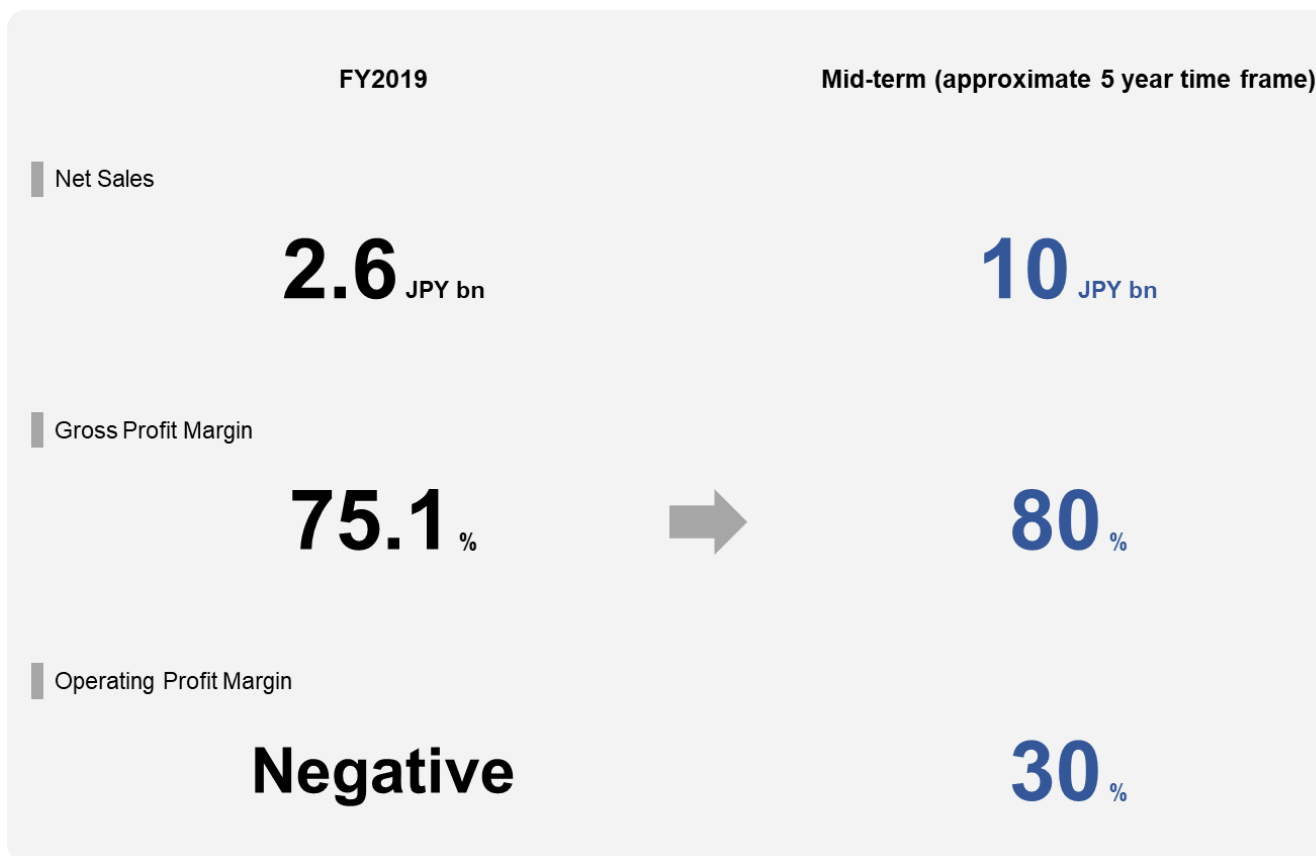
Marketing-related Expenses Forecast

JPY MM



Grand Design of Mid-term Growth

Net sales, GP margin and OP margin to grow up to JPY 10bn, 80% and 30% respectively in the mid-term



Source : Investor Presentation for FY2020Q3 (February 12, 2021)

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Company Overview

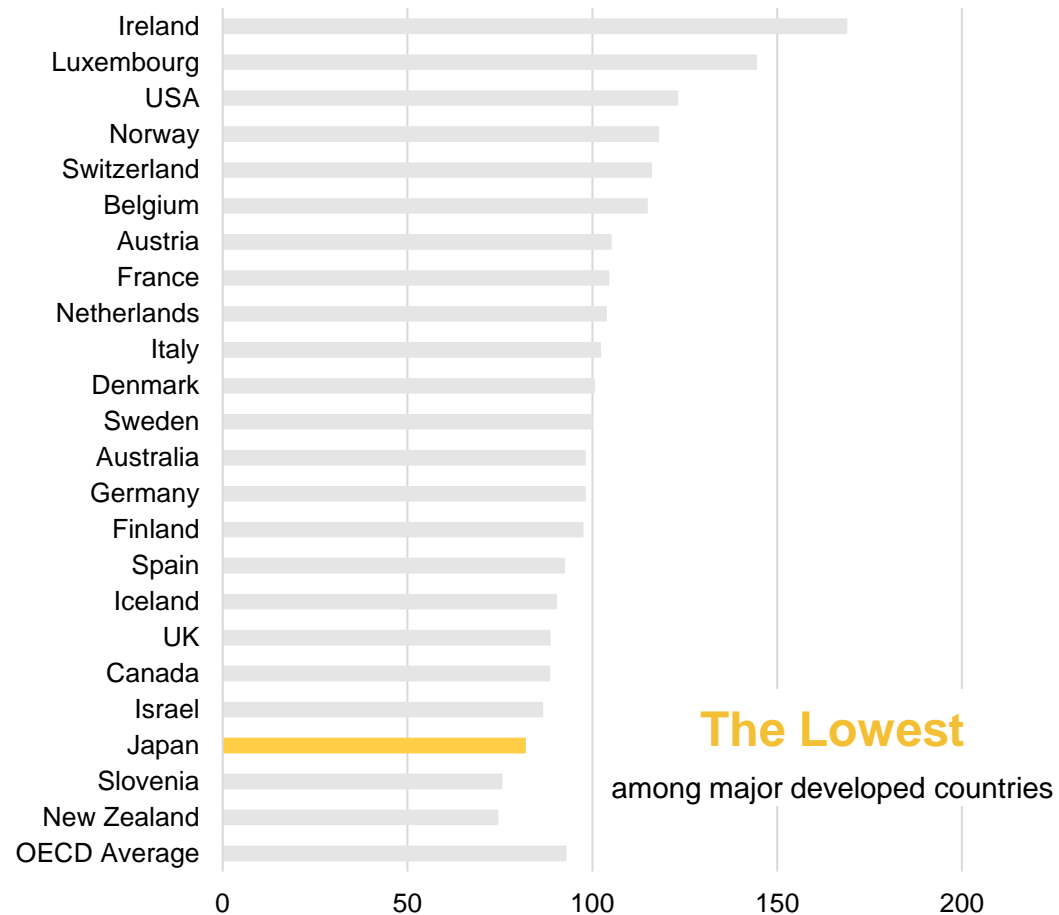
Name	: kaonavi, inc.
HQ Office	: 15F/16F TOKYO TORANOMON GLOBAL SQUARE, 1-3-1 Toranomom, Minato-ku, Tokyo
Established	: May 2008 (Commencement of business : April 2012)
# of Employees	: 184 (March 2021)
Business	: Providing a cloud-based talent management system “KAONAVI”
Board of Directors	: Hiroki Yanagihashi, Representative Director, President & CEO Hiroyuki Sato, Director, Executive Vice President & COO Kimitaka Hashimoto, Director & CFO Suguru Kobayashi, Outside Director, Representative Director of Field Management Human Resource Inc Masumi Sai, Outside Director, Representative Director of Good News and Companies Jiro Ito, Auditor Hiroyuki Yamada, Auditor Masaharu Adachi, Auditor Akemi Higuchi, Auditor
Major Shareholders	: Hiroki Yanagihashi Recruit Holdings Co., Ltd. (RSI Fund 1 LLC)

Japan's Labor Market Challenges

Japan faces low labor productivity and decline of working-age population

OECD Countries' Labor Productivity (2016, per workers)

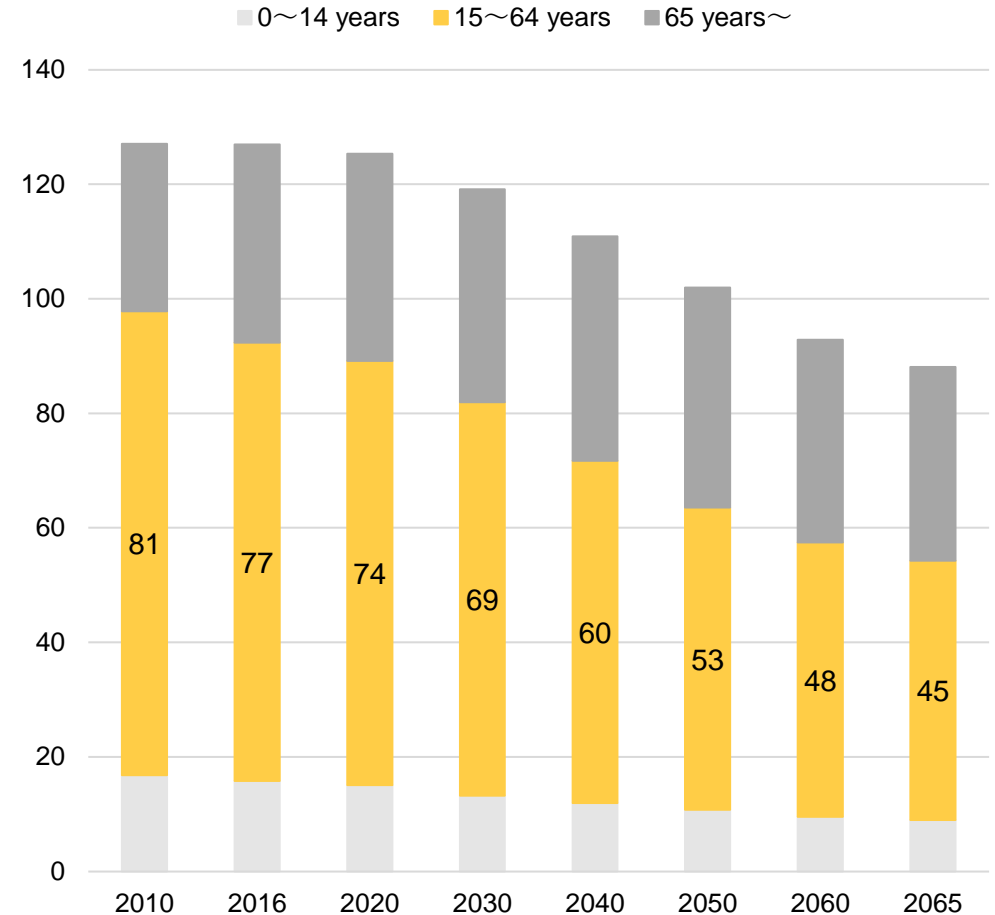
PPP Conversion : US\$ 1,000



Source : Japan Productivity Center "International Comparison of Labor Productivity 2017"

Japan's Population Projections by Age

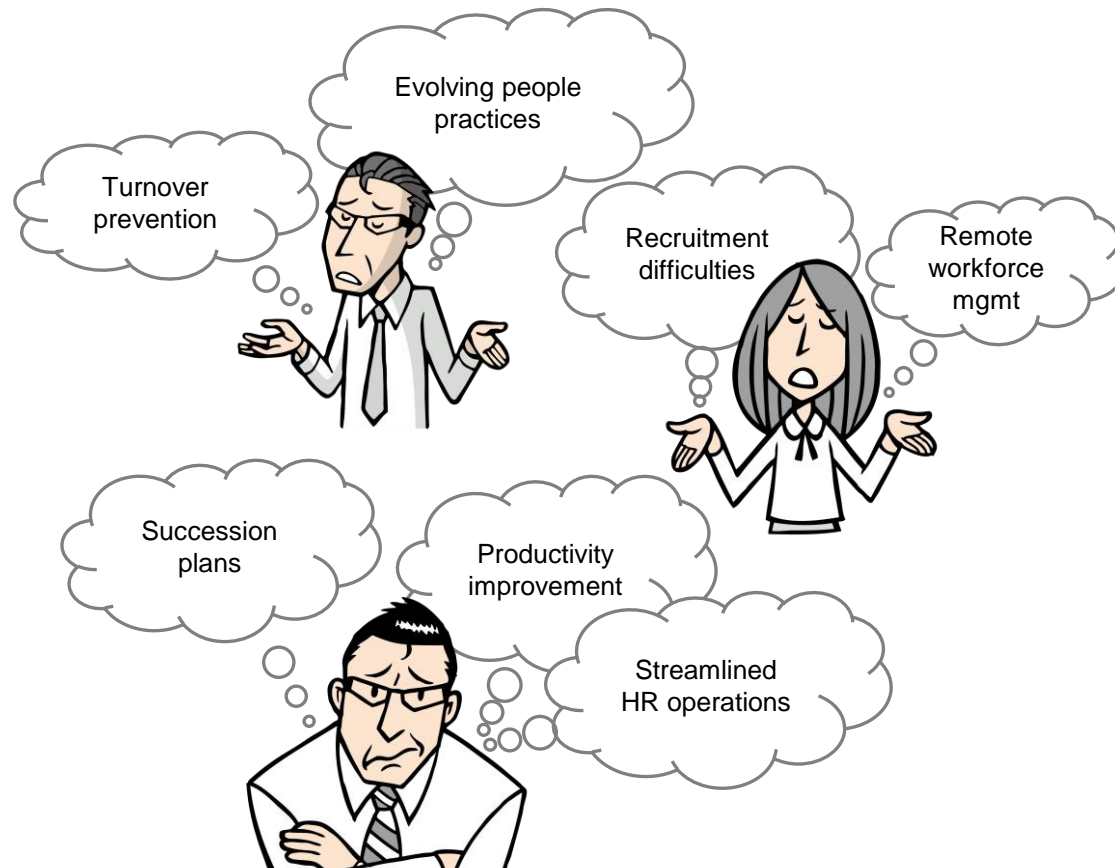
Million people



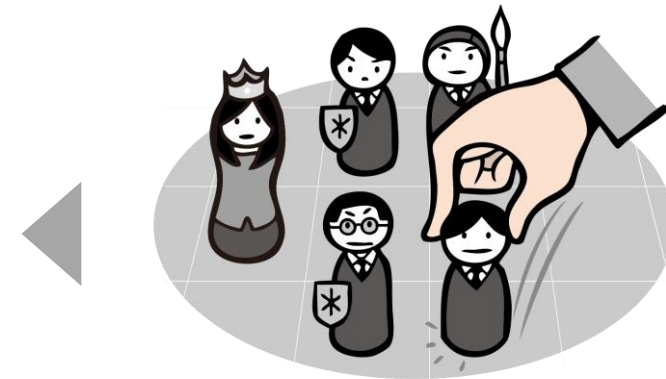
Source : Cabinet Office "White Paper on Aging Society 2017"

Rising Demand for Talent Management

Individuality of employees is the paramount focus for solving various HR issues that companies confront



Talent Management



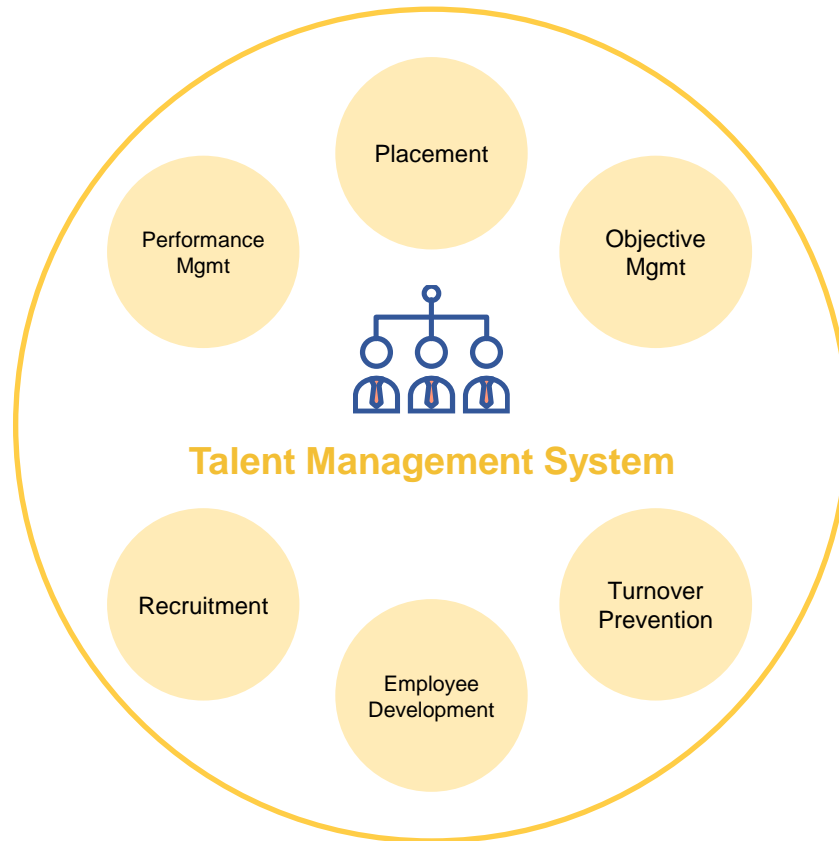
- Centralized and visualized HR data
- Well-fit employee placement
- Streamlined performance review process
- Skills management and people development
- Right talent acquisition to prevent mismatches
- Increased employee engagement

Business Realm

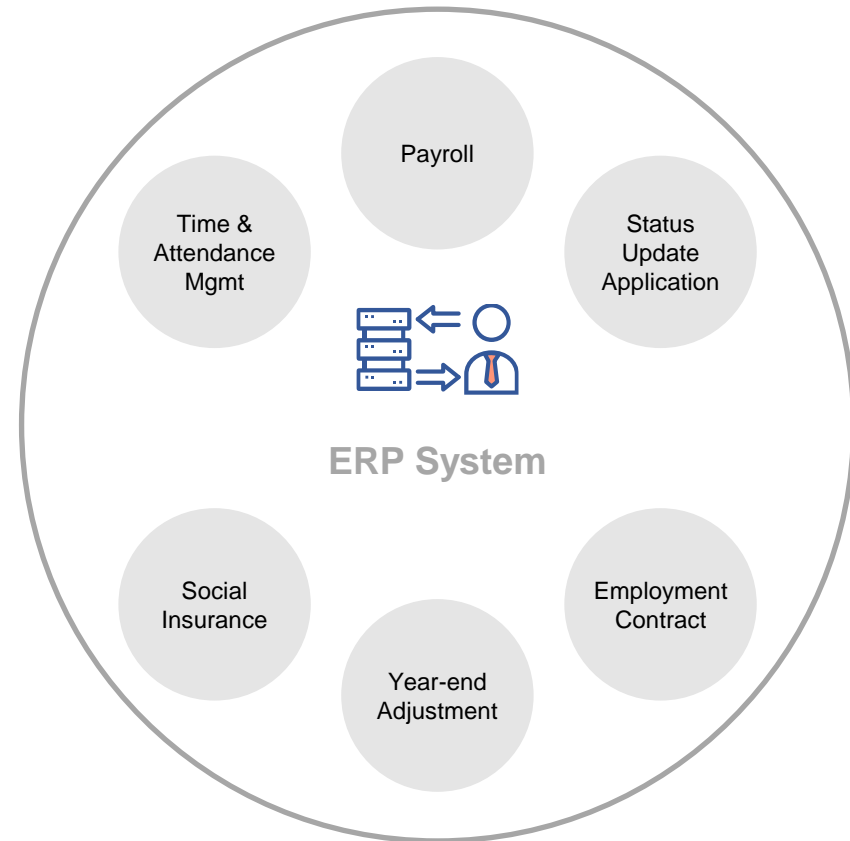
Providing services in HR management area such as performance management, retention and placement

カオナビ

HR Management



Labor Management



Fee Structure

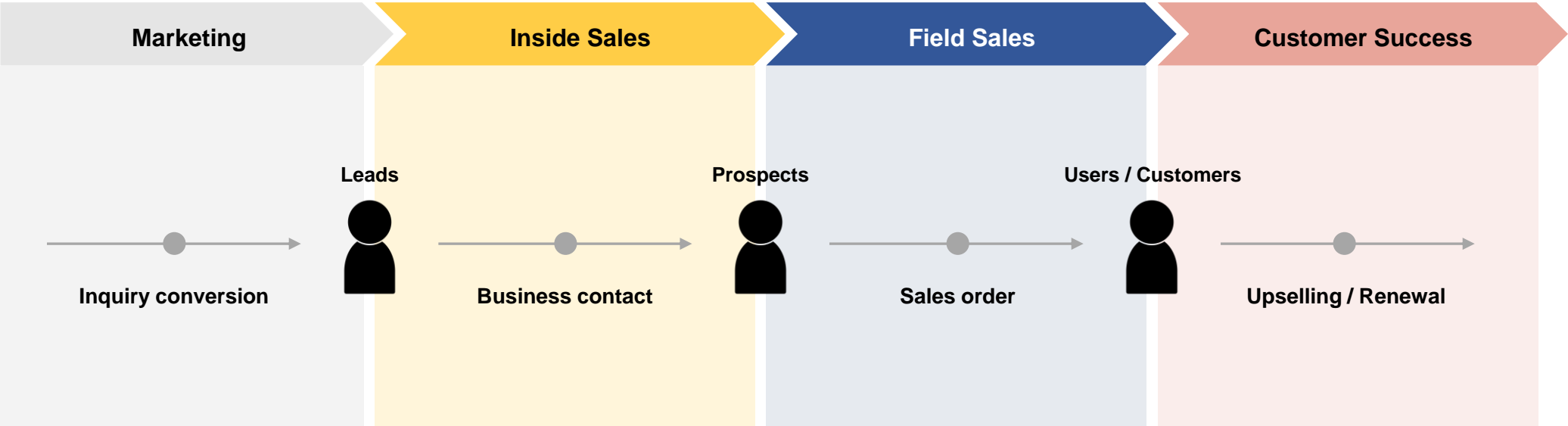
Offer three subscription plans with different sets of functions and charge based on the number of registered employees

	DATABASE PLAN	PERFORMANCE PLAN	STRATEGY PLAN
	Consolidate all personnel data	Efficient review operation	Strategic HR management
HR Database	✓	✓	✓
Pickup List	✓	✓	✓
Organization Chart	✓	✓	✓
Performance Review		✓	✓
Employee Survey		✓	✓
Matrix Chart			✓
Employee Data Graph			✓
Dash Board			✓
Option Services ※1	✓	✓	✓

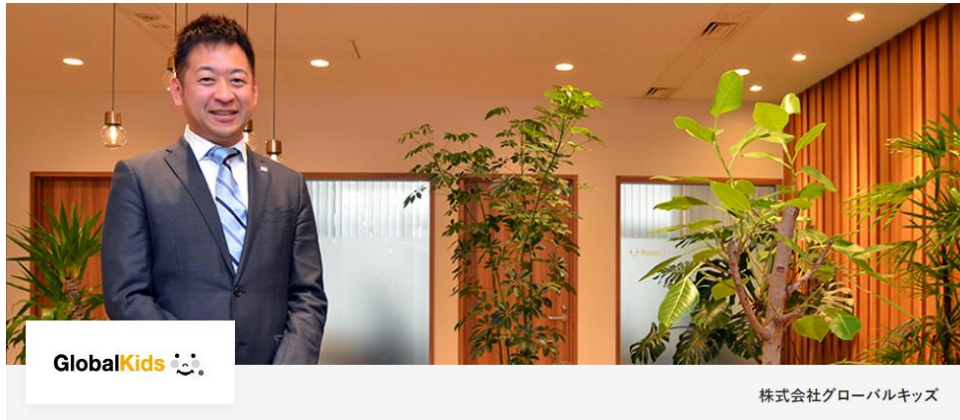
*1 : Aptitude Test (SPI3), Pulse Survey, Approval Workflow and so on

Business Process

Aiming to streamline sales & marketing activities and maximize LTV by structuring processes



Customer Stories



Issues / Challenges

- Mismatch between names and faces of staffs amid headcount increase
- Retention of childcare workers

Why KAONAVI ?

- Excellent user interface

Benefits of KAONAVI

- Lower turnover rate (16% → less than 10%)
- Efficient response to administrative audits (centralized document management)
- Prevention of recruitment mismatches



Issues / Challenges

- Harmonization and alignment of employees diversified following the post merger integration

Why KAONAVI ?

- Usability and flexibility as a communication tool
- Applicability as a platform to promote digitization of the HR department

Benefits of KAONAVI

- Driving inter-departmental communication
- Highly improved efficiency of assessment process

Customer Stories (Cont'd)



Issues / Challenges

- Lack of information sharing among group companies
- Inefficient operation of performance review (paper documents and Excel files)

Why KAONAVI ?

- Flexibility in building performance review systems
- No involvement of programming knowledge or expensive customization

Benefits of KAONAVI

- Centralized digitization of performance review
- Visualization of HR issues by employee surveys

Issues / Challenges

- Dispersed HR information among the group organizations
- Upskilling and deploying human resources

Why KAONAVI ?

- Centralized information management capability
- Highly intuitive user interface

Benefits of KAONAVI

- Centralization of HR data
- Shorter preparation time for personnel transfers (1 week → 1 hour)
- Improved operation efficiency and reduced costs by eliminating paperwork drastically

Philanthropic Initiatives

Contributing to the sustainable development of society by supporting talent management for academic institutions and public sector organizations



Applicable

Academic institutions such as school corporation



Applicable

Government offices, municipal governments, independent administrative agencies

Academy Cloud

Price

Special price

Government Cloud

Price

Special price

Image of career development program status optimized for academic institutions

The screenshot displays a user profile for '顔那美 メンバー1' (Kaonavi Member 1) in the HR department. The main content is a table of career development programs, categorized into three groups: University-level training, Career formation for department heads, and Career formation for staff. Each program has a status indicator (e.g., '受講' for completed, '未受講' for not completed).

Category	Program Name	Status
■大学経営研修(主に部長・課長向け)	環境分析と経営計画策定	未受講
	民間企業の経営手法理解	未受講
	自己点検・評価・内部質保証	未受講
■キャリア形成(主に部長・課長向け)	ヒューマン・リソース・マネジメント	未受講
	アドミニストレーター	未受講
■キャリア形成(主に係長まで)	PDCAサイクル習得	未受講
	創造思考	未受講
	業務創造	未受講
	キャリア・プランニング	未受講
未受講	フォローアップ	未受講
	キャリア・ディベロップメント	未受講

Empowering Employees at kaonavi

Aim to boost productivity by advancing flexible work style optimized for each employee



Super Flextime

Allows employees to vary the time to work free from the core time set within the flextime. Achieving a unique and personalized work style while balancing self development and care giving among other things



Switch-work

A system to arrange working hours on and off instead of working many hours straight at a time. It accommodates household chores, child-care and more during the day



Work From Anywhere

Employees can choose to work where they work best – home, office or hybrid wherever suitable for employees' lifestyle, mood, and schedule for the day



Second Job Encouragement

Supporting employees who have passion for something apart from full-time job. Experiences in different fields also contribute career development at kaonavi



**Ratio of Employees Who Have
Second Job**
(As of March 2021)

17.9%

Empowering Employees at kaonavi (Cont'd)

Diverse and flexible work style also enables us to achieve successful women's empowerment

女性活躍・両立支援に積極的に取り組む企業の事例集

厚生労働省
Ministry of Health, Labour and Welfare

女性の活躍推進・両立支援総合サイトトップ > 女性活躍・両立支援事例集トップ (事例検索) > 企業事例

株式会社カオナビ (情報通信業) 2020年度

男女問わず最高のパフォーマンスを発揮できる革新的な働き方を実践



企業プロフィール

設立	2008年
所在地	東京都港区
事業内容	タレントマネジメントシステム「カオナビ」の製造・販売・サポート
従業員数	164人 (うち女性約60人)
企業認定・表彰等	

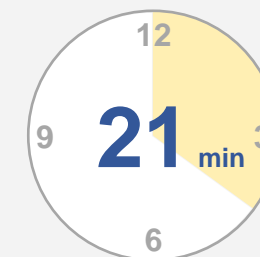
取組内容

- 仕事と育児の両立支援
- 仕事と介護の両立支援
- テレワーク
- フレックスタイム制
- 短時間正社員制度

Source : Ministry of Health, Labor and Welfare

Employee Data at kaonavi

Average Daily Overtime
(FY2020)



Ratio of Women in
Managerial Positions
(As of March 2021)

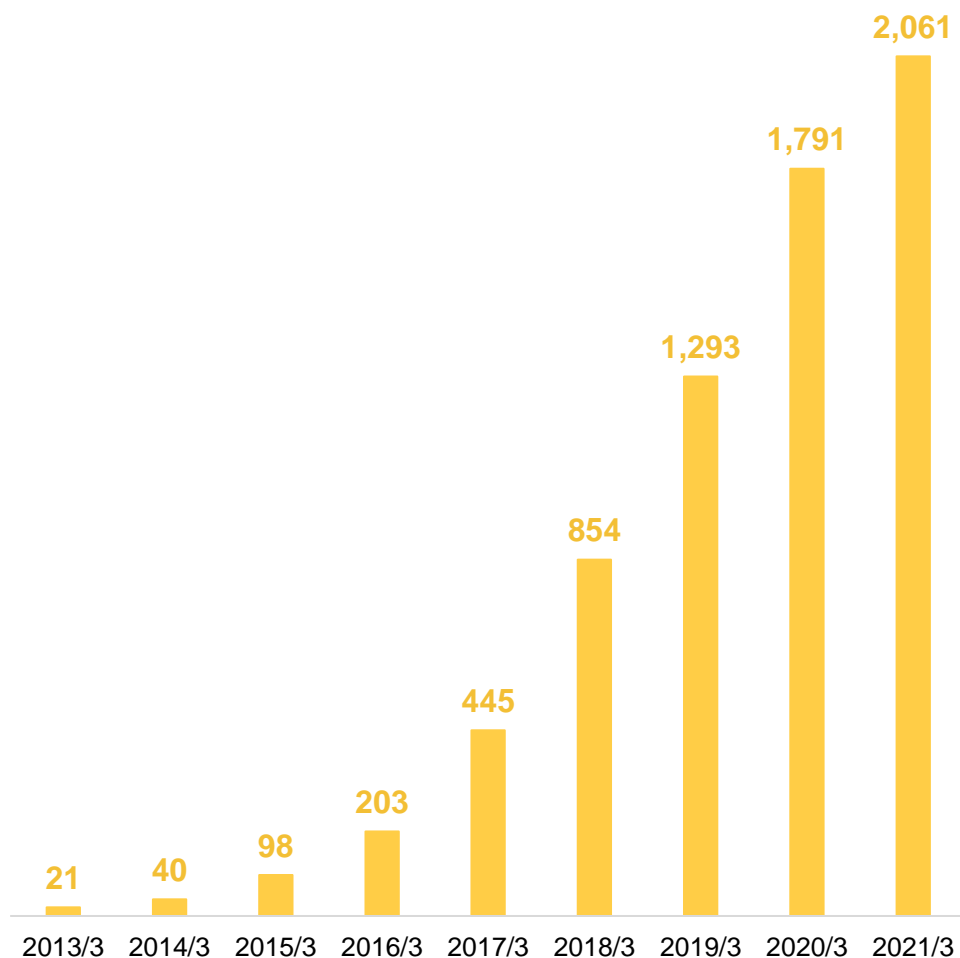
30.0%

Market Position

The market leader in talent management system

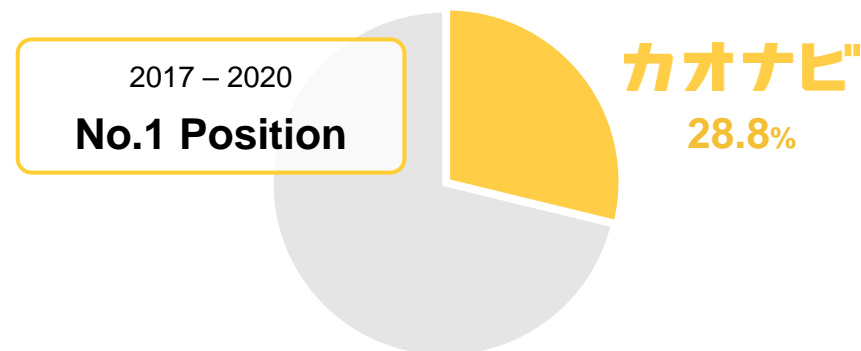
Active Users (Annual basis)

Companies



*1 : As of March 31, 2021

Market Share of Shipment (2020)



Source : HRTech Cloud Market – HR and deployment cloud by Deloitte Tohmatsu MIC Research Institute, January 2021

Customers *1

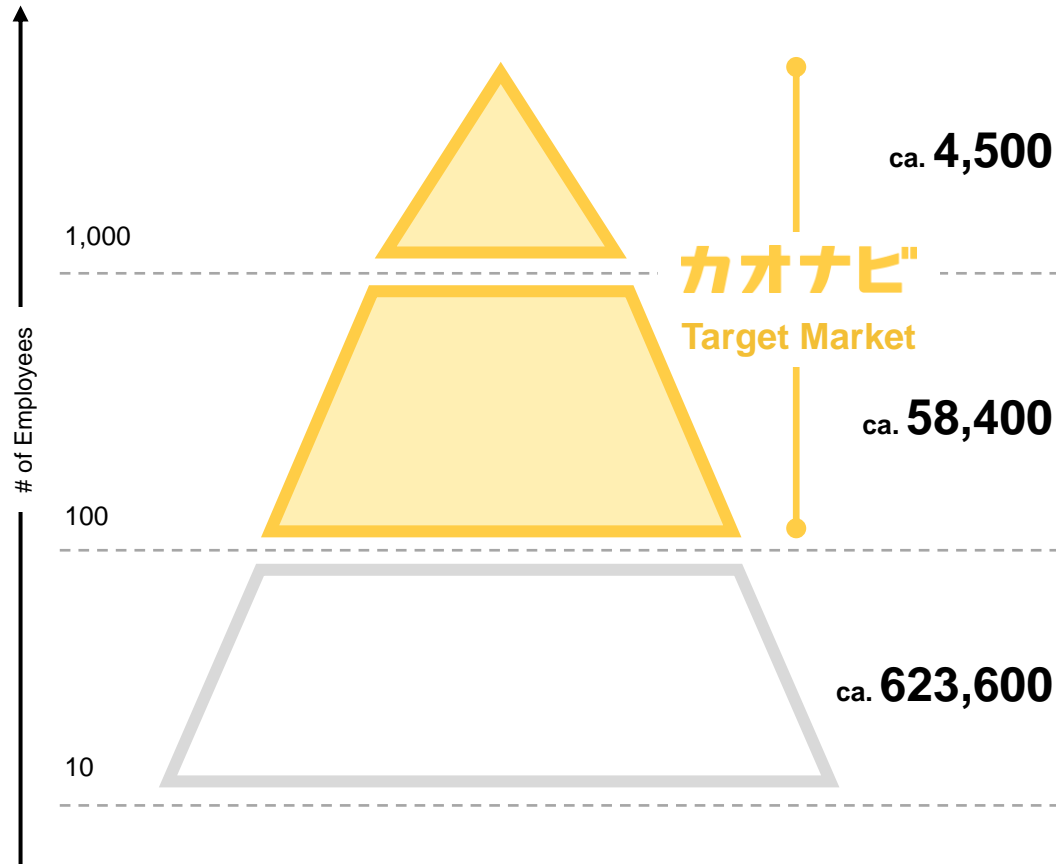


Growth Potential

KAONAVI's target market is still uncultivated, and it has high growth potential

of Companies in Japan

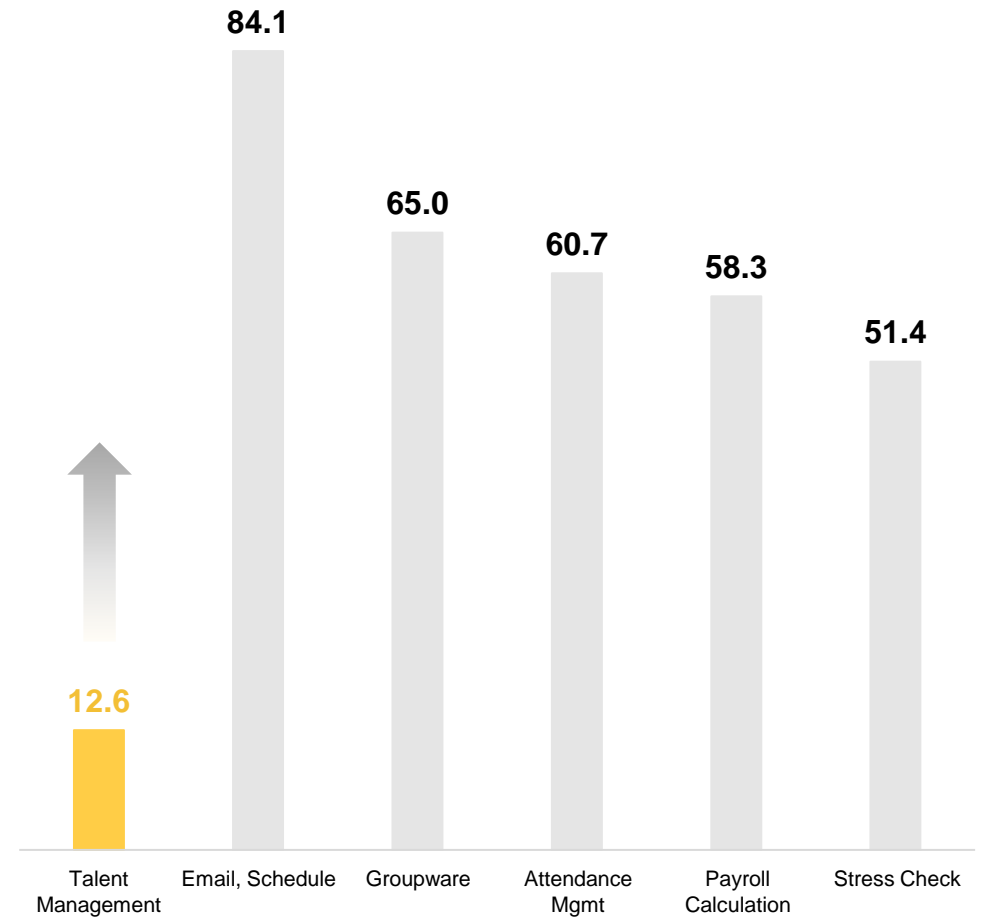
Companies



Source : kaonavi, based on MIC and METI "2016 Economic Census for Business Activity"

Adoption of HR-related IT Systems in Japan

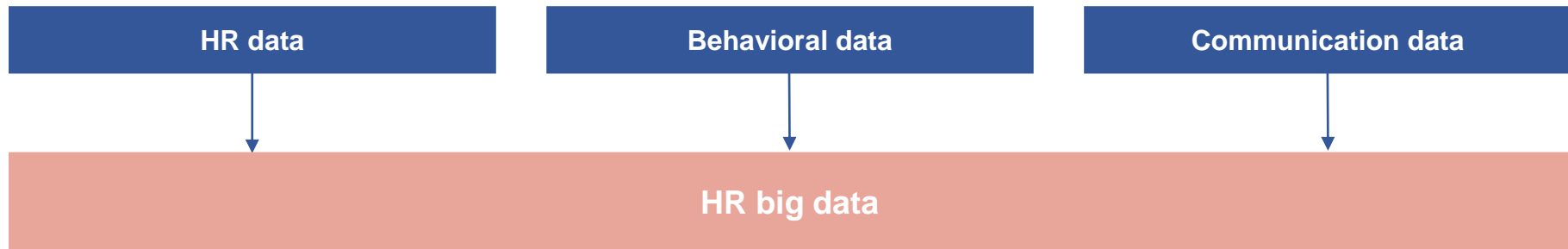
Implementation Rate : %



Source : IDC Japan, July 2017

Future of Talent Management

Harnessing dynamic data in addition to static data to utilize human resources more advanced than ever before



⇒ Analyze high performers, identify signs of turnover, prevent hiring mismatches, and conduct personalized development programs

Technical Advisor

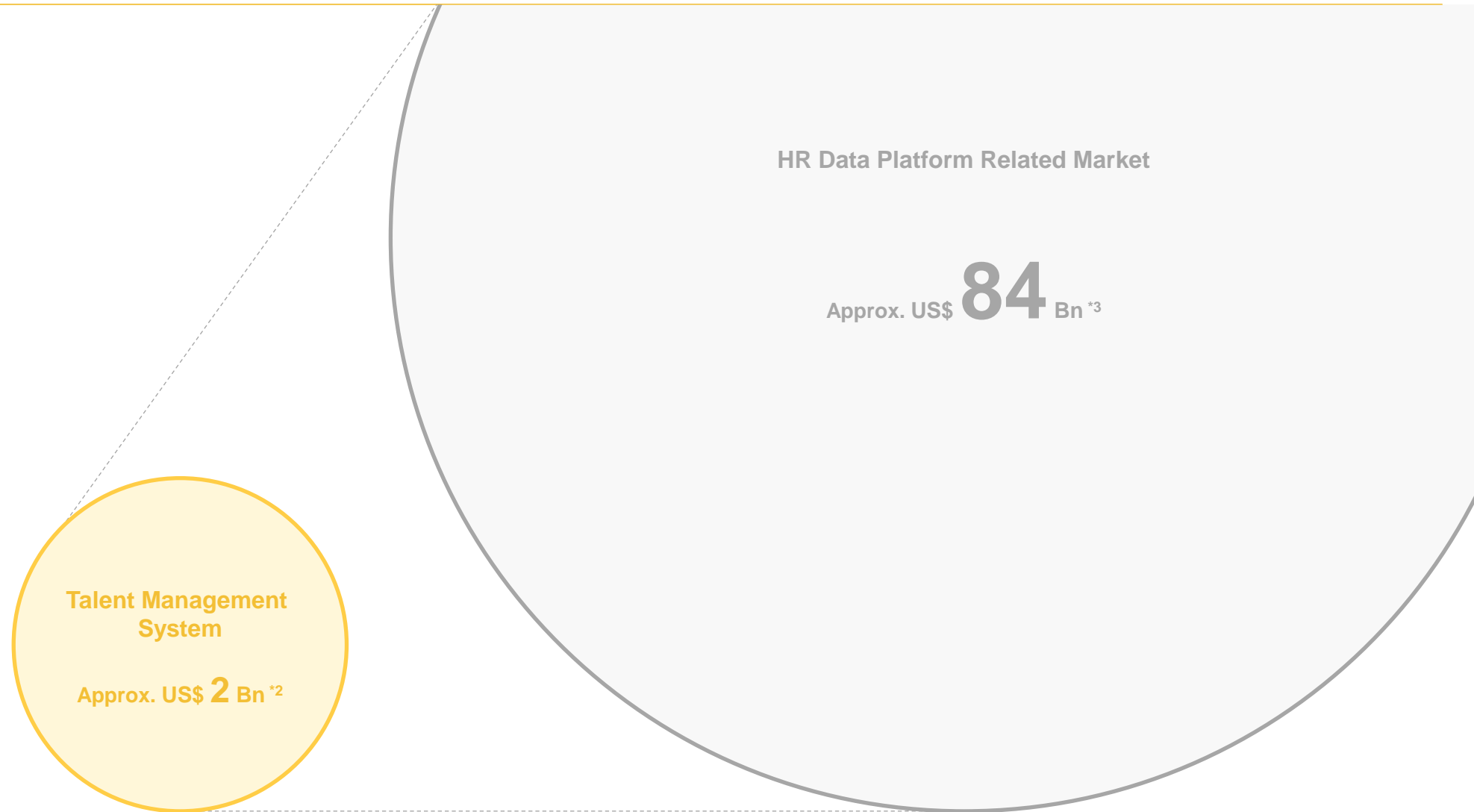


Masaya Mori

Partner at Deloitte Tohmatsu Consulting LLC
Specially-appointed Professor at Tohoku University
Advisor at Japan Deep Learning Association

Joined Rakuten Inc in 2006 after leading advanced technology group at Accenture. As Rakuten Executive Officer and Global Head of Rakuten Institute of Technology, he was in charge of developing and implementing strategies of AI, IoT and Big Data solutions and managing seven institutes in 5 countries.

TAM Expansion Opportunities with Platform Business ^{*1}



*1 : USDJPY=100. Potential TAM has been calculated by kaonavi, under certain assumptions, using data referenced from the below publicly disclosed statistical reports

*2 : Calculated by multiplying the number of companies with 50 or more employees by KAONAVI's fee structured for corresponding employee size, based on MIC and METI "2016 Economic Census for Business Activity"

*3 : Calculated as the sum of the below markets

Market size of job listing, job recruiting and job staffing by Japan Association of Human Resource Services Industry "The Labor Market in 2030 and The Role of The HR Services Industry"

Market size of training services for companies (2019) by Yano Research Institute "Research on Corporate Training Services Market (2020)"

Market size of reemployment support (2019) by Yano Research Institute "Research on The Human Resources Business Market (2020)"

Market size of employee assistance program (2015 forecast) by Yano Research Institute "Research on EAP Market (2016)"

Market size of ATS cloud and employee development cloud (2021 forecast) by Deloitte Tohmatsu MIC Research Institute "HR Tech Cloud Market 2020"

Disclaimer

The contents set out in this material are prepared based on generally acknowledged economic, social and other conditions, and on certain assumptions deemed rational by kaonavi, inc. and may therefore be subject to change without prior notice due to changes in the managerial environment for other reasons.

The forward-looking statements set out in this material including performance outlooks are based on information currently available to kaonavi, inc. and on certain assumptions deemed rational, and may therefore differ materially from actual results due to uncertainties in judgements or assumptions, or for other reasons.

Such factors of uncertainty and change include both general, domestic and international economic conditions, such as general industry and market conditions, interest rates, and foreign exchange fluctuations.

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Contact IR : ir@kaonavi.jp

Corporate website : <https://corp.kaonavi.jp/en/>