FY25/3 1Q
Financial Results

August 13, 2024 | kaonavi, inc. (TSE Growth : 4435)

Purpose Implement technology to "WORK" and modify the specification of society leveraging individual power
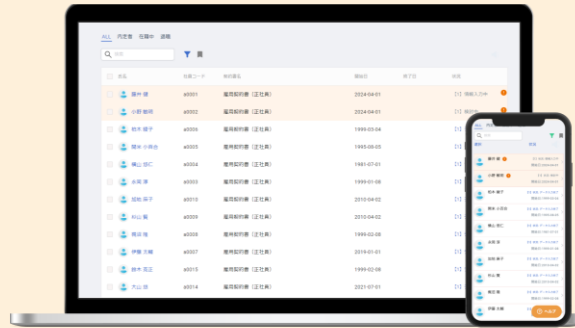
HR Management

kaonavi

Talent management system designed to uncover individuality and talent of employees, driving strategic HR management

Labor Management

ロウムメイト | WelcomeHR

Labor management system that propels HR digital transformation, enabling organizations to go paperless with labor procedures

Business Management

ヨジツティクス

Budget control system that empowers organizations to make informed business decisions by having all the management data in one place

1. Topics

Launching a New Service

Labor management service "Roummate" was released on July 1st

Launching a New Feature (TMS)

Launched "Location Search", a bulk search of commuting time and expenses by office or store

Launching a New Feature (TMS)

Added group training management function to "Learning Library" to accommodate the needs of enterprise companies

Highlights

- **Net sales (consolidated) progressed as planned**

  Net sales for 1Q were JPY 2,254MM (+28.5% YoY), in line with the initial forecast

- **Upfront investment for multi-product strategy**

  Focused on product development towards the release of "Roummate" in July

  Set off mass advertising of "Roummate" in late June, aiming for order entry from 2Q onward

- **Recorded extraordinary loss**

  Posted an extraordinary loss of JPY 20MM in relation to the unvalued amount of investment securities

- **ARR continued to grow steadily**

  ARR of the talent management system (TMS) grew steadily to JPY 8,495MM (+26.7% YoY)

  Churn rate of TMS (last 12-month average) was 0.42%, remaining at a low level

  Meanwhile, churn of "WelcomeHR" went up due to WST incident impact

PL Summary[1]

JPY MM	FY24/3 1Q Same period last year	FY24/3 4Q Previous quarter	FY25/3 1Q Current quarter	YoY	QoQ
Net Sales	1,753	2,095	2,254	+28.5%	+7.6%
Gross Profit	1,309	1,656	1,698	+29.7%	+2.6%
Margin	74.7%	79.0%	75.3%	+0.7pt	-3.7pt
Adjusted Operating Profit [2]	120	214	203	+68.9%	-4.9%
Margin	6.9%	10.2%	9.0%	+2.2pt	-1.2pt
Operating Profit	63	177	178	+180.7%	+0.6%
Margin	3.6%	8.4%	7.9%	+4.3pt	-0.5pt
Ordinary Profit	63	175	177	+181.7%	+0.7%
Profit attributable to owners of parent	28	417	143	+419.9%	-65.6%

*1：Consolidated financial results are shown starting from FY24/3 4Q, any results before that are non-consolidated
*2：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 29.5% and 21.8% YoY, respectively

Net Sales

JPY MM

Subscription Revenue *1　Support Revenue *2　Subscription Revenue Ratio

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Ratio	85.6%	85.8%	86.6%	86.2%	87.9%	88.3%	89.1%	87.3%	88.6%
Total	1,369	1,444	1,526	1,651	1,753	1,844	1,933	2,095	2,254
Support	197	205	204	228	211	216	210	265	258
Subscription	1,171	1,240	1,322	1,423	1,542	1,629	1,723	1,829	1,996

FY23/3 | FY24/3 | FY25/3

+21.8% YoY
+29.5% YoY
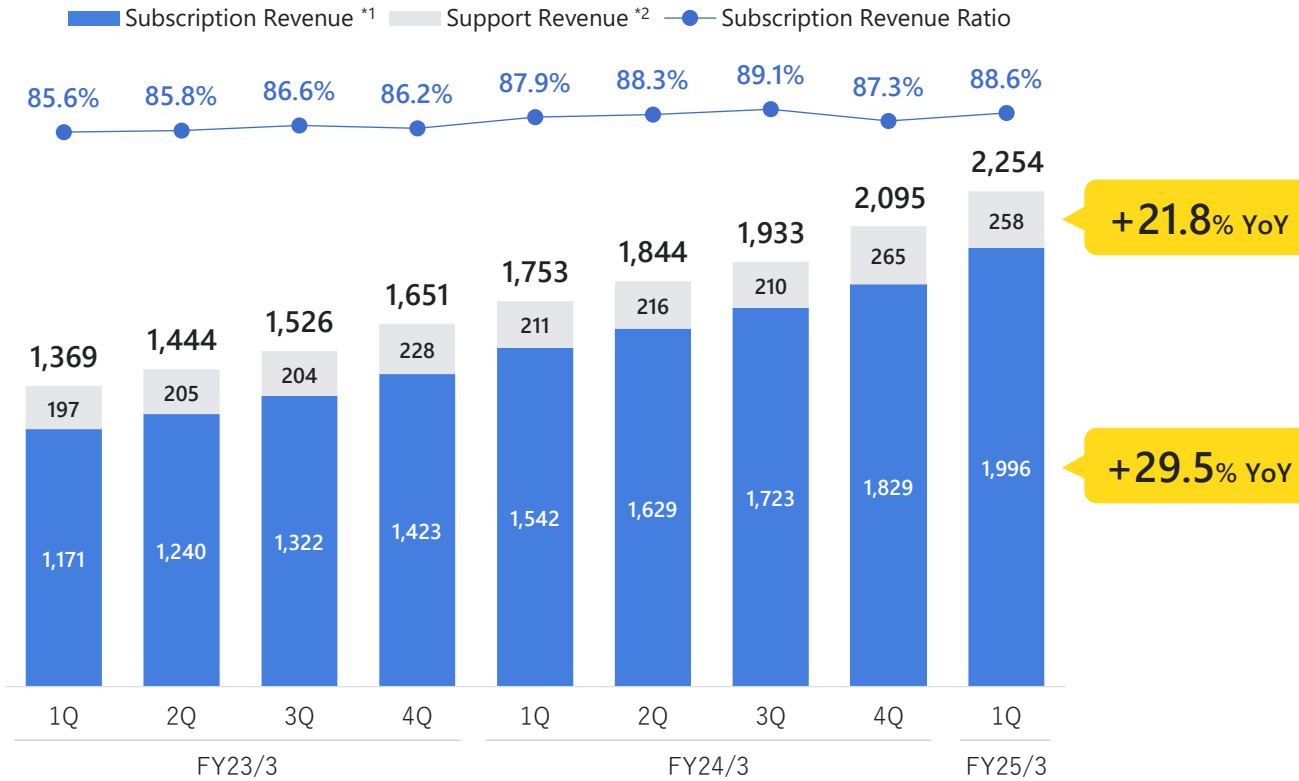
Progress Against Full-year Forecast

Actual JPY **7,625**MM

Upper JPY **9,560**MM
（**Lower** JPY **9,420**MM）

FY24/3: 4Q 27.5%, 3Q 25.3%, 2Q 24.2%, 1Q 23.0%

FY25/3: 23.6% (23.9%)
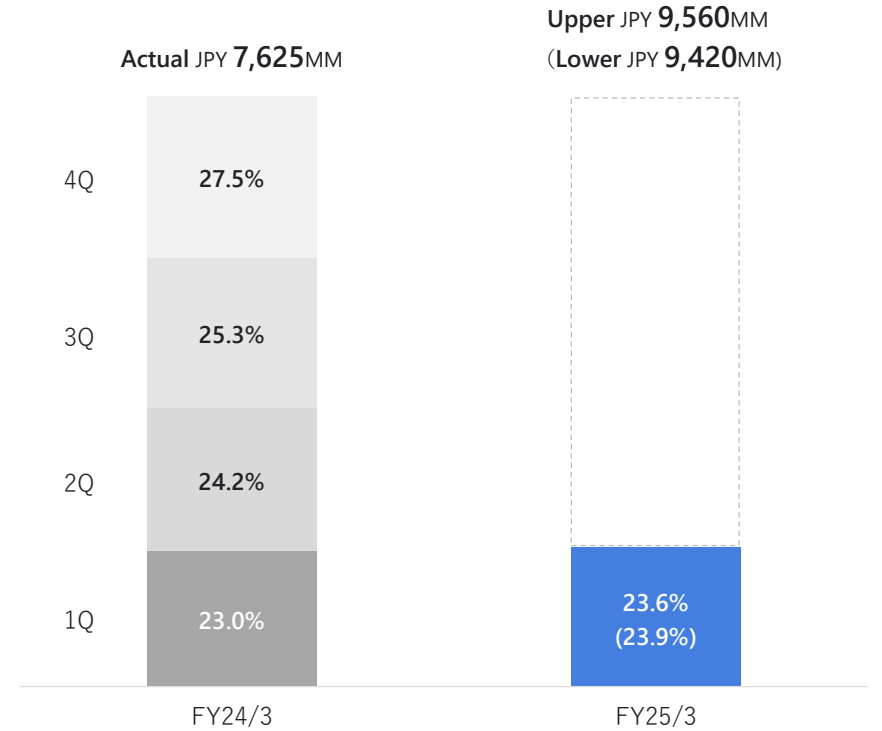
*1：Net sales from monthly subscription fees
*2：Net sales from initial setting support and paid support, etc.

Gross Profit and Cost of Sales

Cost of sales increased significantly from the previous quarter, mainly due to investment in developing "Roummate" for its early release

Gross Profit

JPY MM

Legend: Gross Profit, GP Margin

GP Margin: 75.7%, 75.0%, 74.1%, 70.9%, 74.7%, 77.1%, 78.5%, 79.0%, 75.3%

Gross Profit: 1,035, 1,083, 1,131, 1,171, 1,309, 1,422, 1,516, 1,656, 1,698

1Q, 2Q, 3Q, 4Q (FY23/3), 1Q, 2Q, 3Q, 4Q (FY24/3), 1Q (FY25/3)

Cost of Sales

JPY MM

Legend: Personnel Expenses, Subcontract Expenses, Other *1

Totals: 333, 361, 395, 480, 444, 423, 417, 439, 556

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Other	79	87	109	119	113	81	81	83	100
Subcontract	144	152	158	216	207	228	219	230	296
Personnel	111	122	128	146	124	114	117	127	160

FY23/3, FY24/3, FY25/3

*1："Other" in this quarter mainly includes Rents of JPY 20MM and Server costs of JPY 67MM

Operating Profit and SG&A

Personnel expenses increased due to headcount addition. Launched the mass advertisement for "Roummate" in late June

Operating Profit

JPY MM

	FY23/3				FY24/3				FY25/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Operating Profit	109	36	118	60	63	211	228	177	178

SG&A *1

JPY MM

■ Personnel Expenses   ■ Advertising Expenses   ▢ Other *2

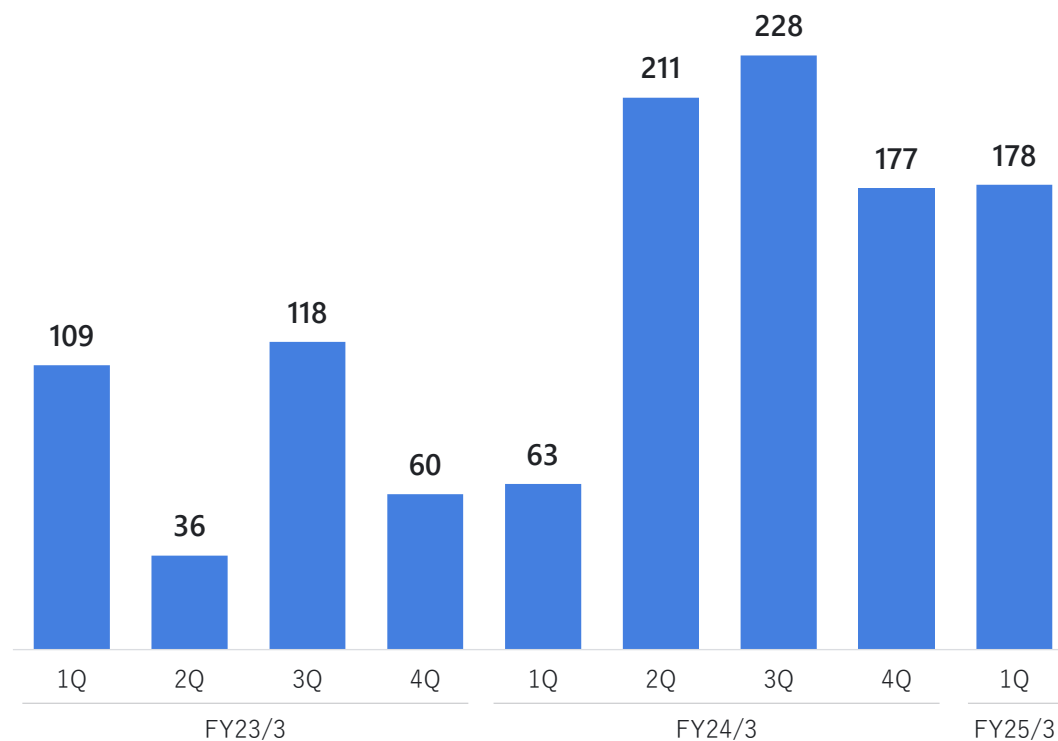|	FY23/3				FY24/3				FY25/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	926	1,047	1,013	1,111	1,246	1,210	1,289	1,479	1,520
Other	431	382	448	461	489	501	531	562	588
Advertising Expenses	124	291	174	256	292	214	233	403	339
Personnel Expenses	372	374	391	394	465	495	525	514	593
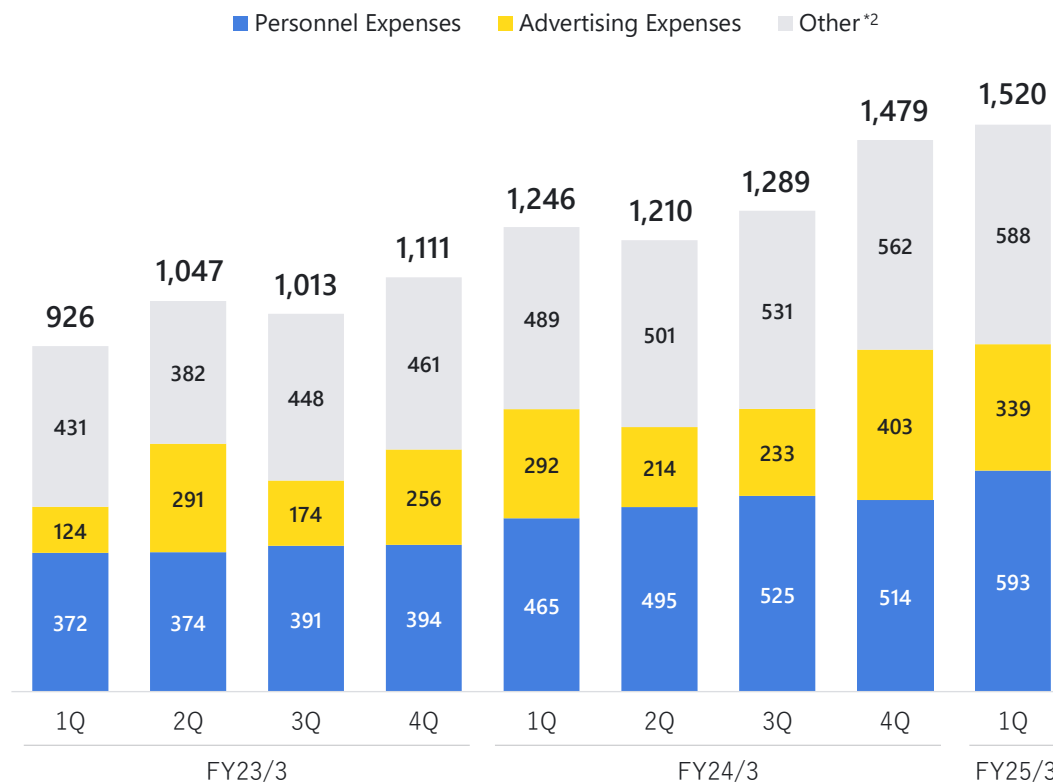
*1：Ratio of S&M, R&D and G&A to net sales in this quarter were 39.4%, 10.5% and 17.5%, respectively. Please see page 54 for definitions of each expense

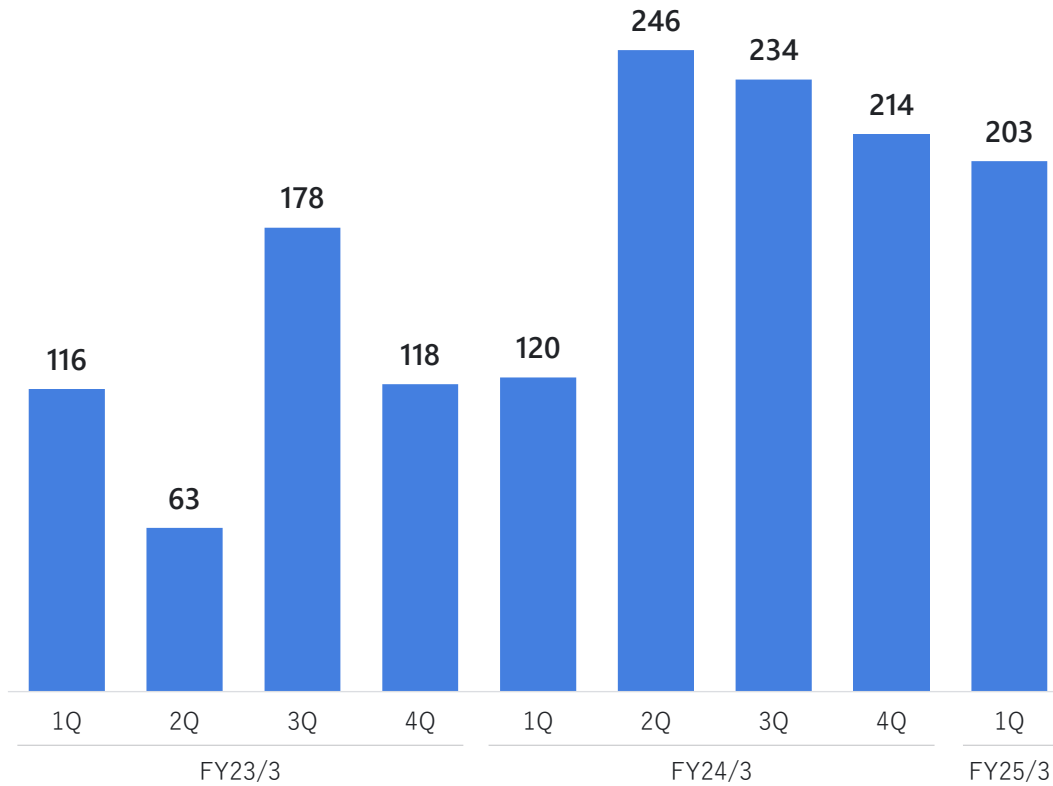*2："Other" in this quarter mainly includes Rents of JPY 42MM, Outsourcing expenses of JPY 180MM, Sales promotion expenses of JPY 128MM, Recruiting expenses of JPY 60MM, Communication expenses of JPY 59MM and Amortization of goodwill of JPY 17MM

Adjusted Operating Profit

Adjusted operating profit rose 68.9% YoY

Adjusted Operating Profit*1

JPY MM

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	116	63	178	118	120	246	234	214	203
		FY23/3				FY24/3			FY25/3

YoY Change Analysis

JPY MM
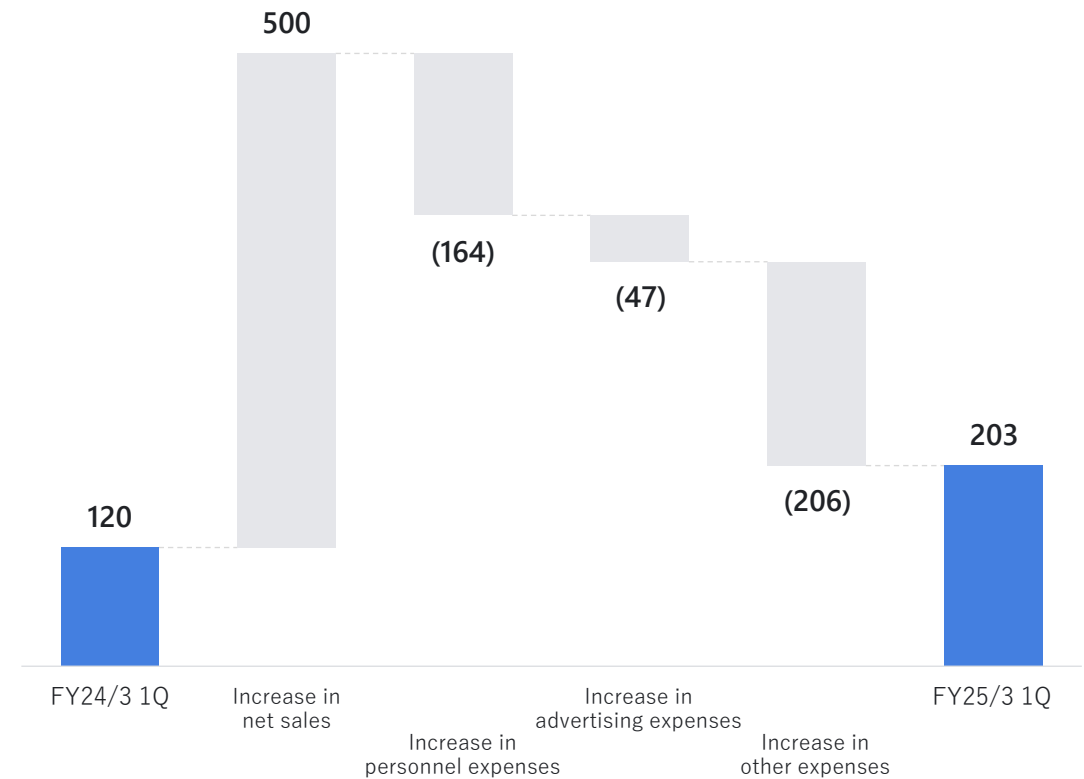
FY24/3 1Q: 120
Increase in net sales: 500
Increase in personnel expenses: (164)
Increase in advertising expenses: (47)
Increase in other expenses: (206)
FY25/3 1Q: 203

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

Free Cash Flow and Balance Sheet*1

Cash and deposits grew by 38.3% YoY due to an increase in operating CF stemming from deferred revenue growth

FCF

JPY MM

B/S

JPY MM

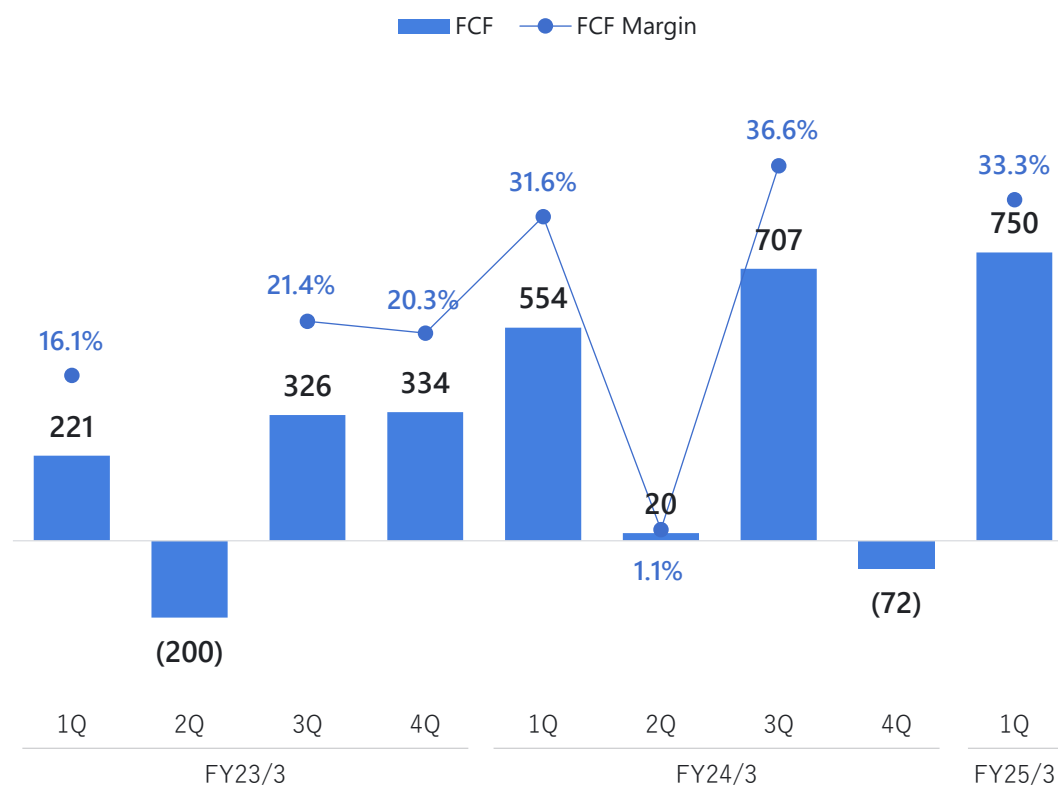|	FY24/3				FY25/3
	1Q	2Q	3Q	4Q	1Q
Cash and deposits	3,922	3,912	4,355	4,688	5,423
Other current assets	495	555	506	582	595
Property, plant and equipment	58	38	41	42	41
Intangible assets	5	4	2	630	612
Investments and other assets	622	617	339	601	583
Total assets	5,102	5,125	5,243	6,544	7,253
Loans payable	296	264	–	418	403
Deferred revenue	2,490	2,410	2,620	2,693	3,316
Other liabilities	795	825	836	1,121	1,110
Total liabilities	3,580	3,499	3,456	4,232	4,830
Total net assets	1,522	1,627	1,787	2,312	2,424
Total liabilities and net assets	5,102	5,125	5,243	6,544	7,253

*1：Consolidated financial results are shown starting from FY24/3 4Q, any results before that are non-consolidated

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KPI Summary

Consolidated

ARR[1]

8,665 JPY MM

(+29.2% YoY)

* Comparison with the same period last year (non-consolidated)

Number of Employees[2]

347 People

(+60people YoY)

* Comparison with the same period last year (non-consolidated)

Non-consolidated

ARR of TMS[3]

8,495 JPY MM

(+26.7% YoY)

Active Users of TMS[4]

3,792 Companies

(+19.5% YoY)

ARPU of TMS[5]

187 JPY Thou.

(+5.9% YoY)

Churn Rate of TMS[6]

0.42 %

(−0.04pt YoY)

LTV/CAC[7]

10.1 X

(−0.1pt YoY)

[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]：The number of full-time employees at the end of the quarter
[3]：Monthly subscription revenue from all the subscriptions of the talent management system "kaonavi" at the end of the quarter (MRR of TMS) multiplied by 12
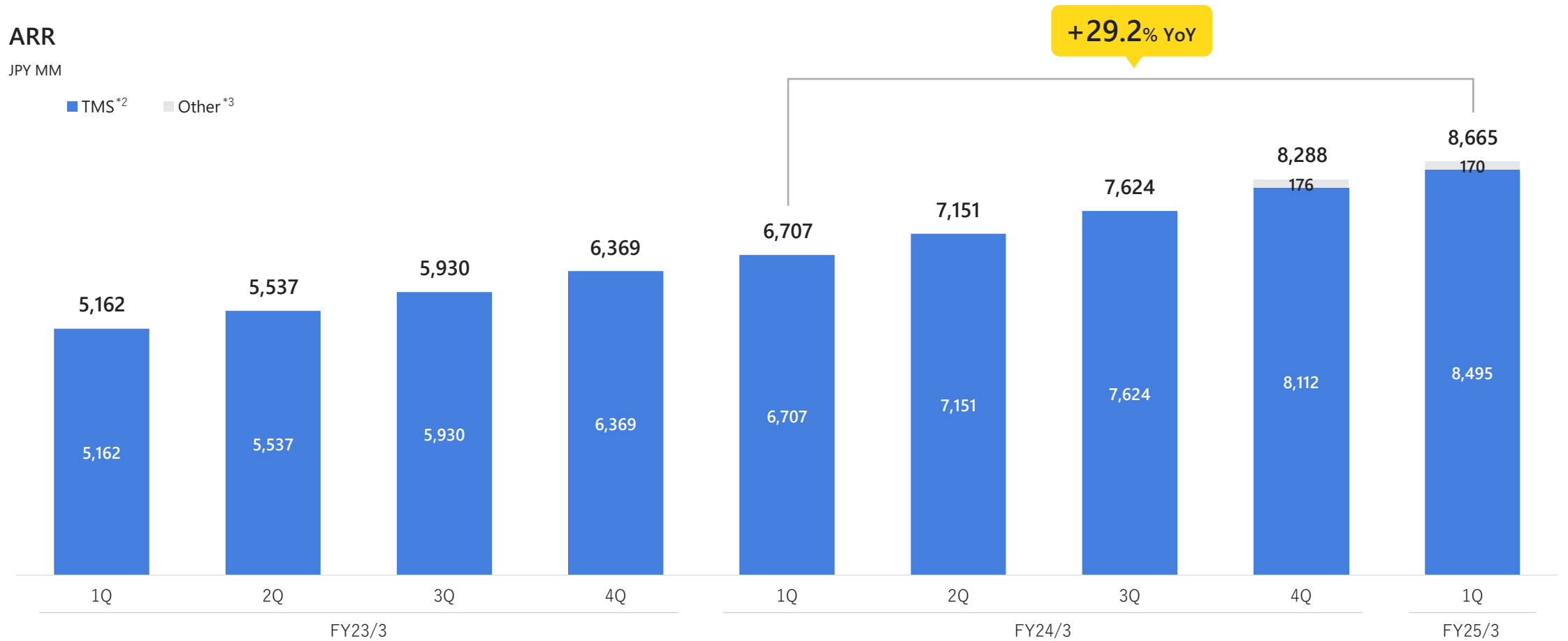[4]：Number of companies and organizations implementing the talent management system "kaonavi" at the end of the quarter
[5]：Average monthly subscription fee per user is calculated by dividing the MRR of TMS by the active users of TMS at the end of the quarter
[6]：Last 12-month average MRR churn rate of TMS
[7]：Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

ARR[*1]

Consolidated ARR increased by 29.2% YoY, demonstrating durable growth

Other ARR declined slightly QoQ due to increased churn of "WelcomeHR" affected by the WST incident

ARR

JPY MM

■ TMS[*2]   ■ Other[*3]

+29.2% YoY

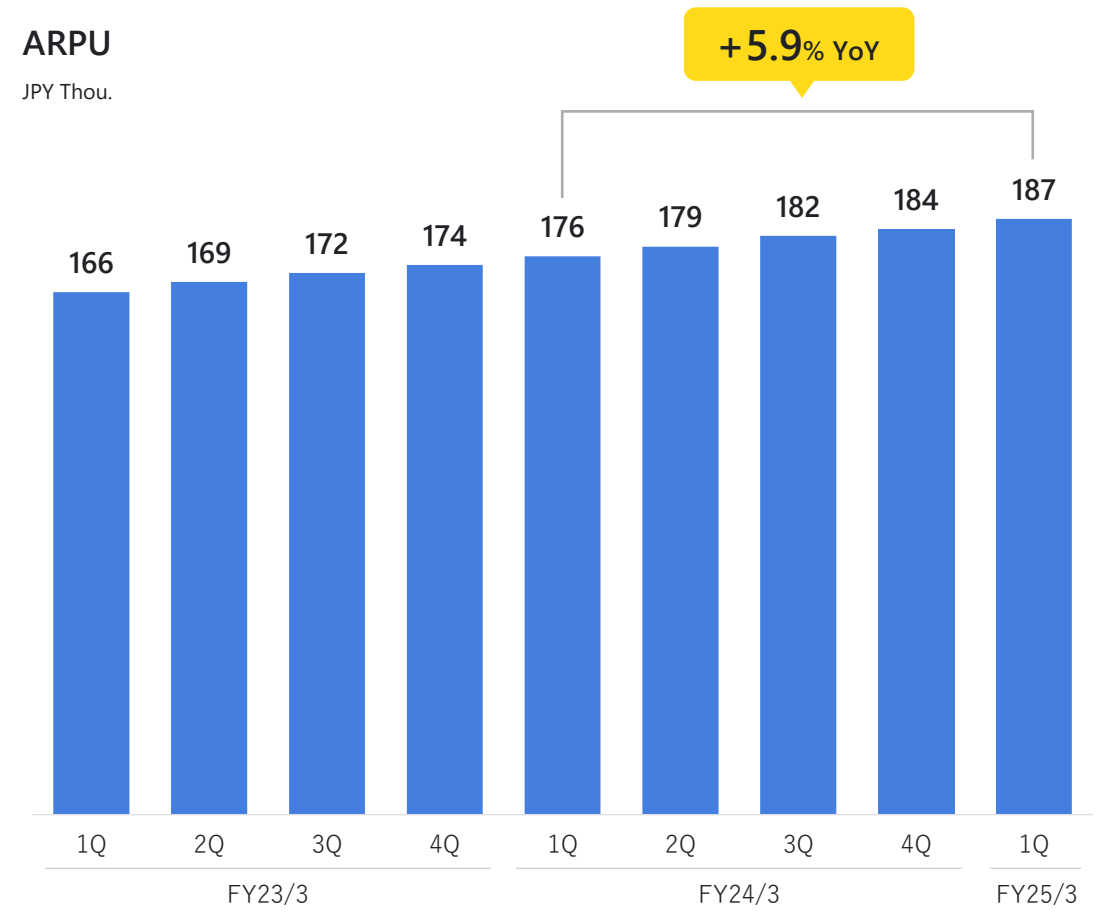|	FY23/3				FY24/3				FY25/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	5,162	5,537	5,930	6,369	6,707	7,151	7,624	8,288	8,665
Other								176	170
TMS	5,162	5,537	5,930	6,369	6,707	7,151	7,624	8,112	8,495

*1：Consolidated figures are shown starting from FY24/3 4Q, any figures before that are non-consolidated
*2：ARR of the talent management system "kaonavi"
*3：ARR of other subscription services except TMS

Active Users and ARPU of TMS

The number of active users has grown to 3,792 adding 115 after the previous quarter. ARPU increased steadily to JPY 187 thousand

Active Users by the Size of Registered Employees **+19.5% YoY**

Companies

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

ARPU **+5.9% YoY**

JPY Thou.
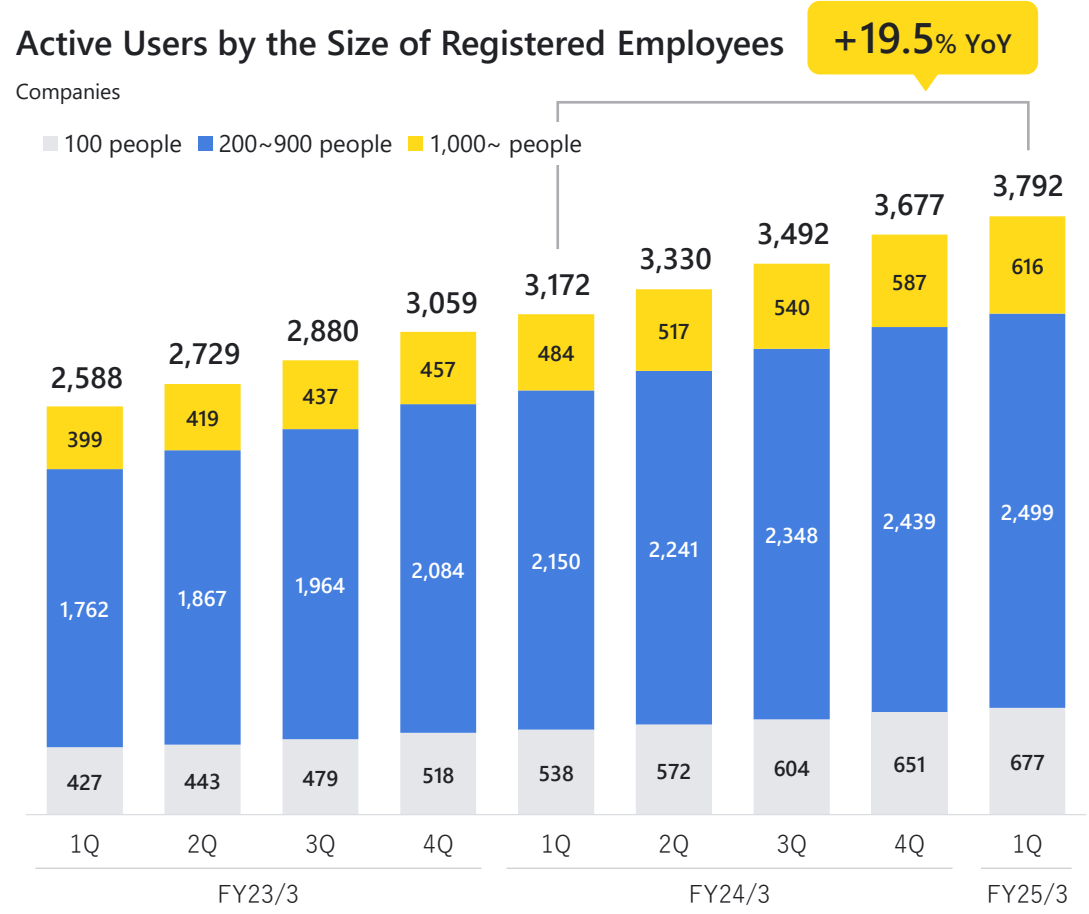
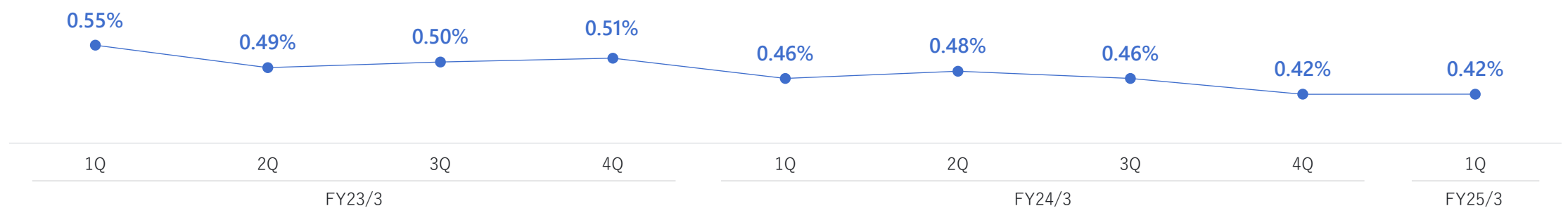# Churn Rate of TMS

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

Last 12-Month Average of MRR Churn Rate[1]

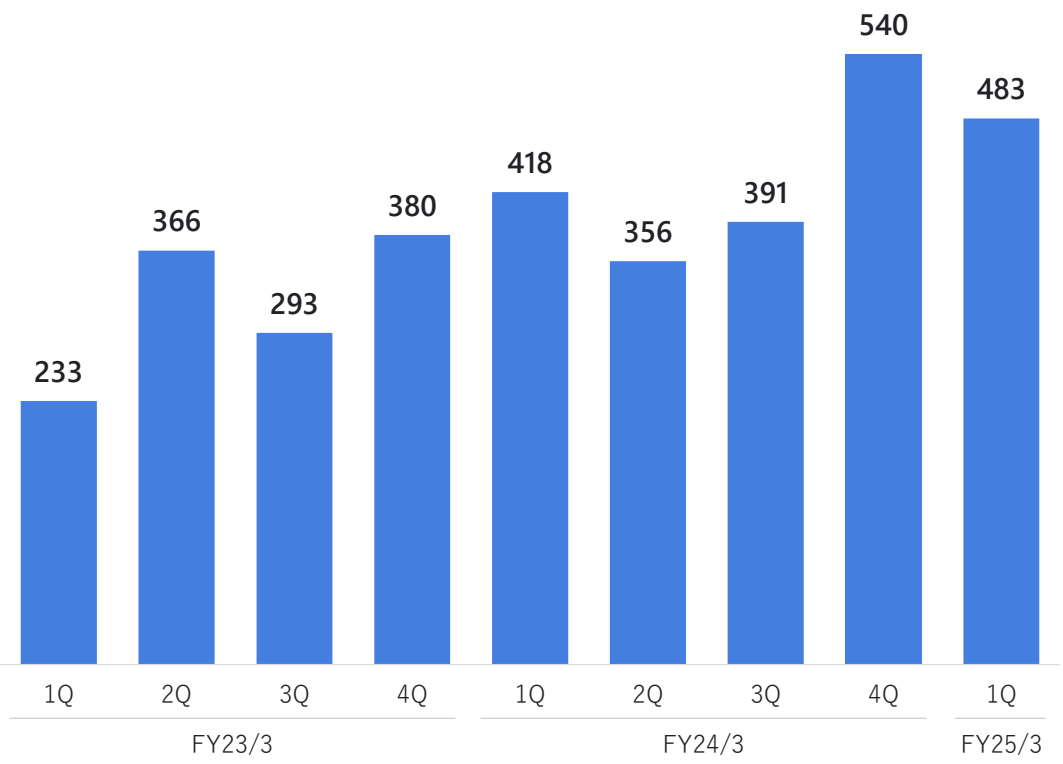|								
0.55%	0.49%	0.50%	0.51%	0.46%	0.48%	0.46%	0.42%	0.42%
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	FY23/3				FY24/3			FY25/3

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

Unit Economics

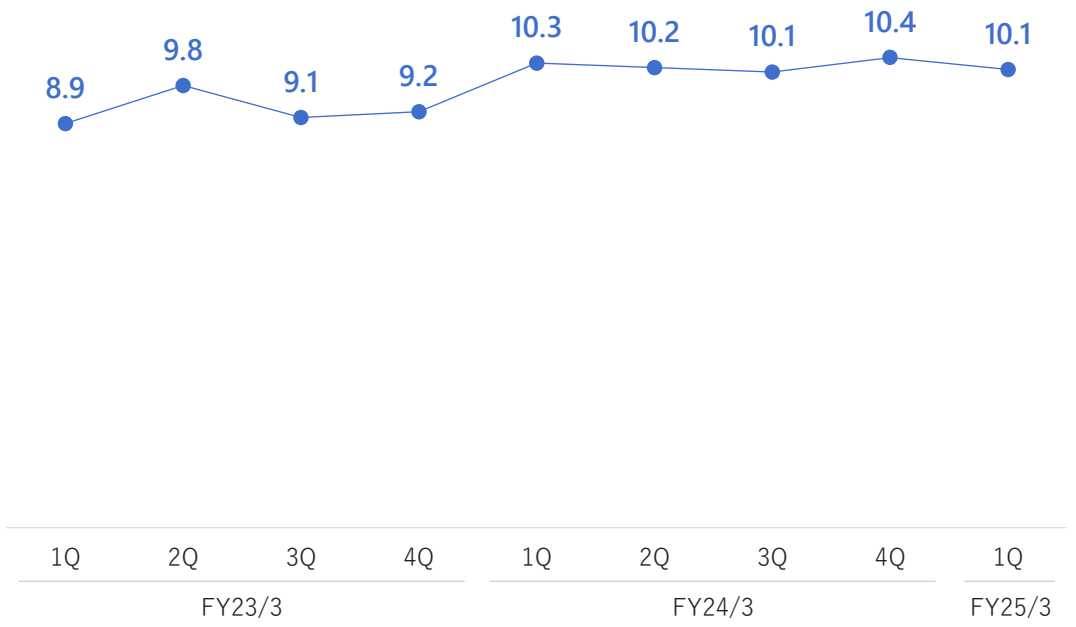Made an aggressive investment in marketing, including mass advertising for "Roummate"

Marketing-related Expenses[1]

JPY MM

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	233	366	293	380	418	356	391	540	483
		FY23/3				FY24/3			FY25/3

Last 12-Month Average of LTV/CAC[2]

X

	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
	8.9	9.8	9.1	9.2	10.3	10.2	10.1	10.4	10.1
		FY23/3				FY24/3			FY25/3

*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
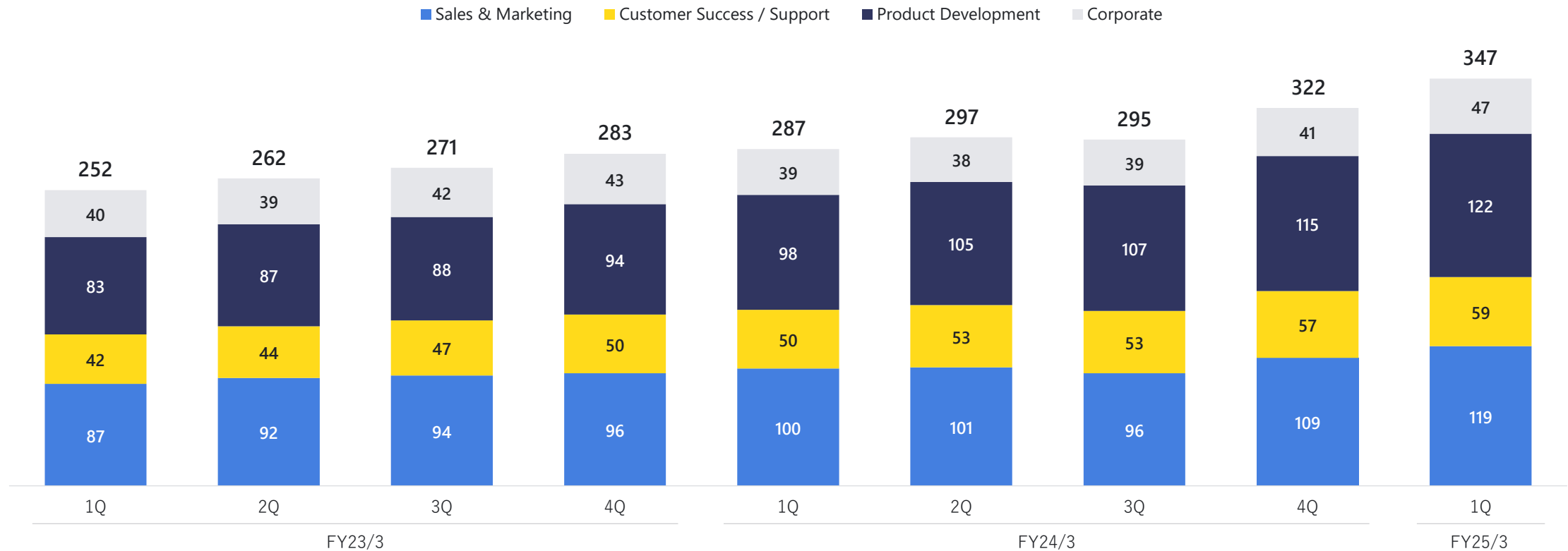
CAC = Sales & Marketing expenses (Please see page 54 for definitions of expense) of the month / # of new customers acquired in the month

Number of Employees

Net headcount addition was 60 YoY. We will aggressively hire more employees in FY25/3, aiming to strengthen the organizational structure to deliver on its multi-product strategy

Number of Employees[1]

People

■ Sales & Marketing　■ Customer Success / Support　■ Product Development　□ Corporate

	FY23/3				FY24/3				FY25/3
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Total	252	262	271	283	287	297	295	322	347
Corporate	40	39	42	43	39	38	39	41	47
Product Development	83	87	88	94	98	105	107	115	122
Customer Success / Support	42	44	47	50	50	53	53	57	59
Sales & Marketing	87	92	94	96	100	101	96	109	119

FY25/3 Focus

Accelerate Mid-term ARR Growth

Expand existing business (TMS)

- Toward maximizing the number of active users and ARPU, we execute on our business strategies under the mid-term management policy

Cultivate new businesses

Launch of new services (Labor management, Budget control)

- Enhance product value through functional development
- Build organizational structure to provide services (hiring)
- Marketing activities to raise recognition

Others

- In addition, sow the seeds for future business including but not limited to other service development and potential M&A deals

FY25/3 Forecast

There is no change to the full-year forecast

JPY MM	FY24/3 Actual	FY25/3 Forecast	YoY	FY25/3 1Q Actual	vs. Forecast
Net Sales	7,625	**9,420 ~ 9,560**	+23.5% ~ +25.4%	**2,254**	23.6% ~ 23.9%
Subscription Revenue	6,723	8,465 ~ 8,565	+25.9% ~ +27.4%	1,996	23.3% ~ 23.6%
Support Revenue	903	955 ~ 995	+5.8% ~ +10.2%	258	25.9% ~ 27.0%
Adjusted Operating Profit [1]	814	Not disclosed		**203**	–
Margin	10.7%			9.0%	–

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

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	322 (Consolidated, March 2024)
Business	Development, sales and support of HR tech services, etc.

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

Values

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

Flextime

5:00   22:00

Working Hours 4+ hours

Switch-work

Flexibly combining work hours and rest breaks enable individualized work style

ON
OFF

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

KAONAVI TOWN PROJECT

**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
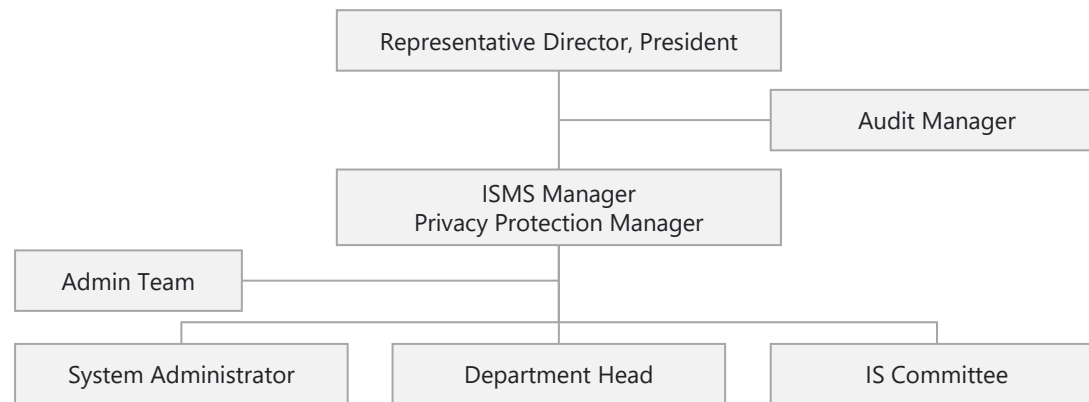
Information Security

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


```
                Representative Director, President
                              |
                              |—————— Audit Manager
                              |
                        ISMS Manager
                   Privacy Protection Manager
                              |
        Admin Team ———————————|
           |                  |
    ———————————————————————————————————————————
    System Administrator   Department Head   IS Committee
```

Information Security Training

Conduct annual security 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

kaonavi Academy Cloud

Applicable	School corporations and other academic institutions
Price	Special price

kaonavi Medical Cloud

Applicable	Medical corporations and other medical institutions
Price	Special price

kaonavi Government Cloud

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

Corporate Governance (June 2024)

Corporate Governance Structure and Board Attributes

| General Meeting of Shareholders |

Appointment/Dismissal   Appointment/Dismissal   Appointment/Dismissal

Board of Directors

Directors : 4

Directors (Audit and Supervisory Committee Member) : 3

Audit and Supervisory Committee

Audit

Appointment/Dismissal/Supervision   Reporting

Representative Director, President

Reporting   Direction

Internal Audit Office

Cooperation

Accounting Auditor

Cooperation

Cooperation

Direction   Reporting   Direction   Reporting

Management Committee

Internal audit   Account audit

Direction   Reporting

Divisions

Independence
- Independent：57%
- Non-Independent：43%

Male/Female
- Male：71%
- Female：29%

Tenure
- ~2 years：14%
- 2~4 years：14%
- 4 years~：72%

Age
- 40s：71%
- 50s：29%

Ownership Structure (March 2024)

Ownership and Distribution of Shares
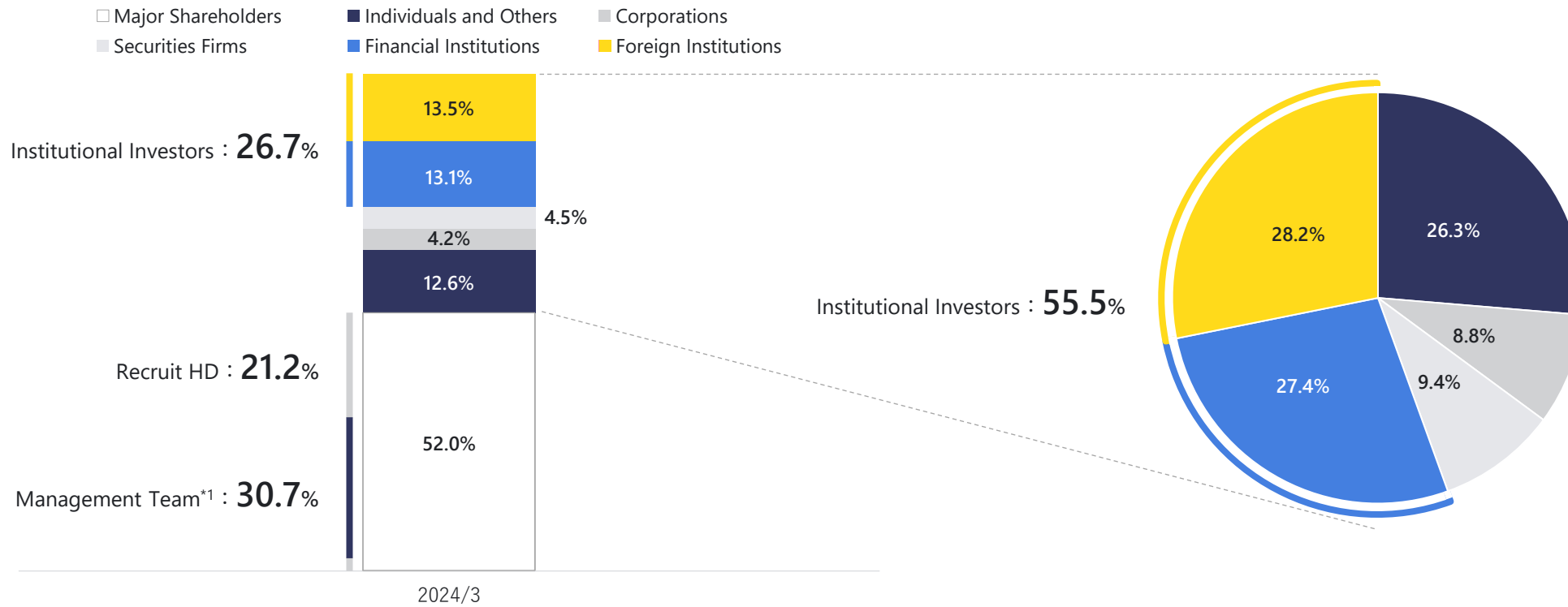
☐ Major Shareholders ■ Individuals and Others ■ Corporations
■ Securities Firms ■ Financial Institutions ■ Foreign Institutions

Institutional Investors：**26.7**%

13.5%	
13.1%	
4.2%	4.5%
12.6%	

Recruit HD：**21.2**%

52.0%

Management Team[*1]：**30.7**%

2024/3

Institutional Investors：**55.5**%

26.3%
8.8%
9.4%
27.4%
28.2%

Financial Highlight[1]

JPY MM	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3
Net Sales	**2,625**	**3,402**	**4,496**	**5,990**	**7,625**
Subscription Revenue	2,102	2,991	3,931	5,156	6,723
Support Revenue	523	411	565	834	903
Gross Profit	**1,972**	**2,461**	**3,295**	**4,420**	**5,903**
GP Margin	75.1%	72.3%	73.3%	73.8%	77.4%
Adjusted Operating Profit [2]	**(278)**	**86**	**218**	**474**	**814**
Adjusted OP Margin	—	2.5%	4.8%	7.9%	10.7%
Operating Profit	**(278)**	**(11)**	**174**	**322**	**679**
OP Margin	—	—	3.9%	5.4%	8.9%
Profit attributable to owners of parent	**(357)**	**(131)**	**210**	**246**	**699**
Free Cash Flow	**(482)**	**147**	**948**	**682**	**1,209**
FCF Margin	—	4.3%	21.1%	11.4%	15.9%
Cash and Deposits	1,635	1,955	2,835	3,400	4,688
Total Assets	2,398	3,014	3,993	4,623	6,544
Shareholders' Equity	995	961	1,208	1,491	2,208
Equity Ratio	41.5%	31.9%	30.3%	32.3%	33.7%

*1：Consolidated financial results are shown starting from FY24/3, any results before that are non-consolidated

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

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

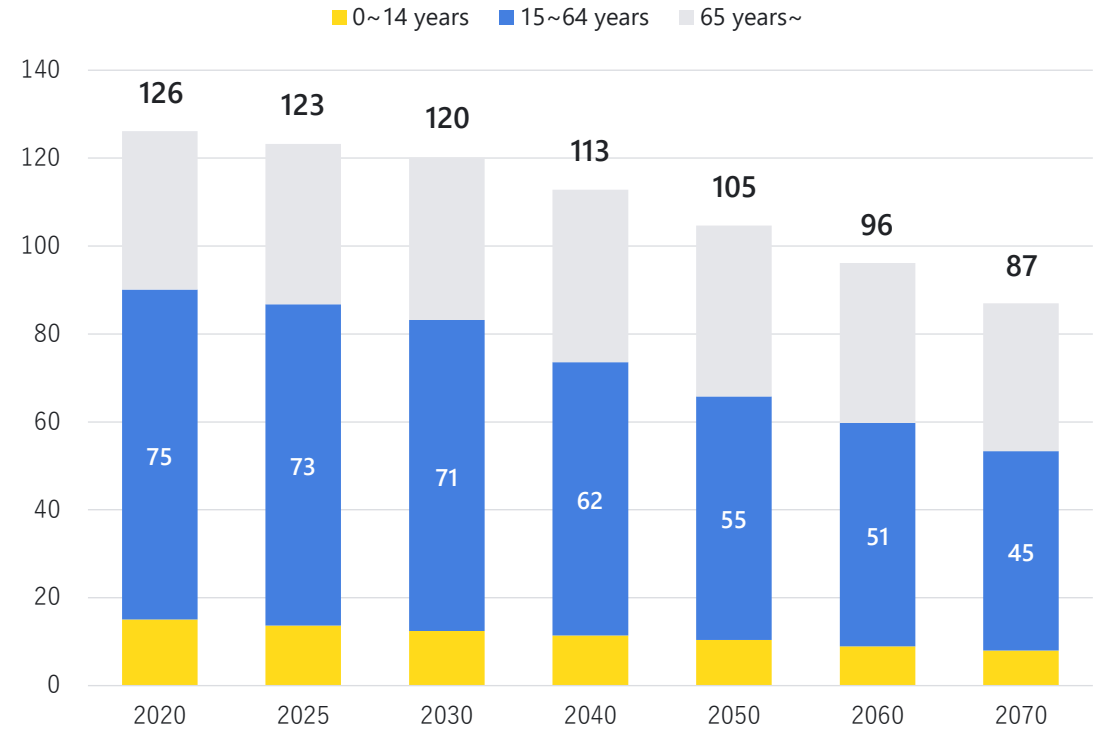## OECD Countries' Labor Productivity (2020, per workers)

PPP Conversion : US$ 1,000

The Lowest
Among major developed countries
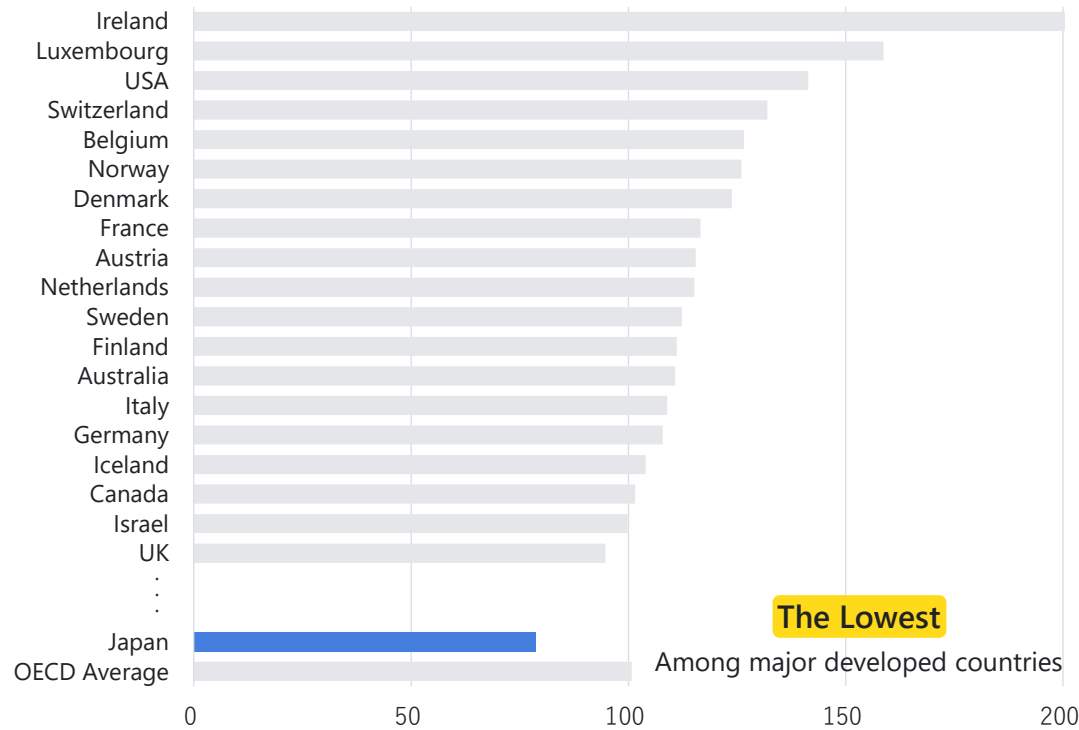
Source：Japan Productivity Center "International Comparison of Labor Productivity 2021"

Japan's Population Projections by Age

Million people

Legend: 0~14 years | 15~64 years | 65 years~

Source：Cabinet Office "White Paper on Aging Society 2023"

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

Centralized and visualized HR data

Streamlined HR operations

Empowering the MGMT to make better decisions

Streamlined performance review

Analysis of mismatch in hiring, High performing analytics

Staff deployment simulation

Skills management, People development

Motivation analysis, Employee turnover analysis

Various surveys, Increased engagement

Information on paper

Data on spreadsheet

Data depending on specific personnel

Data residing in other systems

Business Process

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

Marketing	Inside Sales	Field Sales	Customer Success
	Leads	Prospects	Users / Customers
Inquiry conversion	Business contact	Sales order	Renewal / Upselling
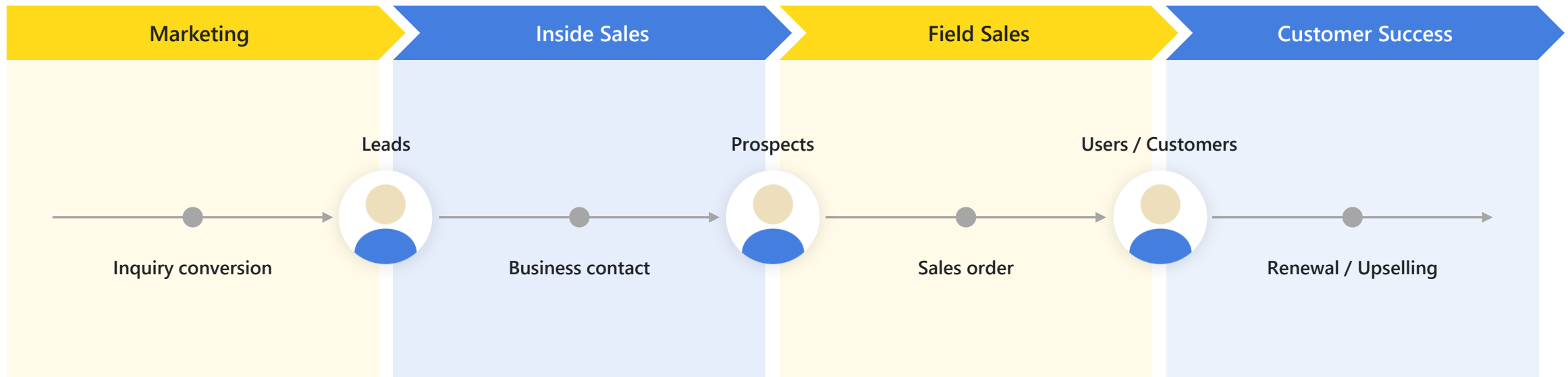
Fee Structure

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 Consolidate all personnel data	PERFORMANCE PLAN Efficient review operation	STRATEGY PLAN 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：We offer option services such as Approval Workflows, Learning Library and Pulse Survey

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

Organized customer services

System
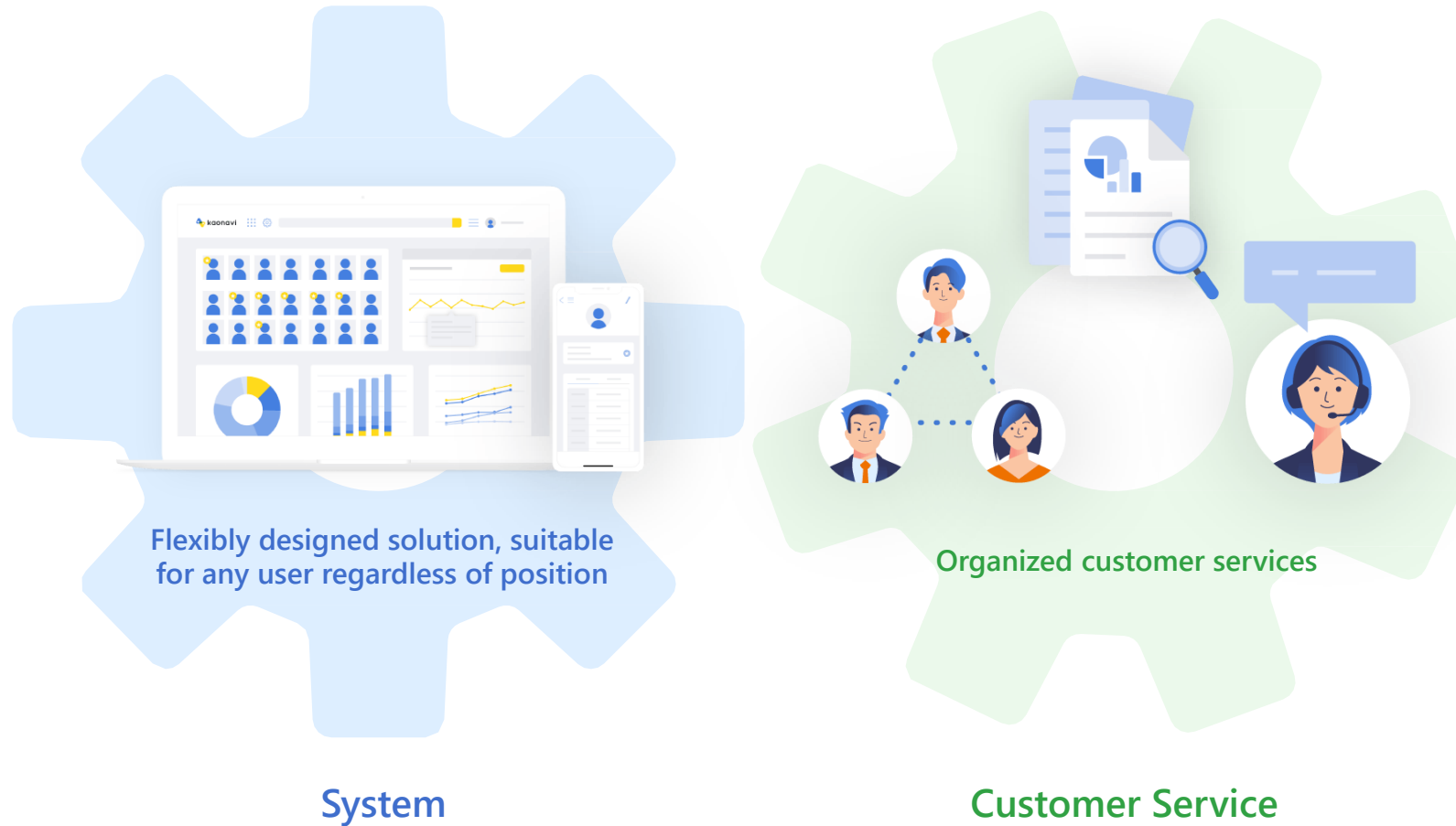
Customer Service

Our Strengths

System   System design in pursuit of flexibility and usability

Customizable HR Database
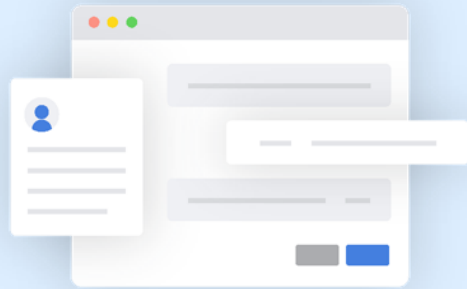
Self-explanatory User Interface

Secure Access Management

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

User Community

Library

Support

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

Overwhelming amount of contents
across industries, business types and scale

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

Customer Base

The market leader in talent management system supporting more than 3,600 customers

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

Labor Management

Launched "Roummate" service in July 2024, which enables paperless labor management tasks

ロウムメイト

| Employment procedure | Electronic application | Year-end adjustment | Payslip |

Market Size of Labor Management Cloud (Forecast to 2027)
JPY MM

CAGR **36.3** %
(2023-2027)

2023 (Estimate)	2024 (Forecast)	2025 (Forecast)	2026 (Forecast)	2027 (Forecast)
28,410	39,800	54,800	74,800	98,000
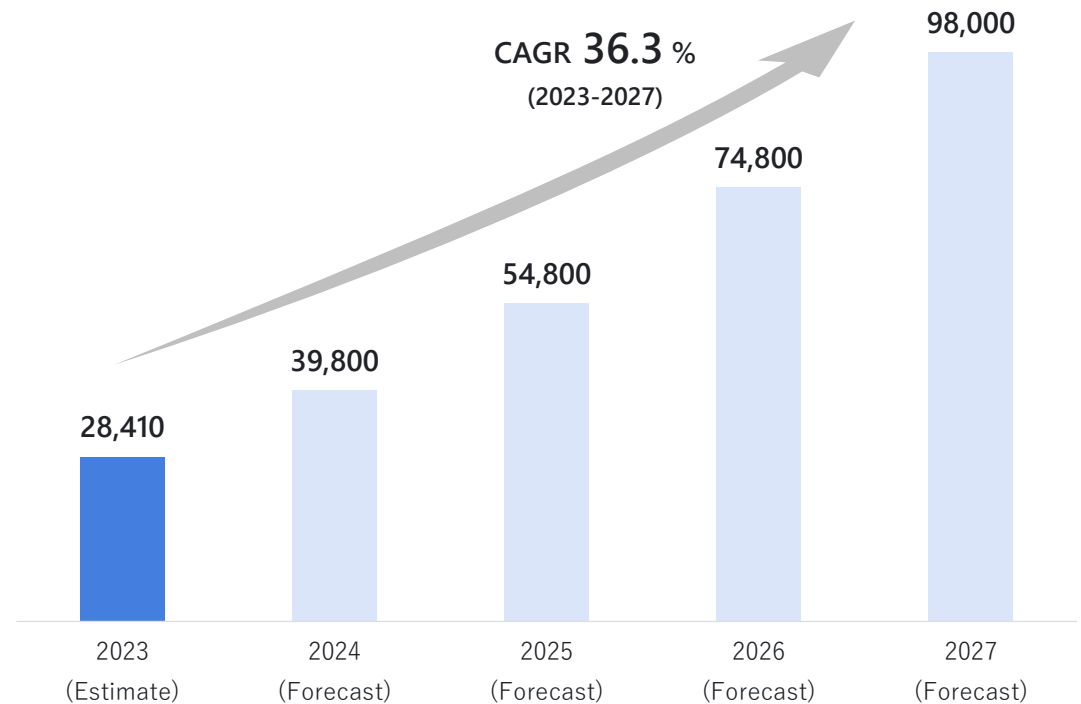
Source：Deloitte Tohmatsu MIC Research Institute "HR Tech Cloud Market 2023"

Business Management

Released "Yojitsutics" in April 2024 to help our customers create and manage budgets. Workforce management function linked to the HR database will be integrated in the near future

Market Size of Budget Control (SaaS)

JPY MM

CAGR **25.1**% (2022-2027)

- 2021: 4,200
- 2022: 5,450

| 2021 | 2022 | 2023 (Forecast) | 2024 (Forecast) | 2025 (Forecast) | 2026 (Forecast) | 2027 (Forecast) |
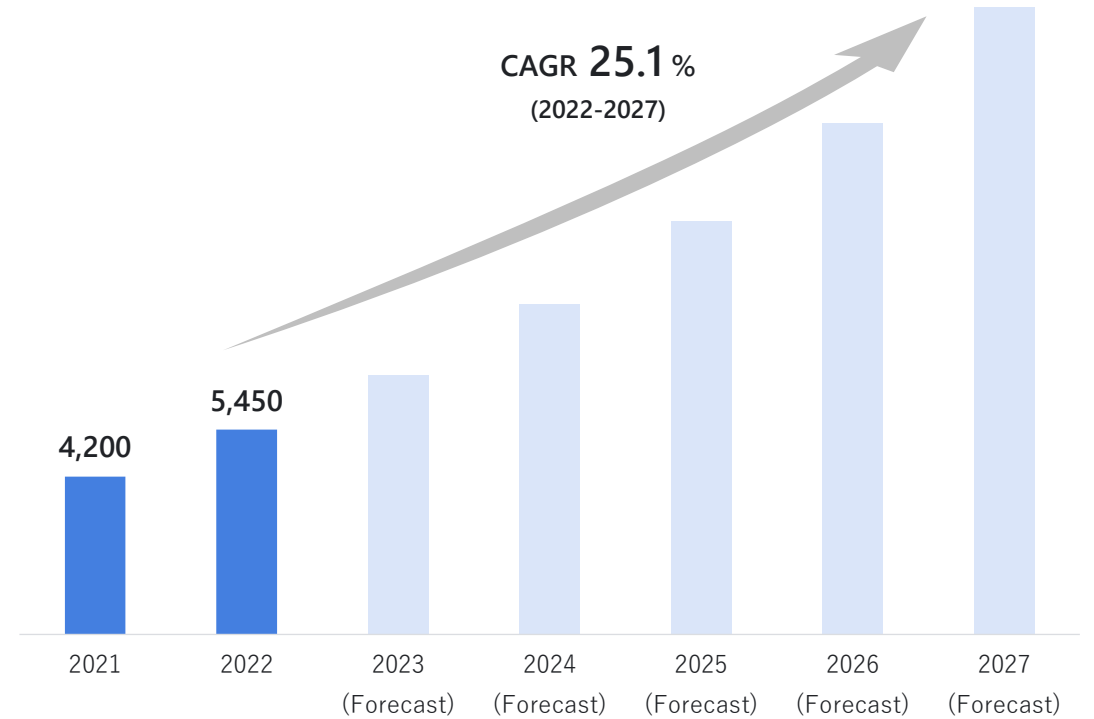
Source：ITR "ITR Market View：Budget, Expense and Subscription Management Market 2024"

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

Continuous ARR Growth

Expand Customer Base

Strengthening Organizational Structure

Raising Visibility

Leveraging Partner Network

×

Increase ARPU

Additional Enterprise Users

Upselling Promotion

Expanding HR Data Platform

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, Vison 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

Companies   # of active users as of March 31, 2024：**3,677**

Target Market

# of Employees

1,000

100

10

Ca. **4,500**

Ca. **58,400**

Ca. **623,600**
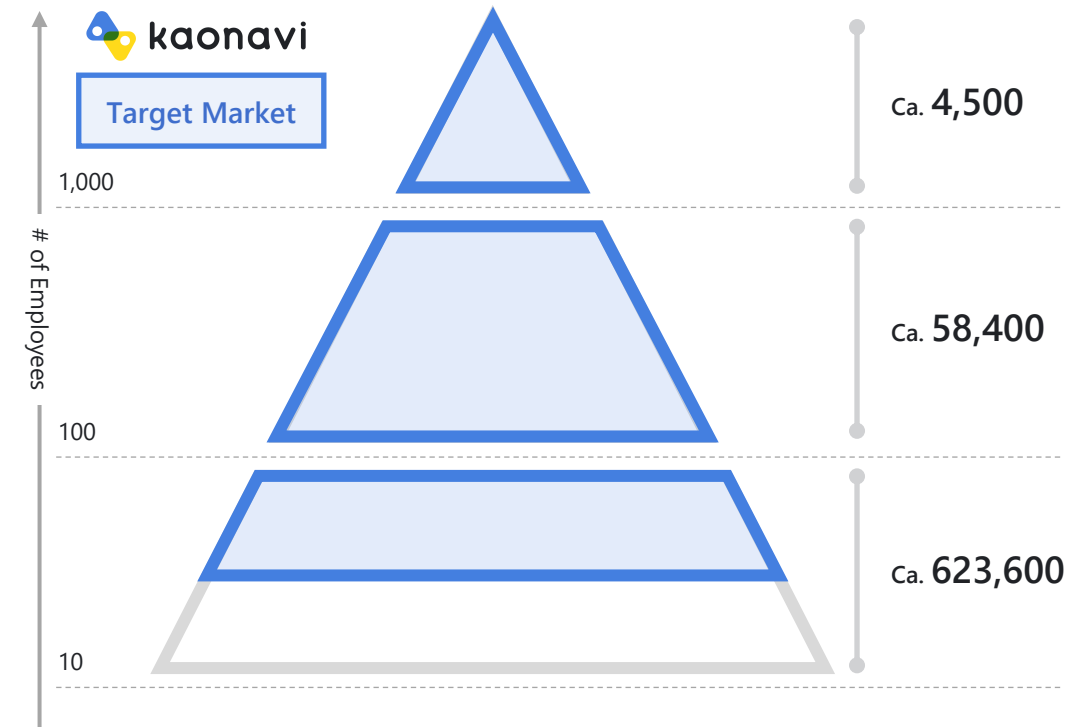
Source：kaonavi, based on MIC and METI "2016 Economic Census for Business Activity"

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
  - Utilization of human capital information
  - Individual empowerment, 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

Expanding HR Data Platform

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

Major Development Items (FY25/3)

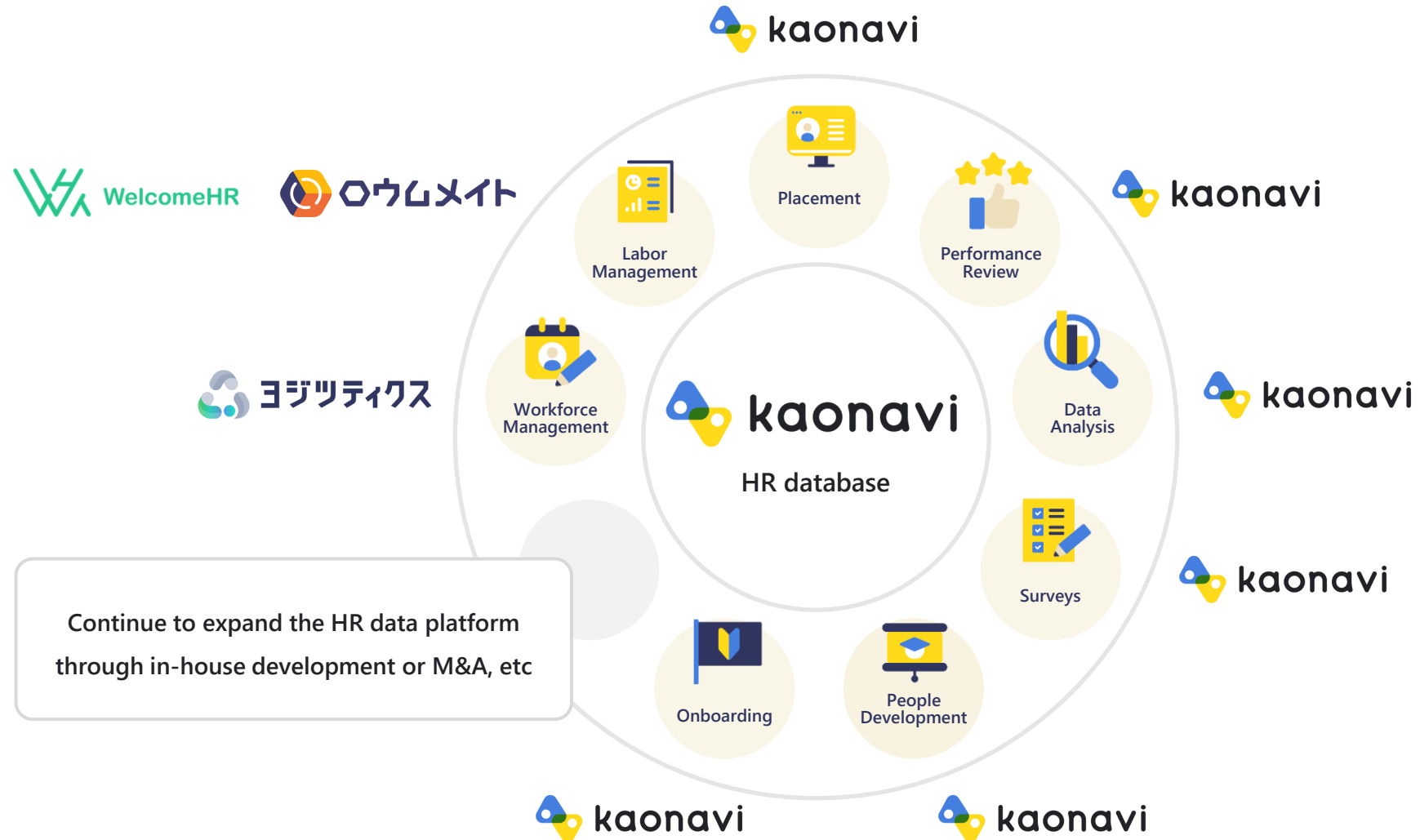| Utilization of human capital information	• Continuous expansion of the data charting and aggregating capabilities • Graphical display of employee history information • AI-based text analysis
Individual empowerment	• Management of cohort training • Collection and analysis of skills structure
Process automating from placement to notice of transfer	• Streamlining operations associated with placement review • Internal role change announcement
Digitalization of employer-employee relationship	• Improving workflow functionality • Development of additional labor management functions

HR Data Platform

Expand our HR data platform by introducing new solutions including the acquisition of WST

Continue to expand the HR data platform through in-house development or M&A, etc

TAM Expansion Opportunities with HR Data Platform[1]

HR Data Platform Related Market

Approx. JPY 8.4 Tn[3]

Talent Management System

Approx. JPY 200 Bn[2]

*1：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[1]

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

	FY22/3	FY23/3	FY24/3	Mid-Long Term Financial Model
GP Margin	73.3%	73.8%	77.4%	80%
S&M [2] (Ratio to net sales)	40.3%	40.8%	40.2%	30-35%
R&D [3] (Ratio to net sales)	5.6%	7.2%	11.3%	10-15%
G&A [4] (Ratio to net sales)	23.6%	20.4%	17.0%	10%
OP Margin	3.9%	5.4%	8.9%	20-30%
Adjusted OP Margin [5]	4.8%	7.9%	10.7%	

*1：Consolidated financial results are shown starting from FY24/3, any results before that are non-consolidated

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

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

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

*5：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

Capital Gain

Aim for mid-to-long term share price upside through continuous ARR growth and profitability improvement

+

Income Gain

Plan to consider returning profits to our shareholders while taking account of the business environment and the state of internal reserves, but near-term dividend distribution has not been determined

=

TSR
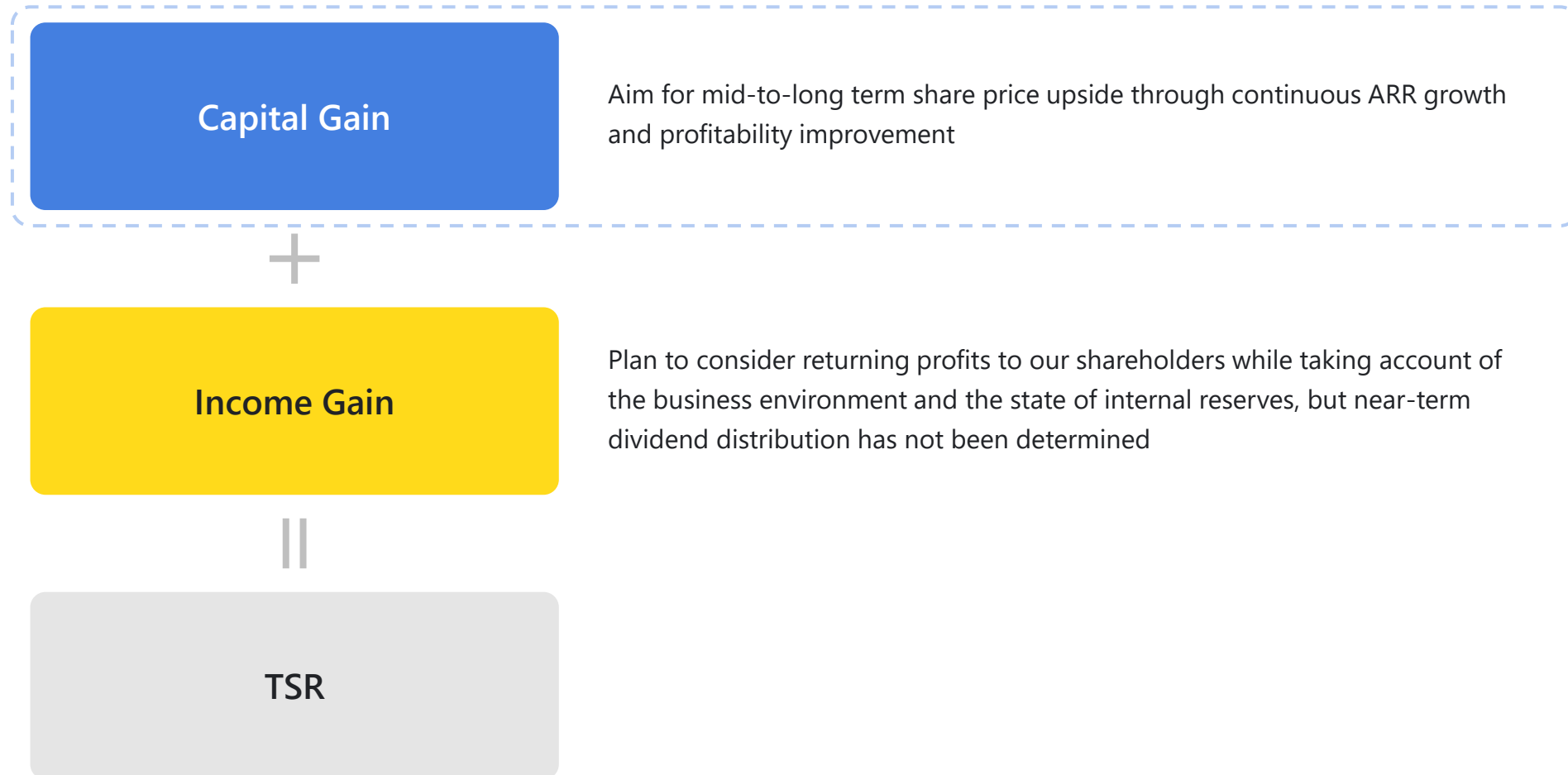
Mid-term Financial Targets

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

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

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 imparity, 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 2024)

22.9 %　Government's goal：**30%** (2030)

Gender Wage Gap[1]
(FY24/3)

84.5 %

Ratio of Non-Japanese Employees
(As of March 2024)

0.7 %

Supporting Self-directed Career Development

Annual Training Hours per Person[2]
(FY24/3)

9.8 h

Ratio of Employees with Second Jobs
(As of March 2024)

18.1 %

Employee Turnover Rate
(FY24/3)

17.6 %

Improving Well-being

Paternity Leave Rate
(FY24/3)

88.2 %　Government's goal：**50%** (2025)
　　　　　　　　　　　　　　 85% (2030)

Ratio of Returning from Parental Leave
(FY24/3)

100 %

Telework Implementation Rate
(FY24/3)

80.3 %

*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

　59

Endorse the Japanese government's policy of carbon neutrality by 2050 and aim to achieve net zero CO_2 emissions[1]
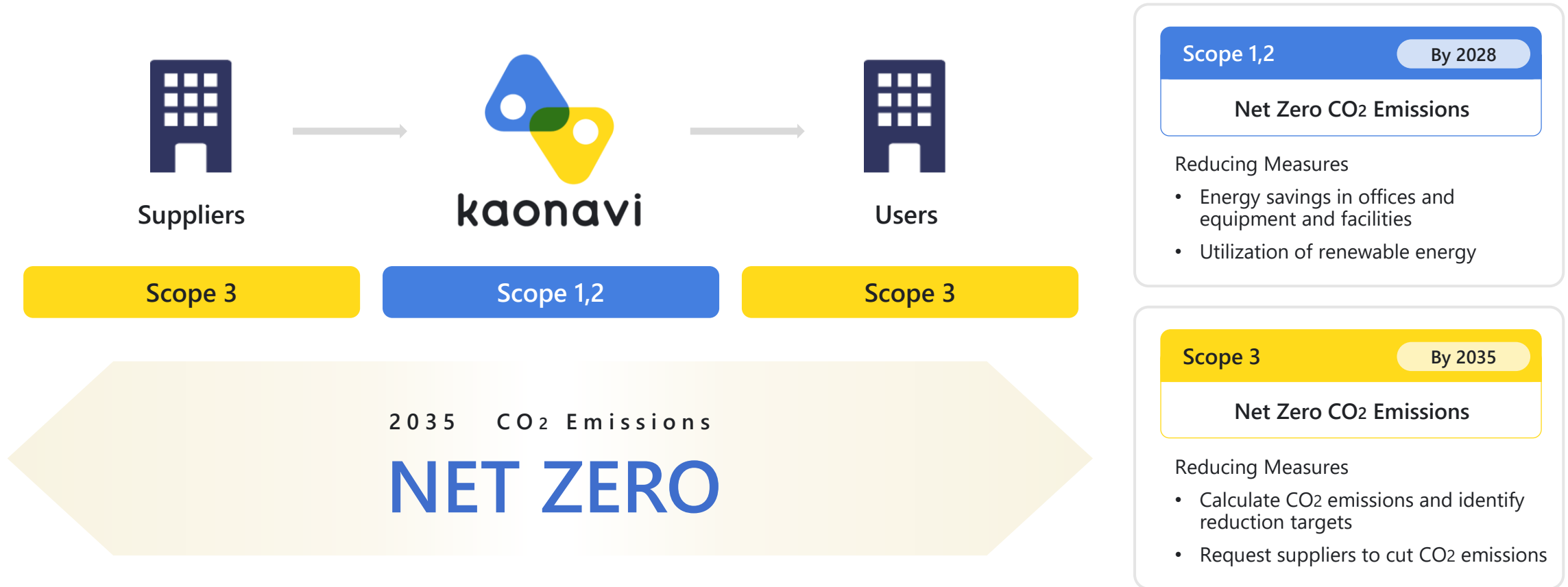
Suppliers

kaonavi

Users

Scope 3

Scope 1,2

Scope 3

2035 CO_2 Emissions

NET ZERO

Scope 1,2	By 2028

Net Zero CO_2 Emissions

Reducing Measures
- Energy savings in offices and equipment and facilities
- Utilization of renewable energy

Scope 3	By 2035

Net Zero CO_2 Emissions

Reducing Measures
- Calculate CO_2 emissions and identify reduction targets
- Request suppliers to cut CO_2 emissions

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
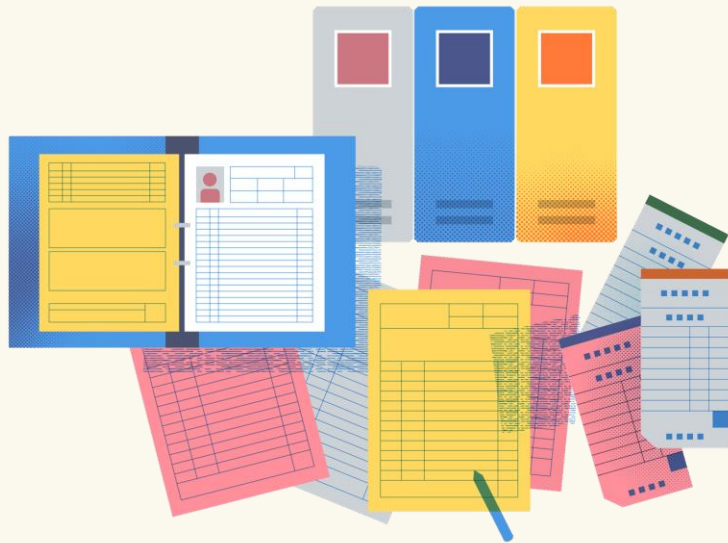
Employers manage HR information in documented form

Division of simple tasks

Changes in HR Information Management and Work Styles - Past

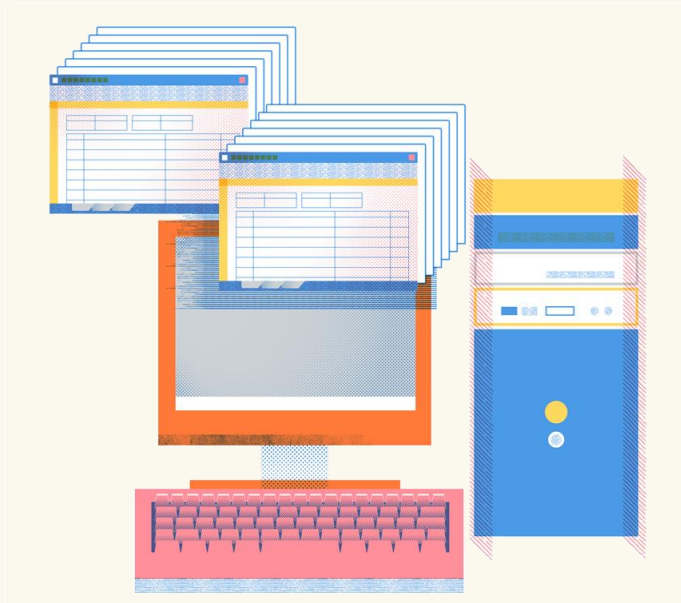Employers manage employee information | Workers own their information

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
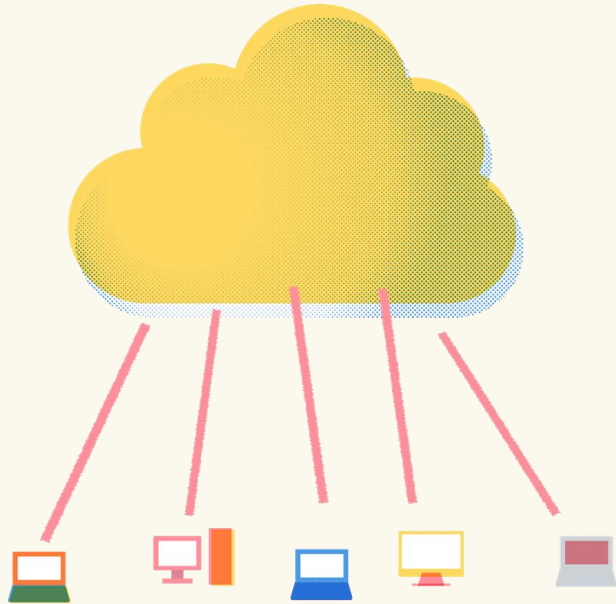
Employers manage HR data in the cloud

Making better use of HR data
→ Team based work taking advantage of individual strength

Changes in HR Information Management and Work Styles - Future
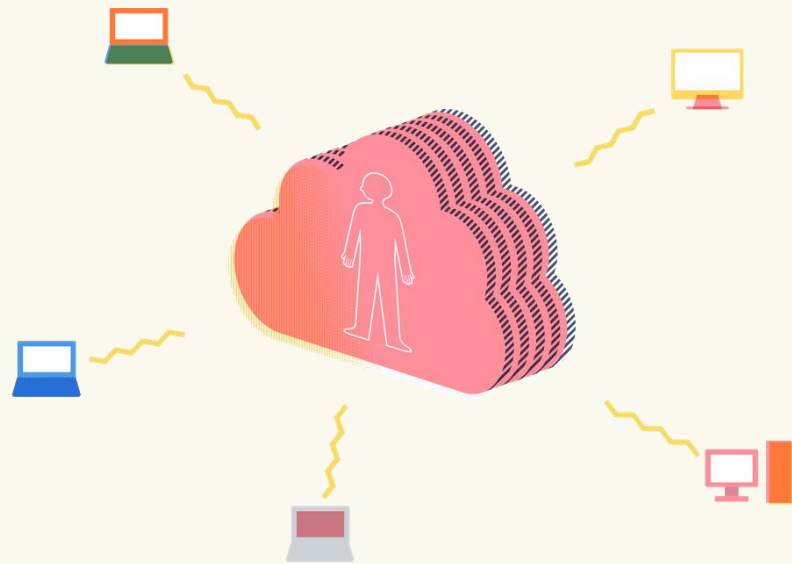
1980   1990   2000   2010   2020   2030

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 <mark>the world where people can unlock their potential</mark> . 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.
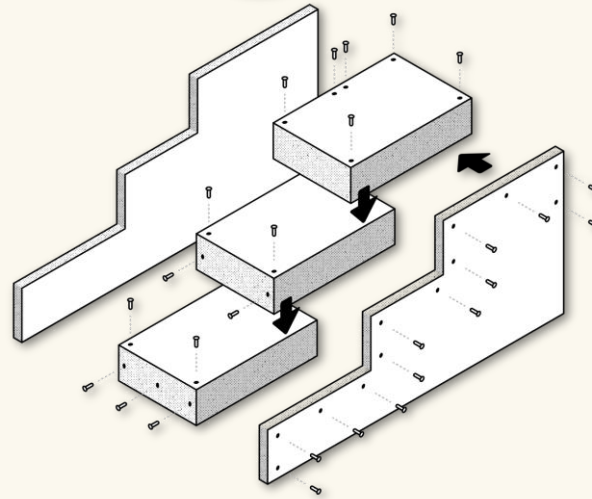
Ethos of Product Development

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.

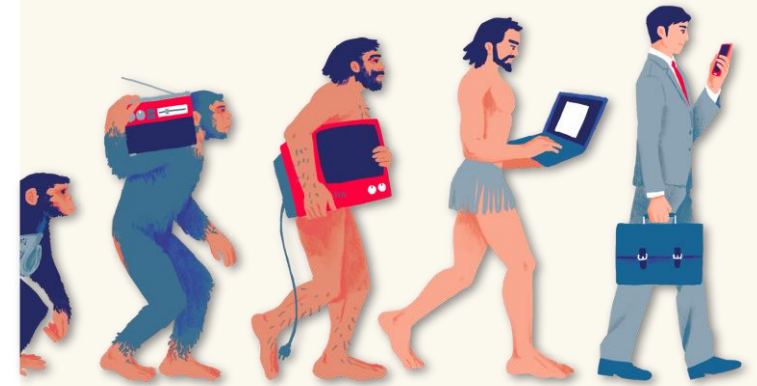## Universal Design

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

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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 judgments or assumptions, or for other reasons.

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

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