



# FY24/3 2Q

# Financial Results

November 13, 2023 | kaonavi, inc. (TSE Growth : 4435)



# 1. Topics

2. FY24/3 2Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

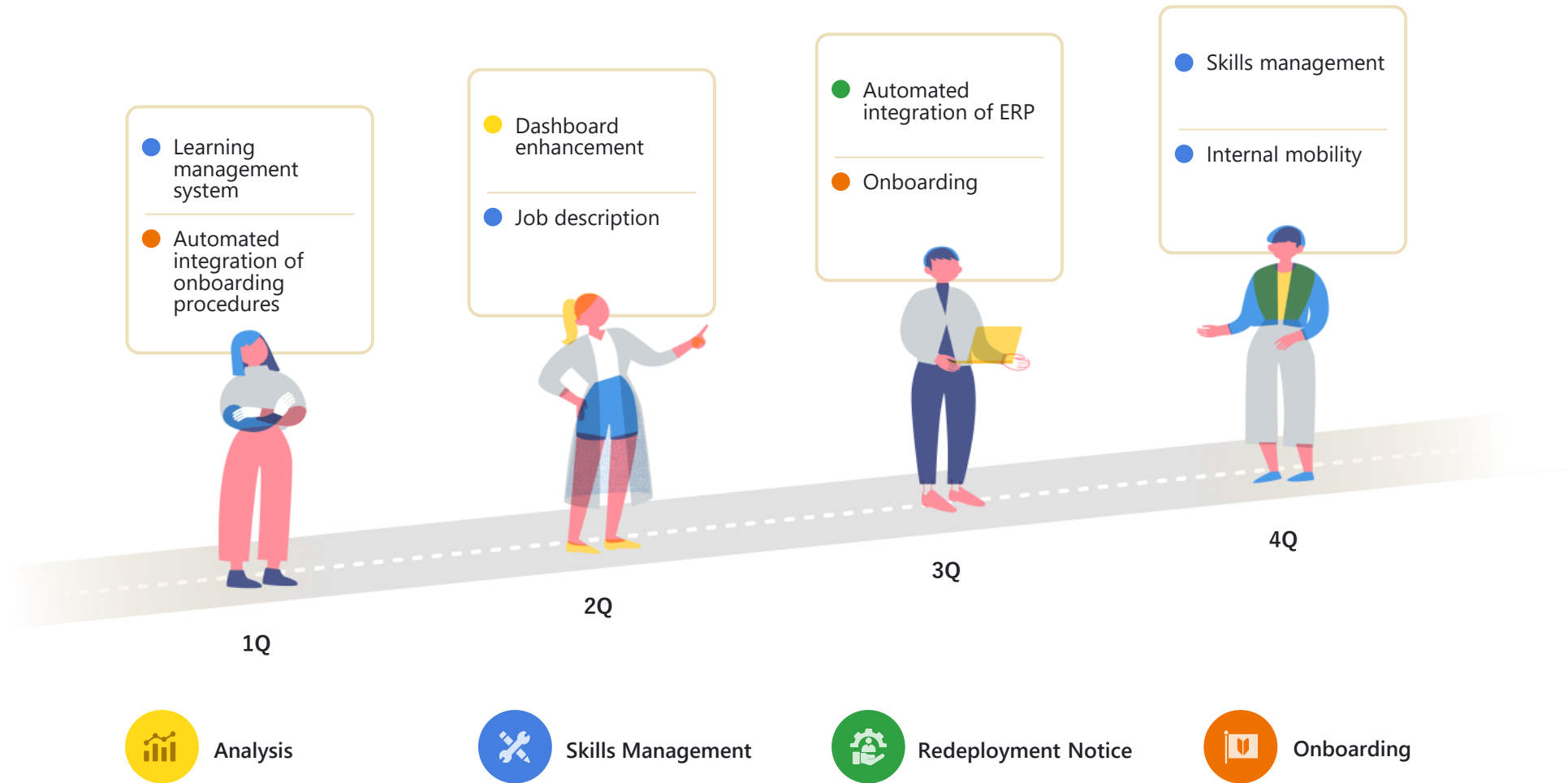
4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

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

# Major Product Development Roadmap<sup>\*1\*2</sup>

Focusing on driving the value as an HR data platform through the development of new functions and services



\*1 : Revised from the development roadmap announced in May 2023 due to development priority update

\*2 : This is a scheduled roadmap from which the actual release timing of each feature might differ

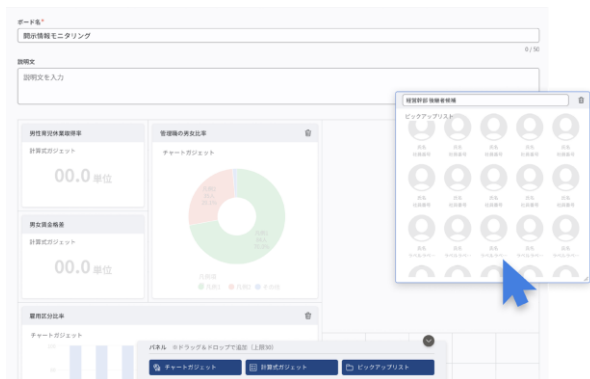
# Dashboard Enhancement

Sharing HR information with related departments and disclosing human capital information by displaying high-level metrics in one place with just a few clicks

- 1 Visualize information stored in KAONAVI with various types of charts



- 2 Freely lay them out with a simple mouse operation



# Launching a New Feature

Released “Position Matching”, which quantifies the match rate of talent and position requirements, and recommends appropriate candidates to realize job-based employment that is optimal for Japanese companies

The screenshot displays the 'kaonavi' Position Matching interface. The top navigation bar includes the 'kaonavi' logo, a menu icon, a search bar for members, and utility icons for application, help, and language. The main content area is titled 'ポジションマッチング > ポジションを編集'. A sidebar on the left shows navigation options: 'DX推進担当', 'ポジション概要', 'ポジションの条件設定', and '候補者・アサインメンバーの設定' (selected). The main area shows '候補者・アサインメンバーの設定' with 'アサイン: 2人' and '候補者: 5人'. It features a grid of candidate cards, each with a profile picture, name, match percentage, and a list of requirements. Buttons for 'アサイン' and '候補に戻す' are provided for each card. Below the grid, a section titled '条件にマッチしたメンバー 100人 条件変更' displays a horizontal scrollable list of 100 candidate profiles with their names and match percentages.

| 候補者    | アサインメンバー | マッチ率 | 要件  |
|--------|----------|------|---|
| 佐野 周平  | 飯山 深子    | 100% | 1. 5年10ヵ月<br>2. 課長<br>3. 正社員<br>4. ITパスポート,基本情報技...<br>5. A |
| 増井 彩香  | 原 さや     | 80%  | 1. 8年11ヵ月<br>2. 課長<br>3. 正社員<br>4. ITパスポート,基本情報技...<br>5. D |
| 西島 あづさ | 照井 梓     | 60%  | 1. 17年3ヵ月<br>2. 主任<br>3. 正社員<br>4. ITパスポート,基本情報技...<br>5. C |
| 田中 佳織  |          | 20%  |   |

# Launching a New Feature

Released “My Board” to consolidate and share HR information on a single screen for different purposes. Pre-set multiple boards according to use scenarios enable users to quickly surface the information they need





1. Topics

## 2. FY24/3 2Q Financial Highlights

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# Highlights

- 2Q results show solid progress

Net sales were **JPY 1,844MM (+27.7% YoY)**

Gross profit was **JPY 1,422MM (+31.3% YoY)**, and its margin improved to **77.1%**

Adjusted operating profit was **JPY 246MM (+291.6% YoY)**

- Posted **an extraordinary loss of JPY 65MM** in relation to headquarters relocation

(Relocation-related expenses are no longer recorded after 2Q)

- ARR reached **JPY 7,151MM (+29.1% YoY)**

Newly acquired MRR hit **a record-high for 2Q**

Churn rate (last 12-month average) was **0.48%**, remaining at a **low level**

- Orders from support services also posted **a record-high for 2Q**

- The number of employees at the end of September 2023 was **297**, and progressed in line with the plan

# PL Summary

|  | FY23/3 2Q             | FY24/3 1Q        | FY24/3 2Q       |         |         |
|--|-----------------------|------------------|-----------------|---------|---------|
| JPY MM   | Same period last year | Previous quarter | Current quarter | YoY     | QoQ     |
| <b>Net Sales</b>                               | 1,444                 | 1,753            | <b>1,844</b>    | +27.7%  | +5.2%   |
| <b>Gross Profit</b>                            | 1,083                 | 1,309            | <b>1,422</b>    | +31.3%  | +8.6%   |
| Margin   | 75.0%                 | 74.7%            | 77.1%           | +2.1pt  | +2.4pt  |
| <b>Adjusted Operating Profit <sup>*1</sup></b> | 63                    | 120              | <b>246</b>      | +291.6% | +104.2% |
| Margin   | 4.3%                  | 6.9%             | 13.3%           | +9.0pt  | +6.5pt  |
| <b>Operating Profit</b>                        | 36                    | 63               | <b>211</b>      | +487.0% | +233.4% |
| Margin   | 2.5%                  | 3.6%             | 11.5%           | +9.0pt  | +7.8pt  |
| <b>Ordinary Profit</b>                         | 35                    | 63               | <b>210</b>      | +509.0% | +235.3% |
| <b>Net Profit</b>                              | 15                    | 28               | <b>99</b>       | +539.0% | +258.3% |

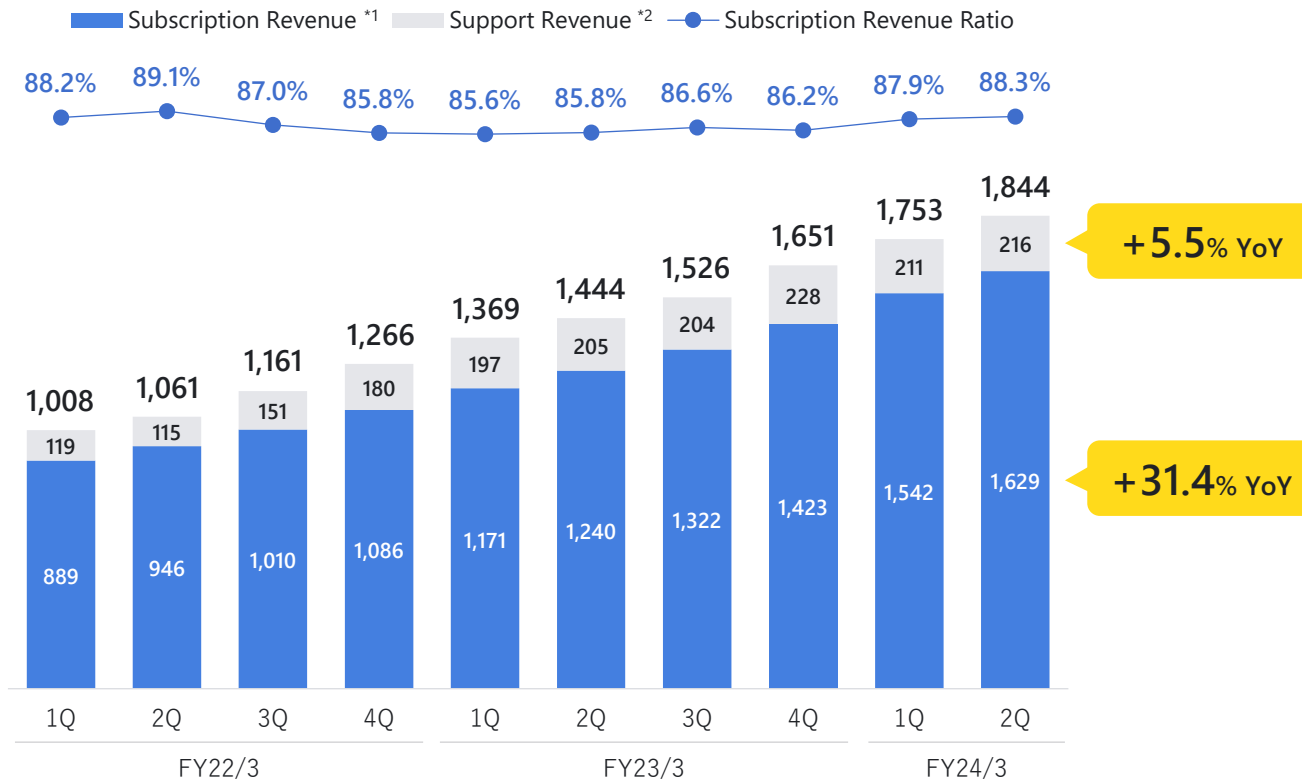
\*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

# Net Sales

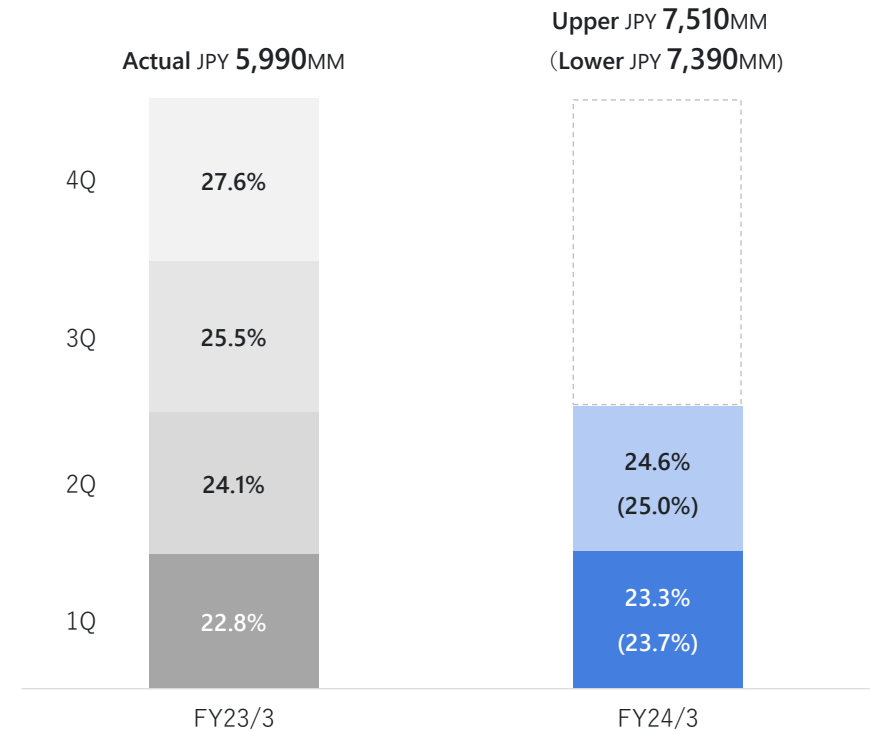
Subscription revenue and support revenue increased by 31.4% and 5.5% YoY, respectively  
 Net sales progress against the full-year forecast exceeded the pace of the previous year

## Net Sales

JPY MM



## Progress Against Full-year Forecast



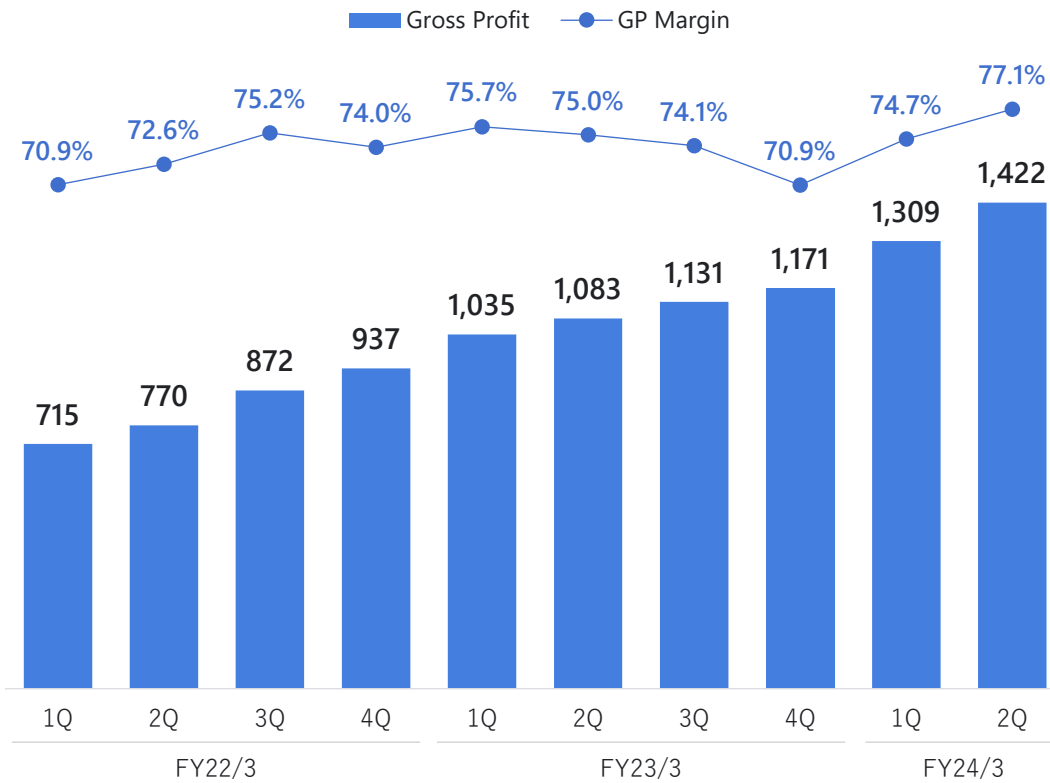
\*1 : Net sales from monthly subscription fees  
 \*2 : Net sales from initial setting support and paid support, etc.

# Gross Profit and Cost of Sales

Executed the development plans persistently, including functional improvements. On the other hand, the transfer of expenses from CoS to SG&A accrued due to the focus on new function development as in the first quarter

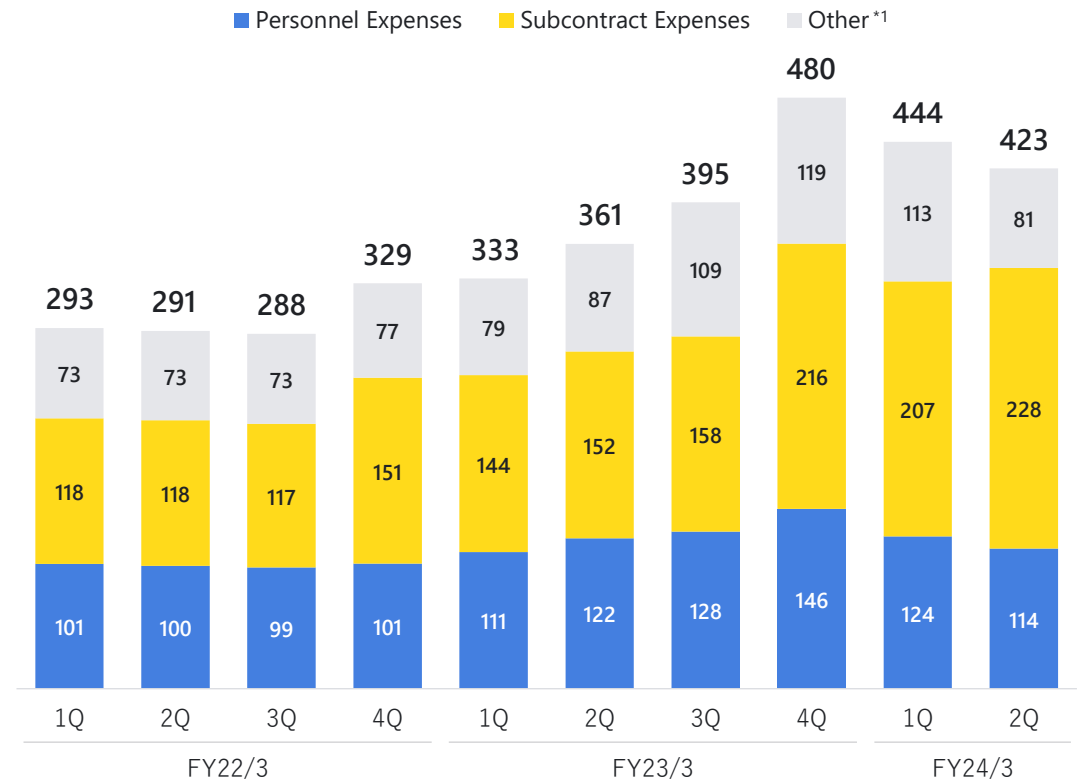
## Gross Profit

JPY MM



## Cost of Sales

JPY MM



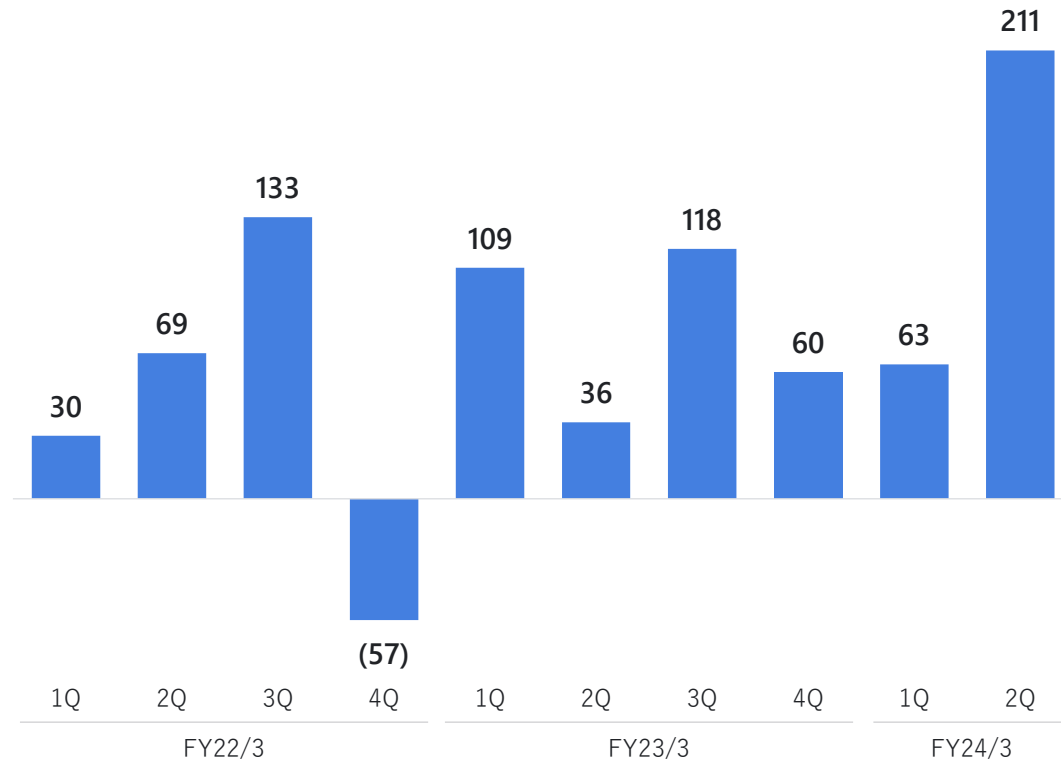
\*1 : "Other" in this quarter mainly includes Rents of JPY 15MM and Server costs of JPY 50MM

# Operating Profit and SG&A

Despite increased R&D investment (mainly personnel/outsourcing expenses) for the release of new features such as "Position Matching", operating profit reached a record-high on a quarterly basis driven by consistent gross profit growth

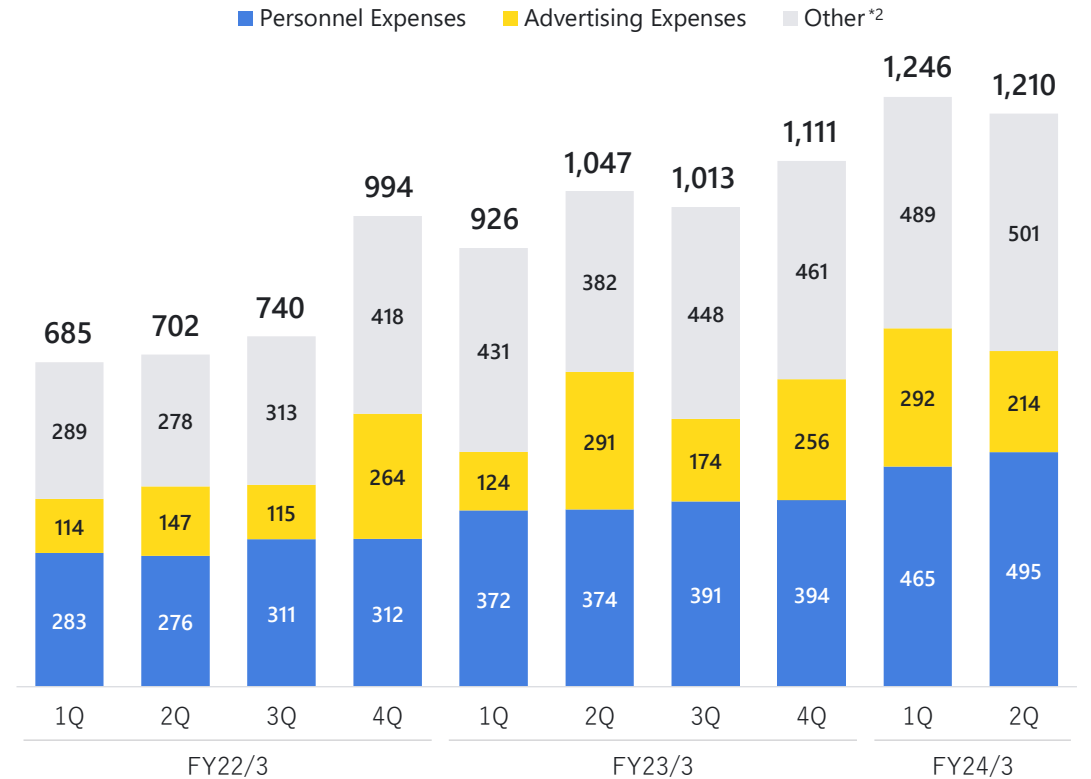
## Operating Profit

JPY MM



## SG&A\*1

JPY MM



\*1 : Ratio of S&M, R&D and G&A to net sales in this quarter is 37.3%, 11.3% and 17.0%, respectively. Please see page 56 for definitions of each expense

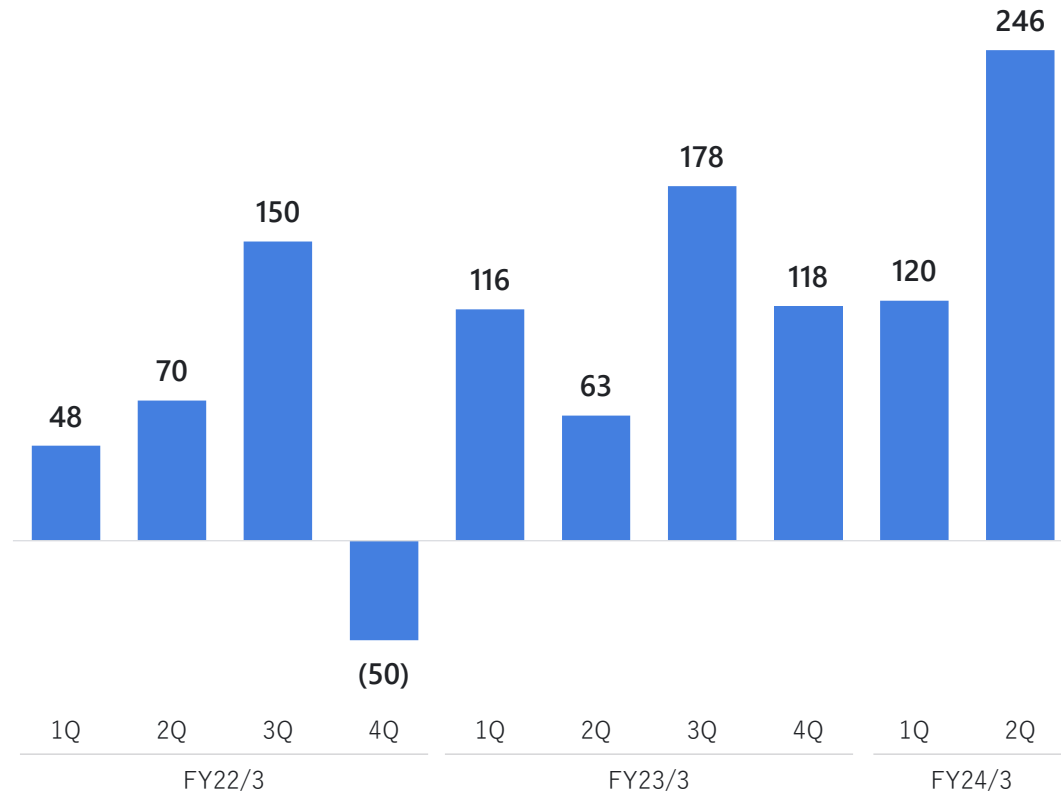
\*2 : "Other" in this quarter mainly includes Rents of JPY 31MM, Outsourcing expenses of JPY 131MM, Sales promotion expenses of JPY 131MM, Recruiting expenses of JPY 39MM and Communication expenses of JPY 48MM

# Adjusted Operating Profit

Adjusted operating profit also hit a new quarterly record

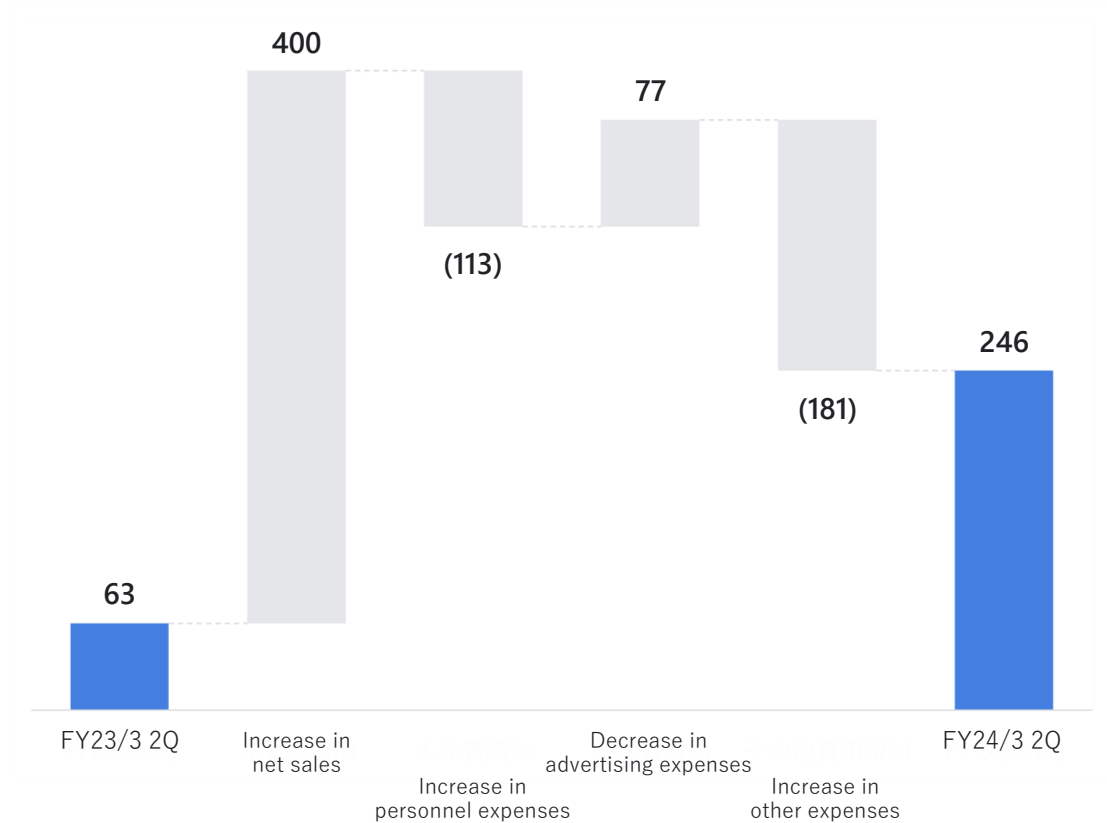
## Adjusted Operating Profit

JPY MM



## YoY Change Analysis

JPY MM

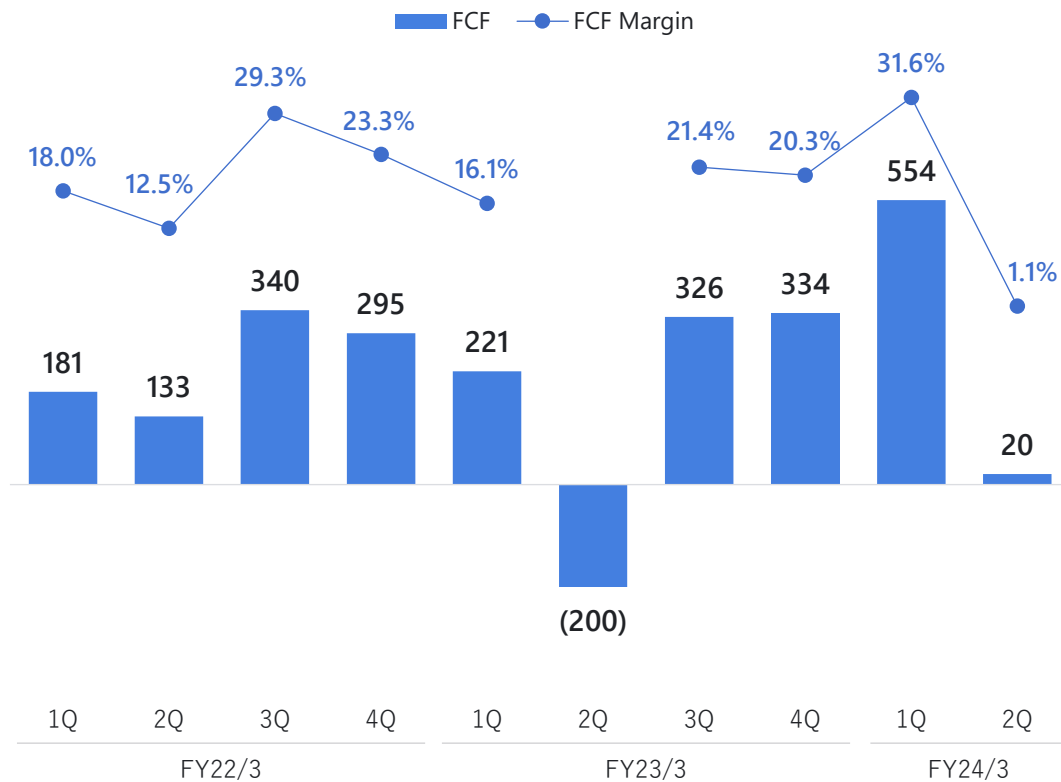


# Free Cash Flow and Balance Sheet

Stable cash flow generation has led to a +39.8% YoY increase in cash and deposits

## FCF

JPY MM



## B/S

JPY MM

|   | FY23/3       |              |              | FY24/3       |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2Q           | 3Q           | 4Q           | 1Q           | 2Q           |
| Cash and deposits                       | 2,799        | 3,095        | 3,400        | 3,922        | 3,912        |
| Other current assets                    | 531          | 487          | 483          | 495          | 555          |
| Property, plant and equipment           | 178          | 134          | 89           | 58           | 38           |
| Intangible assets                       | 8            | 7            | 6            | 5            | 4            |
| Investments and other assets            | 668          | 664          | 646          | 622          | 617          |
| <b>Total assets</b>                     | <b>4,184</b> | <b>4,387</b> | <b>4,623</b> | <b>5,102</b> | <b>5,125</b> |
| Loans payable                           | 391          | 359          | 327          | 296          | 264          |
| Deferred revenue                        | 1,861        | 1,961        | 2,073        | 2,490        | 2,410        |
| Other liabilities                       | 612          | 655          | 732          | 795          | 825          |
| <b>Total liabilities</b>                | <b>2,865</b> | <b>2,975</b> | <b>3,132</b> | <b>3,580</b> | <b>3,499</b> |
| <b>Total net assets</b>                 | <b>1,320</b> | <b>1,412</b> | <b>1,491</b> | <b>1,522</b> | <b>1,627</b> |
| <b>Total liabilities and net assets</b> | <b>4,184</b> | <b>4,387</b> | <b>4,623</b> | <b>5,102</b> | <b>5,125</b> |

# KPI Summary

ARR\*1

**7,151** JPY MM  
(+29.1% YoY)

Active Users\*2

**3,330** Companies  
(+22.0% YoY)

ARPU\*3

**179** JPY Thou.  
(+5.8% YoY)

Churn Rate\*4

**0.48** %

LTV/CAC\*5

**10.2** x

Number of Employees\*6

**297** 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

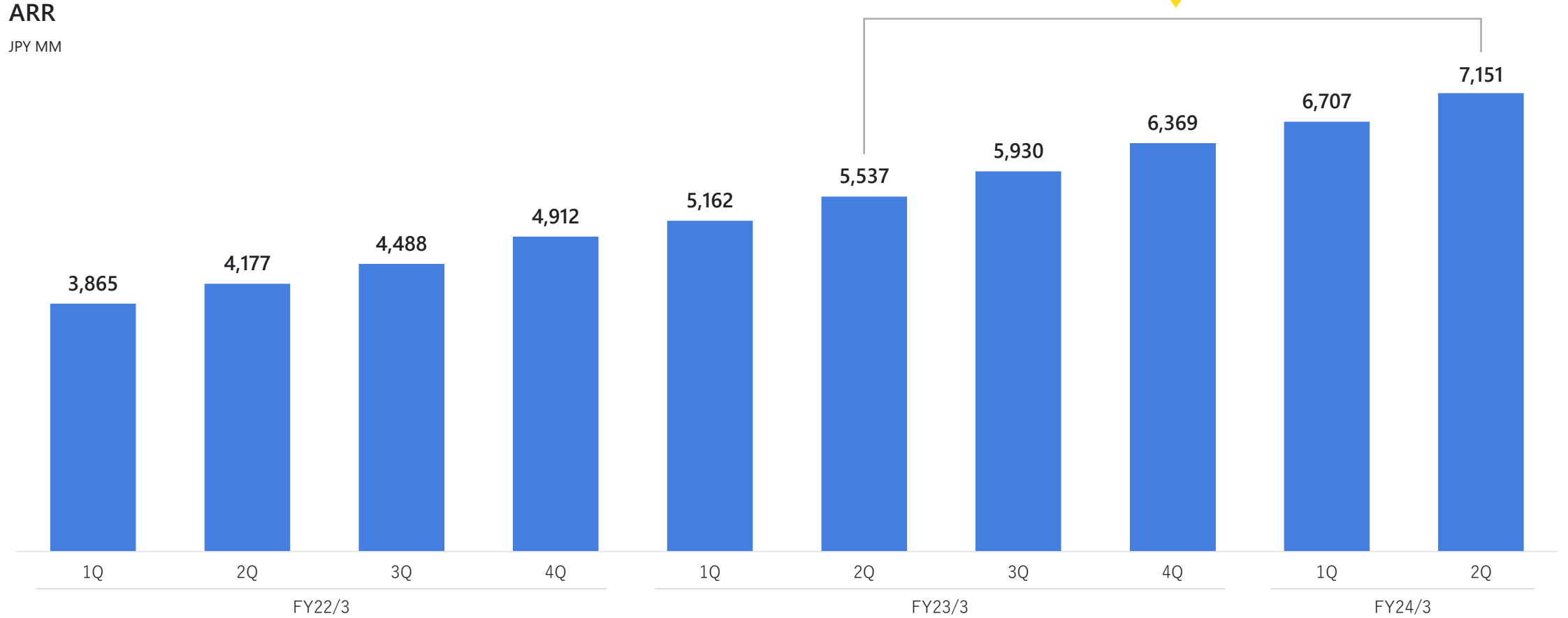
\*5 : Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

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



# ARR

ARR increased by 29.1% YoY, achieving sustainable and stable growth



# Active Users and ARPU

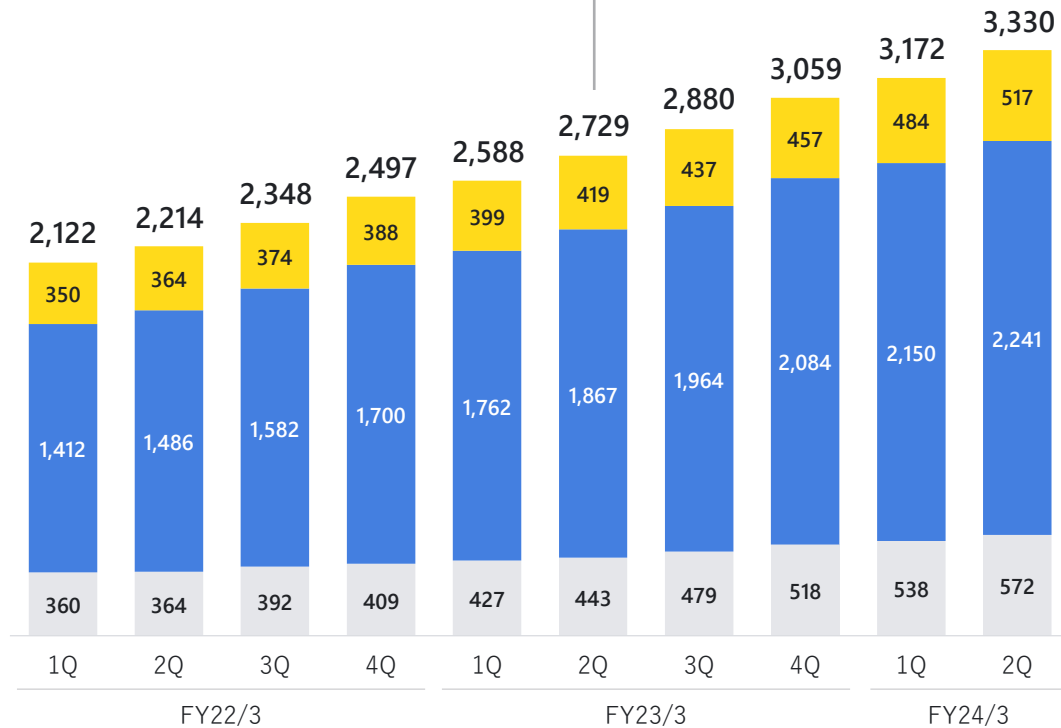
The number of active users has grown to 3,330 adding 158 after the previous quarter. ARPU increased steadily to JPY 179 thousand

Active Users by the Size of Registered Employees

+22.0% YoY

Companies

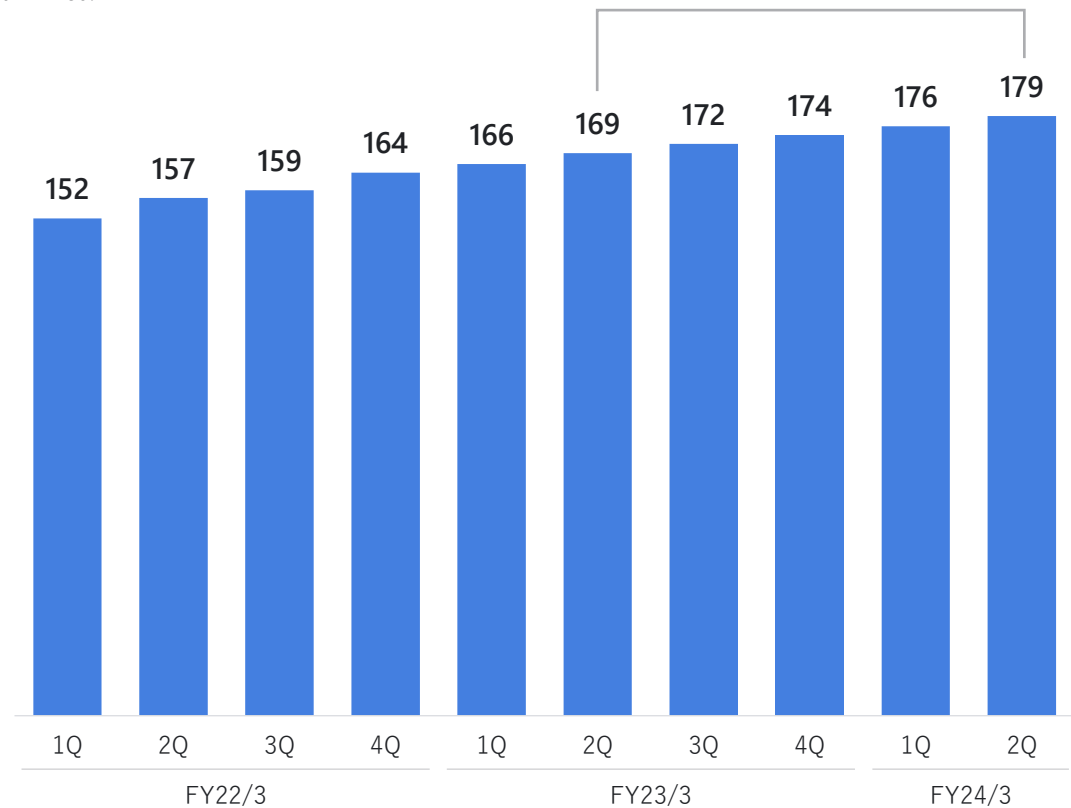
■ 100 people ■ 200~900 people ■ 1,000~ people



ARPU

JPY Thou.

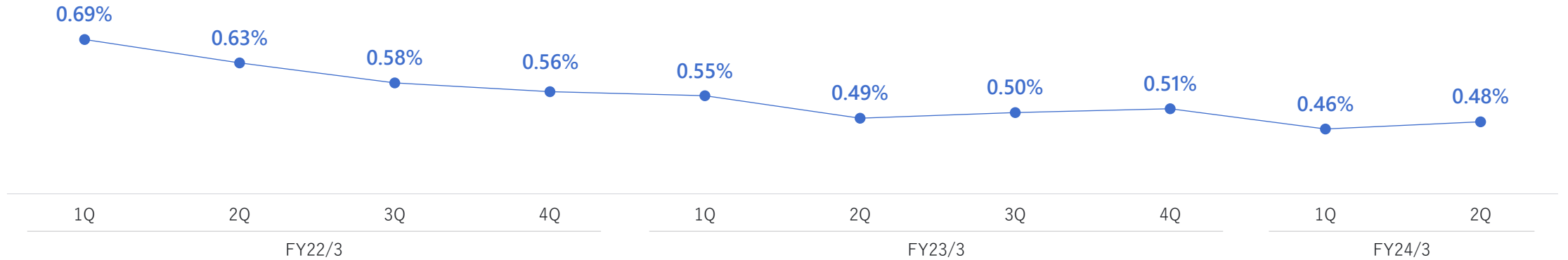
+5.8% YoY



# Churn Rate

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

Last 12-Month Average of MRR Churn Rate<sup>\*1</sup>



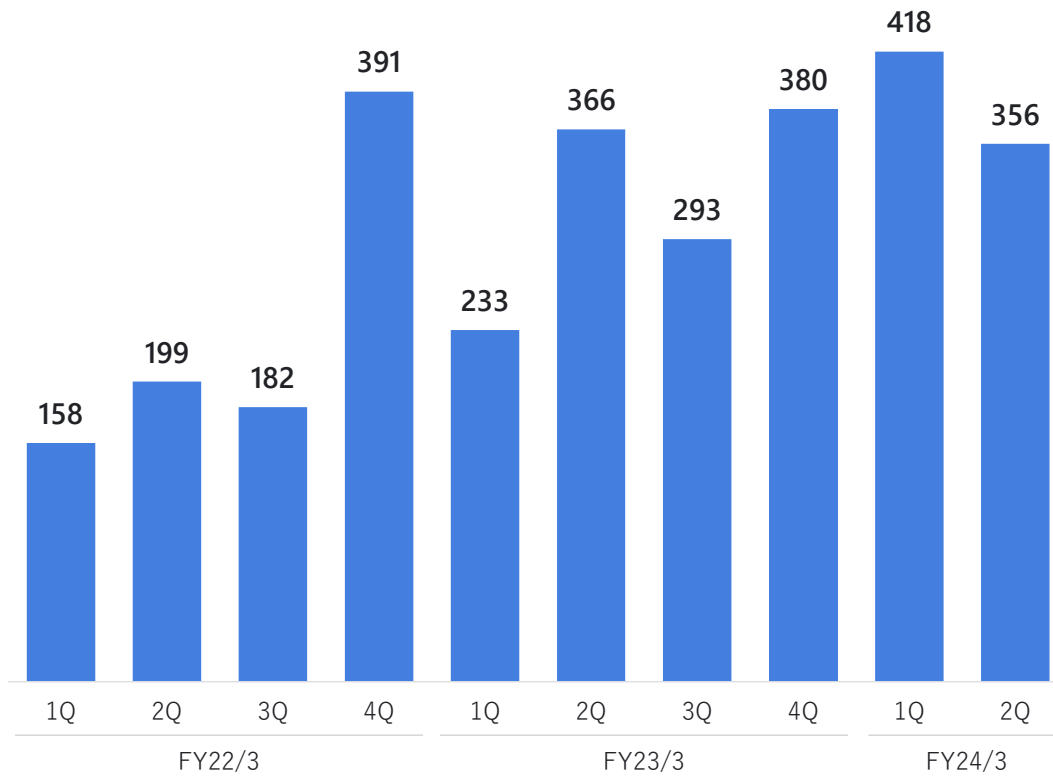
\*1 : MRR churn rate = MRR lost in the month / MRR as of the end of the previous month

# Unit Economics

Maintaining healthy unit economics

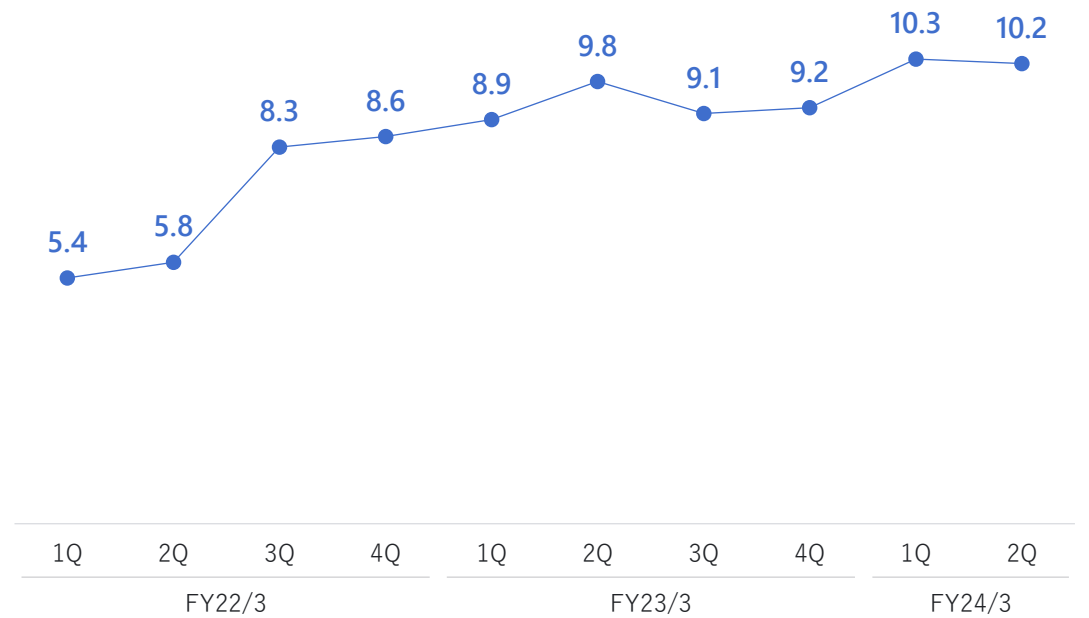
## Marketing-related Expenses\*1

JPY MM



## Last 12-Month Average of LTV/CAC\*2

X



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

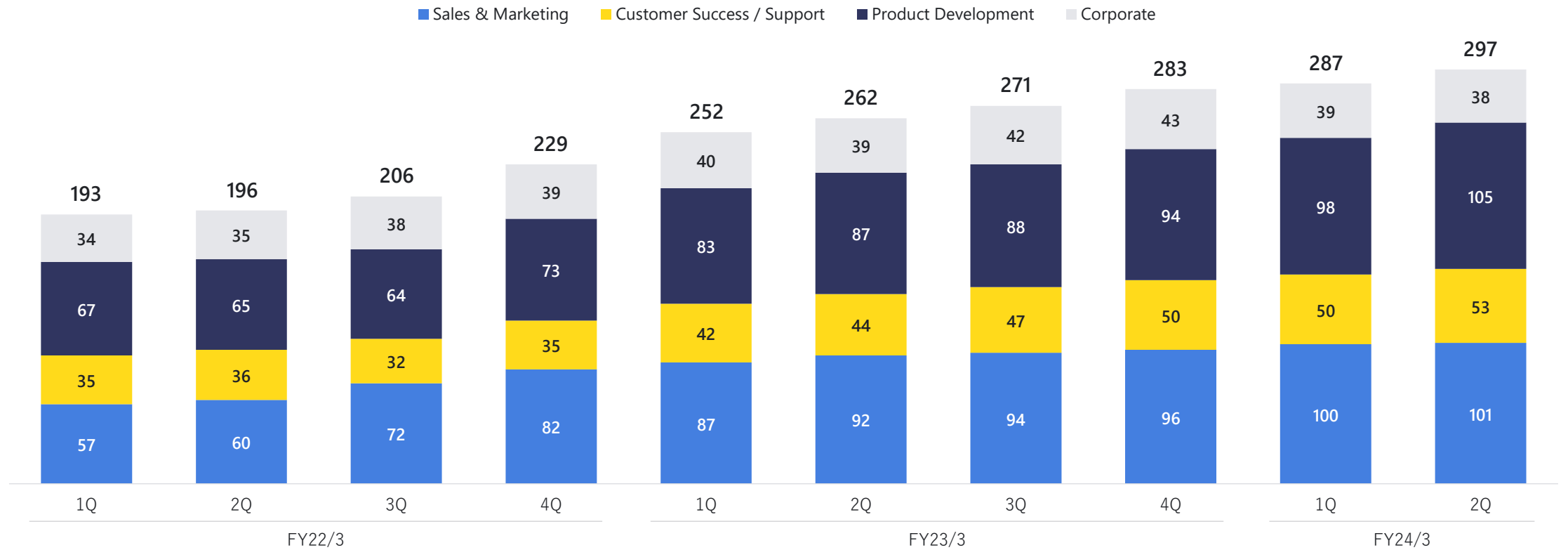
\*2 : LTV = (ARPU of the end of the month / MRR churn rate of the month) x Gross profit margin of the month  
CAC = Sales & Marketing expenses of the month / # of new customers acquired in the month

# Number of Employees

The number of employees progressed in line with the plan

## Number of Employees\*1

People



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



1. Topics

2. FY24/3 2Q Financial Highlights

## **3. FY24/3 Forecast**

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

# FY24/3 Forecast

No change to the full-year forecast due to steady progress in business performance up to the second quarter

| JPY MM   | FY23/3<br>Actual | FY24/3<br>Forecast   | YoY              | FY24/3 1-2Q<br>Actual | vs. Forecast  |
|--|------------------|----------------------|------------------|-----------------------|---------------|
| <b>Net Sales</b>                               | 5,990            | <b>7,390 ~ 7,510</b> | +23.4% ~ +25.4%  | <b>3,598</b>          | 47.9% ~ 48.7% |
| Subscription Revenue                           | 5,156            | 6,550 ~ 6,650        | +27.0% ~ +29.0%  | 3,170                 | 47.7% ~ 48.4% |
| Support Revenue                                | 834              | 840 ~ 860            | +0.7% ~ +3.1%    | 427                   | 49.7% ~ 50.9% |
| <b>Gross Profit</b>                            | 4,420            | <b>5,410 ~ 5,530</b> | +22.4% ~ +25.1%  | <b>2,731</b>          | 49.4% ~ 50.5% |
| Margin   | 73.8%            | 73.2% ~ 73.6%        | -0.6pt ~ -0.2pt  | 75.9%                 | -             |
| <b>Adjusted Operating Profit <sup>*1</sup></b> | 474              | <b>720 ~ 960</b>     | +51.9% ~ +102.5% | <b>366</b>            | 38.1% ~ 50.8% |
| Margin   | 7.9%             | 9.7% ~ 12.8%         | +1.8pt ~ +4.9pt  | 10.2%                 | -             |

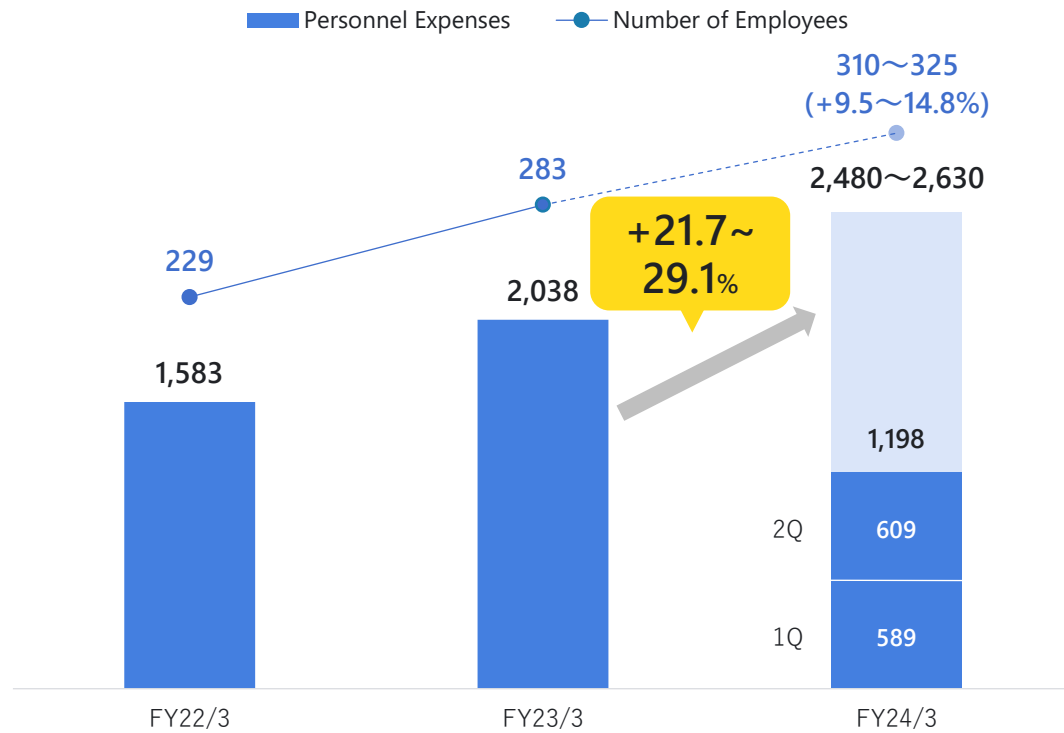
\*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

# Major Cost Assumptions

Both personnel expenses and marketing-related expenses progressed in line with the plan

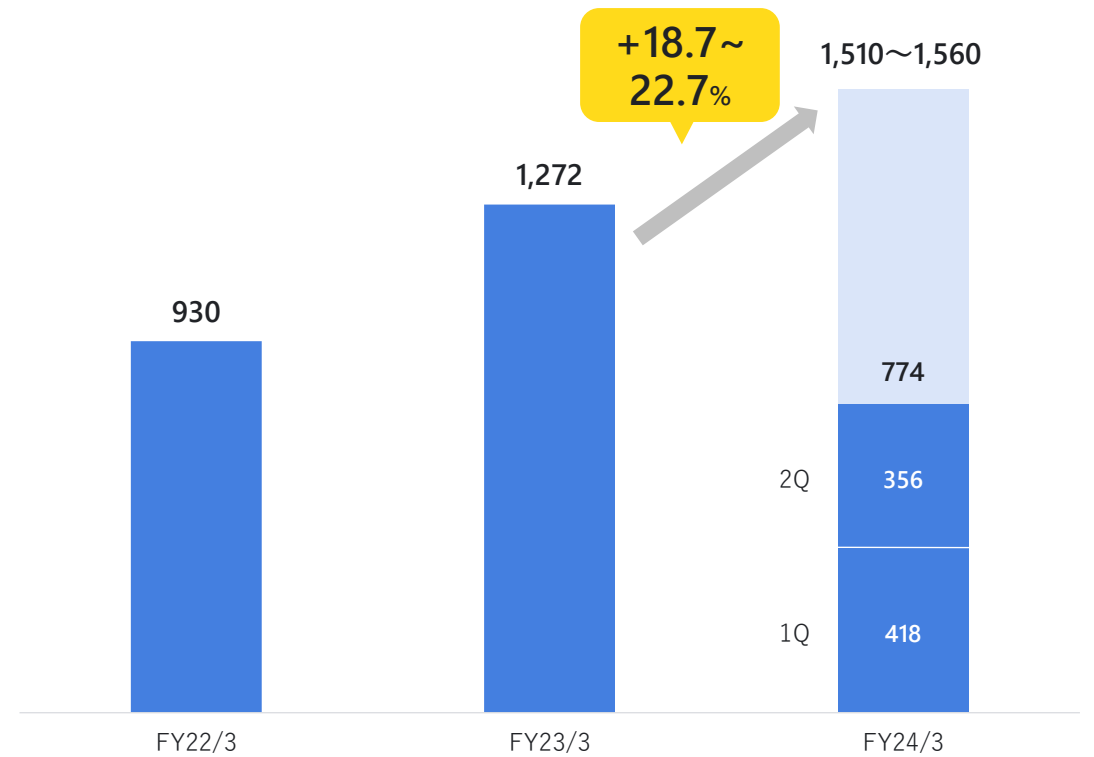
## Staffing Plan and Personnel Expenses (CoS+SG&A) Forecast

Personnel Expenses: JPY MM, Number of Employees: People



## Marketing-related Expenses Forecast

JPY MM



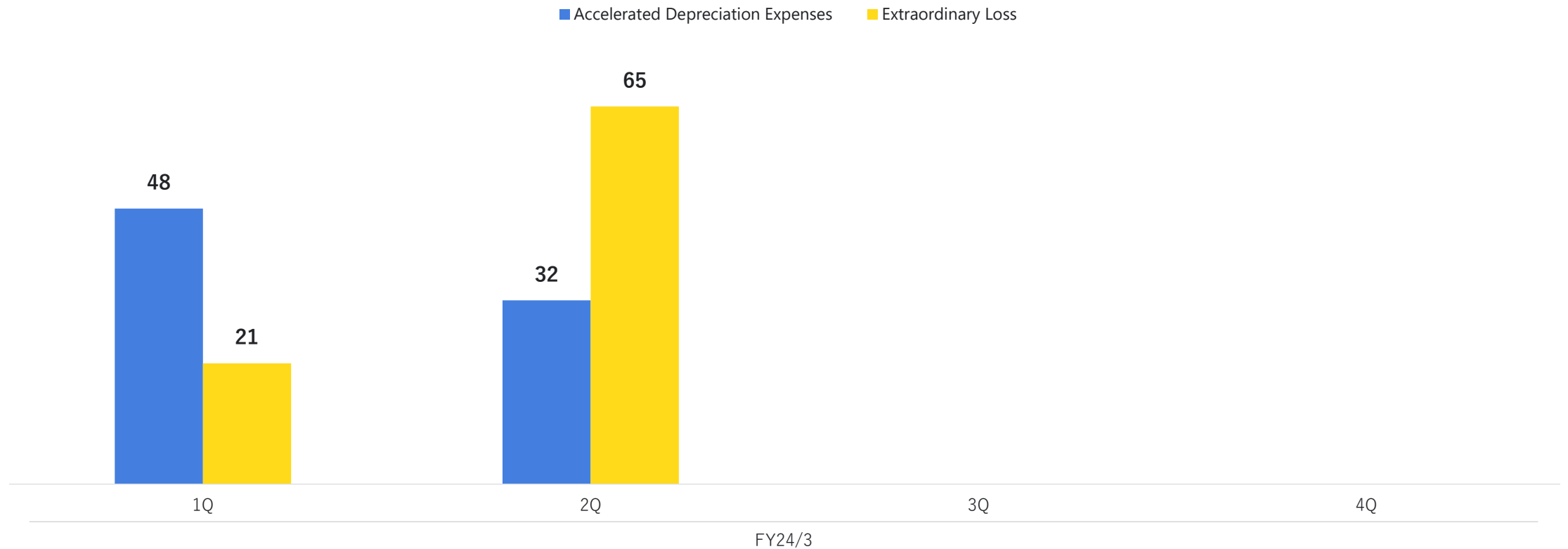


# Estimated Expenses for Headquarters Relocation (Reprint of FY23/3 4Q Materials)

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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4-2. Our Services

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4-4. The Future of “WORK” and kaonavi

# Company Overview

|                       |  |
|-----------------------|--|
| <b>Name</b>           | kaonavi, inc.  |
| <b>Offices</b>        | Tokyo, Osaka, Nagoya, Fukuoka  |
| <b>Established</b>    | May 27, 2008 (Commencement of business: April 2012)  |
| <b>Representative</b> | Hiroyuki Sato (Representative Director, President & Co-CEO)<br>Hiroki Yanagihashi (Representative Director & Co-CEO) |
| <b># of Employees</b> | 283 (March 2023)   |
| <b>Business</b>       | 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



# 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

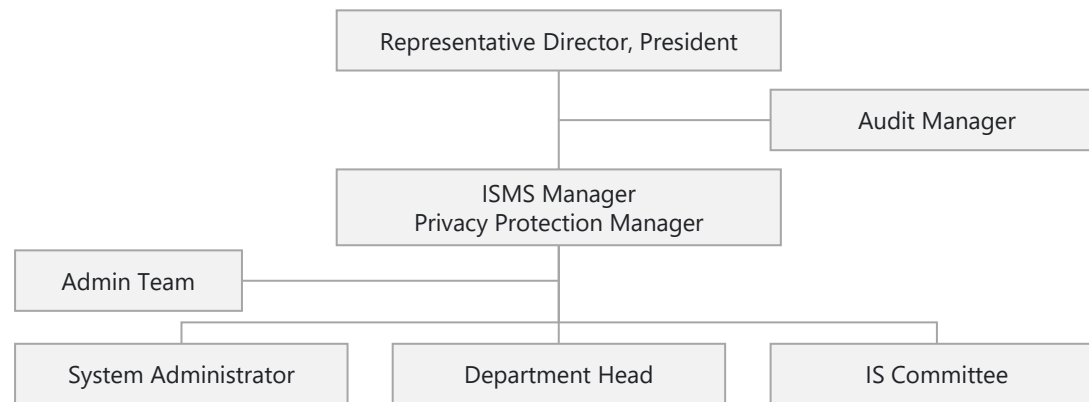


## Information Security

### 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 ISMS certification and 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, healthcare providers, and public sector organizations



|                   |   |
|-------------------|---|
| <b>Applicable</b> | School corporations and other academic institutions |
| <b>Price</b>      | Special price                                       |



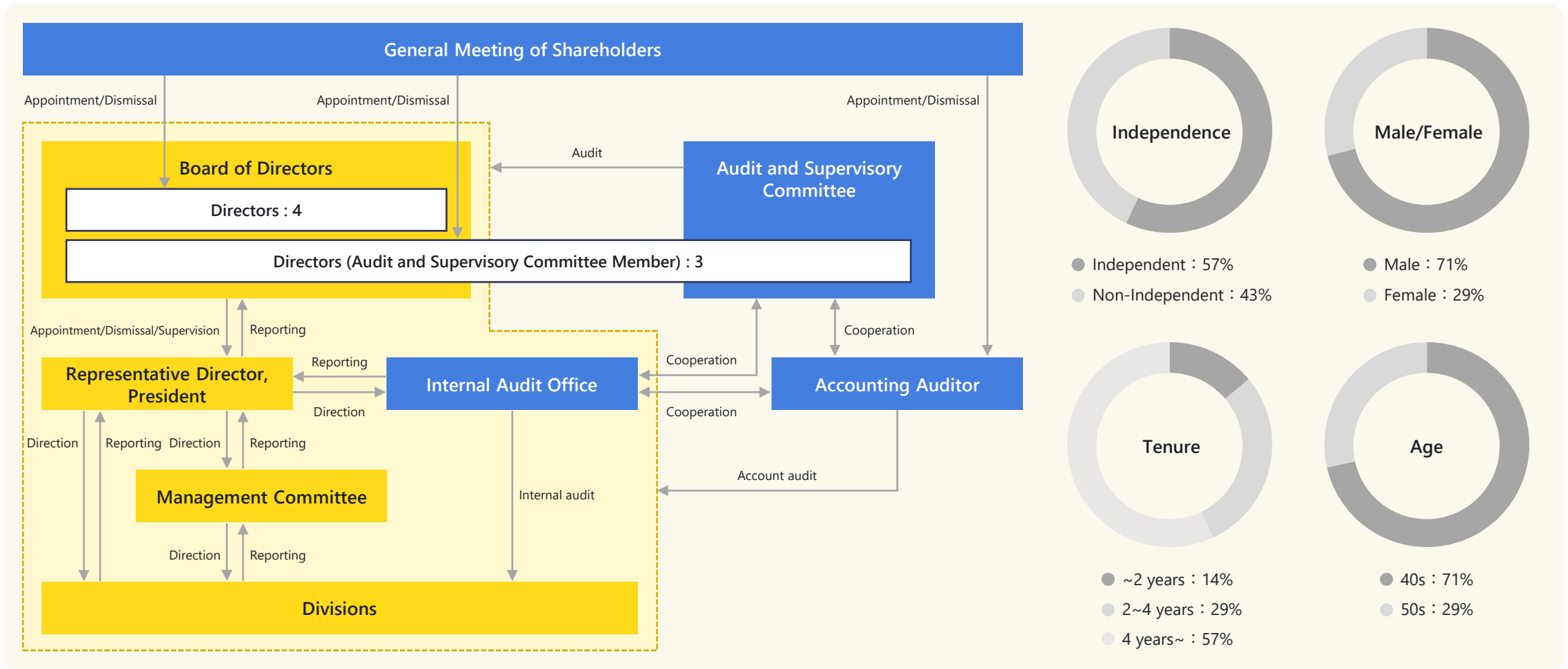
|                   |   |
|-------------------|---|
| <b>Applicable</b> | Medical corporations and other medical institutions |
| <b>Price</b>      | Special price                                       |



|                   |  |
|-------------------|--|
| <b>Applicable</b> | Government offices, municipal governments, independent administrative agencies |
| <b>Price</b>      | Special price  |

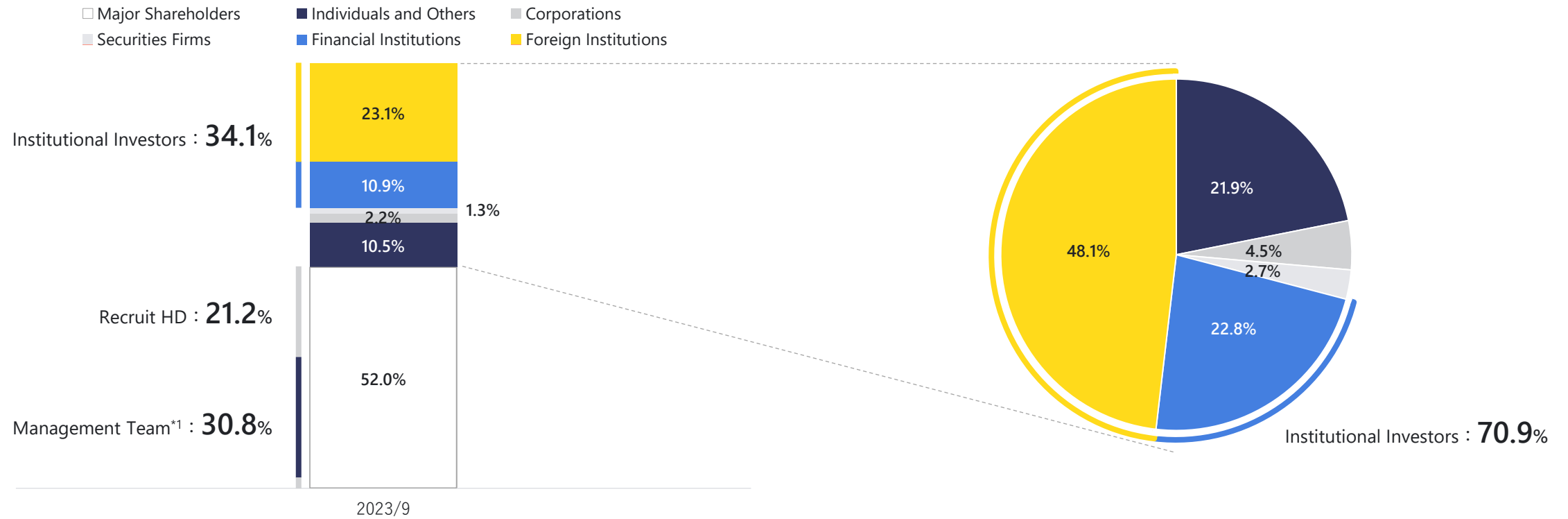
# Corporate Governance (June 2023)

## Corporate Governance Structure and Board Attributes



# Ownership Structure (September 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       |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net Sales</b>                    | <b>1,690</b> | <b>2,625</b> | <b>3,402</b> | <b>4,496</b> | <b>5,990</b> |
| Subscription Revenue                | 1,284        | 2,102        | 2,991        | 3,931        | 5,156        |
| Support Revenue                     | 407          | 523          | 411          | 565          | 834          |
| <b>Gross Profit</b>                 | <b>1,108</b> | <b>1,972</b> | <b>2,461</b> | <b>3,295</b> | <b>4,420</b> |
| GP Margin                           | 65.6%        | 75.1%        | 72.3%        | 73.3%        | 73.8%        |
| <b>Adjusted Operating Profit *1</b> | <b>(68)</b>  | <b>(278)</b> | <b>86</b>    | <b>217</b>   | <b>474</b>   |
| Adjusted OP Margin                  | —            | —            | 2.5%         | 4.8%         | 7.9%         |
| <b>Operating Profit</b>             | <b>(73)</b>  | <b>(278)</b> | <b>(11)</b>  | <b>174</b>   | <b>322</b>   |
| OP Margin                           | —            | —            | —            | 3.9%         | 5.4%         |
| <b>Net Profit</b>                   | <b>(96)</b>  | <b>(357)</b> | <b>(131)</b> | <b>210</b>   | <b>246</b>   |
| <b>Free Cash Flow</b>               | <b>130</b>   | <b>(482)</b> | <b>147</b>   | <b>948</b>   | <b>682</b>   |
| 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



1. Topics

2. FY24/3 2Q Financial Highlights

3. FY24/3 Forecast

**4. Appendix**

4-1. Company Overview

**4-2. Our Services**

4-3. Mid-term Management Policy

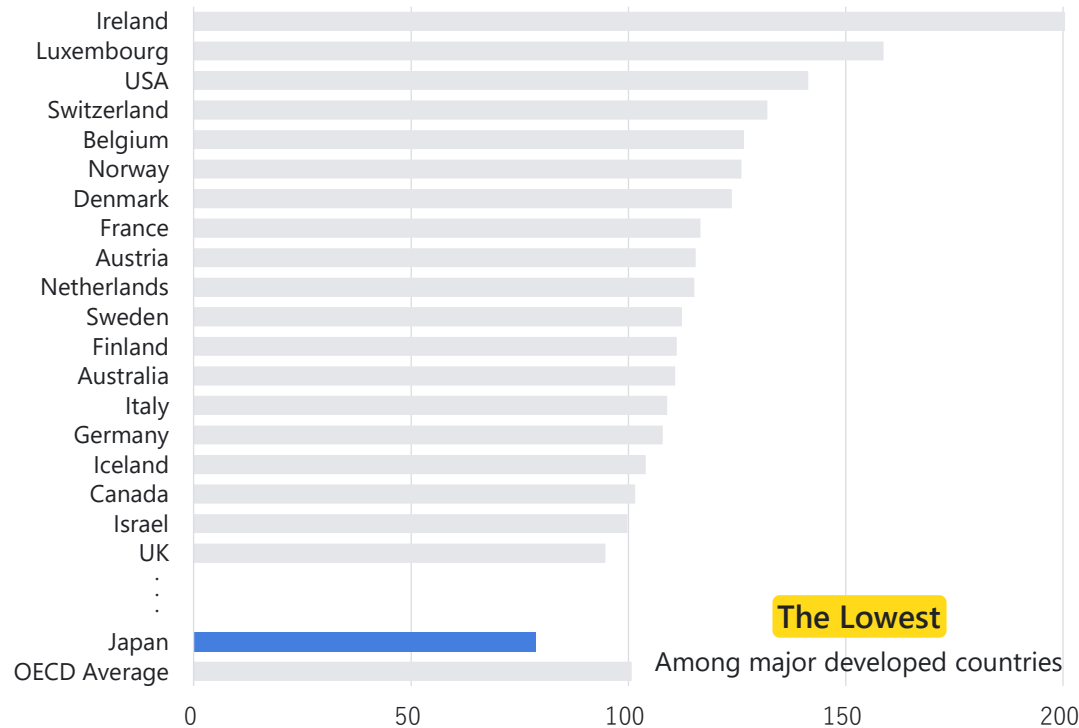
4-4. The Future of “WORK” and kaonavi

# 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)

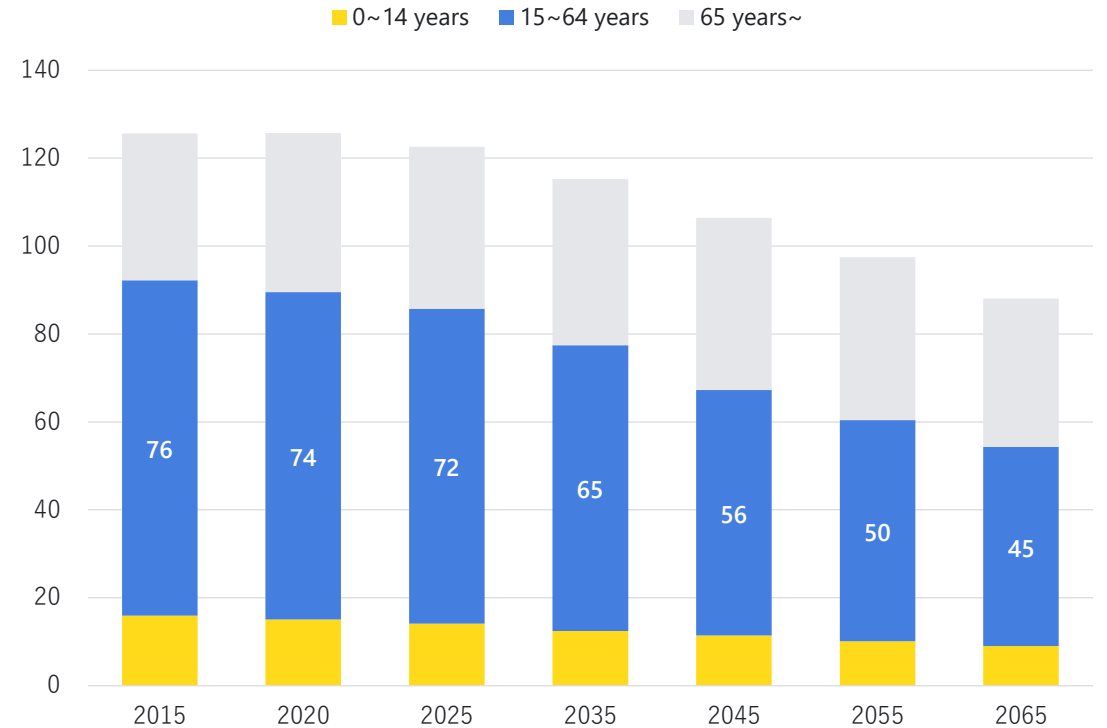
PPP Conversion : US\$ 1,000



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



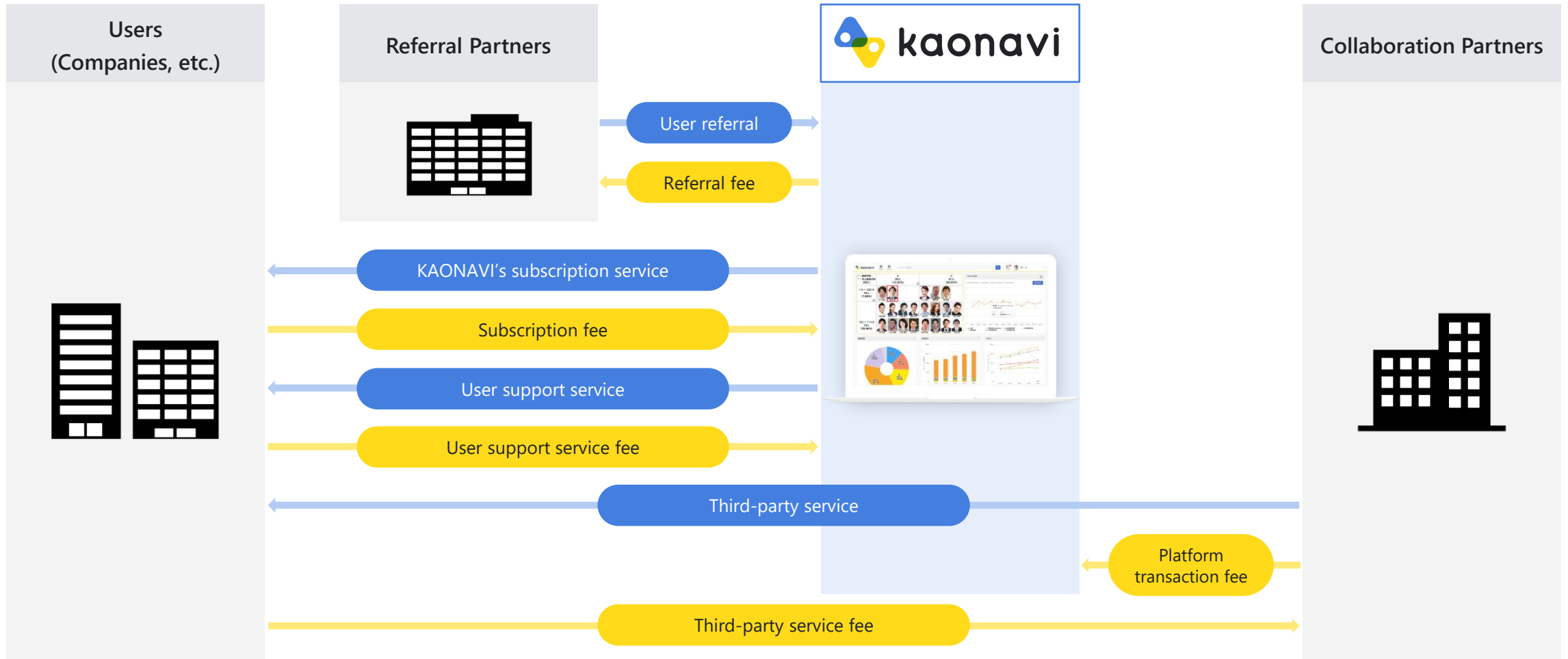
# What Is Talent Management System?

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



# Business Model\*1

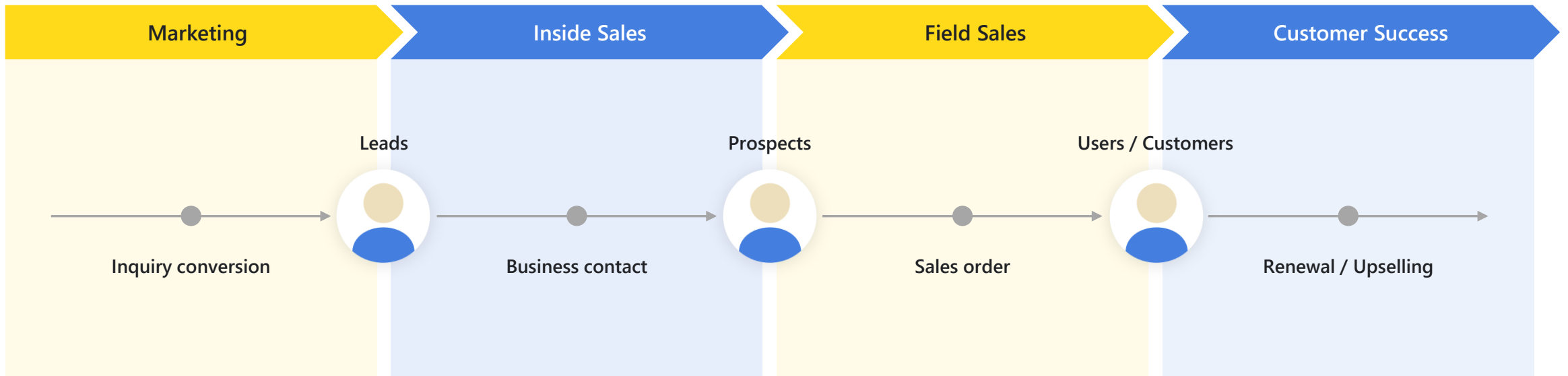
Subscription model for BtoB cloud services



\*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\*<sup>1</sup> 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



Flexibly designed solution, suitable for any user regardless of position

System



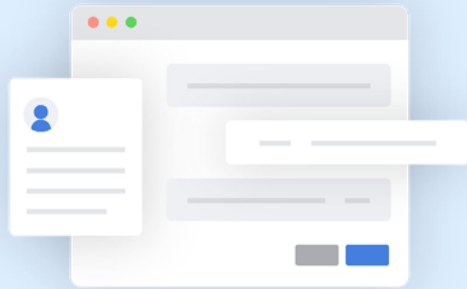
Organized customer services

Customer Service

# 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**







1. Topics

2. FY24/3 2Q Financial Highlights

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**4. Appendix**

4-1. Company Overview

4-2. Our Services

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4-4. The Future of “WORK” and kaonavi

# 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

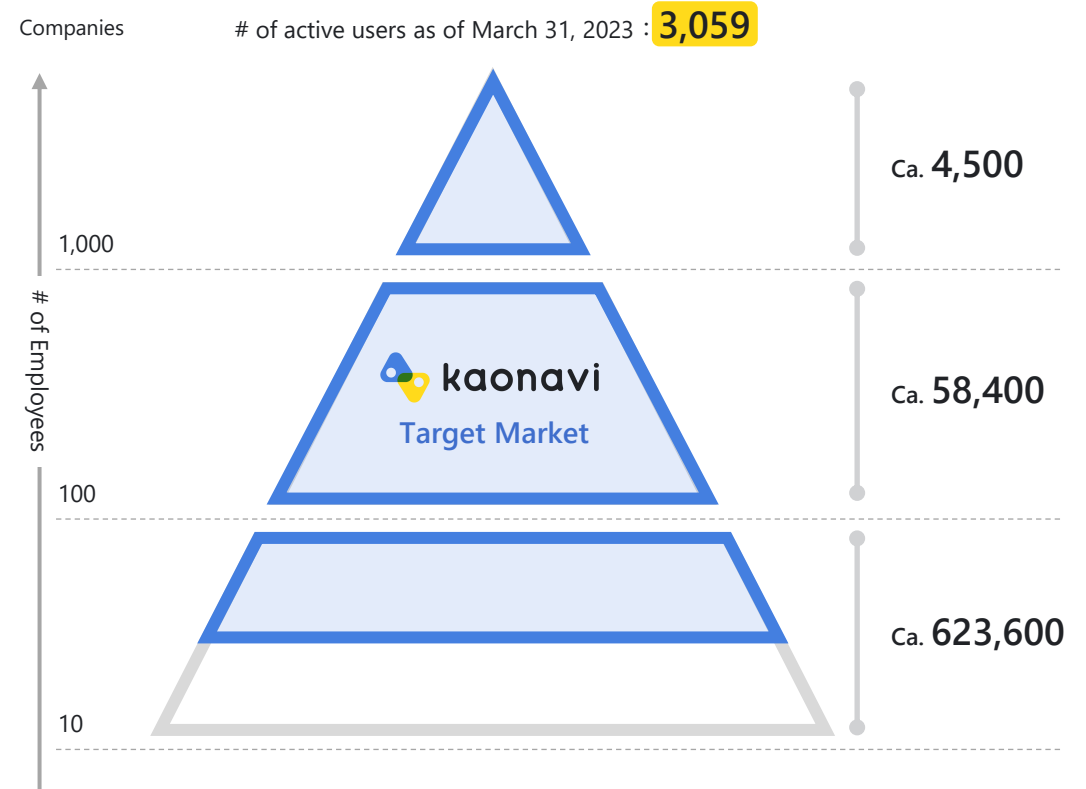
### Raising Visibility

- 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

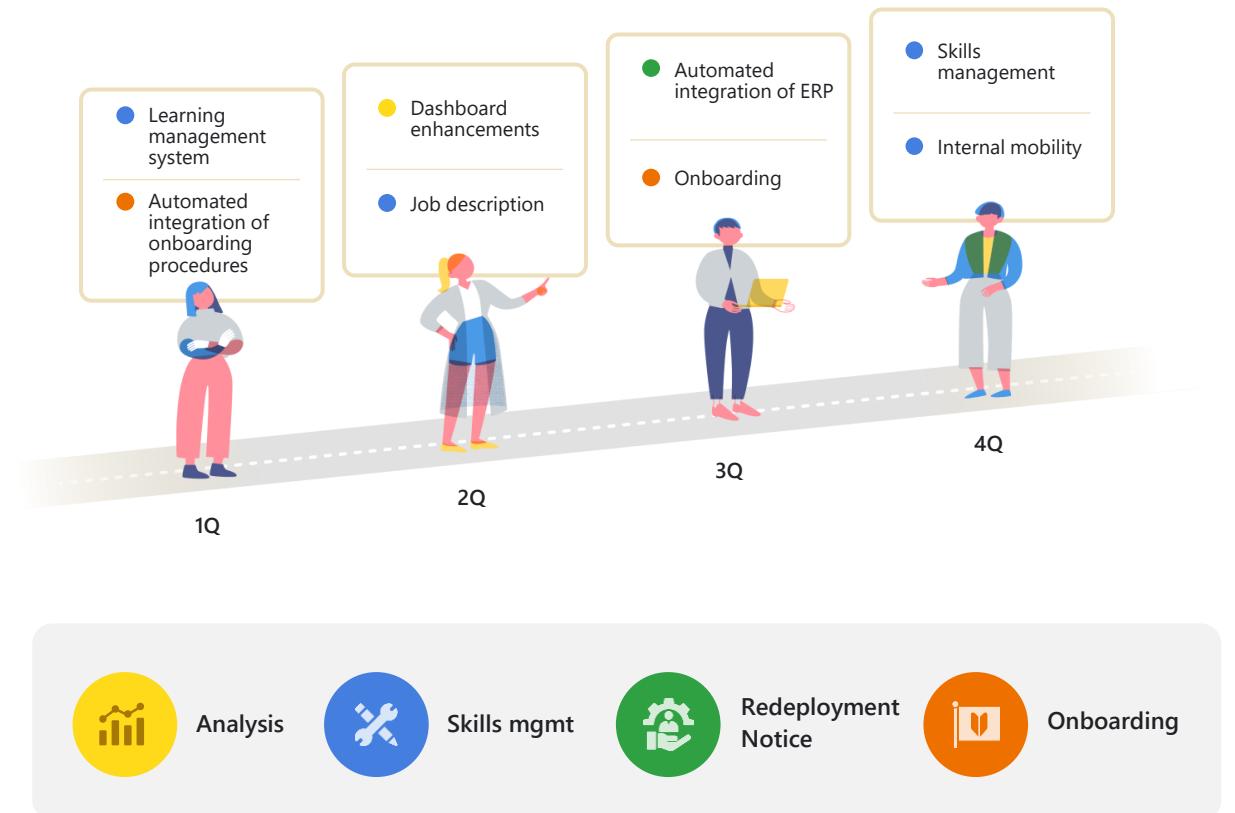
### Upselling Promotion

- 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\*2 (FY24/3)

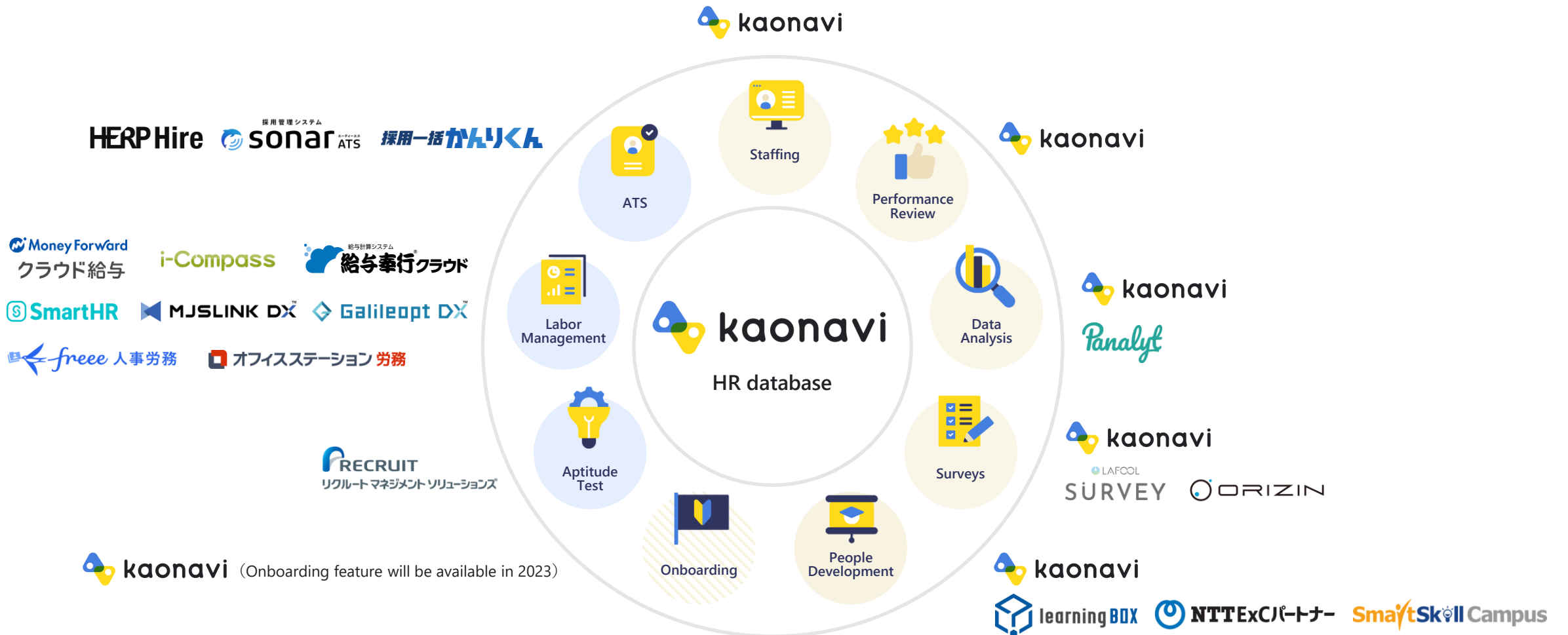


\*1 : Revised from the development roadmap announced in May 2023 due to development priority update

\*2 : This is a scheduled roadmap from which the actual release timing of each feature might differ

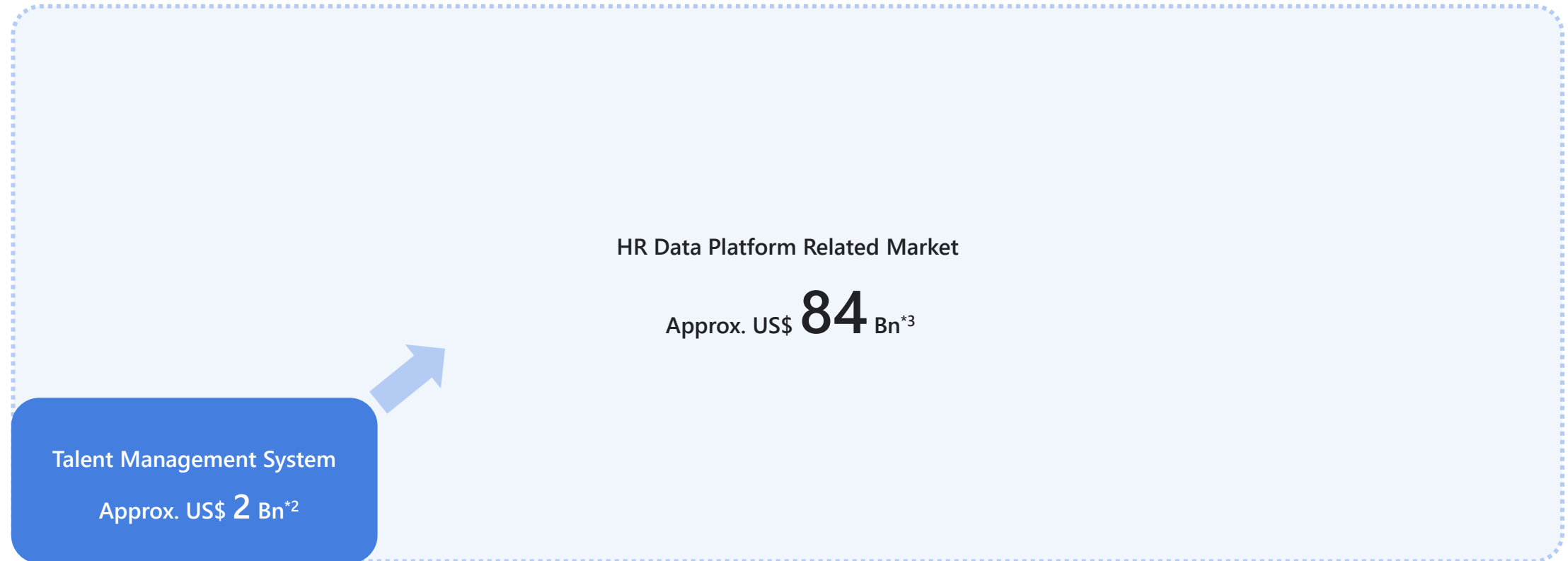
# HR Data Platform

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 September 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"

## 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 <sup>*1</sup><br>(Ratio to net sales) | 40.6%  | 40.3%  | 40.8%  | 30-35%                        |
| R&D <sup>*2</sup><br>(Ratio to net sales) | 5.1%   | 5.6%   | 7.2%   | 10-15%                        |
| G&A <sup>*3</sup><br>(Ratio to net sales) | 26.9%  | 23.6%  | 20.4%  | 10%                           |
| OP Margin                                 | —      | 3.9%   | 5.4%   | 20-30%                        |
| Adjusted OP Margin <sup>*4</sup>          | 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.

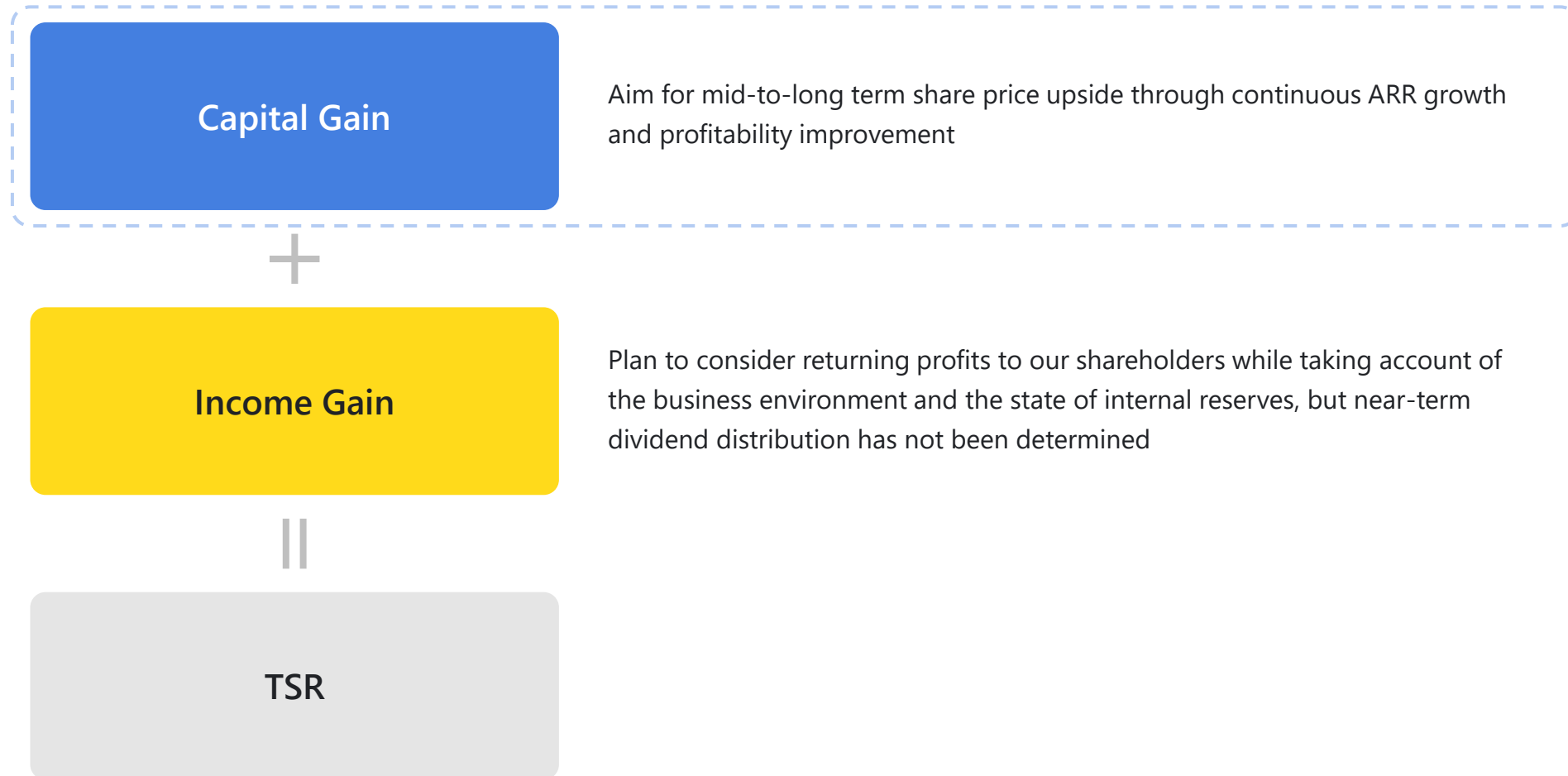
\*3 : General and Administrative. Total of personnel expenses of corporate division, as well as common expenses, etc.

\*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%**

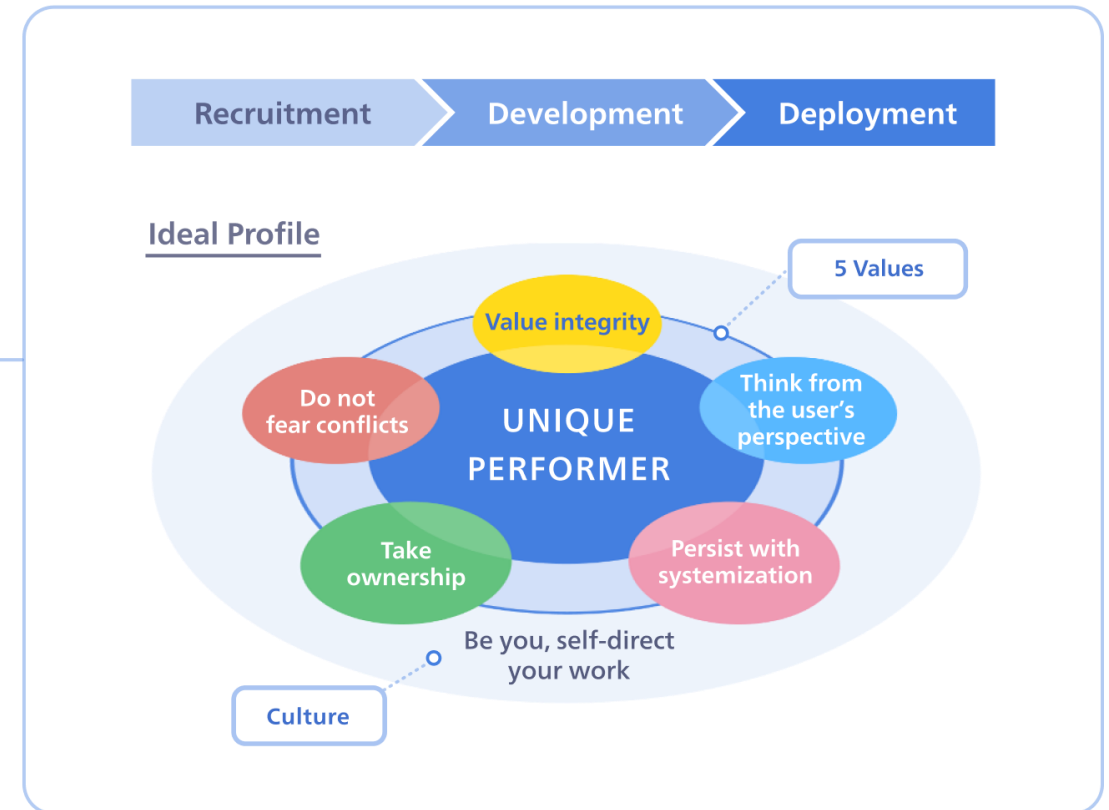
Adjusted OPM\*<sup>1</sup> (by FY28/3)

**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 with Second Jobs  
(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)

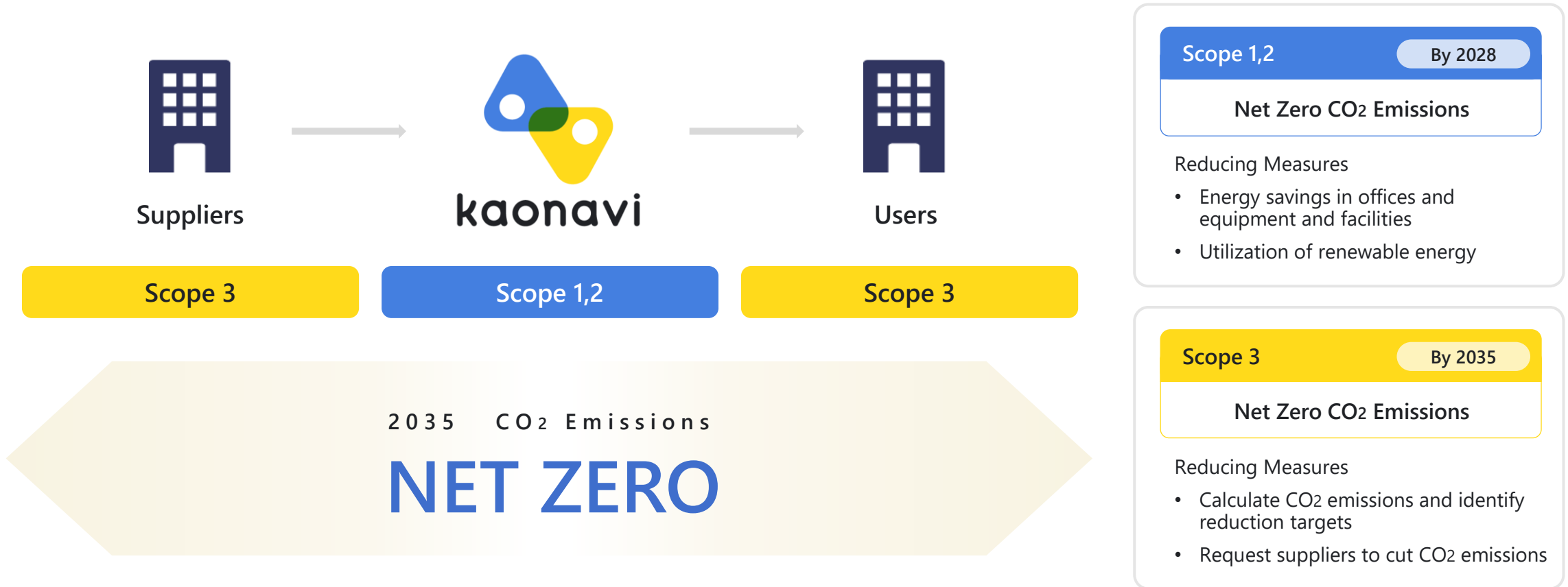
**82.0 %**

\*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 CO<sub>2</sub> emissions\*<sup>1</sup>



\*1 : Please refer to our web page for actual CO<sub>2</sub> emissions ([https://corp.kaonavi.jp/en/sustainability-e/esg\\_data-e/](https://corp.kaonavi.jp/en/sustainability-e/esg_data-e/))



1. Topics

2. FY24/3 2Q Financial Highlights

3. FY24/3 Forecast

**4. Appendix**

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

**4-4. The Future of “WORK” and kaonavi**

# Changes in HR Information Management and Work Styles - Past

1980

1990

2000

2010

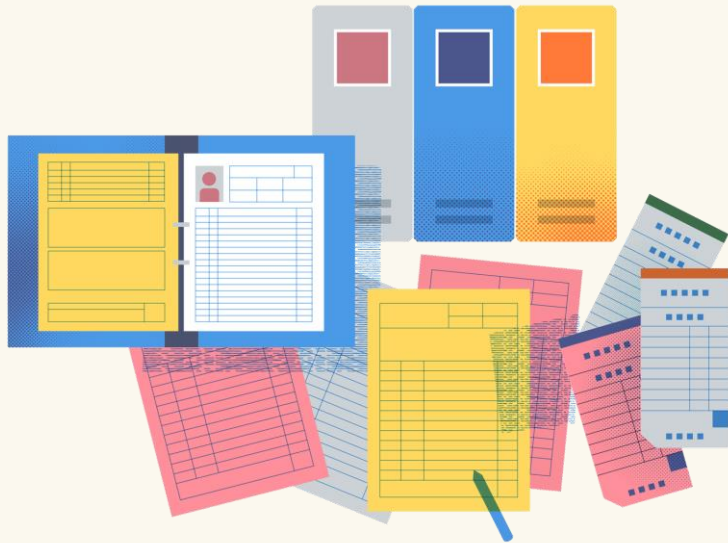
2020

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

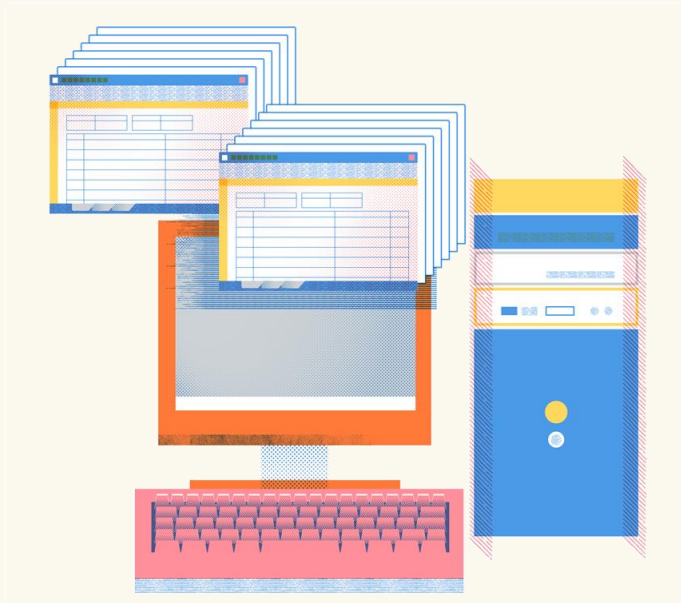
2020

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

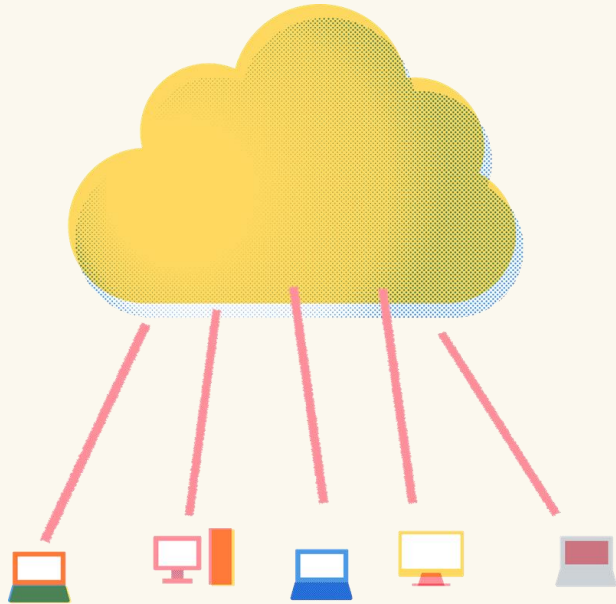
2020

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

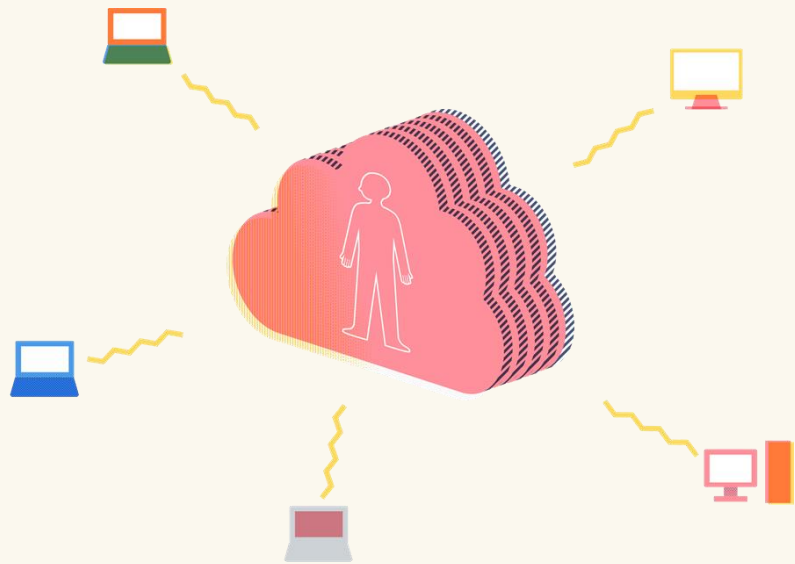
2020

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

**資産** 580 / 580

|     |           |       |          |      |      |    |    |
|-----|-----------|-------|----------|------|------|----|----|
| 騎士  | 28 / 32   | 防衛力   | A        | 兵糧収入 | 2340 | 製造 | 42 |
| 楯兵  | 73 / 75   | 兵装・兵器 | B        | 農地   | 9000 | 治療 | 61 |
| 弓兵  | 72 / 80   | 馬     | ..... 40 | 生産性  | 35   | 修繕 | 34 |
| 歩兵  | 181 / 196 | 大砲    | ..... 1  | 肥沃度  | 59   |    |    |
| 衛生兵 | 24 / 24   | 投石器   | ..... 5  | 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



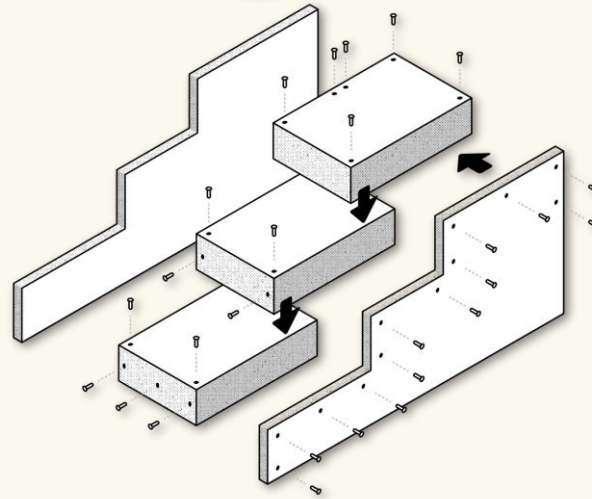
### Flexibility-rich System

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

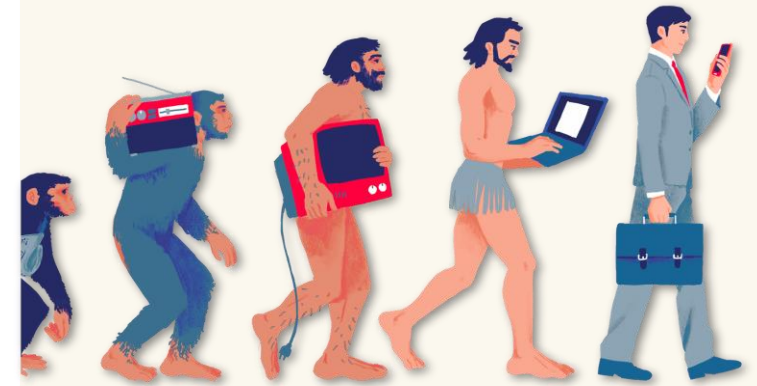


### Stress-free Usability

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.



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