



FY23/3 Financial Results

(Our Business Plans and Growth Potential)

May 12, 2023 | kaonavi, inc. (TSE Growth : 4435)



1. Topics

2. FY23/3 4Q Financial Highlights

3. Mid-term Management Policy

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5-1. Company Overview

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5-3. The Future of “WORK” and kaonavi

**Implement technology to “WORK”
and modify the specification of society
leveraging individual power**

Customer Success Evolution

Released “kaonavi campus Lab” where users can search for HR experts. In addition to participating in the user community, our users can also utilize the expertise in various fields to drive their talent management



The image shows a promotional banner for 'kaonavi campus Lab' on the left and a laptop displaying the website interface on the right. The banner features a blue background with a stylized beaker icon containing a yellow liquid and a white penguin character. The text on the banner reads: 'kaonavi campus Lab' and 'タレントマネジメントの研究所 プロの専門家(パートナー)による 実践的なノウハウを提供します。' The laptop screen displays the website's 'パートナーをさがす' (Find Partners) page. The page includes a navigation bar with 'パートナーをさがす', '資料をさがす', and 'テンプレートをさがす'. Below the navigation bar, there are filters for '得意領域' (Expertise) with options like '人材育成', '組織開発', '制度構築', and '人材採用', and '従業員規模' (Employee Size) with a dropdown menu set to 'すべて'. The main content area features two partner profiles. The first profile is for 東野 敦 (Aono Atsushi), CEO of People Trees, with a headline '大手在籍中の副業集団が圧倒的なスピード&専門性をもって、人・組織づく...' and a description of his expertise in HR. The second profile is for 新井 将司 (Nagai Masahiro), a labor law expert, with a headline '労務のプロフェッショナルとして、人事労務の課題を総合的に解決します' and a description of his services. The laptop is positioned in front of the banner, showing the website's layout and design.



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Highlights

- 4Q results continue to show solid progress

Net sales were **JPY 1,651MM (+30.4% YoY)**

Gross profit was **JPY 1,171MM (+24.9% YoY)**, and its margin landed at **70.9%**

Operating profit was **JPY 60MM** (loss for the same period last year)

- Full-year results **exceeded forecasts** for net sales, gross profit and operating profit

Posted an extraordinary loss of JPY 28MM in relation to the revalued amount of investment securities due to an impairment loss

- ARR reached **JPY 6,369MM (+29.7% YoY)**, ahead of the initial plan

Newly acquired MRR hit **a new record high**

Churn rate (last 12-month average) was **0.51%**, remaining at a **low level**

- Orders from support services also posted **a new record high**, outpacing the initial plan

- The number of employees at the end of March 2023 was **283** as planned

PL Summary (FY23/3 4Q)

Net sales increased by 30.4% YoY. Gross profit margin was 70.9% due to a significant rise in cost of sales

JPY MM	FY22/3 4Q Same period last year	FY23/3 3Q Previous quarter	FY23/3 4Q Actual	YoY	QoQ
Net Sales	1,266	1,526	1,651	✓ +30.4%	+8.2%
Gross Profit	937	1,131	1,171	+24.9%	+3.5%
Margin	74.0%	74.1%	✓ 70.9%	-3.1pt	-3.2pt
Operating Profit	-57	118	60	—	-49.5%
Margin	—	7.7%	3.6%	—	-4.1pt
Ordinary Profit	-62	117	59	—	-49.7%
Net Profit	58	78	74	+27.5%	-5.4%

PL Summary (FY23/3 Full-year)

Full-year net sales increased by 33.2% YoY and gross profit margin landed at 73.8%

Solid growth and improved profitability led to net sales, gross profit and operating profit all exceeding forecast

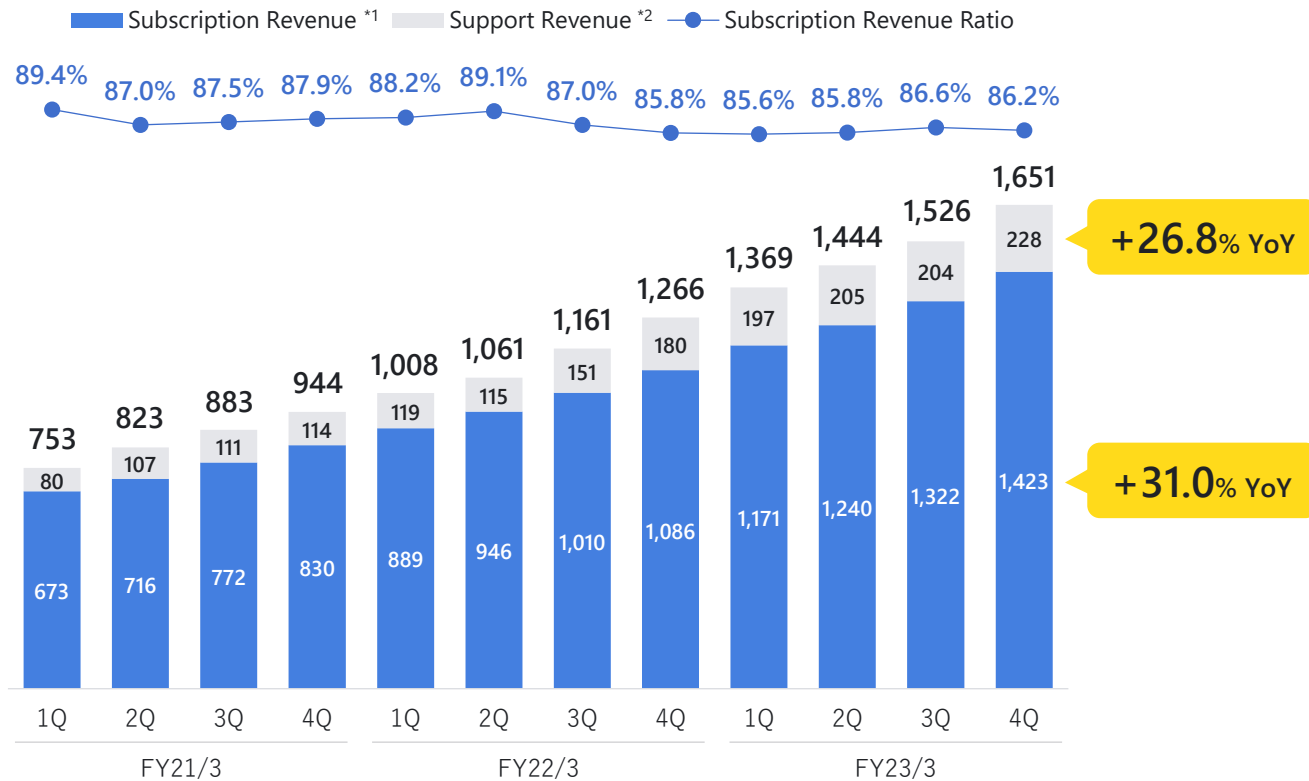
JPY MM	FY22/3 Actual	FY23/3 Actual	FY23/3 Forecast	YoY	vs. Forecast
Net Sales	4,496	5,990	5,960	✓ +33.2%	✓ +0.5%
Gross Profit	3,295	4,420	4,388	+34.1%	✓ +0.7%
Margin	73.3%	✓ 73.8%	73.6%	+0.5pt	+0.2pt
Operating Profit	174	322	282	+85.1%	✓ +14.3%
Margin	3.9%	5.4%	4.7%	+1.5pt	+0.6pt
Ordinary Profit	164	317	—	+93.9%	—
Net Profit	210	246	—	+17.3%	—

Net Sales

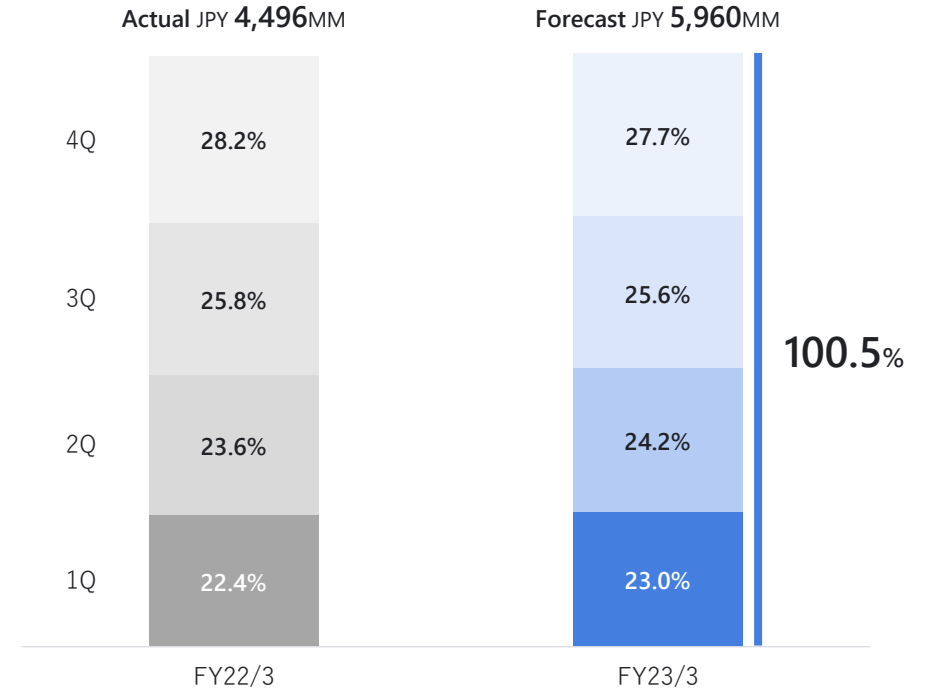
Subscription revenue and support revenue increased by 31.0% and 26.8% YoY, respectively

Net Sales

JPY MM



Progress Against Full-year Forecast



*1 : Net sales from monthly subscription fees

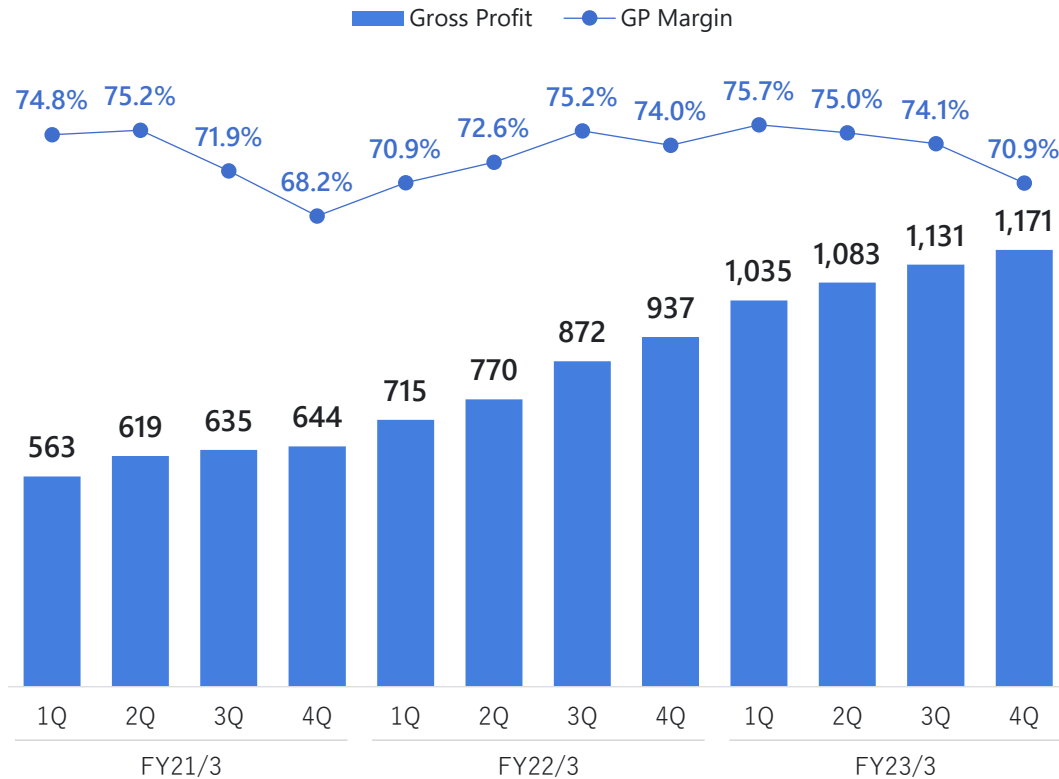
*2 : Net sales from initial setting support and paid support, etc.

Gross Profit and Cost of Sales

Cost of sales increased significantly due to additional engineers to enhance functionality, accelerated depreciation expenses related to the headquarter relocation and vulnerability assessment expenses

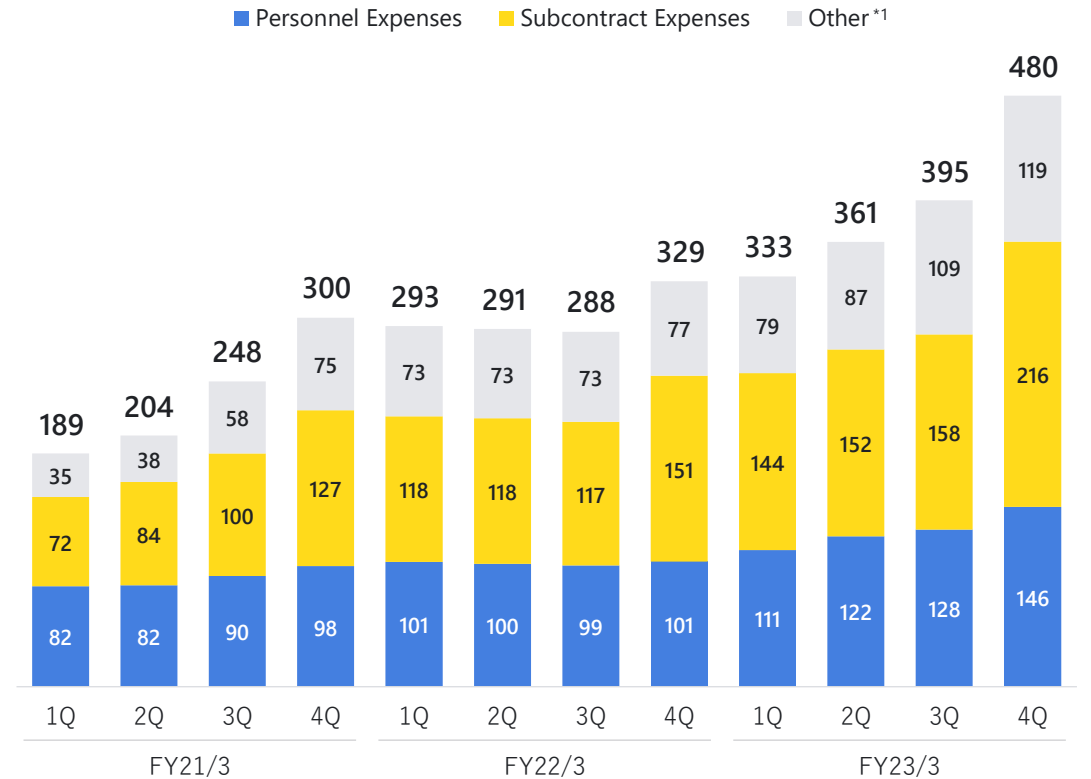
Gross Profit

JPY MM



Cost of Sales

JPY MM



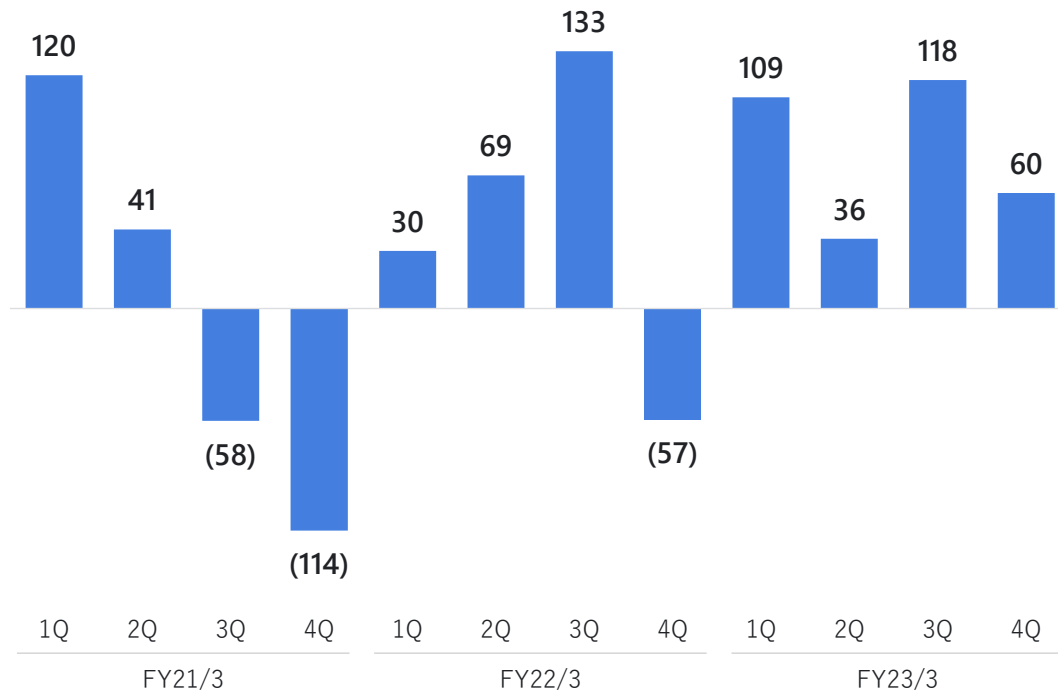
*1 : "Other" in this quarter mainly includes Rents of JPY 39MM and Server costs of JPY 48MM

Operating Profit and SG&A

Profitability steadily improved due to growth in gross profit

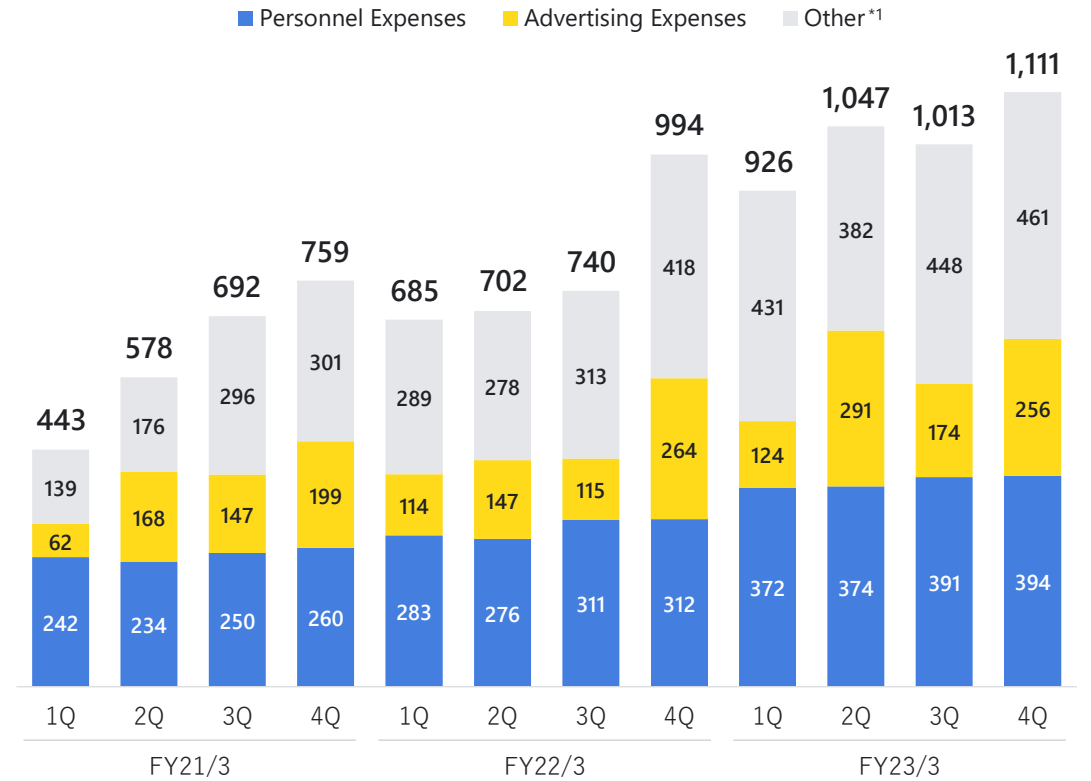
Operating Profit

JPY MM



SG&A

JPY MM



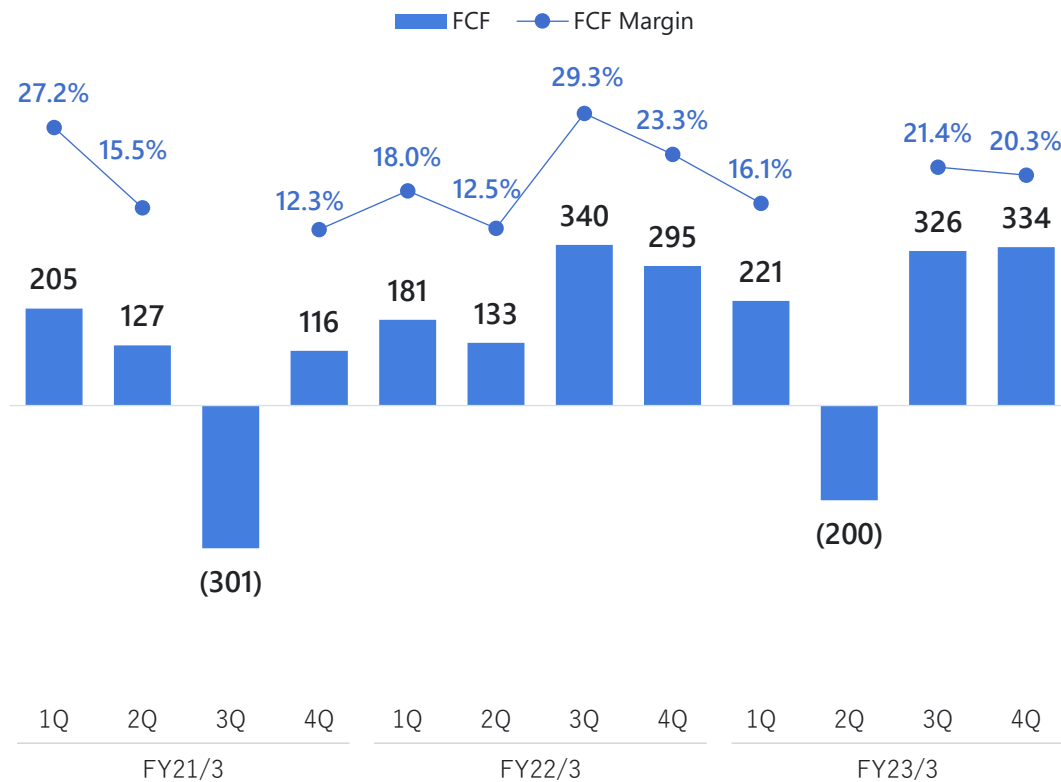
*1 : "Other" in this quarter mainly includes Rents of JPY 58MM, Outsourcing expenses of JPY 111MM, Sales promotion expenses of JPY 108MM, Recruiting expenses of JPY 41MM and Communication expenses of JPY 44MM

Free Cash Flow and Balance Sheet

Stable cash flow generation has led to a 19.9% YoY increase in cash and deposits

FCF

JPY MM



B/S

JPY MM

	FY22/3		FY23/3		
	4Q	1Q	2Q	3Q	4Q
Cash and deposits	2,835	3,024	2,799	3,095	3,400
Other current assets	355	370	531	487	483
Property, plant and equipment	190	184	178	134	89
Intangible assets	10	9	8	7	6
Investments and other assets	602	614	668	664	646
Total assets	3,993	4,201	4,184	4,387	4,623
Loans payable	455	423	391	359	327
Deferred revenue	1,509	1,874	1,861	1,961	2,073
Other liabilities	821	608	612	655	732
Total liabilities	2,785	2,905	2,865	2,975	3,132
Total net assets	1,208	1,296	1,320	1,412	1,491
Total liabilities and net assets	3,993	4,201	4,184	4,387	4,623

KPI Summary

ARR*1

6,369 JPY MM
(+29.7% YoY)

Active Users*2

3,059 Companies
(+22.5% YoY)

ARPU*3

174 JPY Thou.
(+5.8% YoY)

Churn Rate*4

0.51 %

LTV/CAC*5

9.2 x

Number of Employees*6

283 People

*1 : MRR (Monthly Recurring Revenue) at the end of the quarter multiplied by 12

MRR is a monthly subscription fee based on the contract value that does not reflect the new revenue recognition standard or prorated free-month (one of the managerial accounting figures)

*2 : Number of companies and organizations that are using KAONAVI as of the end of the quarter

*3 : Average monthly subscription fee per user is calculated by dividing MRR by active users as of the end of the quarter

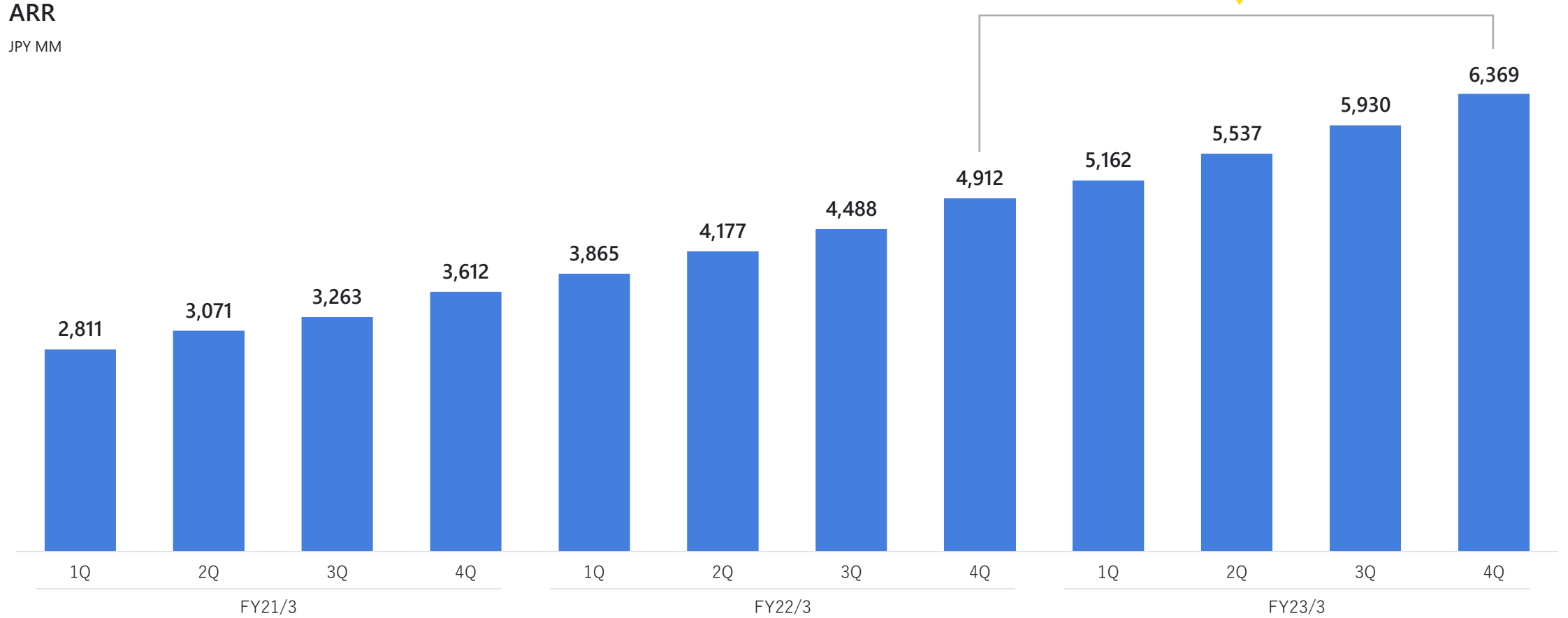
*4 : Last 12-month average churn rate based on MRR

*5 : Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

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

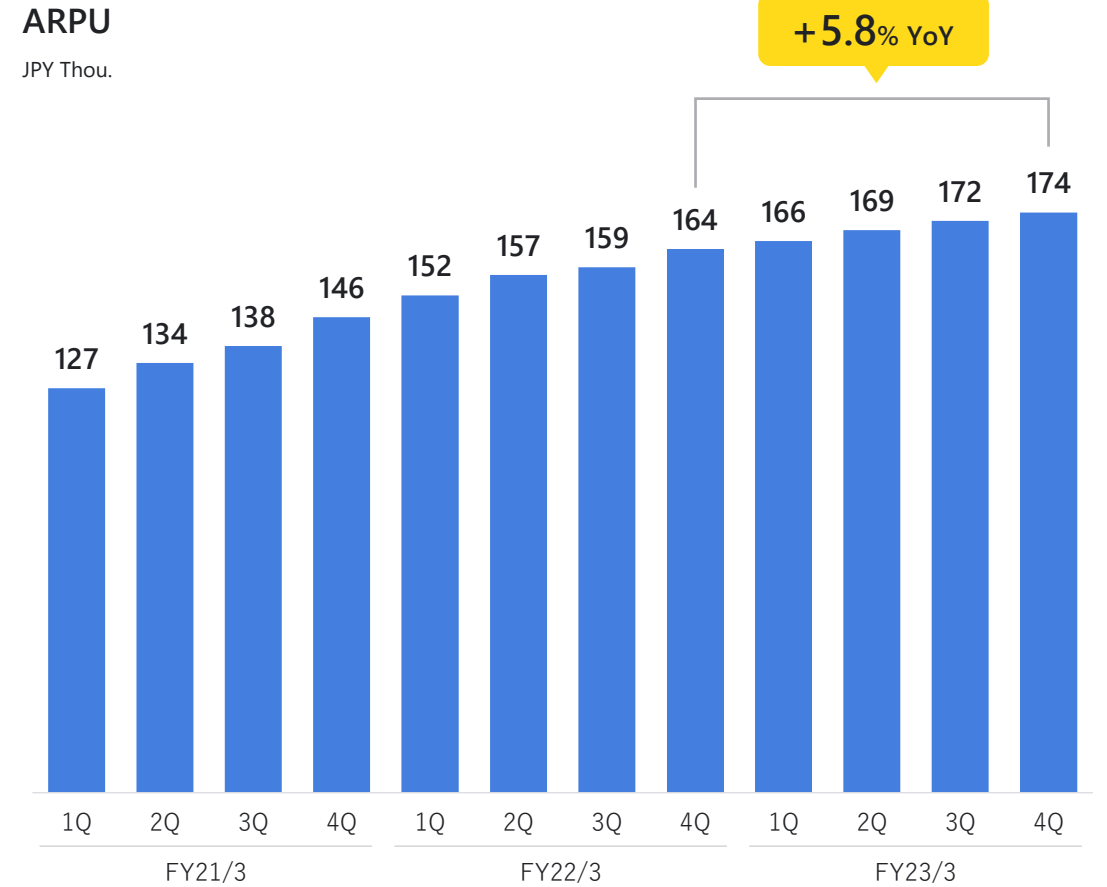
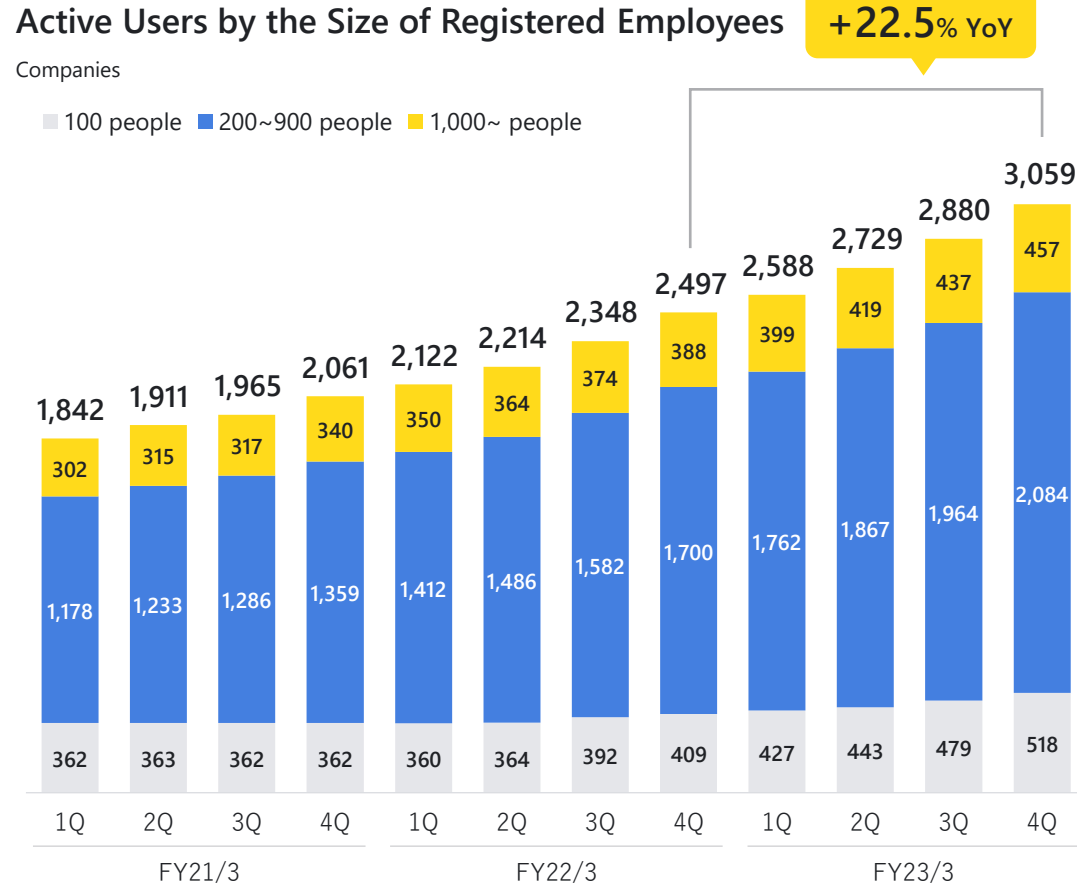
ARR

ARR is growing constantly and increased by 29.7% YoY



Active Users and ARPU

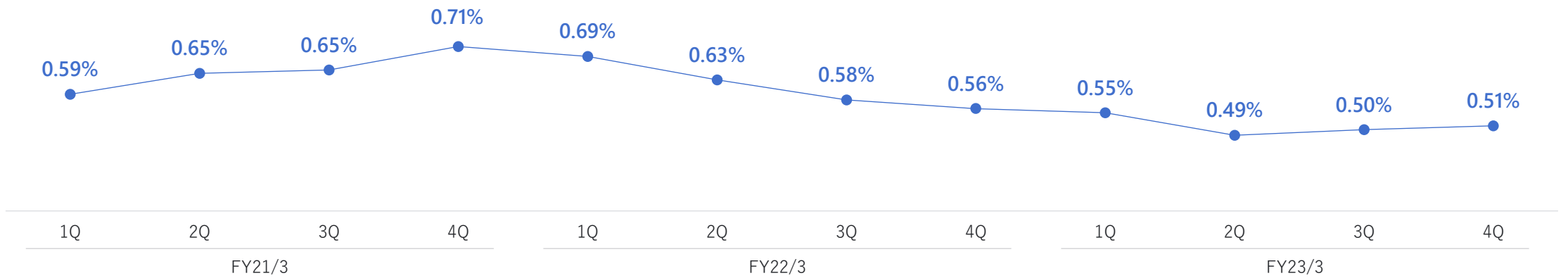
The number of active users exceeded 3,000, adding 179 from the previous quarter, and ARPU increased steadily to JPY 174 thousand



Churn Rate

Maintaining a low churn rate due to product enhancement and customer success initiative

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



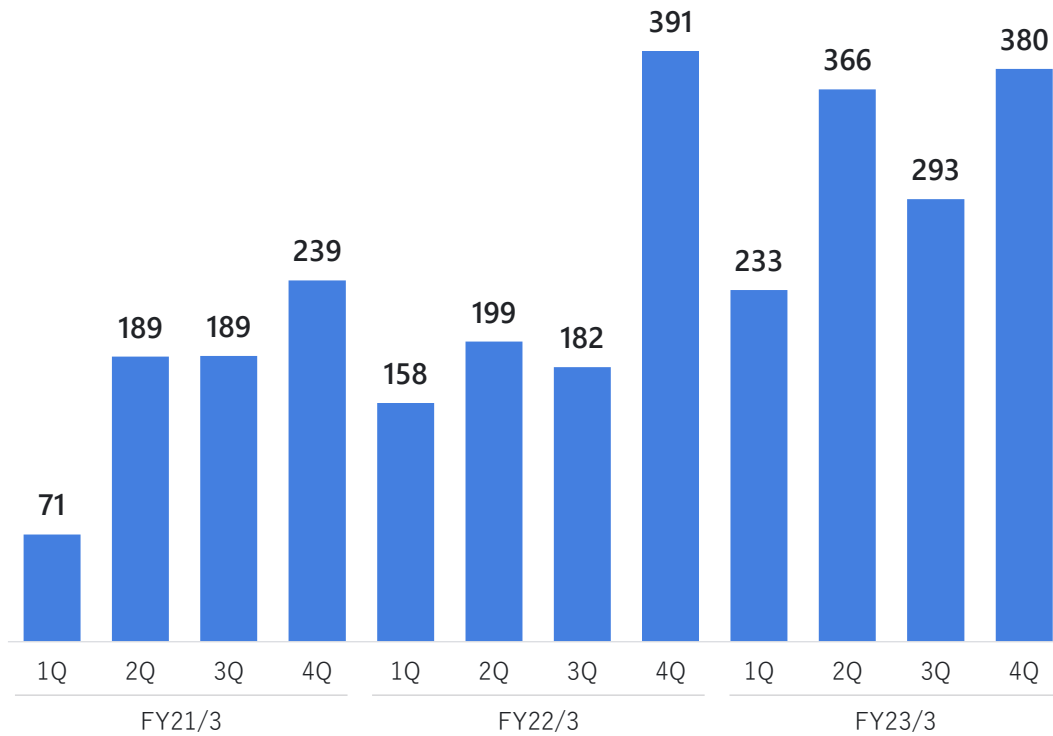
*1 : MRR churn rate = MRR lost in the month / MRR as of the end of the previous month

Unit Economics

Maintaining healthy unit economics

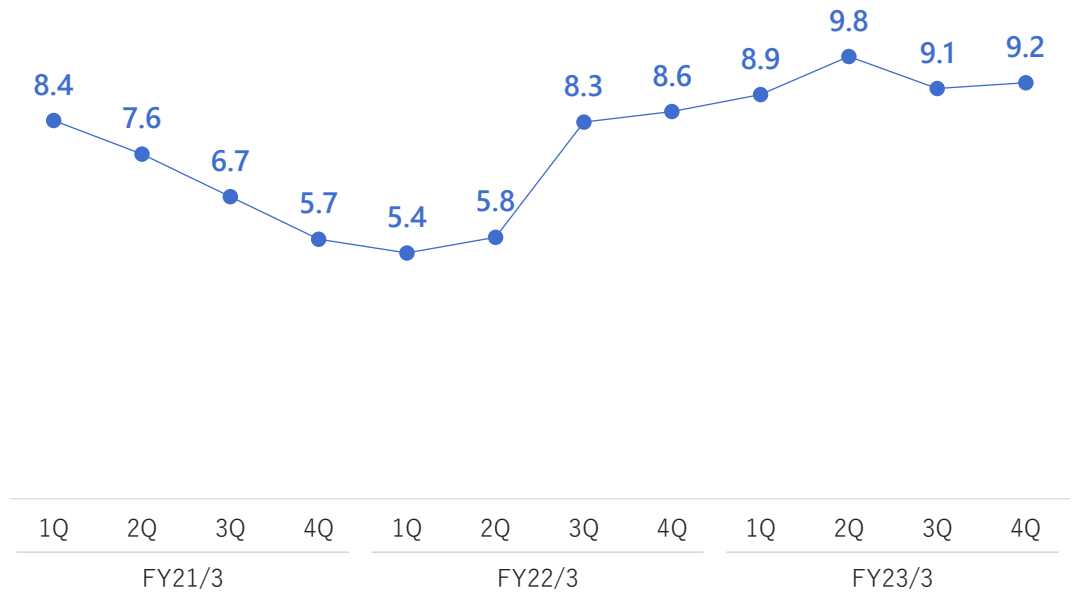
Marketing-related Expenses*1

JPY MM



Last 12-Month Average of LTV/CAC*2

X



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

*2 : LTV = (ARPU of the end of the month / MRR churn rate of the month) x Gross profit margin of the month

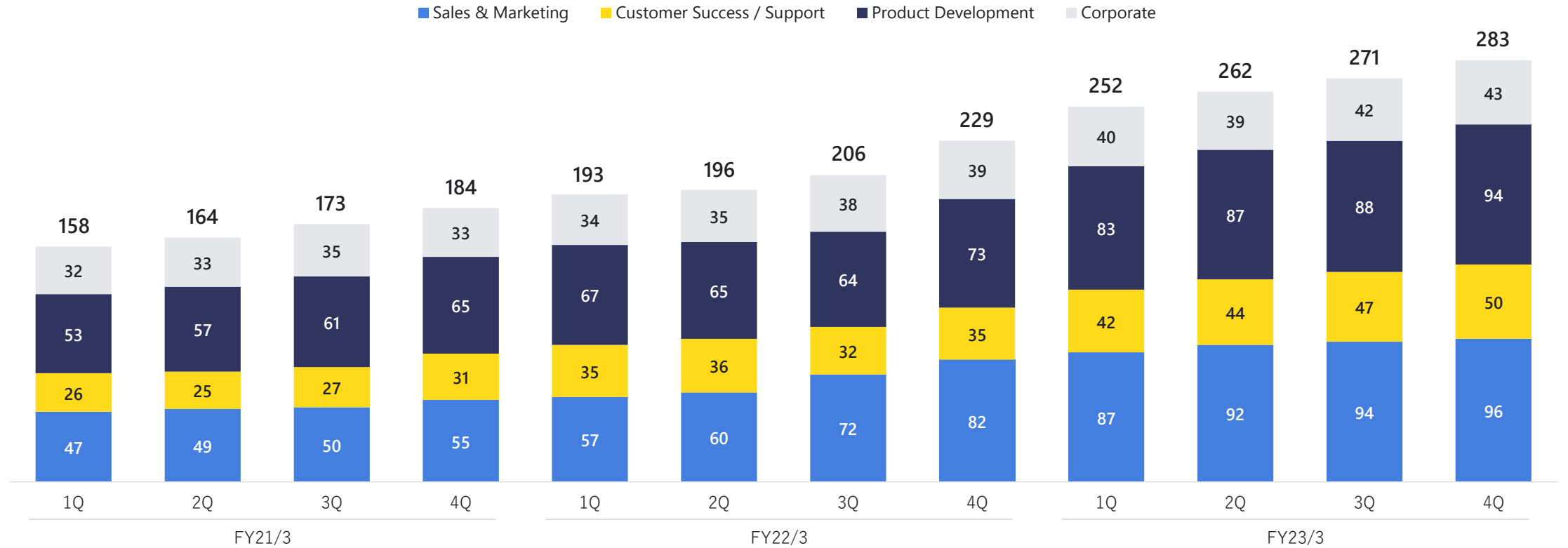
CAC = Sales & Marketing cost of the month (personnel costs for S&M/CS/PR, marketing-related expenses, rents, system usage fee, etc.) / # of new customers acquired in the month

Number of Employees

Hiring landed as planned (282 people)

Number of Employees*1

People



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



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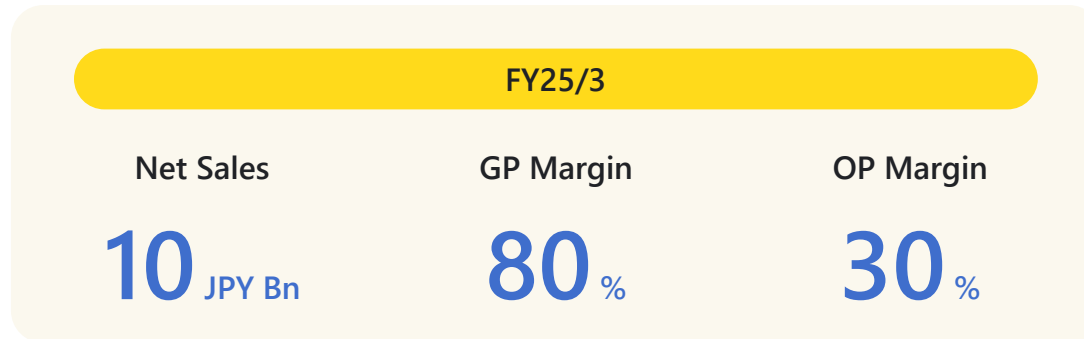
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Review of Mid-term Growth Strategy

To keep up with the constantly changing business environment and to enhance our corporate value in a sustainable manner, the “Mid-term Growth Image” announced in December 2021, is now replaced*1 by a new “Mid-term Management Policy”

Current Grand Design (Mid-term Growth Image)



Mid-term Management Policy

*1 : Refer to net sales growth (including active users and ARPU), gross profit margin growth and operating profit margin growth shown on page 32 in “Our Business Plans and Growth Potential” dated June 22, 2022

Mid-term Management Policy

Purpose

Implement technology to “WORK” and modify the specification of society leveraging individual power

Vision

Create a HR data-centric platform

Mid-term Management Policy

- 1 Continuous ARR Growth
- 2 Profitability Improvement
- 3 Promotion of Non-financial Activities

Materiality

● E ● S ● G



Realization of a society that respects the individual

Employees

- Fundamental rights of employees
- Diversity and inclusion
- Workplace health and safety
- Employee training and development

Society

- Respect for human rights across the value chain
- Community engagement and development
- Stakeholder communication



Transition to a decarbonized society

- Actions for climate change
- Energy use



Secure and user-friendly platform

- Customer responsibility
- Data security and privacy



Transparent and fair business

- Corporate governance
- Anti-corruption

1 Continuous ARR Growth



Expand Customer Base

Strengthening Organizational Structure

Raising Visibility

Leveraging Partner Network



Increase ARPU

Additional Enterprise Users

Upselling Promotion

Building HR Data Platform

1 Continuous ARR Growth : Expand Customer Base

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

Measures to Expand Customer Base

Strengthening Organizational Structure

- Invest in human capital (hire/develop talents)
 - Sales: Acquire new customers
 - Customer Support and Success: Streamline operations, reduce churn
 - Engineers: Develop functions, improve UI/UX
 - Corporate: Enhance security and governance
- Penetration of Purpose, Vision and Values

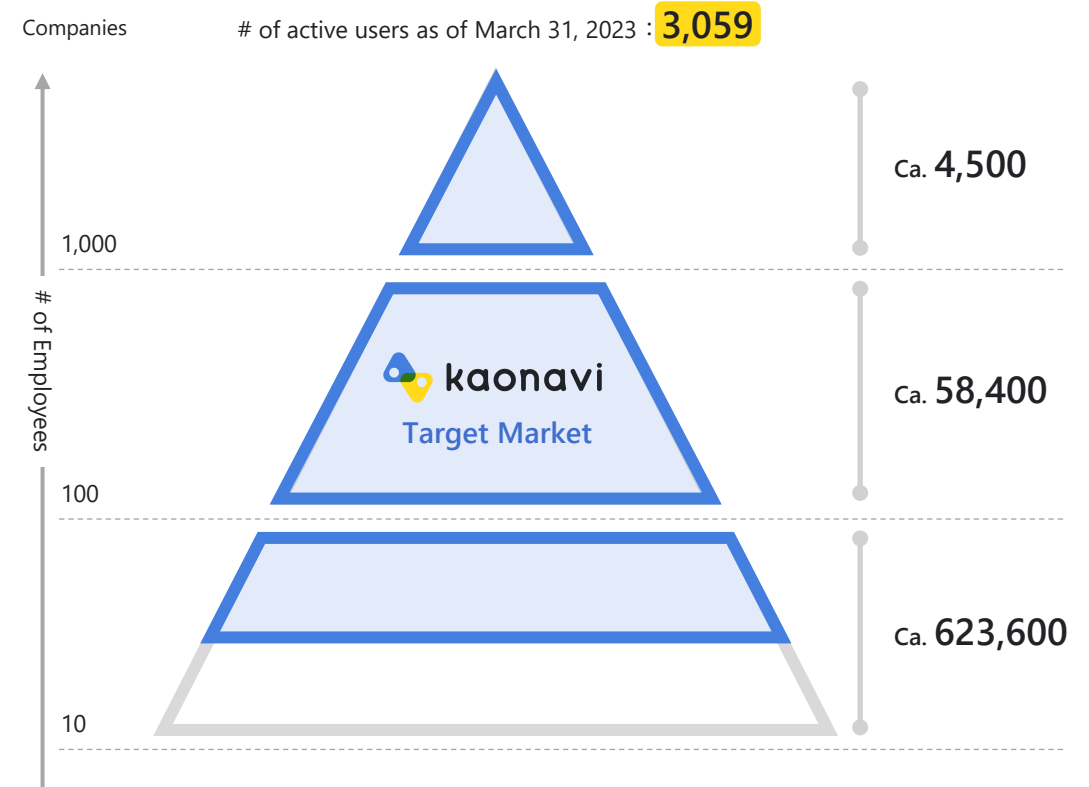
Raising Visibility

- Ongoing advertising to gain more recognition
- Area expansions to regional cities

Leveraging Partner Network

- Expansion of referral partners
- Increase sales via sales partners

Number of Companies in Japan



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

1 Continuous ARR Growth : Increase ARPU

Broaden and evolve the HR data platform by focusing on the development of new functions and services

Measures to Increase ARPU

Additional Enterprise Users

- Functional enhancements to meet the needs of enterprise companies
 - Analysis functions
 - Skills management (re-skilling) functions, etc.
- Provide quality onboarding content

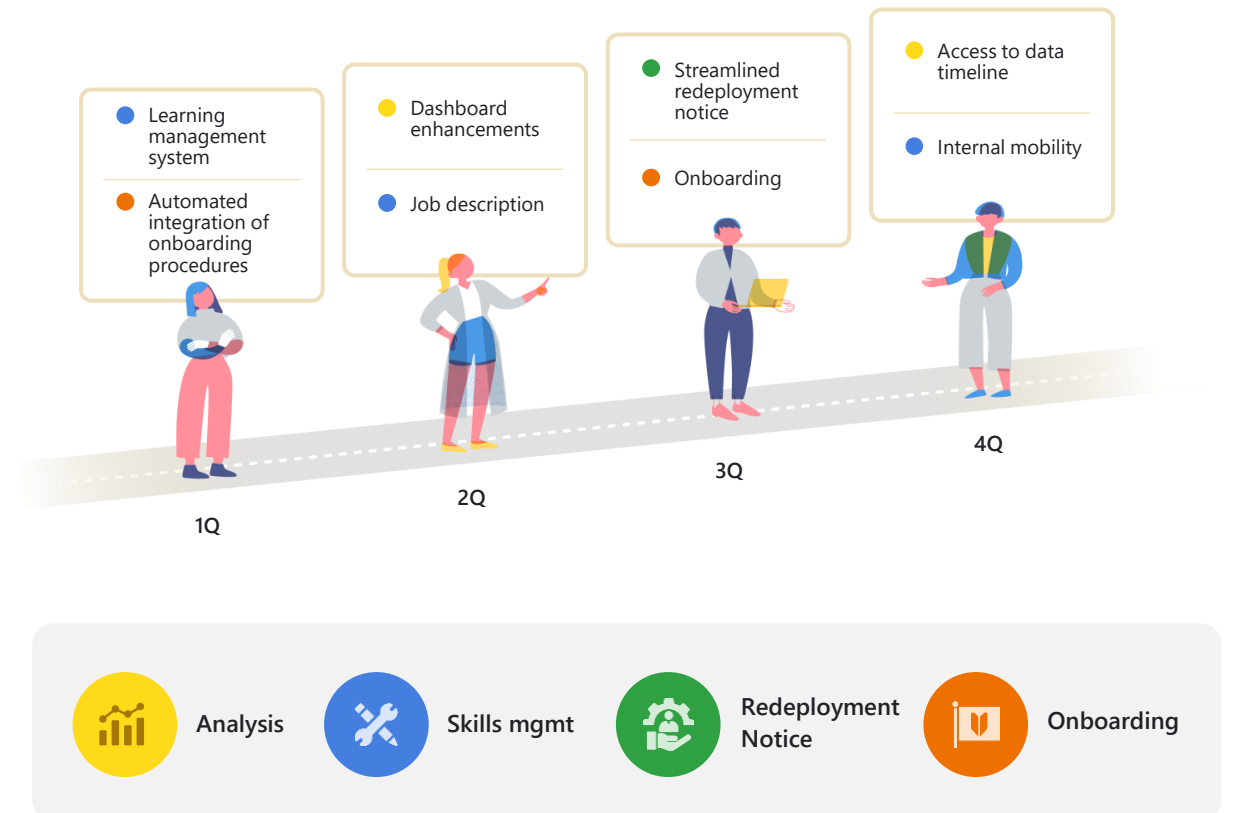
Upselling Promotion

- Increase customer loyalty
 - Shifting to company-wide implementation from departmental use
 - Broader use of optional functions
- Expansion of functions and application of a pay-per-use model

Building HR Data Platform

- Expand services into new business areas leveraging the HR database
 - In-house service delivery, business alliances and M&As

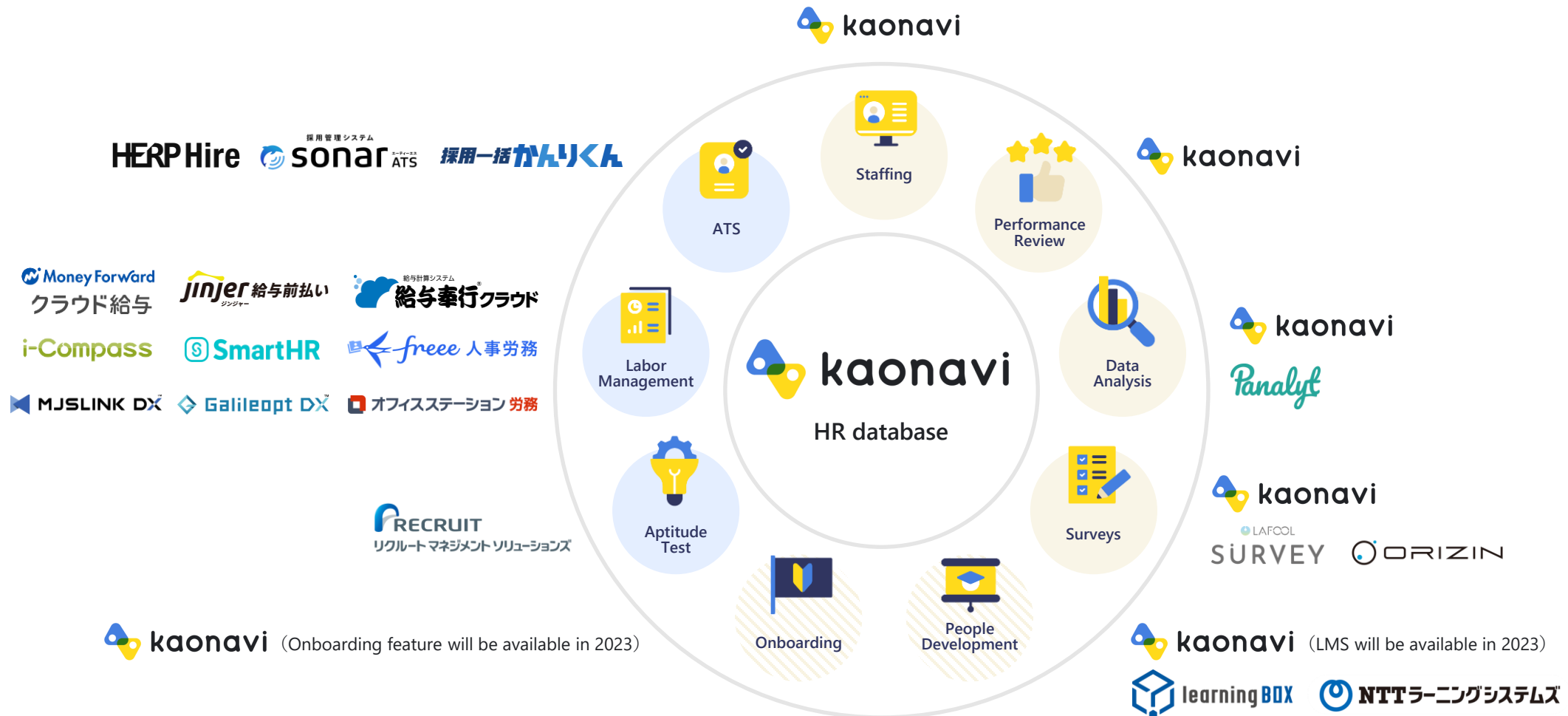
Major Development Roadmap*1 (FY24/3)



*1 : This is a scheduled roadmap from which the actual release timing of each feature might differ

HR Data Platform

Build a platform that delivers the best UX to customers by adding value through various integrated services centered around the HR database



* Connect Partners that can use API integration with KAONAVI (as of March 2023)

TAM Expansion Opportunities with HR Data Platform*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 our fee structure 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 Resources 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"

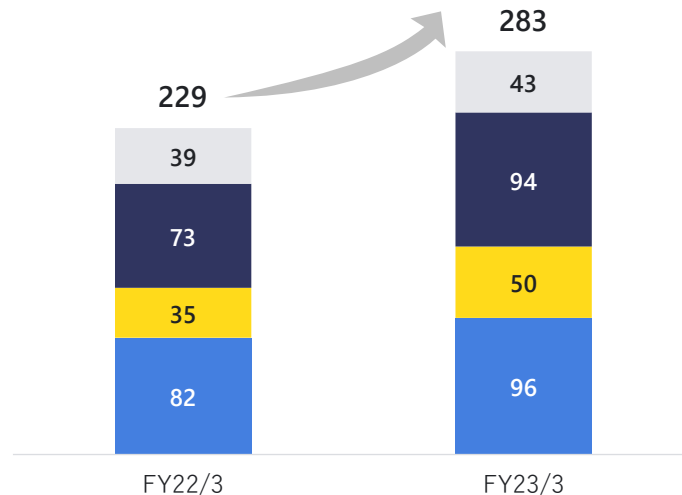
Measures in Place

Various measures have been implemented to expand customer base and increase ARPU, and we will continue to take actions going forward

Strengthening Organizational Structure

Continued to bolster the organizational structure by additional headcount in all divisions

- Sales & Marketing
- Customer Success / Support
- Product Development
- Corporate



Raising Visibility

Raise further awareness through mass advertising in the Tokyo metropolitan area and regional cities in addition to Internet advertising

Marketing-related Expenses (FY23/3)

JPY 1,272 million



New Feature Development

Released "Custom Gadget" for easy and flexible visualization of human capital data



2 Profitability Improvement

Achieve sustainable growth through appropriate investment allocation and aim for mid-to-long term profit increase

	FY21/3	FY22/3	FY23/3	Mid-Long Term Financial Model
GP Margin	72.3%	73.3%	73.8%	80%
S&M ^{*1} (Ratio to net sales)	40.6%	40.3%	40.8%	30-35%
R&D ^{*2} (Ratio to net sales)	5.1%	5.6%	7.2%	10-15%
G&A ^{*3} (Ratio to net sales)	26.9%	23.6%	20.4%	10%
OP Margin	—	3.9%	5.4%	20-30%
Adjusted OP Margin ^{*4}	2.5%	4.8%	7.9%	

*1 : Sales and Marketing. Total of personnel expenses of Sales, Marketing and Customer Success, and marketing-related expenses, as well as allocated common expenses, etc.

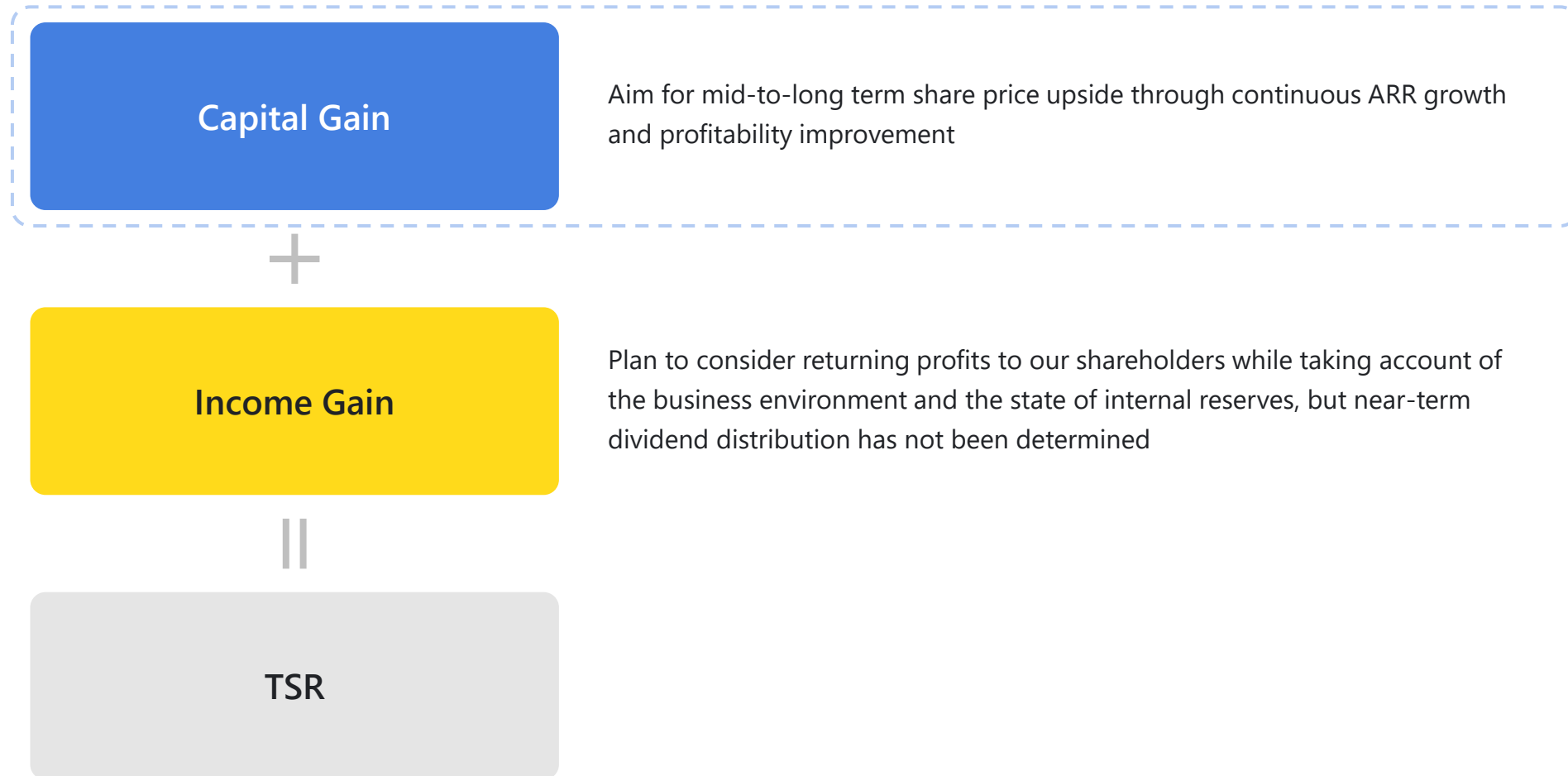
*2 : Research and Development. Total of personnel expenses of engineers involved in R&D, as well as common expenses, etc.

*3 : General and Administrative. Total of personnel expenses of corporate division, as well as common expenses, etc.

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

Shareholder Return Policy

Prioritize enhancement of internal reserves in order to flexibly invest in alignment with growth strategies towards maximizing enterprise value



Mid-term Financial Targets

Continuous ARR Growth Rate

20-30%

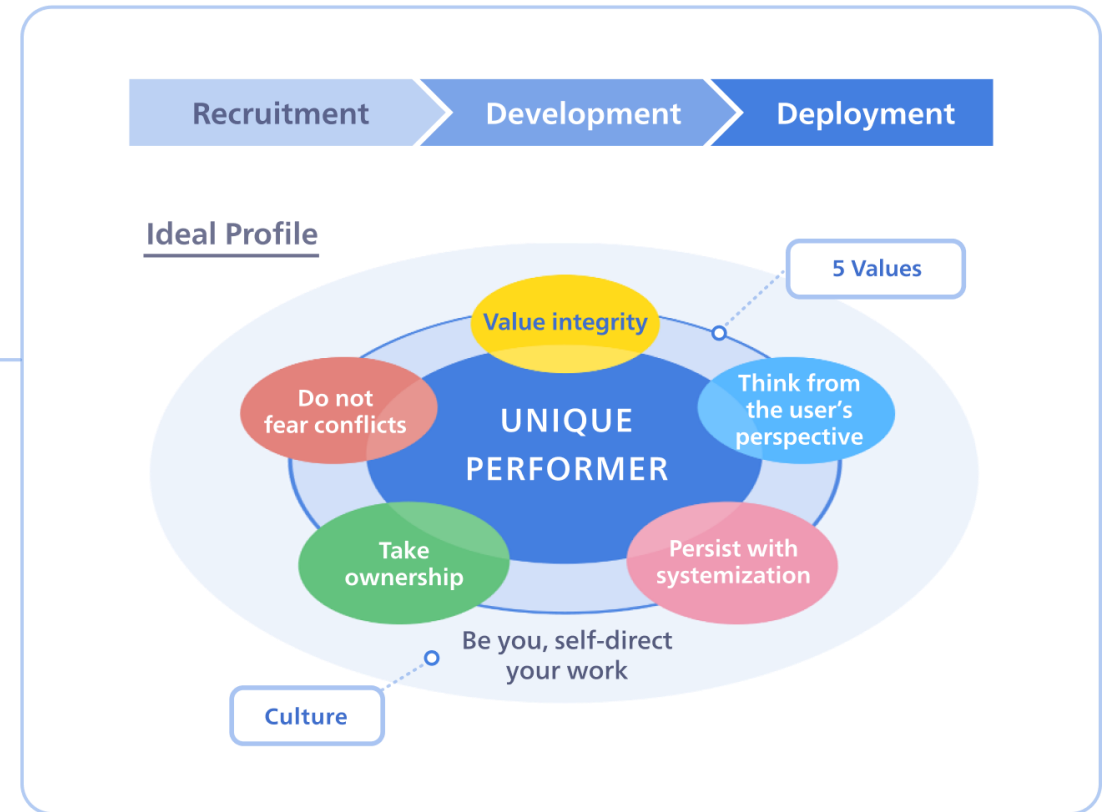
Adjusted OPM*¹ (by FY28/3)

20%+

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

3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Aim to enhance corporate value through strategic recruitment, development and deployment of human capital by defining the talent requirements to achieve our business goals



3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Will strive to develop our employees and create an environment in which each and every employee can demonstrate his/her individuality and talents



Ensuring Diversity to Create New Values

Improve gender equality

- Analyze causes of gender disparity, and consider measures to address them

Promote women's empowerment

- Provide an environment that enables women to continue working as their life stages change, including infertility treatment, childbirth and childcare

Support for sexual minorities

- Recognize same-sex partners as "spouses" and eliminate gaps in leave and payments for congratulation/condolence

Support for non-Japanese employees

- Provide a working environment for non-Japanese employees by supporting the acquisition of working visas, translation of internal documents, etc.



Supporting Self-directed Career Development

Improve targeted employee development

- Provide training for manager candidates and various training programs
- Provide training for managers and women employees

Pay for performance

- Operate a fair evaluation and promotion system based on performance



Improving Well-being

Promote paternity leave

- Provide an environment that encourages employees to take paternity leave and share their experiences

Create a workplace where everyone can work comfortably

- Promote flexible work style through our MY Work Style system to balance work with childcare and to improve productivity
- Revise the system to reflect the voices of employees with disabilities

3 Promotion of Non-financial Activities (Realization of a society that respects the individual)



Ensuring Diversity to Create New Values

Ratio of Women in Managerial Positions
(As of March 2023)

24.4 % Government's goal : 30% (2030)

Gender Wage Gap*1
(FY23/3)

86.4 %

Ratio of Non-Japanese Employees
(As of March 2023)

0.4 %



Supporting Self-directed Career Development

Annual Training Hours per Person*2
(FY23/3)

12.7 h

Ratio of Employees Who Have Second Job
(As of March 2023)

23.0 %

Employee Turnover Rate
(FY23/3)

14.2 %



Improving Well-being

Paternity Leave Rate
(FY23/3)

0.0 % Government's goal : 50% (2025)
85% (2030)

Ratio of Returning from Parental Leave
(FY23/3)

100 %

Telework Implementation Rate
(FY23/3)

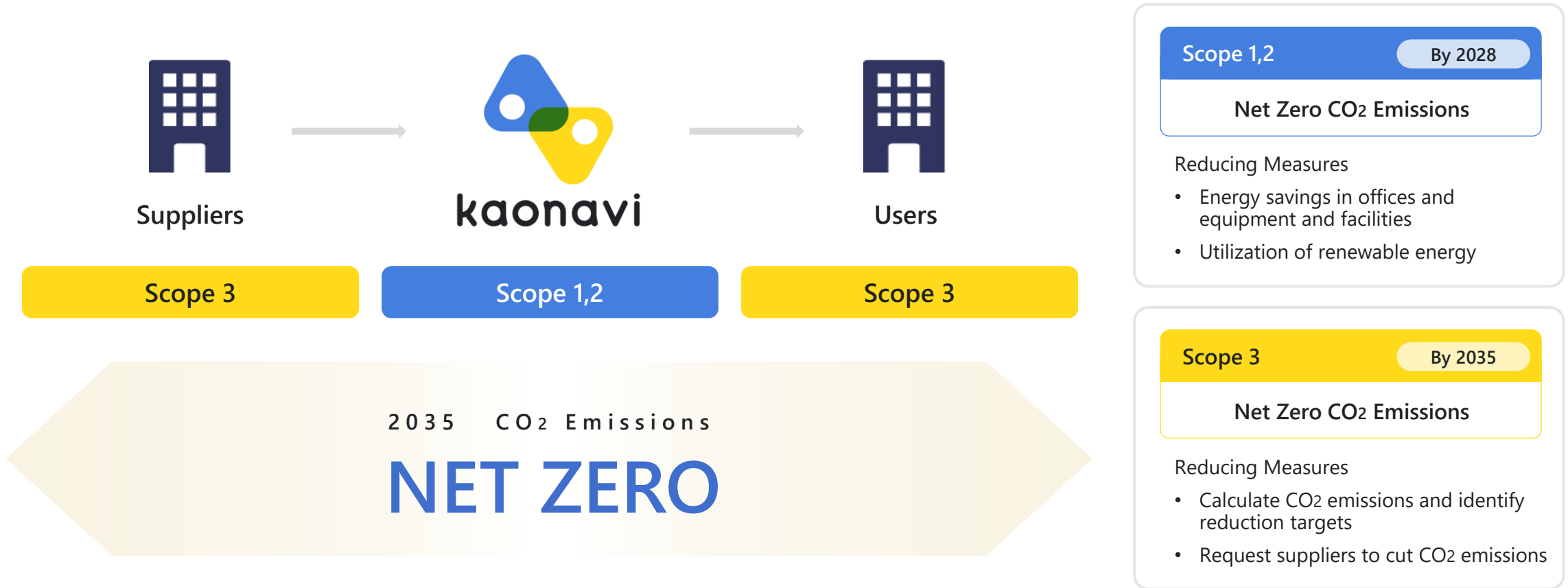
82.0 %

*1 : Gender Wage Gap = Average annual wage of female full-time employees / Average annual wage of male full-time employees

*2 : The tally covers internal training only and does not include external training

3 Promotion of Non-financial Activities (Transition to a decarbonized society)

Endorse the Japanese government's policy of carbon neutrality by 2050 and aim to achieve net zero CO₂ emissions*¹



*1 : Please refer to our web page for actual CO₂ emissions (https://corp.kaonavi.jp/en/sustainability-e/esg_data-e/)



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FY24/3 Forecast

Net sales are expected to grow by 23.4~25.4% YoY

Gross profit margin is expected to be at the same level of 73.2~73.6% in FY23/3, aligned with the corporate focus on product development to boost our competitiveness. Adjusted operating profit margin is expected to be 9.7~12.8% with appropriate investment allocation

JPY MM	FY23/3 Actual	FY24/3 Forecast	Change Amount	YoY
Net Sales	5,990	7,390 ~ 7,510	+1,400 ~ +1,520	✓ +23.4% ~ +25.4%
Subscription Revenue	5,156	6,550 ~ 6,650	+1,394 ~ +1,484	+27.0% ~ +28.8%
Support Revenue	834	840 ~ 860	+6 ~ +36	+0.7% ~ +4.3%
Gross Profit	4,420	5,410 ~ 5,530	+990 ~ +1,110	+22.4% ~ +25.1%
Margin	73.8%	✓ 73.2% ~ 73.6%	-	-0.6pt ~ -0.2pt
Adjusted Operating Profit^{*1}	474	720 ~ 960	+246 ~ +486	+51.9% ~ +102.5%
Margin	7.9%	✓ 9.7% ~ 12.8%	-	+1.8pt ~ +4.9pt

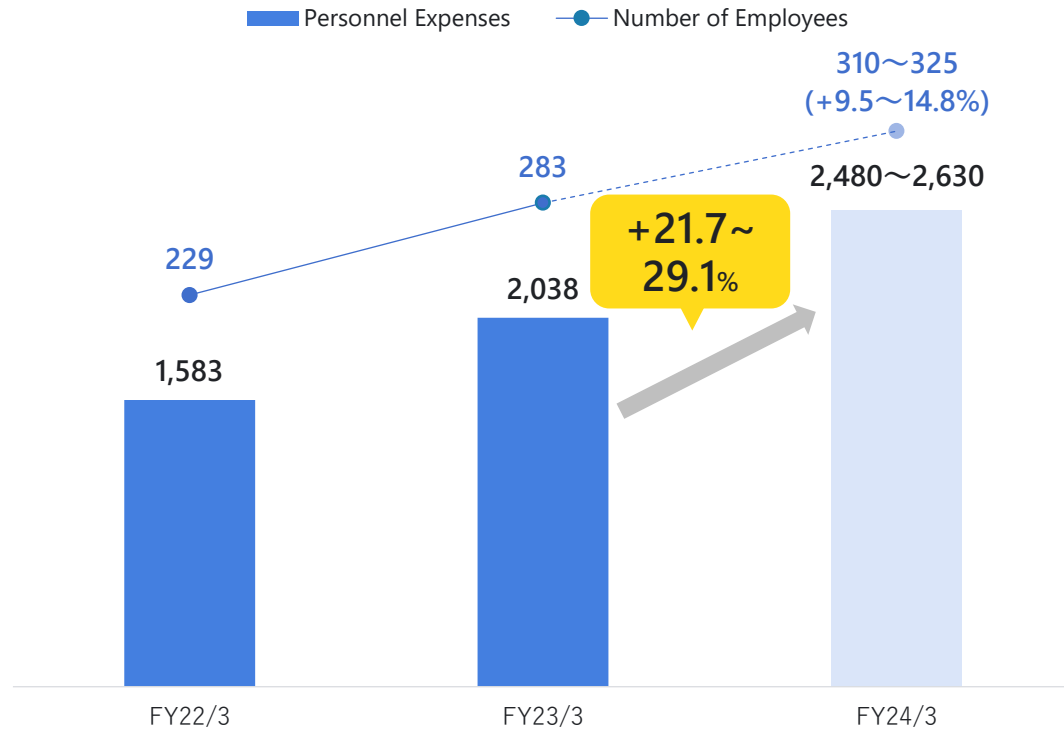
*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Major Cost Assumptions

The number of employees at the end of FY24/3 is expected to be 310~325, and personnel expenses are planned to increase by 21.7~29.1% YoY. Marketing-related expenses are expected to increase by 18.7~22.7% YoY due to ongoing advertising to gain more recognition

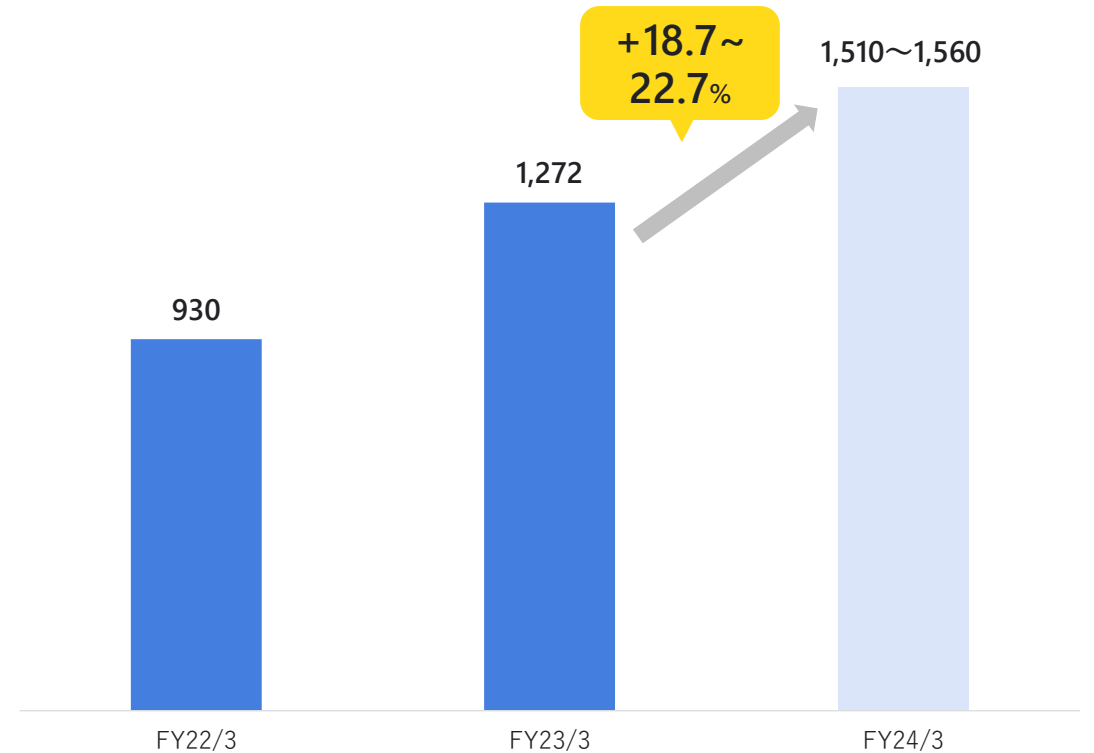
Staffing Plan and Personnel Expenses (CoS+SG&A) Forecast

Personnel Expenses: JPY MM, Number of Employees: People



Marketing-related Expenses Forecast

JPY MM

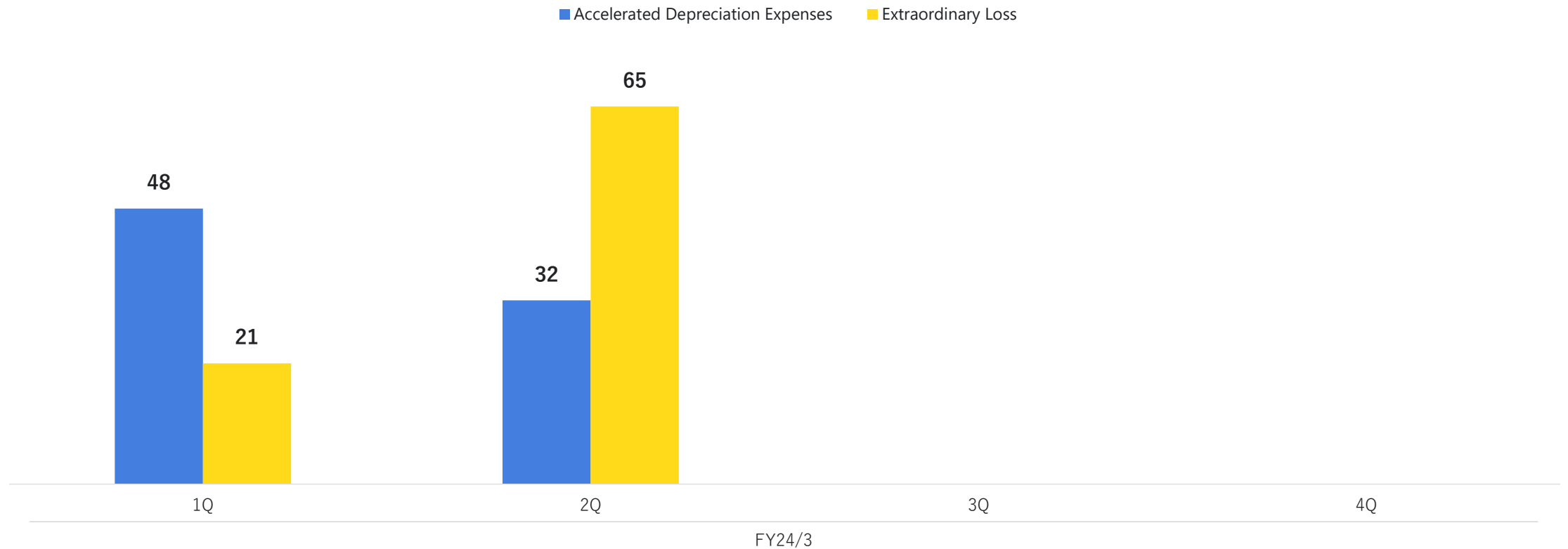


Estimated Expenses for Headquarters Relocation

Expect to post accelerated depreciation expenses for the current headquarters and an extraordinary loss of double rent by the end of 2Q due to the headquarters relocation scheduled in July this year

Accelerated Depreciation Expenses (CoS+SG&A) and Extraordinary loss Forecast*1

JPY MM



*1 : Any deviation in terms of the restoration cost or the relocation timing from our estimate may cause some variance between the forecast and the actual result



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5-3. The Future of “WORK” and kaonavi

Company Overview

Name	kaonavi, inc.
Offices	Tokyo, Osaka, Nagoya, Fukuoka
Established	May 27, 2008 (Commencement of business: April 2012)
Representative	Hiroyuki Sato (Representative Director, President & Co-CEO) Hiroki Yanagihashi (Representative Director & Co-CEO)
# of Employees	283 (March 2023)
Business	Providing a cloud-based talent management system "KAONAVI"



Materiality

Aim to contribute to the development of a sustainable society and realize our purpose by addressing these material issues

Implement technology to “WORK” and modify the specification of society leveraging individual power

Contribution to
society through
our business



Realization of a society that respects the individual

Employees

- Fundamental rights of employees
- Diversity and inclusion
- Workplace health and safety
- Employee training and development

Society

- Respect for human rights across the value chain
- Community engagement and development
- Stakeholder communication



Transition to a decarbonized society

- Actions for climate change
- Energy use

Business
foundation



Secure and user-friendly platform

- Customer responsibility
- Data security and privacy



Transparent and fair business

- Corporate governance
- Anti-corruption

Values

Our common principles and ethics for realizing the Purpose



1 Value Integrity

Integrity comes first when doing business
Drive results on that basis

2 Think from the User's Perspective

Always think through from the user's perspective
And go beyond their expectations

3 Persist with Systemization

Simplify what you can do to make it
reproducible for others

4 Take Ownership

Own your work and career
Always set one-step-ahead goals and keep challenging

5 Do Not Fear Conflicts

Create new value as a team after an in-depth
discussion without fear of conflicting interests

Empowering Employees

With an aim of productivity boost, every single employee can choose his/her optimal work style

Super Flextime

Allows employees to decide their work hours and clock-in/out time freely



Switch-work

Flexibly combining work hours and rest breaks enable individualized work style



Work from Anywhere

Allows employees to choose where to work, such as office or home



Second Job Encouragement

Supports self-development through experiences outside of work at kaonavi



Headquarters Relocation (Scheduled in July 2023)

Decided to relocate our headquarters to the WeWork Shibuya Scramble Square considering the size and functions of an office suitable for us to continue building a diverse and flexible work style as well as the reduction of fixed costs*¹ over the mid-to-long term

For further acceleration of individual power

Flexible & Collaboration

Collaborate more than ever

with the same flexible work style as before



Employees can choose their office as a place for communication and collaboration, and the home as a place to work efficiently



WeWork promotes collaboration among tenant companies and their members through various events and business-matching support

*1 : After the relocation, rent and other office-related expenses are expected to decrease by approximately 270 million yen annually

Activities to Spread the Purpose



Building a diorama of “kaonavi Town”,
a town of the future that embodies people’s living
and working underpinned by individuality



Our employees evolved an idea arising from
our Purpose and put it into the form of a
diorama together with a professional LEGO®
builder Mr. Mitsui



Invited our partners and family members to the
unveiling event to foster lively communication



Our employees
and their families



LEGO® Certified Professional
Jumpei Mitsui



Focusing on "Individuality"

Exploring and communicating ideas and concepts of individuality through our owned media



Information Security, Protection of Personal Data and Privacy

Committed to protecting, managing and handling information assets properly and responsibly

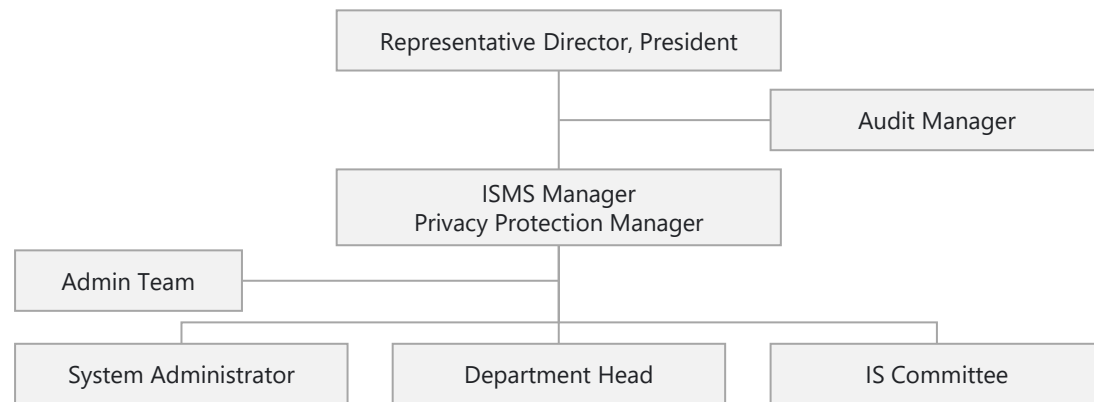
Information Security



Information Security Policy

Defined safe and appropriate information security measures in accordance with “Information Security Policy” to be entrusted by our customers and other stakeholders

Information Security Management Structure



Information Security Training

Conduct annual security training and targeted attack email training for all employees to improve their experience and ability to respond quickly in the event of a problem

Implementation of Information Security Measures

Obtained ISO27001 (ISMS certification) and ISO27017 (ISMS cloud security certification) to maintain a continuous security management system. In addition, KAONAVI was certified as satisfying the security requirements of the government and registered on the “Information System Security Management and Assessment Program (ISMAP)” cloud services list

Protection of Personal Data and Privacy



Certification

Obtained the Privacy Mark

Acquisition of Permissions

When collecting personal information, users' permissions are acquired and other measures are taken

Safety Management Measures

Secure control measures are thoroughly implemented to safeguard personal data

Philanthropic Initiatives

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



kaonavi Academy Cloud

Applicable	Academic institutions such as school corporation
Price	Special price

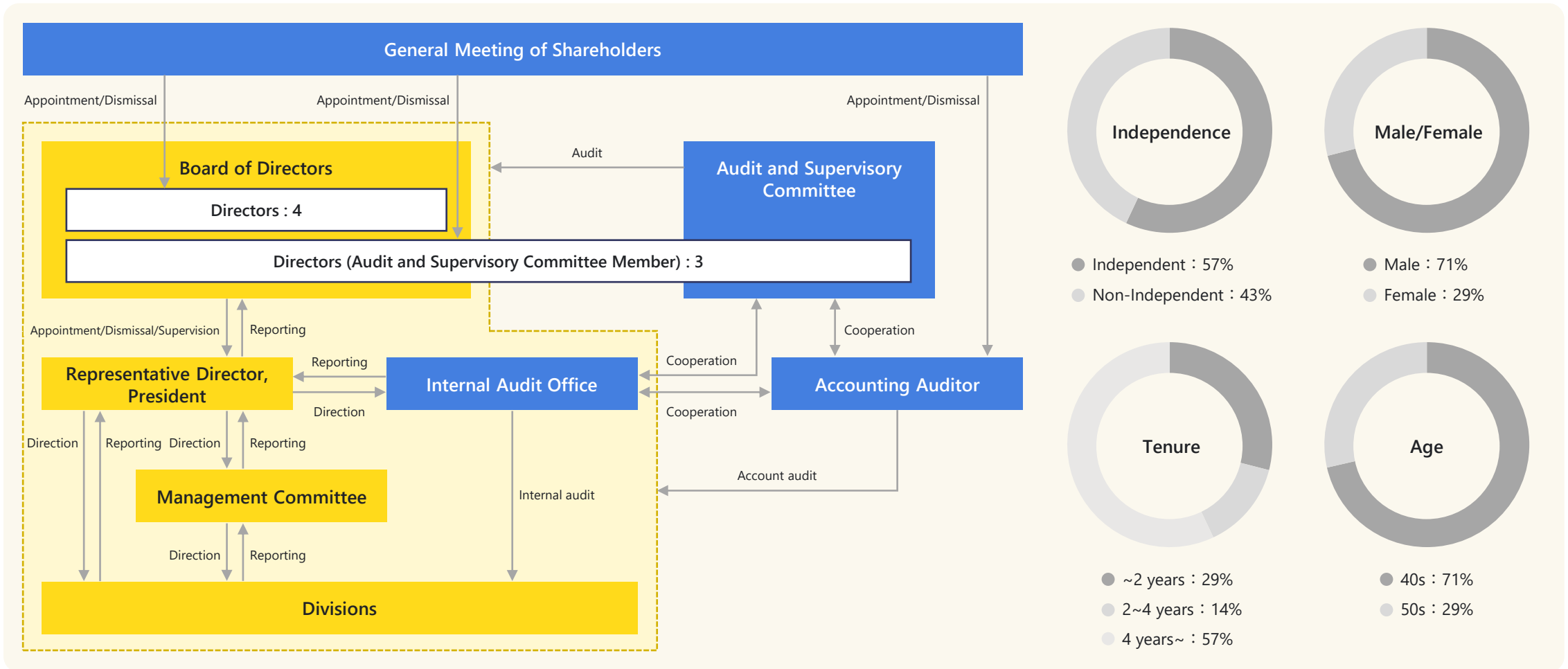


kaonavi Government Cloud

Applicable	Government offices, municipal governments, independent administrative agencies
Price	Special price

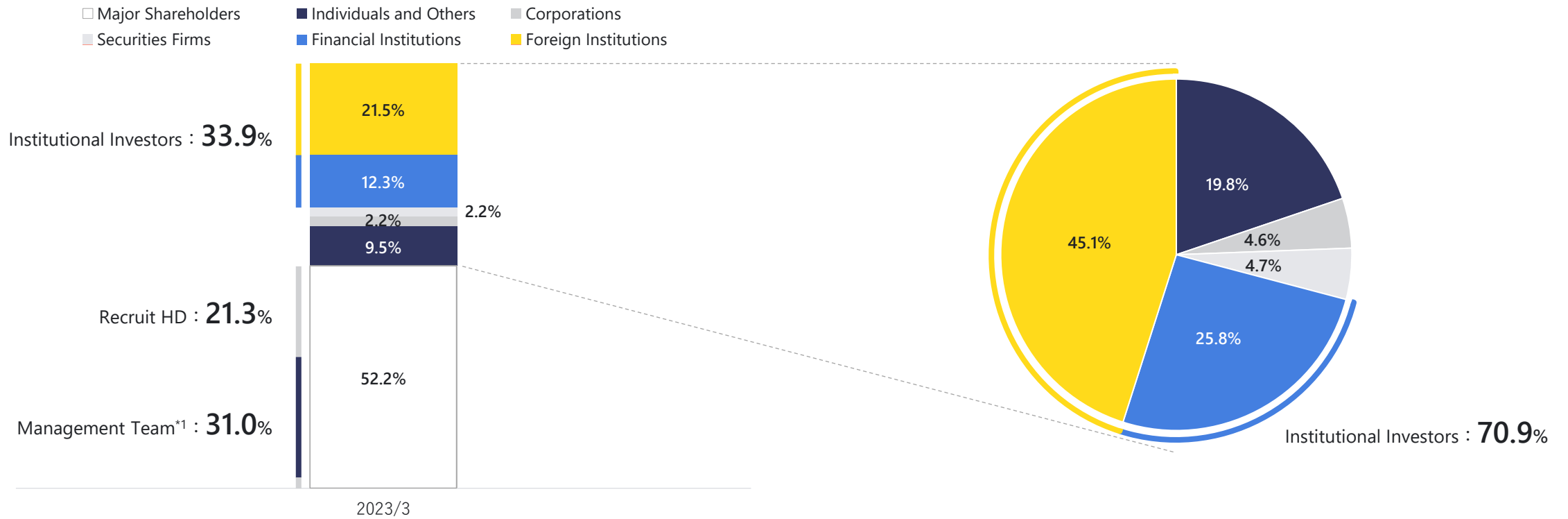
Corporate Governance (March 2023)

Corporate Governance Structure and Board Attributes



Ownership Structure (March 2023)

Ownership and Distribution of Shares



*1 : Includes ownership of the three directors, as well as the asset management company

Financial Highlight

JPY MM	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3
Net Sales	1,690	2,625	3,402	4,496	5,990
Subscription Revenue	1,284	2,102	2,991	3,931	5,156
Support Revenue	407	523	411	565	834
Gross Profit	1,108	1,972	2,461	3,295	4,420
GP Margin	65.6%	75.1%	72.3%	73.3%	73.8%
Adjusted Operating Profit *1	(68)	(278)	86	217	474
Adjusted OP Margin	—	—	2.5%	4.8%	7.9%
Operating Profit	(73)	(278)	(11)	174	322
OP Margin	—	—	—	3.9%	5.4%
Net Profit	(96)	(357)	(131)	210	246
Free Cash Flow	130	(482)	147	948	682
FCF Margin	7.7%	—	4.3%	21.1%	11.4%
Cash and Deposits	1,786	1,635	1,955	2,835	3,400
Total Assets	2,146	2,398	3,014	3,993	4,623
Total Net Assets	1,347	995	961	1,208	1,491
Equity Ratio	62.8%	41.5%	31.9%	30.3%	32.3%

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

Risk Information

Major Risks*1

Competition

Possibility **M** Severity **H**

There are competing companies in the cloud-based human resource management system field in which we do business. Additionally, it is a growth market and the barrier to entry is not especially high, so there is a chance that more companies will enter the business, making competition fiercer. It is possible that factors such as the business policies, price setting, and products and services of competing companies will have an effect on the markets that we participate in. Therefore, if we are unable to effectively differentiate from these competitors and achieve the business development that we envision, it may have an impact on our business results and financial standing.

Countermeasures

In addition to continuing to provide products and services that fulfill customers' needs, we will work to differentiate ourselves from our competitors by further enhancing the value of customer experience and our customer success capability.

System Issues

Possibility **L** Severity **H**

We provide our services through the internet. However, in the event that a large-scale program defect, natural disaster, accident, unauthorized access incident, or other cause results in an unexpected issue such as a systems failure or network disconnection, the resulting effects, such as damage to social credibility, may have an impact on our business results and financial standing.

In order to operate stable services, we have taken thorough precautions against systems failures including enhancing server equipment, strengthening security, and building a systems management framework.

Personal Information Protection

Possibility **L** Severity **H**

As we handle personal information related to the services we provide, we must fulfill the obligations required of a Personal Information Handling Business Operator under the Act on the Protection of Personal Information. We cannot fully eliminate the possibility of leaks, falsification, unauthorized use, or other incidents concerning the personal information we possess. Therefore, should such an incident occur, factors such as the incurring of considerable costs to carry out an appropriate response, claims for damages or restitution from the Company, or a loss of trust in the Company may have an impact on our business results and financial standing.

We are proactively working to protect personal information. In order to prevent external leaks of personal information, as well as to prevent incidents such as inappropriate usage and falsification, we have positioned the management of personal information as an important business matter and limited the employees who are able to access such information. We also ensure compliance with the Act on the Protection of Personal Information, other relevant laws and regulations, and relevant guidelines applied to the Company through means such as formulating rules including Personal Information Protection Regulations and carrying out thorough internal training for all employees. Additionally, we have obtained Privacy Mark certification.

Talent Acquisition and Development

Possibility **M** Severity **M**

We recognize that in order to continuously expand our business, it is most important that we secure, develop and retain exceptional talent. However, in the event we are unable to sufficiently secure or cultivate the exceptional talent we require when it is needed, or in the event of an outflow of talent, it could result in obstructions to ordinary business operations and business expansion, recruitment costs deviating from planned budgets, and other issues that may have an impact on our business results and financial standing.

We will strive to establish work environments and human resources systems that better fit our employees, and fully enhance training and education programs.

*1 : The legend of "Possibility" and "Severity" is as follows: H: High, M: Medium, L: Low



1. Topics

2. FY23/3 4Q Financial Highlights

3. Mid-term Management Policy

4. FY24/3 Forecast

5. Appendix

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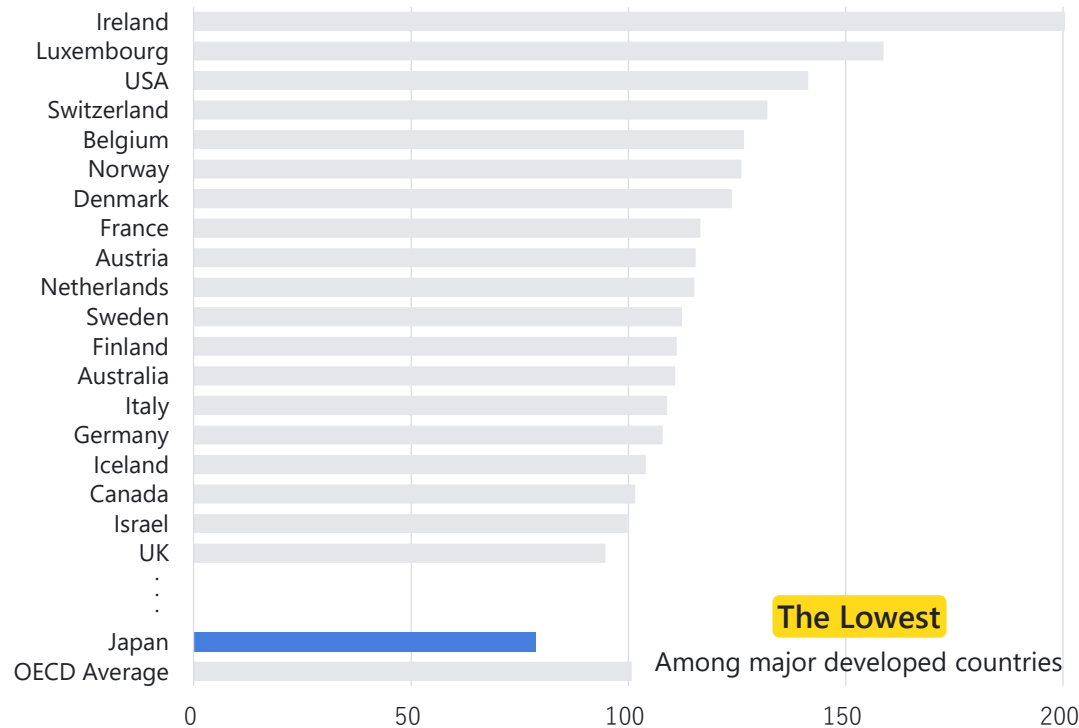
5-3. The Future of “WORK” and kaonavi

Japan's Labor Market Challenges

Raising labor productivity and promoting diverse work styles are some of the urgent issues in the face of a declining working-age population

OECD Countries' Labor Productivity (2020, per workers)

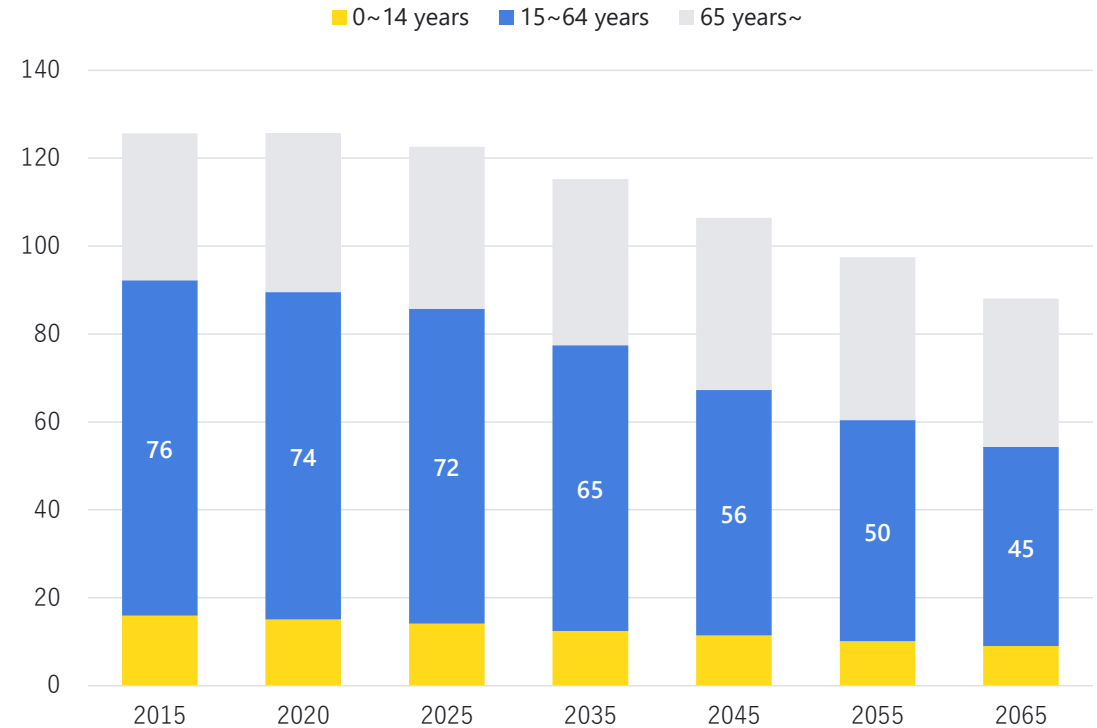
PPP Conversion : US\$ 1,000



Source : Japan Productivity Center "International Comparison of Labor Productivity 2021"

Japan's Population Projections by Age

Million people



Source : Cabinet Office "White Paper on Aging Society 2021"

Rising Demand for Talent Management

Talent management is gaining traction for solving various HR issues that companies confront



Talent Management



It intends to help organizations maximize their employee performance to drive business results through purposeful recruitment, placement and development by making use of information on employees' skills and abilities

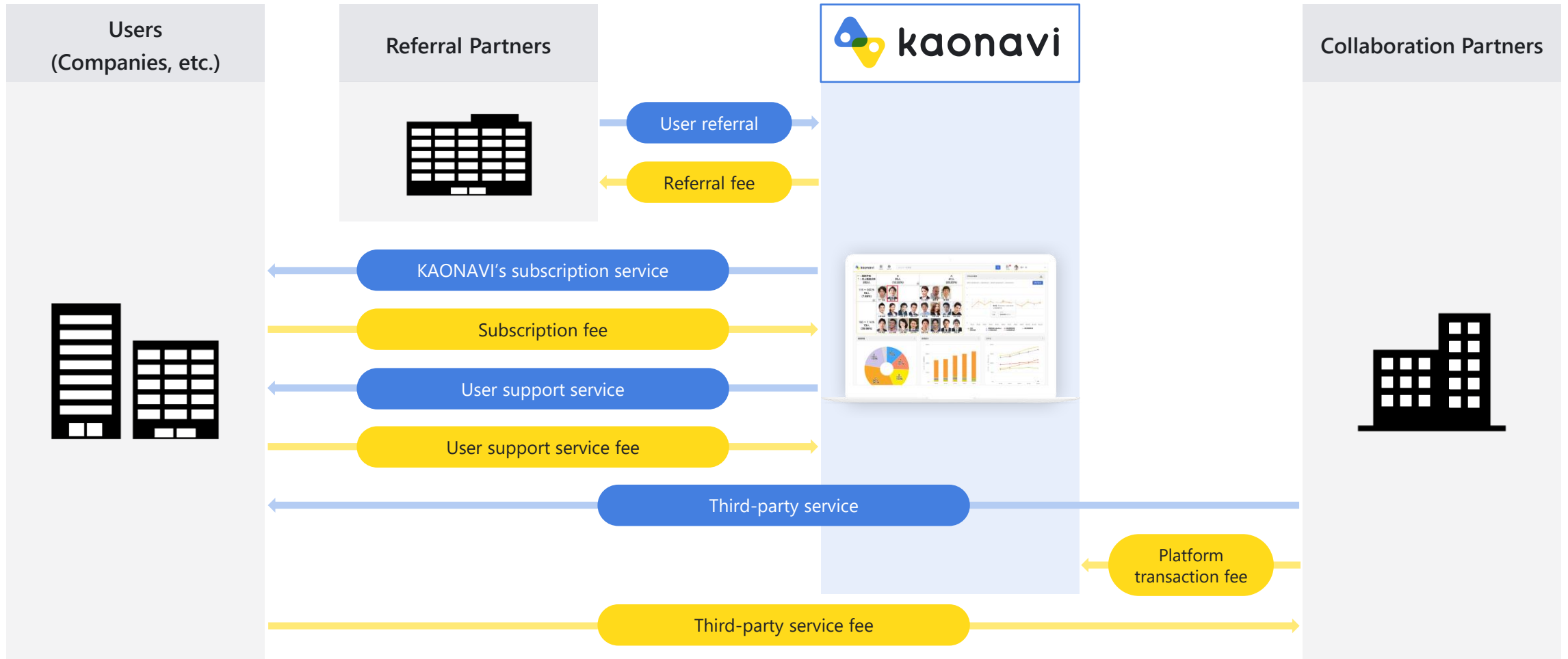
What Is Talent Management System?

A solution providing system for managerial and HR challenges based on centralized HR data



Business Model*1

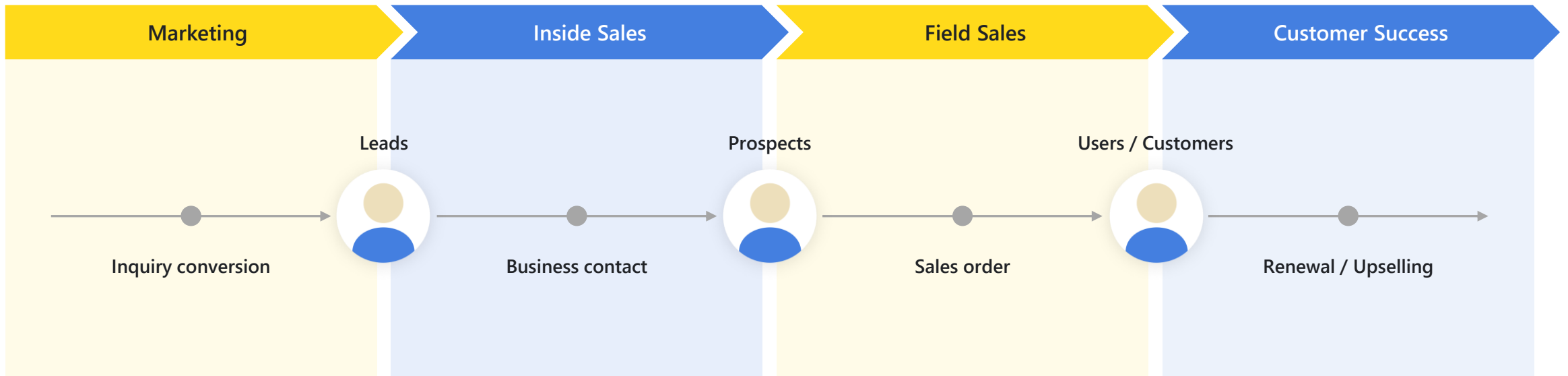
Subscription model for BtoB cloud services



*1 : In addition to direct sales, we also sell through sales partners, which is omitted here because of its small amount

Business Process

Aiming to streamline sales & marketing activities and maximize LTV*¹ by structuring our end-to-end processes



Fee Structure

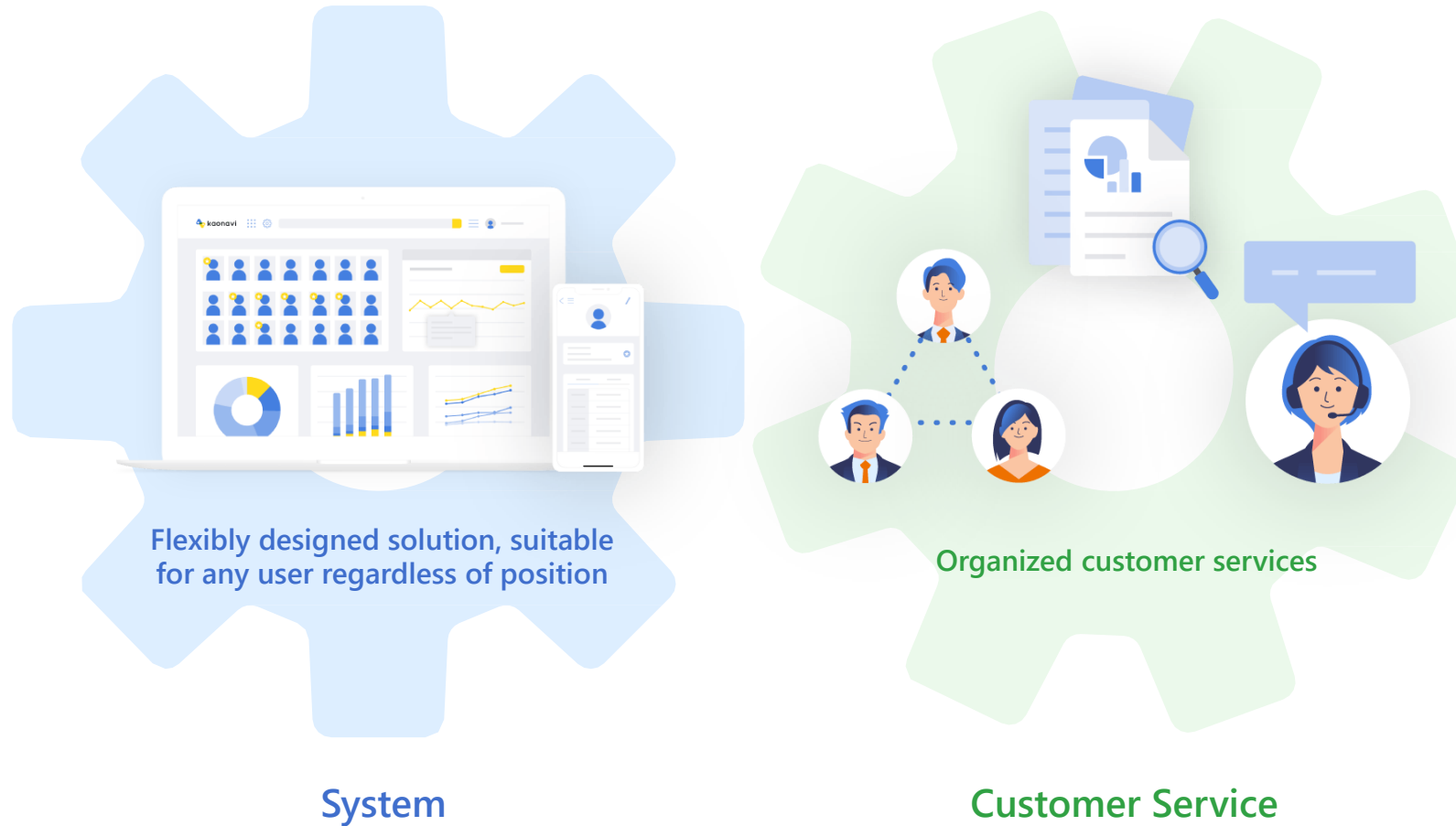
Offer three subscription plans with different sets of functions and charge based on the number of registered employees

# of Registered Employees	Subscription Plan	DATABASE PLAN	PERFORMANCE PLAN	STRATEGY PLAN
		Consolidate all personnel data	Efficient review operation	Strategic HR management
~ 100 people	HR Database	✓	✓	✓
~ 200 people	Pickup List	✓	✓	✓
~ 300 people	Organization Chart	✓	✓	✓
~ 400 people	Performance Review		✓	✓
~ 500 people	Employee Survey		✓	✓
~ 600 people	Matrix Chart			✓
~ 700 people	Employee Data Graph			✓
~ 800 people	Dash Board			✓
⋮	Option Services*1	✓	✓	✓

*1 : In addition to our services such as Pulse Survey and Approval Workflows, we also offer third-party services such as the Aptitude Test (SPI3) provided by Recruit Management Solutions Co., Ltd.

Our Strengths

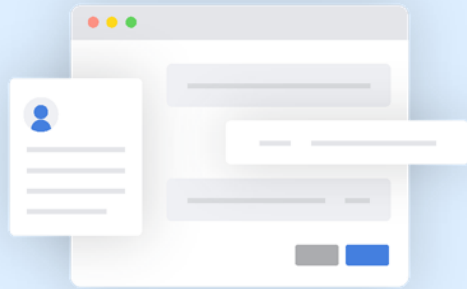
Ensuring both the system and customer service working side by side for our users to thrive in talent management initiatives without any silver bullet



Our Strengths

System System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Customer Service Making success of users' talent management efforts more plausible

User Community



Networking with other users to exchange day-to-day use cases

Library



Overwhelming amount of contents across industries, business types and scale

Support



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

Why Customers Choose KAONAVI?


“

The biggest contributor to our choice was **the flexibility and versatility of the system**. Also, the adaptability to future systematic revision is our priority. Another decision factor was **the quality of the customer service**.

J-LEASE  ジェイリース

“

There is no point in introducing these types of tools unless even senior employees can use them easily. Because **KAONAVI is by far simple and easy to use**, I felt that it could engage our employees with a certain degree of satisfaction.

The Nishinippon Shimbun  西日本新聞

“

We decided to choose KAONAVI because of **its pages for employees being simple and user-friendly**.

RICOH LEASING 
リコーリース株式会社

“


Top priority was to see if **our employees can use it easily and intuitively**, not to mention HR team. In addition, it is a pro that **KAONAVI has the flexibility to be operable in case of complicated system revision in the future**.

And **the depth of their customer service team is so extraordinary** as to wow us every time. Their responses to our inquiries have been quick and helpful after the implementation, which makes us feel **in good hands**.

PONY CANYON 

“

The deciding factors were mainly **the system's flexibility and user-friendliness**. Not to mention the operability for employees, it was a key that **our HR team can maintain the administrative settings on their own** by simple drag-and-drop steps.

Sompo Himawari Life Insurance 
SOMPO
ひまわり生命

“

The Customizability is a must considering that the assessment system requires continuous improvements during operation. Another deciding point was the fact that **there is an abundance of support sites and seminars where the know-how can be acquired**, accompanied by a support staff through initial and operational phases.

Shiojiri City 
shiojiri

Customer Base

The market leader in talent management system supporting more than 3,000 customers

Used by various companies and organizations **regardless of industry or business size**





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Changes in HR Information Management and Work Styles - Past

1980

1990

2000

2010

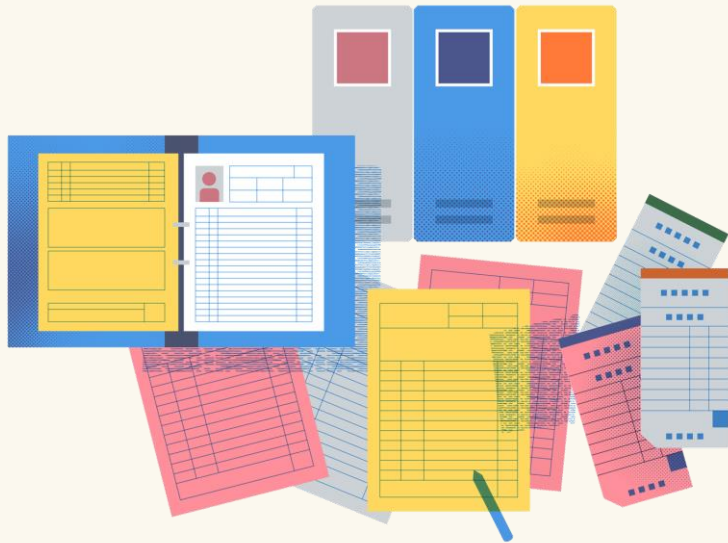
2020

2030

Employers manage employee information

Workers own their information

Paper



Employers manage HR information in documented form



Division of simple tasks

Changes in HR Information Management and Work Styles - Past

1980

1990

2000

2010

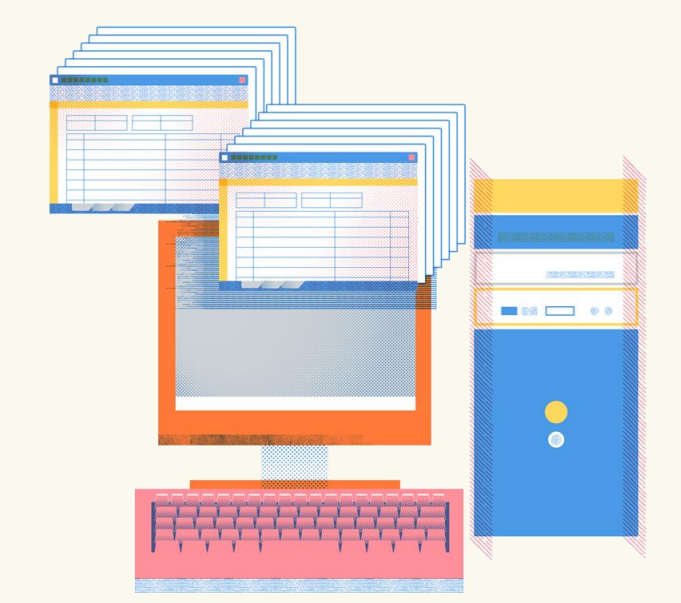
2020

2030

Employers manage employee information

Workers own their information

Data



Employers manage HR information digitally



Each employee gets one's job done all alone using a computer

Changes in HR Information Management and Work Styles - Present

1980

1990

2000

2010

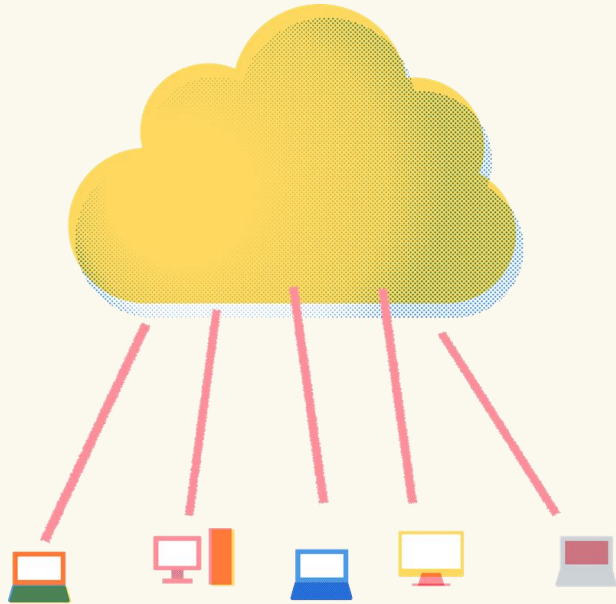
2020

2030

Employers manage employee information

Workers own their information

Cloud



Employers manage HR data in the cloud



Making better use of HR data

→ Team based work taking advantage of individual strength

Changes in HR Information Management and Work Styles - Future

1980

1990

2000

2010

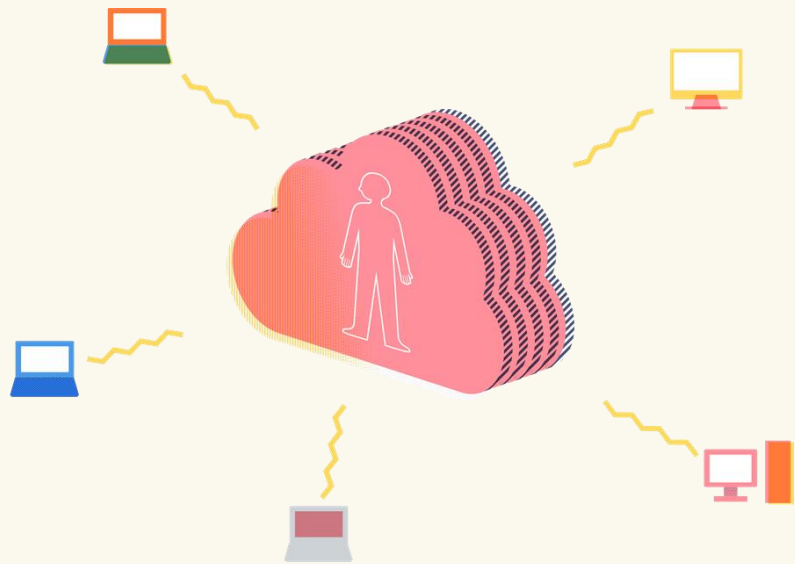
2020

2030

Employers manage employee information

Workers own their information

Portable



Organizations access career data owned by individuals



Work with various organizations leveraging one's skills and abilities

World That kaonavi Shapes

Aspire to deliver products that empower individuals to take ownership of their careers and ways of working instead of supporting operations or procedures

Empowering Individuals



Shaping the world where people can unlock their potential

Streamlining Operations



Shaping the world that liberates people from troublesome tasks or procedures

Thoughts on Revising the Company Logo

Our new logo embodies the world that kaonavi shapes



Exhibiting the importance of mutual understanding by the shape of two people

“○” represents people, and “△” represents their span of vision/view. It builds on our belief that the new space in the center, which emerges only when people try to get to know each other (= by overlapping their vision span), is **the world where people can unlock their potential**. And kaonavi’s goal is bringing it to life.

Product for a New Era



A portable passport to “WORK”
that contains one’s traits
and endowment among others

Characteristics of the Product



Gamification Mind

KAONAVI was born out of an audacious idea, "what if talent management could be gamified like Saga of Three Kingdoms".

The notion to bring gaming elements into our thinking foundation is our **central tenet** that makes us stand where we are.

所属 Hornburg castle

城主 Rohan Erkenbrand LV 48
HP 520/765
MP 39/39

兵数 2180 / 2300

騎士	28 / 32	防衛力	A
楯兵	73 / 75	兵装・兵器	B
弓兵	72 / 80	馬 40
歩兵	181 / 196	大砲 1
衛生兵	24 / 24	投石器 5

資産 580 / 580

兵糧収入	2340	製造	42
農地	9000	治療	61
生産性	35	修繕	34
肥沃度	59		
治水	32		

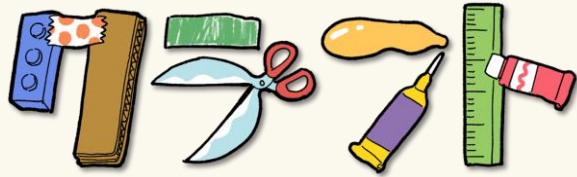
人口 15130

農民	6700	職人	1200
商人	3200	傭兵	4030

加入者 Jeanne D, Napoleon B, Johan G

Ethos of Product Development

Craft



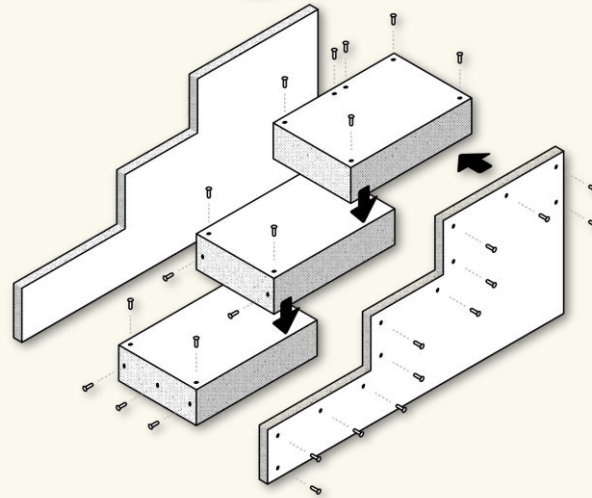
Flexibility-rich System

Adaptability to meet various needs of users instead of predefined use cases.

Inventing a flexible service that can induce and accommodate creativities and inspirations of our users.

Universal Design

ユニバーサル デザイン

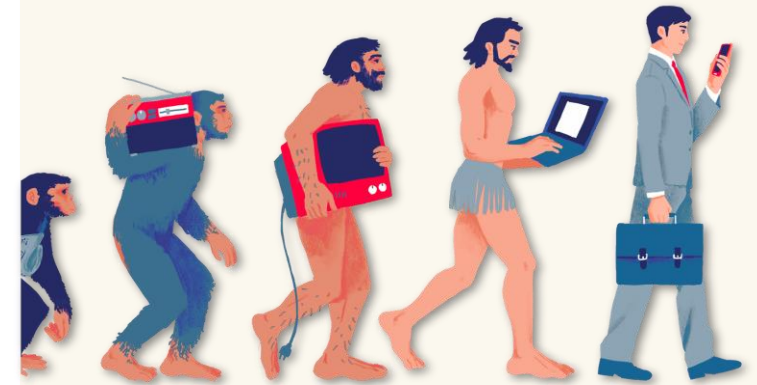


Stress-free Usability

Touching the product tells users about itself intuitively without turning to the user's guide.

Trying to realize that simple design which is extremely easy for any user to understand.

TECH TREND



Keep Pace with Trends

Technology evolves with users' changing lives of the time.

In order to create forward-looking products, we will comprehend technology trends and leverage them.

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 fluctuations of interest rates and foreign exchange, and general industry and market conditions.

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

The update of “Our Business Plans and Growth Potential” will be disclosed after every announcement of full year financial results from now onward. However, financial figures and KPIs will be updated on a quarterly basis.

Contact IR : ir@kaonavi.jp

