Financial Results Briefing Materials for the First Quarter of the Fiscal Year Ending December 31, 2021

(TSE Mothers: 4013)

STRICTLY PRIVATE AND CONFIDENTIAL

May 14, 2021

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1. Topics

Certified Health & Productivity Management Organization

- In FY2021, we were selected as a Certified Health & Productivity Management Organization.

~We achieved Certified Health & Productivity Management Organization status because we support the establishment of independent health action and broadly share information both within and outside our company through our utilization of the *HRM & HL Platform* to support *work style reforms* and *health & productivity management*~

Our company was selected as a Certified Health & Productivity Management Organization, as part of a joint initiative by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE).

Certified Health & Productivity Management Organizations are selected from among companies listed on the TSE as those that think about the management of employees' health and productivity from a managerial perspective and implement strategic initiatives in these areas. In principle, one company is selected per industry.

In addition, we were also designated as a Certified Health & Productivity Management Outstanding Organization in 2021 for the fourth consecutive year under the Health & Productivity Management Outstanding Organization Certification System held jointly by METI and Nippon Kenko Kaigi.

We would like to express our sincere gratitude for the support of all our stakeholders in these endeavors.





Work Style Reforms and Health & Productivity Management Initiatives (*HRM & HL Platform* Utilization)

Initiative	Content
Improve health & productivity	・Health examinations and stress checks [Examination rate] 100% ・Consultations with industrial physicians and public health nurses [Industrial physician consultations] Online consultations: 20 [Public health nurse consultations] Online consultations: 11, Face-to-face: 13 [Consultations recommending examinations] Online consultations: 10, Face-to-face: 1 ・Supported employees' improvement of lifestyle-related diseases based on results of health examinations, stress checks, and overtime work ・Enhanced employees' motivation to improve their own health with health point management [Annual points-based return system] ・Distributed wearable devices ・Management of results of COVID-19 PCR tests (antibody test results management) Vaccine management ・Support for optional expenses related to influenza and health examinations ・Continuous implementation of morning radio calisthenics
Improve work styles	・Revised working environments as a result of COVID-19 pandemic (utilization of teleworking and staggered shifts) ・Promoted use of paid time-off (PTO) during birthday month ・Childcare support plans (utilization of childrearing leave for male employees, teleworking for employees with children, and shortened working hours)
Training and education	・Training for different levels of seniority and departments / promoted women's health maintenance / conducted training on work style reforms [Once every three months] ・Internal newsletter from public health nurse / dissemination of health-related information [Delivered once every two months]
Internal communication	・Paid subsidies to support club activities by internal sports clubs [Once per year] ・Paid expenses related to communication within each department [Once every six months]

<Results of Initiatives>

(1) Improvement in total employee medical expenses

Improved 21% in three years

(2) Increase in number of applicants to join our company

New graduates 2x
Mid-career applicants 3x
in three years

(3) Increase in labor productivity

+44% in three years

ESG Initiatives

* Environment, Social, and Governance

- Achieved ESG-focused management by utilizing our products (*Kinjiro* and *Health × Life Pro*)

By utilizing our products and services, we achieved…
(1) Increase in labor productivity
(2) Health support for employees
(3) Created comfortable workplaces.

With *Kinjiro Enterprise…*
- Labor and employment management in line with "work style reforms" (complying with Labor Standards Act and the Industrial Safety and Health Act)
- Encouraging heads of departments with various types of alert (overwork, taking PTO, etc.)
- Strengthened trust between labor and management

With *Health × Life Pro…*
- Supported health & productivity management processes
- Analysis of results of health examinations and stress checks
- Online consultations by clinical physicians, industrial physicians, and public health nurses
- Support for improvement and prevention of lifestyle-related diseases

Environment

(1) Limit overtime hours by enhancing labor productivity

↓

Decline in total hours worked from limits on overtime

↓

Limit electricity fees by reducing total hours worked

↓

Limit greenhouse gas emissions

Social

(2) Support employees' health

↓

Limit spending on medical fees through better health

Governance

(3) Create comfortable workplaces

↓

Working environments where fraud and illegal activity are unlikely to occur

2. Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2021 (FY2021)

Summary of Financial Results for the First Quarter of FY2021

- Net sales were 45% of the forecast for 1H, partly due to the impact of the COVID-19 pandemic on the on-premises business.
- Profit was 65% of the forecast for 1H as a result of measures to reduce expenses, despite investment for growth, increased personnel expenses, etc.

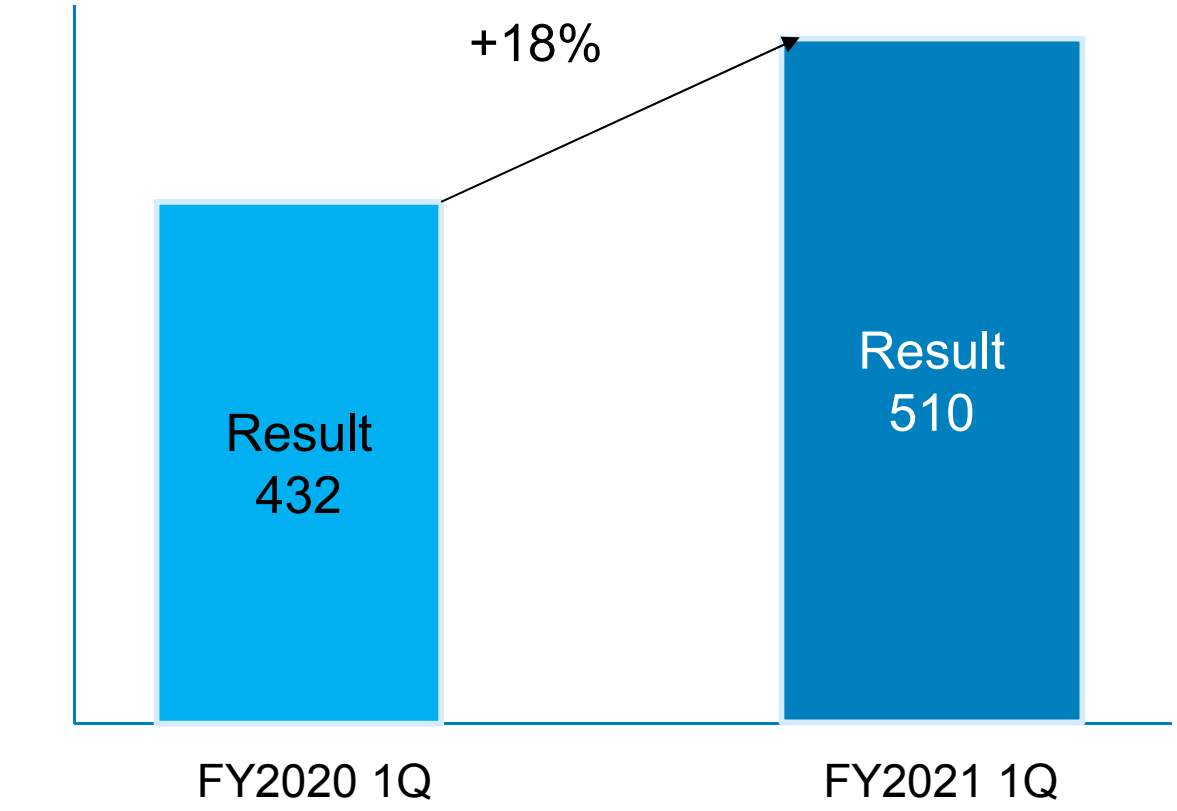
Consolidated statement of income (Unit: Million yen)

	FY2021 1H forecast	FY2021 1Q results	Rate of progress	YoY change
Net sales	1,916	**860**	45%	0%
Operating profit	161	**107**	66%	-36%
Ordinary profit	162	**107**	66%	-37%
Profit	113	**74**	65%	-38%

Sales in Cloud Business

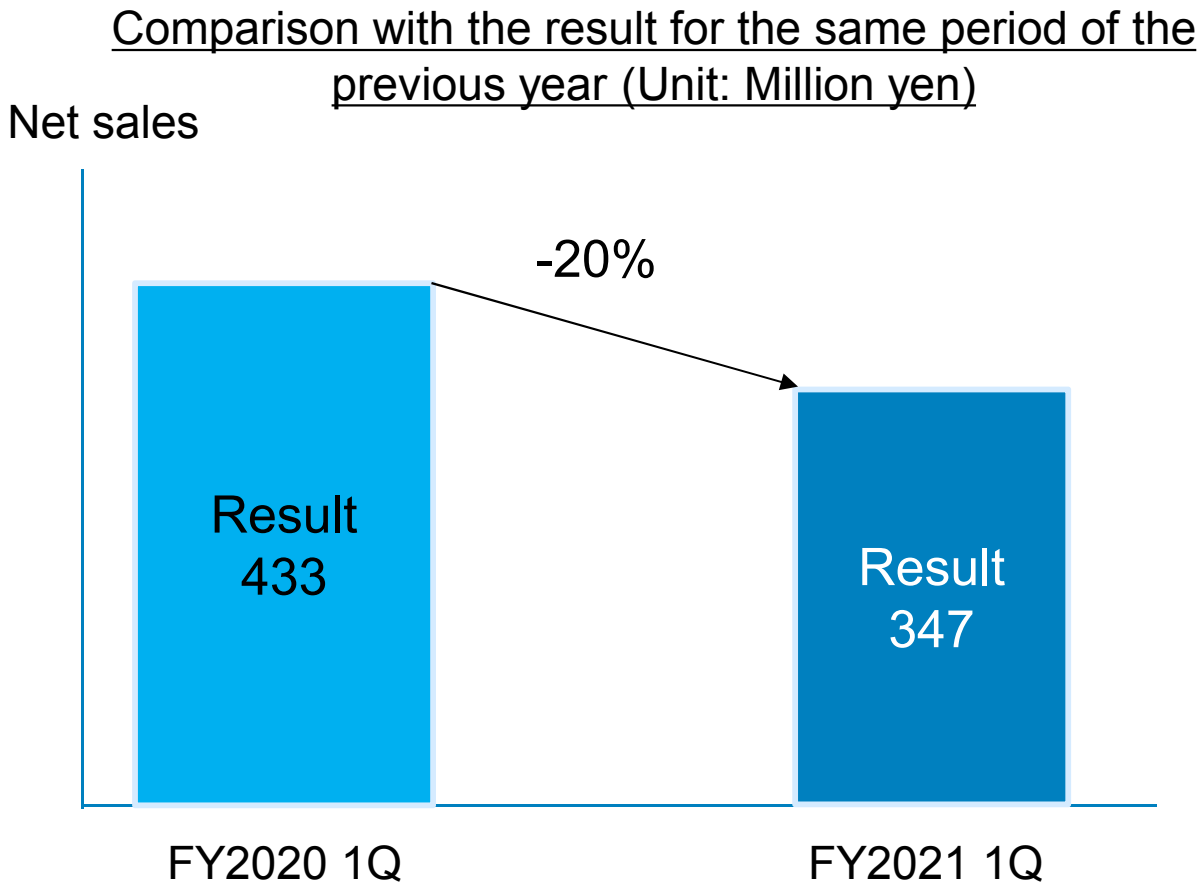
- Net sales were up 18% year-on-year, underperforming the target, as the business was slightly impacted by the COVID-19 pandemic. (Cloud license sales alone grew 27%)

Comparison with the result for the same period of the previous year (Unit: Million yen)



Sales in On-premises Business

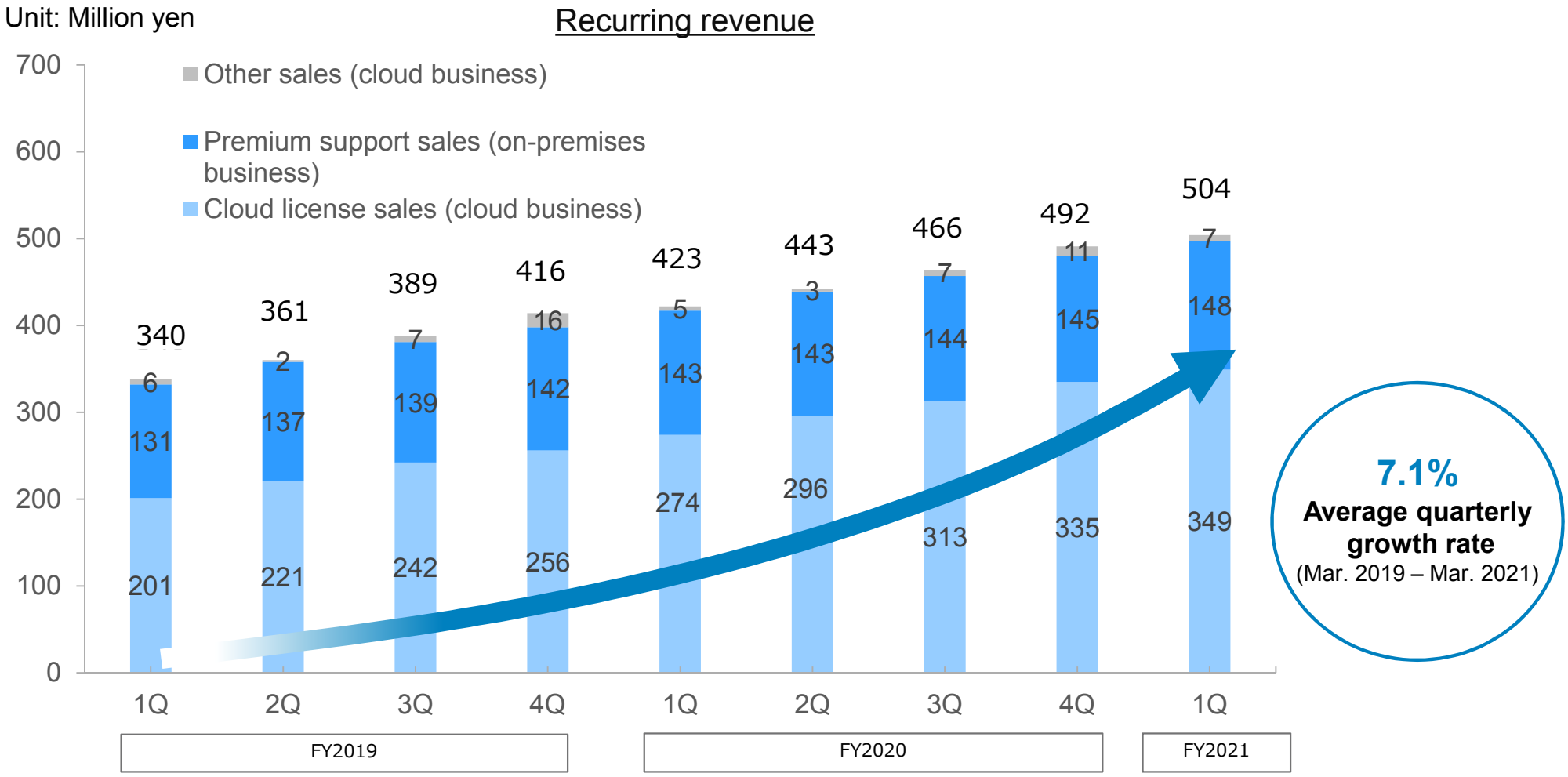
- Down 20% year-on-year, due to factors including the postponement of orders by corporate clients in consideration of the impact of COVID-19, as well as the shift to cloud-based contracts.



Quarterly Trend in Recurring Revenue

- Recurring revenue, primarily composed of cloud license sales and premium support sales, is also growing on a quarter-by-quarter basis. Cloud license sales in particular display an average quarterly growth rate of 7.1%.

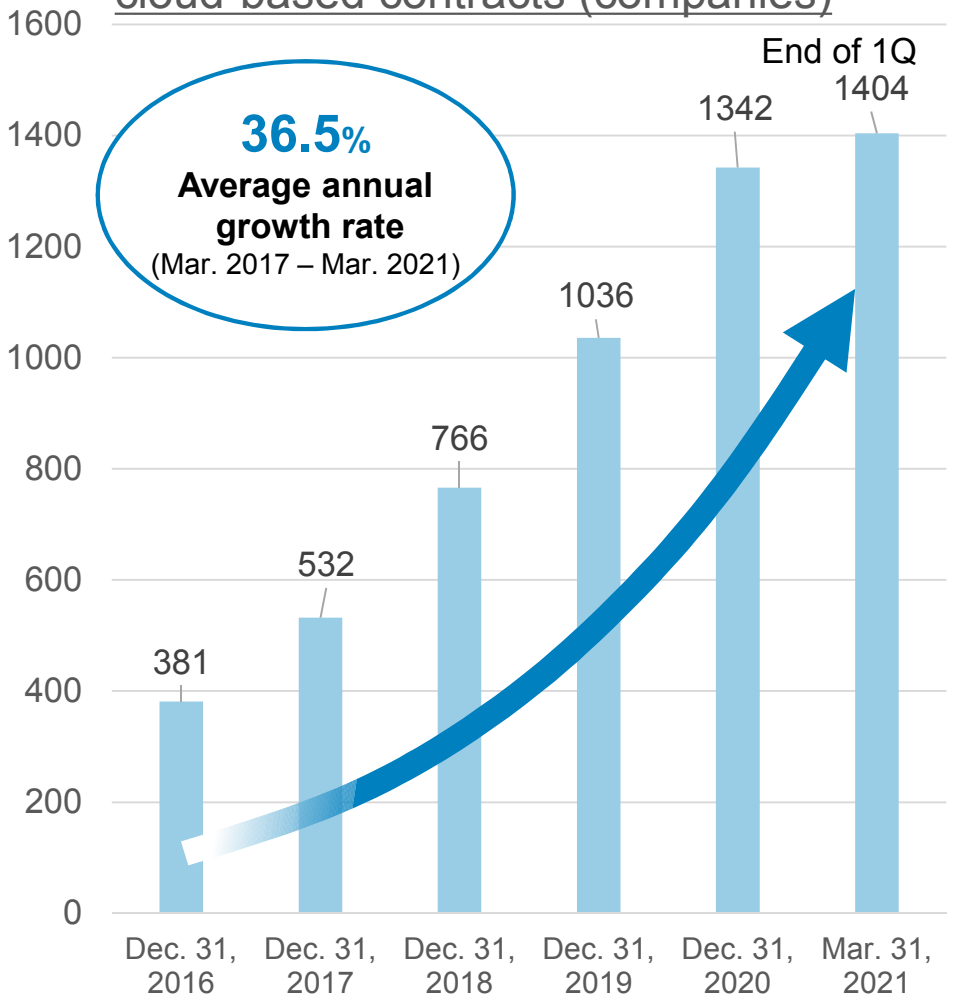
Unit: Million yen



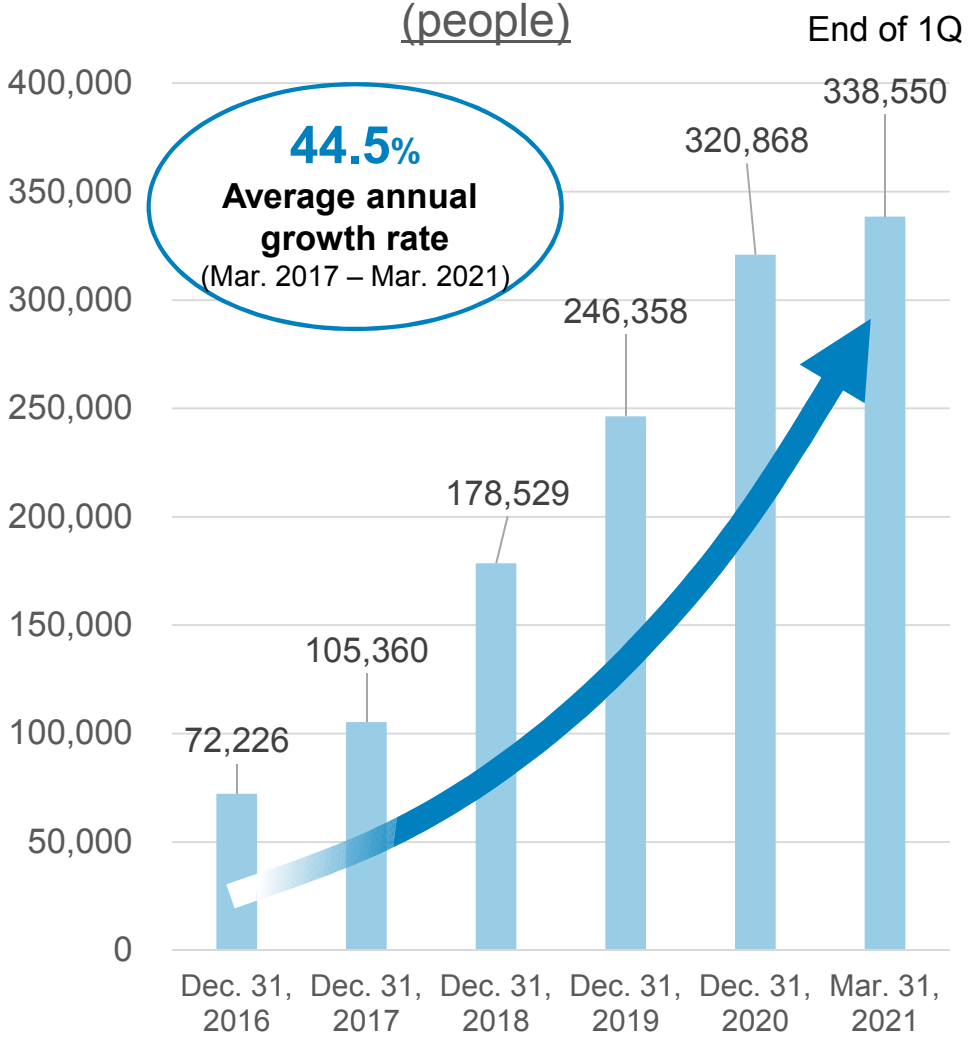
Number of Corporate Clients on Contract and Number of Licenses*1

- High growth continues in the number of licenses, with an average annual growth rate of 44.5%.

Number of corporate clients on cloud-based contracts (companies)



Number of cloud-based licenses (people)

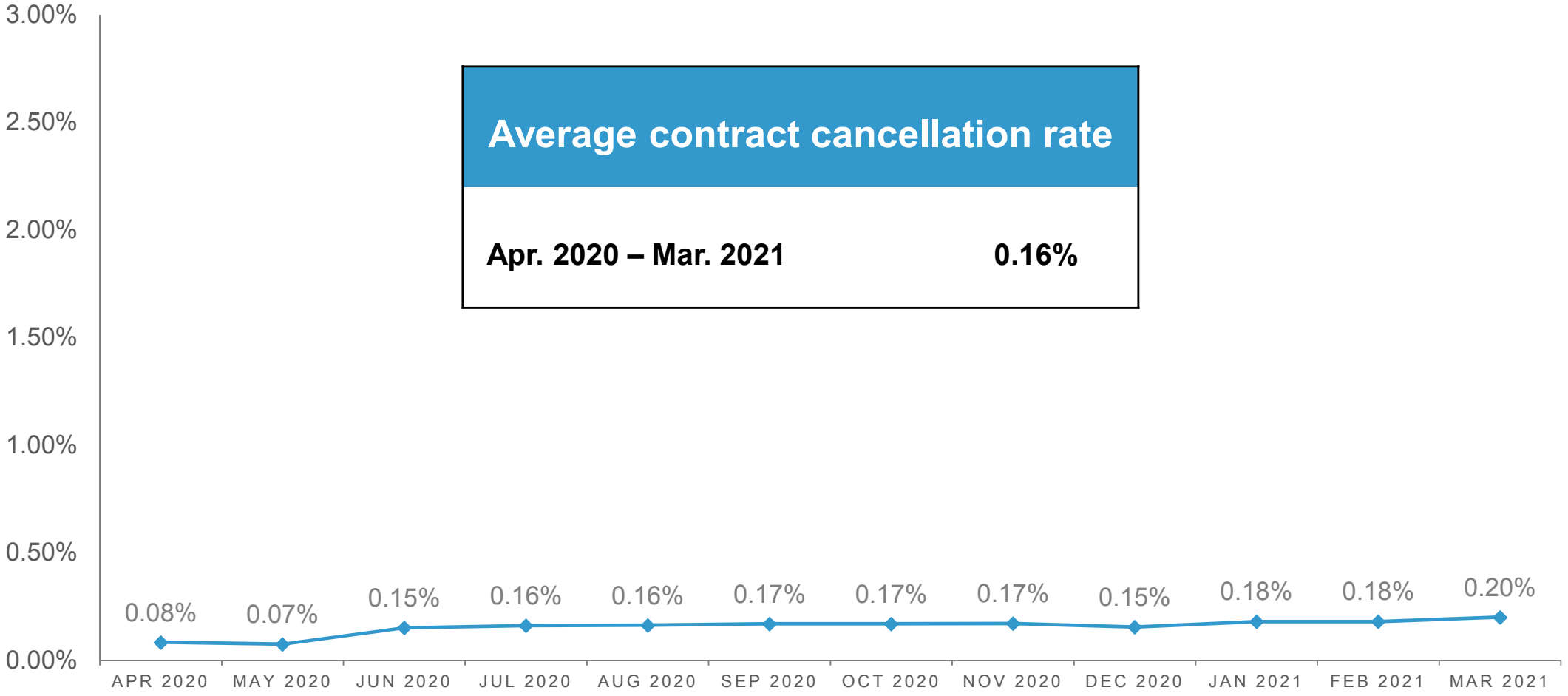


1. The number of licenses for each employee at a corporate client is counted as one, even where the employee uses multiple services (Recruitment, HR, Salary, *Health × Life*).

Cloud-based Contract Cancellation Rate

- The average number of cloud-based contracts cancelled per month remains stable at a low rate of 0.16%.

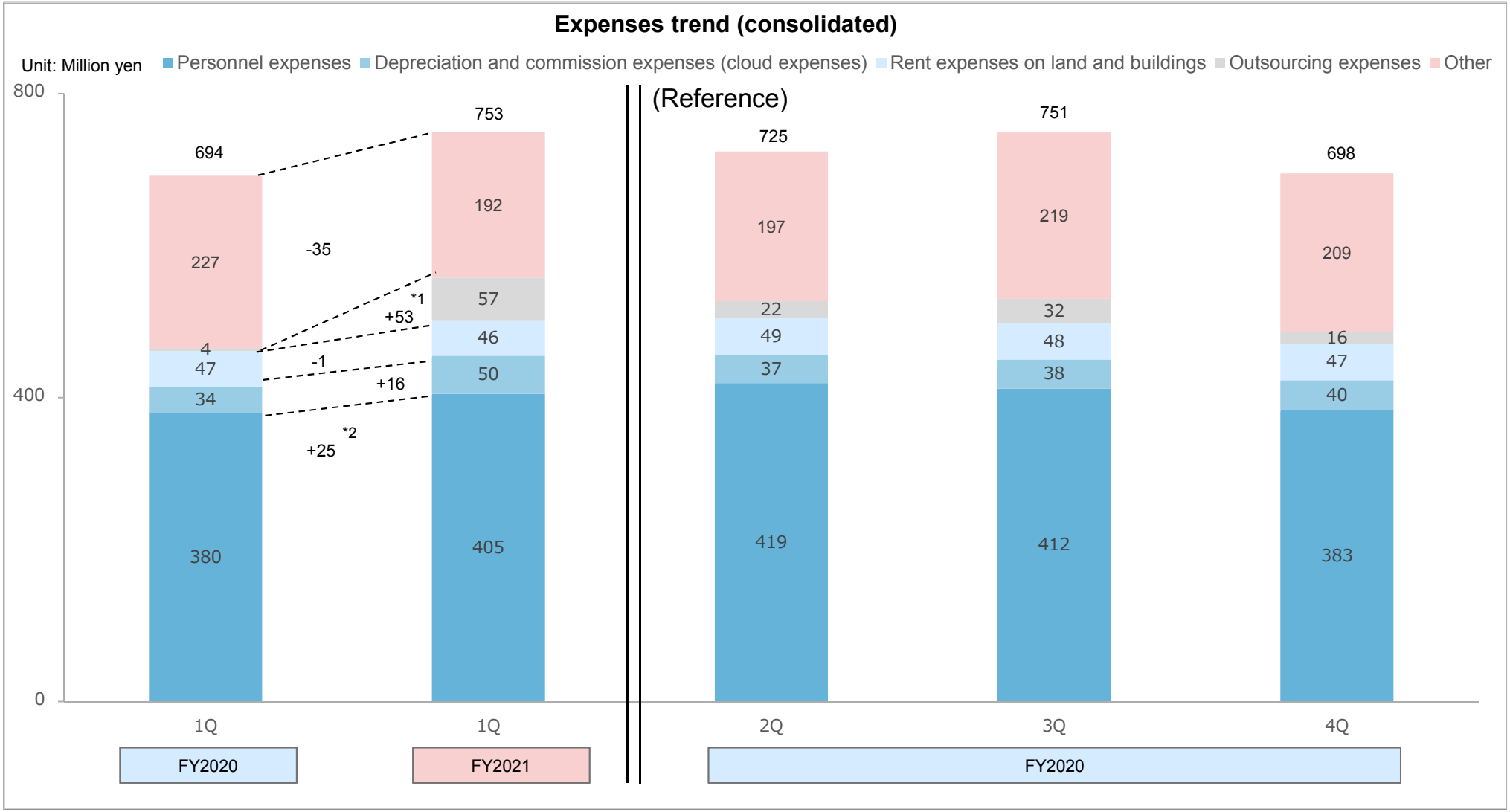
Cloud-based contract cancellation rate*1



1. Monthly average cancellation rates. Calculated by dividing revenue from customers who cancelled their contracts in that month, by revenue as of the previous month end.

Cost Structure

- Changes in the cost structure from the first quarter of the fiscal year ended December 31, 2020 were as follows.



*1 To promote the development of Next-generation Kinjiro
*2 The number of personnel increased from 261 to 302.

3. Management Policy and Other Matters

Corporate Philosophy: *CSR & Innovation*

We aim to be a company that offers cloud and platform services to support the DX initiatives of our corporate clients. In order to publicly express this image, on March 27, 2021, we changed our company name from NittsuSystem Co., Ltd. to

Kinjiro Co., Ltd.
勤次郎株式会社

Corporate Philosophy *CSR & Innovation*

We will pursue better relationships between people, time and technology through our cloud business and *HRM & HL Platform*, and engage in CSR, contributing to society by supporting *work style reforms and health & productivity management* and *better health for the entire population*.

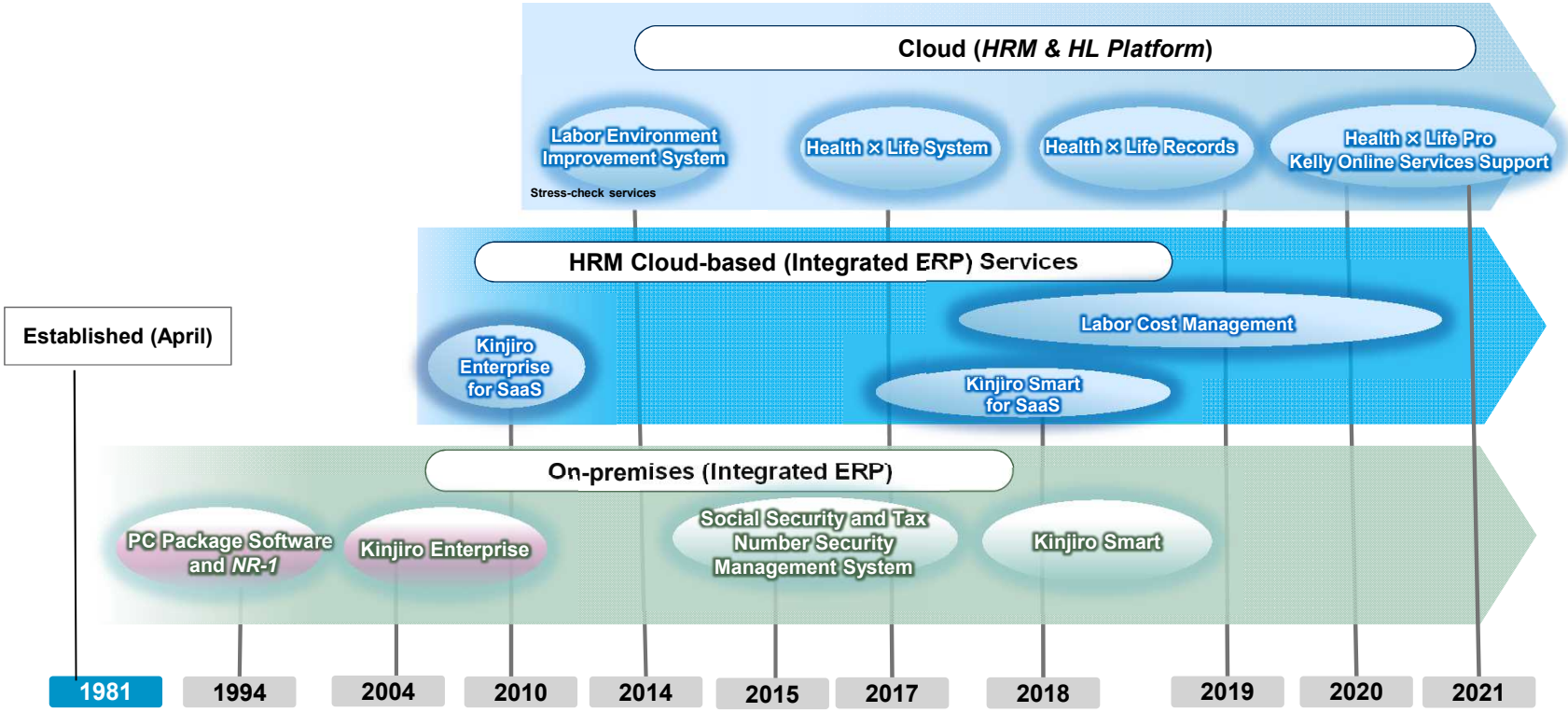
Business models: *B-to-B*, *B-to-B-to-E*, and *B-to-C*

HRM: Human Resource Management (refers to strategic engagement in personnel procurement, assignment and development, and personnel management systems, etc. from a medium- to long-term perspective, with the aim of achieving corporate management strategies and business strategies)
HL: Health Life
B-to-E: Transactions between businesses (B) and employees (E)

Evolution of Our Business Model

From the on-premises business*1 to the cloud business*2

Evolution of the business model

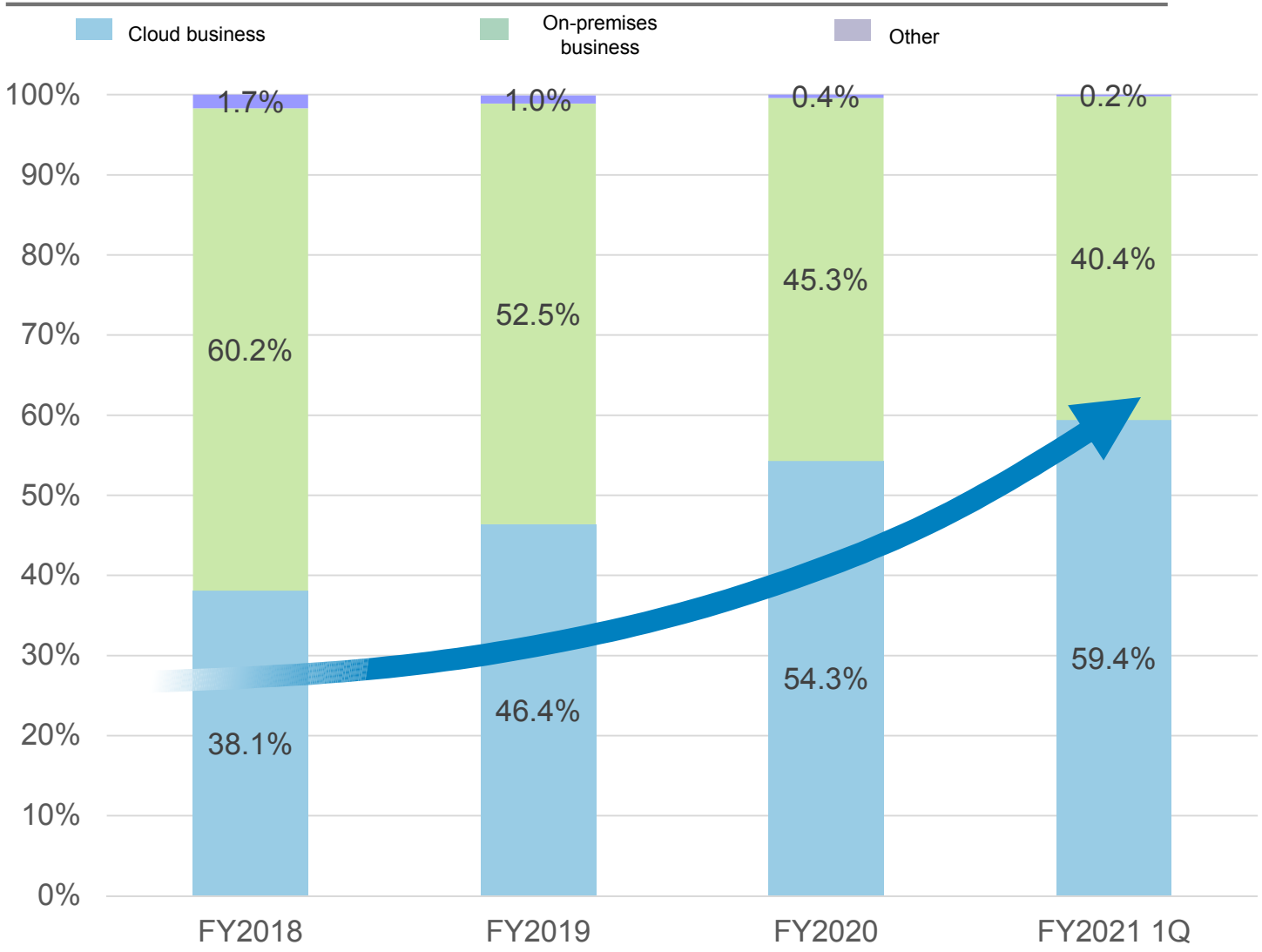


*1: "On-premises" refers to cases when software operations are carried out at the location of the user's premises.
*2: "Cloud" refers to providing services to users through the Internet and other networks.

Trend in Structure of Net Sales by Business Segment

- **The proportion of net sales from the cloud business is continuing to increase.**

Trend in structure of net sales by business segment



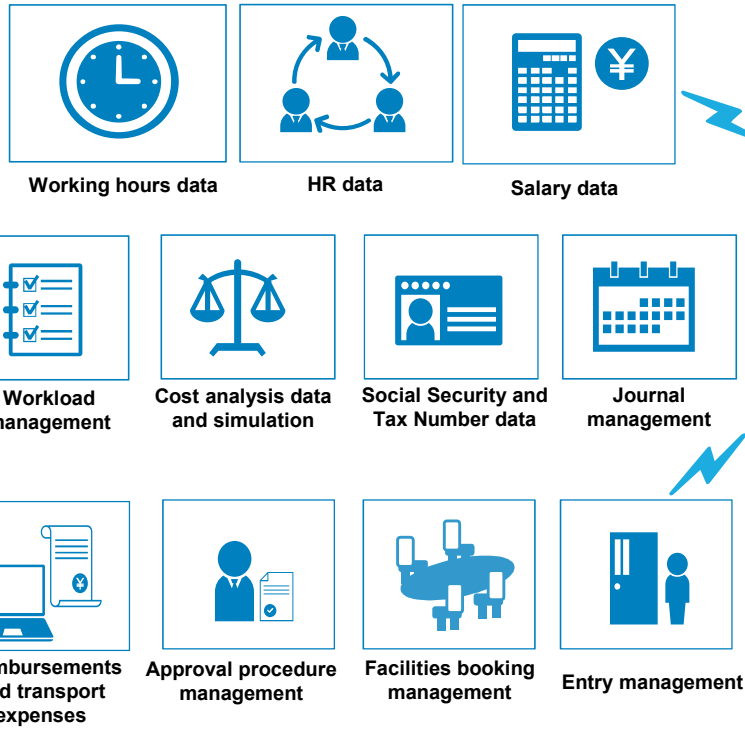
What are *HRM & HL Platform* Services?

- **Integrated platform services that realize *work style reforms* and *health & productivity management***

B-to-B, B-to-B-to-E ⇒ B-to-C

Work style reform data

Kinjiro Enterprise



Cloud-based services



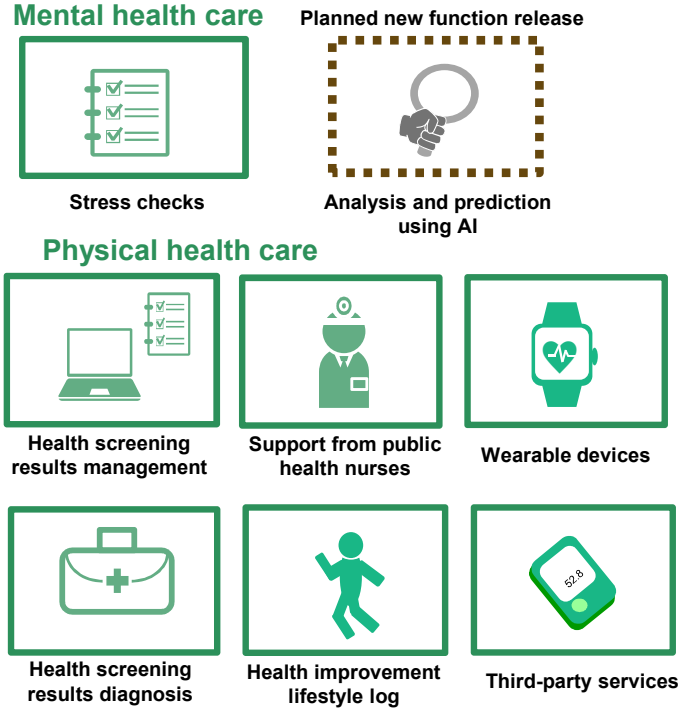
Labor management data, stress check data, health screening results, health improvement data, eating habits data, medical examination data, childcare and developmental data

- **Health × Life Pro & Kelly Online Services**
- **Integrated Data Analysis Services**
- **Labor Cost Management Services**

Health management data

Utilization of employee data by consumers themselves

Health × Life



What is *HRM & HL Platform*?

- **A platform to support better health among companies, employees, and general consumers by utilizing a mash-up of "HRM data" and "HL data"**

Health × Life app

App Store からダウンロード　Google Play で手に入れよう

【Healthkit】

Activity data	Steps
	Sleeping time
Measurement data	Blood pressure
	Body composition
	Blood sugar

* Fully coordinated with iPhone/Android healthcare apps

B-to-B, B-to-B-to-E, B-to-C

Health databank card



Utilization by consumers
(employees, local residents, families)

Supervision and establishment of evidence with universities and medical institutions

***Health × Life Pro* & Kelly Online Services**

Cloud-based services

HRM & HL Platform

For business enterprises

For local governments

Health screening institutions / medical institutions

Collaboration with third parties

Shared content service

Clinical physicians / industrial physicians remote support

Fertility, the MCH Handbook and childcare support (Mama Kelly)

Electronic medical records system

What are Integrated Data Services Utilizing the *HRM & HL Platform*?

Enterprise
B-to-B

Consumers
B-to-B-to-E , B-to-C

Consumers themselves can utilize their health data to improve their health

Cloud-based services

HRM & HL Platform

Integrated data

Labor management data, stress check data, health screening results, health improvement data, eating habits data, medical examination data, childcare and developmental data

***Health* × *Life Pro* & Kelly Online Services support**

Labor cost management services

- **Labor cost analysis**
- **Labor cost simulation**
  - **Personnel expenses simulation**
  - **Retirement payments simulation**

Integrated data analysis services

- **Analysis of costs from labor productivity losses due to absenteeism and presenteeism**
- **Labor status analysis using working hours data and health screening data**
- **Visualization of work style reforms and health & productivity management**

Consultations with industrial physicians and public health nurses

Support that utilizes integrated data analysis services

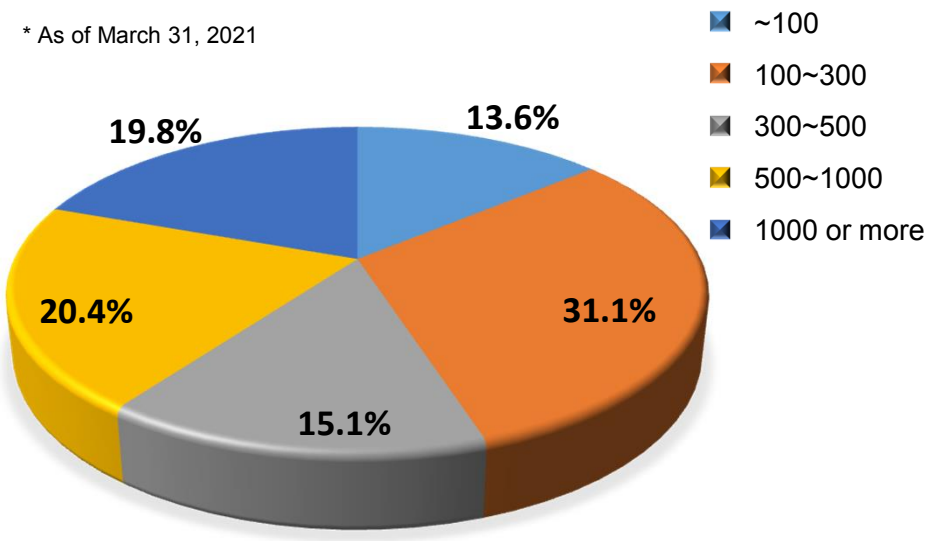
* **Online consultations are also possible**

* Absenteeism: When employees are unable to contribute to enhancing productivity owing to being off work owing to illness, poor health condition, etc.
* Presenteeism: When results are not fully achieved owing to "labor productivity losses related to health issues," "employees coming into work in poor health condition," and "employees coming into work while sick."
* Integrated data: Labor management data, stress check data, health screening results, health improvement data, eating habits data, medical examination data, childcare and developmental data, and other types of data on *HRM & HL Platform* Services

Kinjiro Enterprise Implementation Results
Breakdown by Scale and Industry

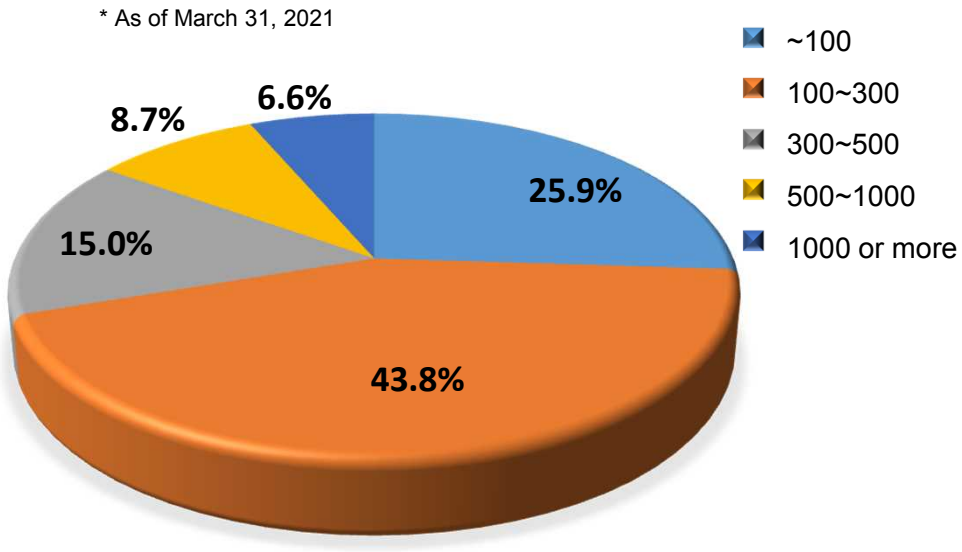
- **Breakdown of implementation by number of employees (On-premises) *1.15 million users**

* As of March 31, 2021



- **Breakdown of implementation by number of employees (Cloud) *0.33 million users**

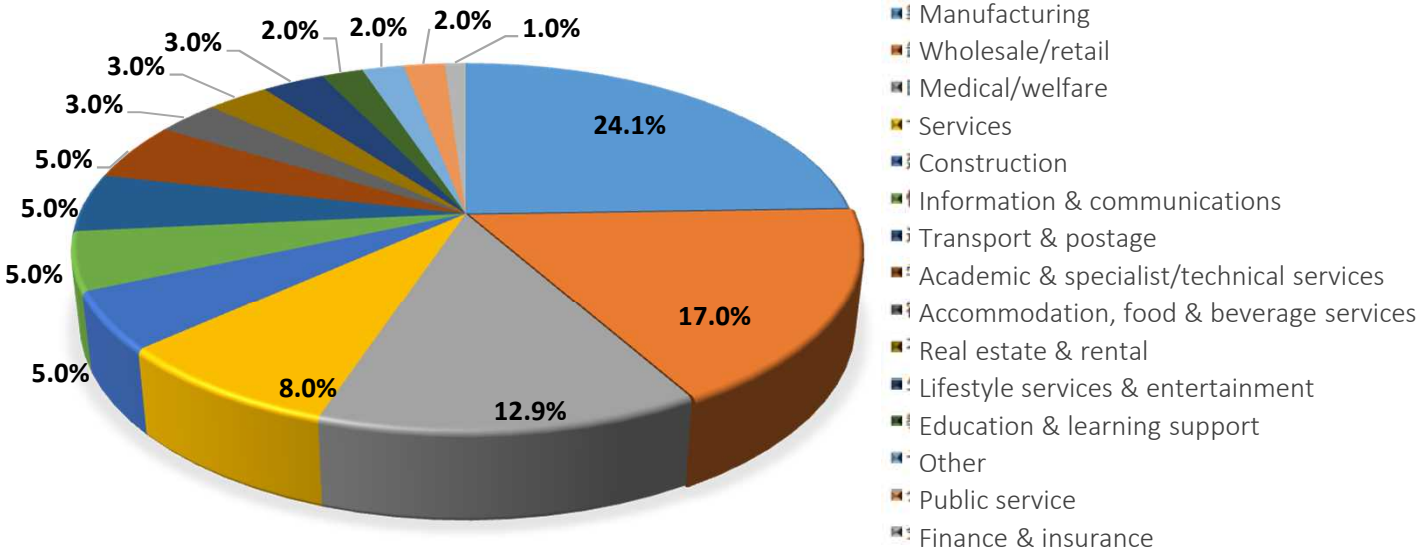
* As of March 31, 2021



- Mainly mid-size and large enterprises

- **Breakdown of client numbers by industry**
  ***Implemented at a diverse range of different enterprises**

* As of March 31, 2021



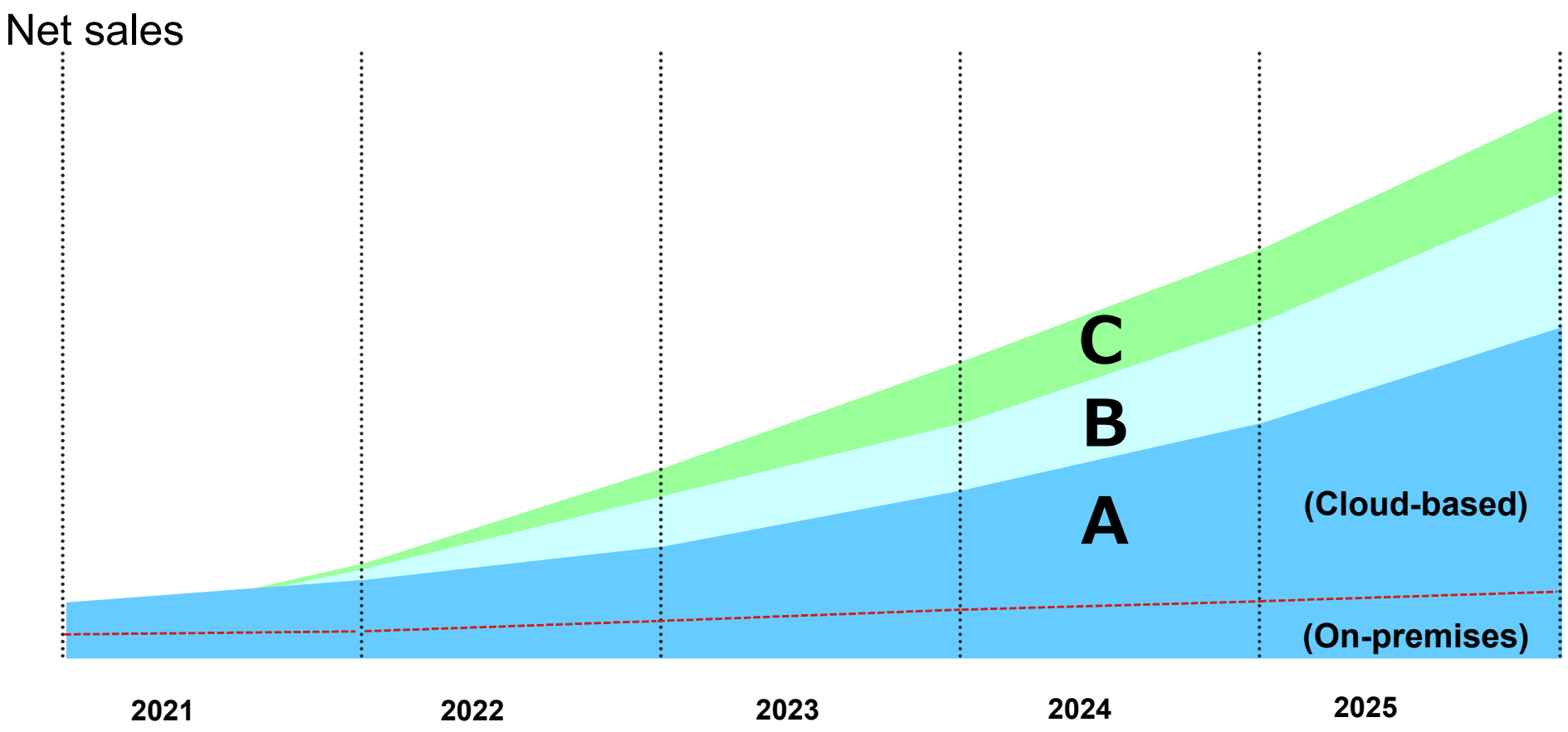
Sales Growth Strategy

Realize work style reform and health & productivity management with *HRM & Health × Life*

A ⇒ Further accelerate ongoing growth with work style reforms and health & productivity management

B ⇒ Shift 1.15 million on-premises user licenses to cloud-based services with *Next-generation Kinjiro*

C ⇒ Expand sales in platform businesses with revenues from monetization of B-to-E and B-to-C services, as well as AI, electronic medical records, third-party services, etc.



Sales growth strategy A: Growth in existing businesses (cloud-based and on-premises)

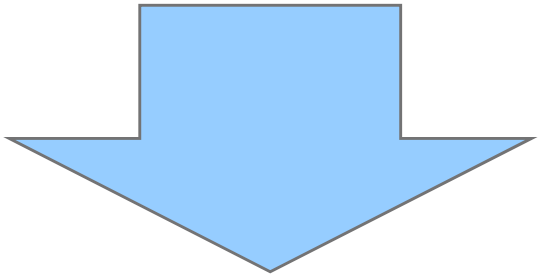
Sales Growth Strategy B

Shift on-premises users to cloud

- Shift 1.15 million Kinjiro Enterprise on-premises user licenses to *Next-generation Kinjiro* (the provisional name for *Universal-K* (code name)), which is currently under development

On-premises: Approximately 1.15 million user licenses ⇒ Move around 80% to cloud-based services

Result as of March 31, 2021



After gradually moving licenses over a period of five years

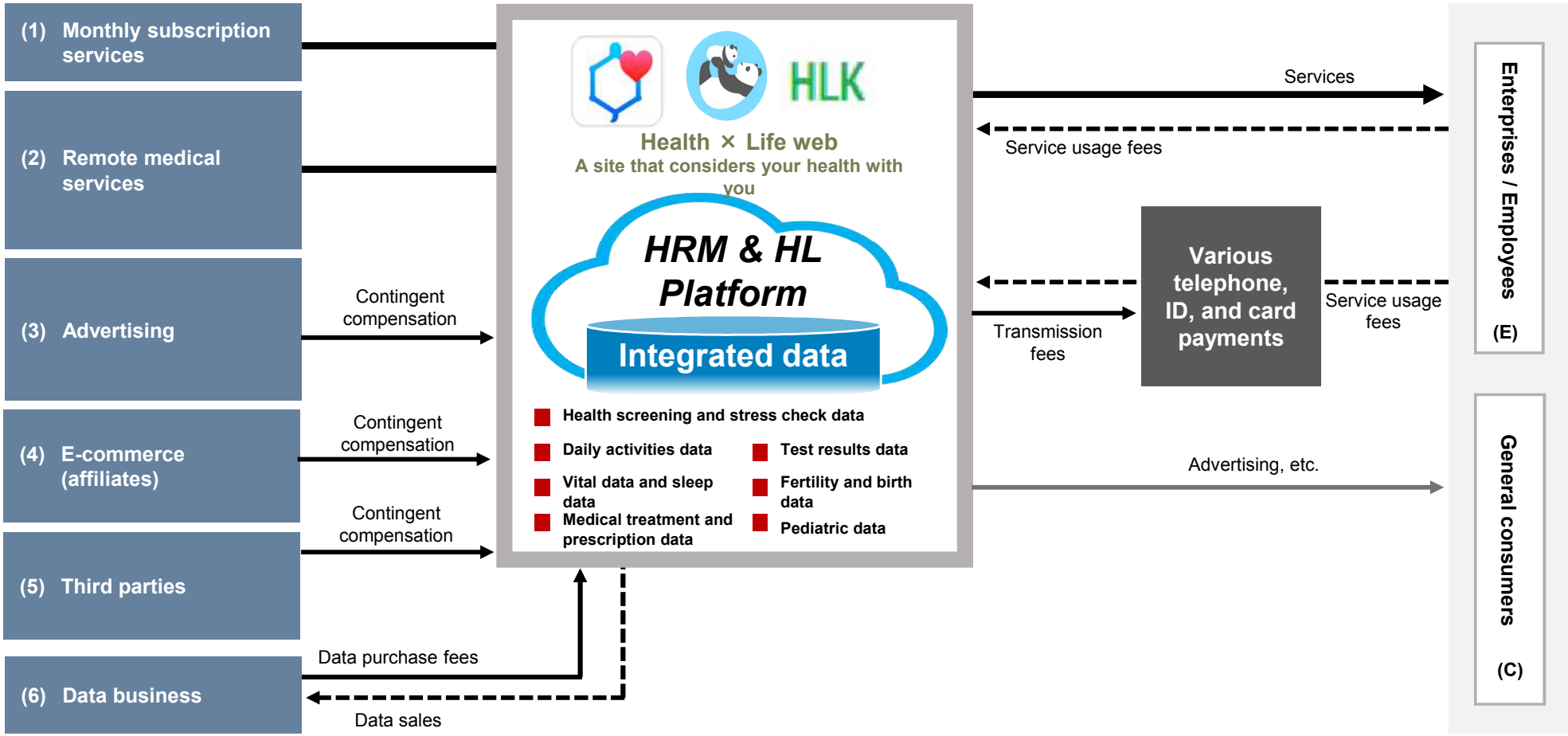
500 yen per license* / month × Approx. 900,000 licenses × 12 months
= Approx. 5.4 billion yen

* The average revenue per license (ARPU) will be increased to at least 500 yen through promotion of the use of *Health* × *Life*, *Health* × *Life Pro*, and subsystems.

Sales Growth Strategy C-(1)

Consumer business utilizing platforms

HRM & HL (system diagram of B-to-B-to-E / B-to-C monetization)



As a consumer business utilizing the *HRM & HL Platform*, realize a monetization business by providing remote medical services to enterprise employees and general consumers, displaying ads on the *Health × Life* app, and utilizing data in collaboration with third parties

Sales Growth Strategy C-(2)

Support services for industrial physicians and public health nurses

As a means of achieving health & productivity management and extending healthy lifespans through the integrated management of data related to work styles, health examinations, stress checks, lifestyle logs, etc., online examinations are beginning to increase in popularity, against a backdrop of online consultations by clinical physicians, industrial physicians, and public health nurses, and the COVID-19 pandemic

Health × Life Pro & Kelly Online Services support

***Health × Life* app**

App Store からダウンロード　Google Play で手に入れよう

【Healthkit】

Activity data	Steps
	Sleeping time
Measurement data	Blood pressure
	Body composition
	Blood sugar

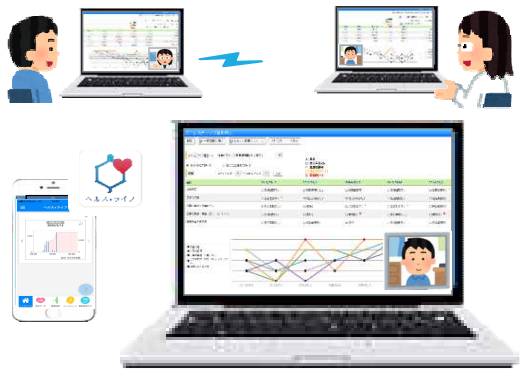
* Fully coordinated with iPhone/Android healthcare apps

E and C

Employees　Families







Cloud-based services

HRM & HL Platform

Industrial physician support function (Industrial medicine diagnosis function)

Online clinical physician consultation service

Online industrial physician consultation service
Online public health nurse service
Corporate losses cost analysis services

* Online consultations are also possible

Enterprises, local governments, and health screening institutions

Using the health databank registration card

Support service for health & productivity management initiatives

Health point system operation service

Sales Growth Strategy C-(3)

Vaccination and PCR test results history management (B-to-C)

Function summary

- Vaccination upload (vaccination certificate)
- Vaccination results view (planned utilization as a vaccine passport)

Cloud-based services

HRM & HL Platform



Upload vaccination certificate

Use when:
Traveling in Japan (when traveling)
Traveling overseas (at destination)





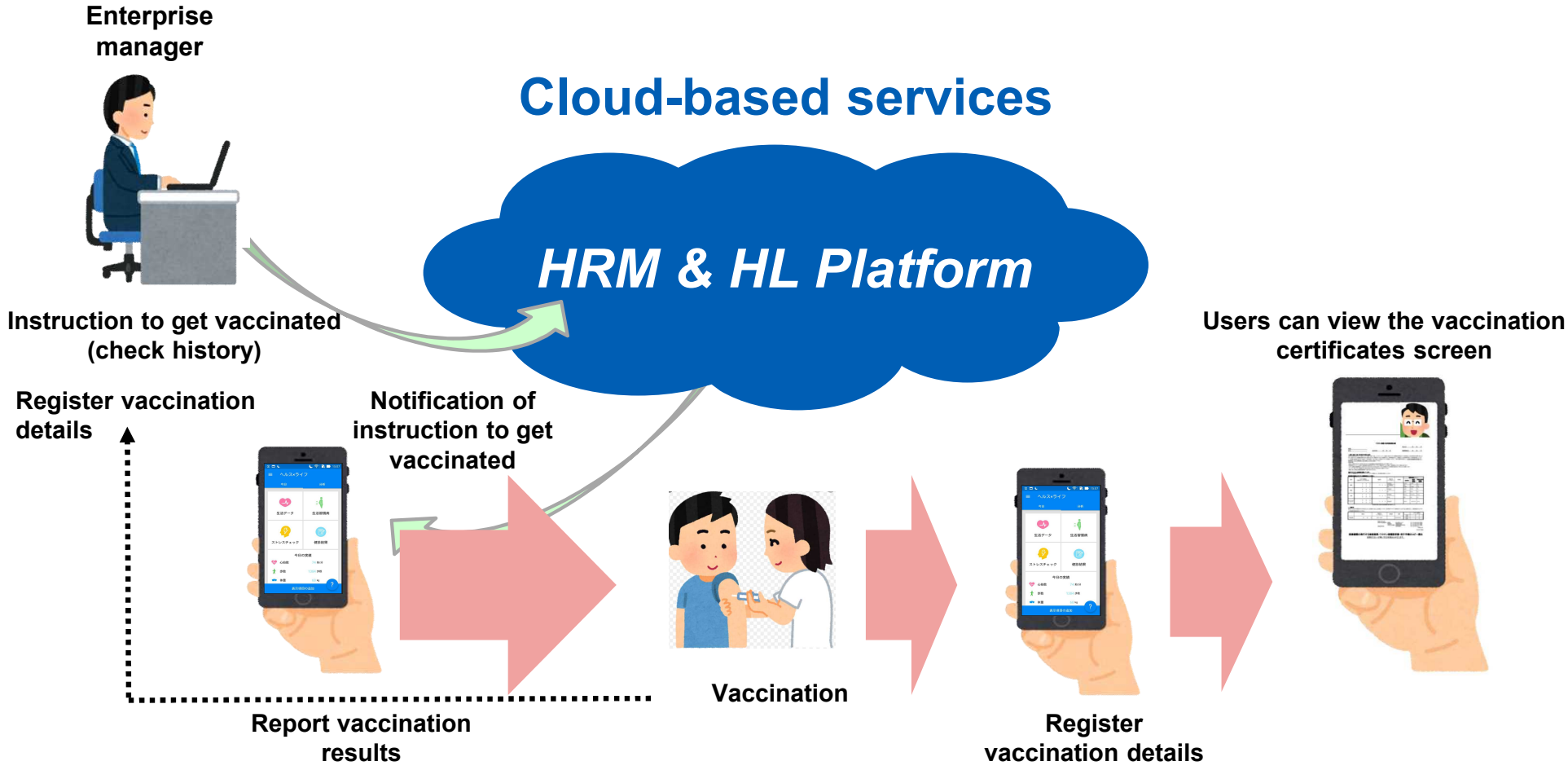
Users can view the vaccination certificates screen

Sales Growth Strategy C-(4)

Vaccination and PCR test results history management (B-to-B, B-to-B-to-E)

Function summary

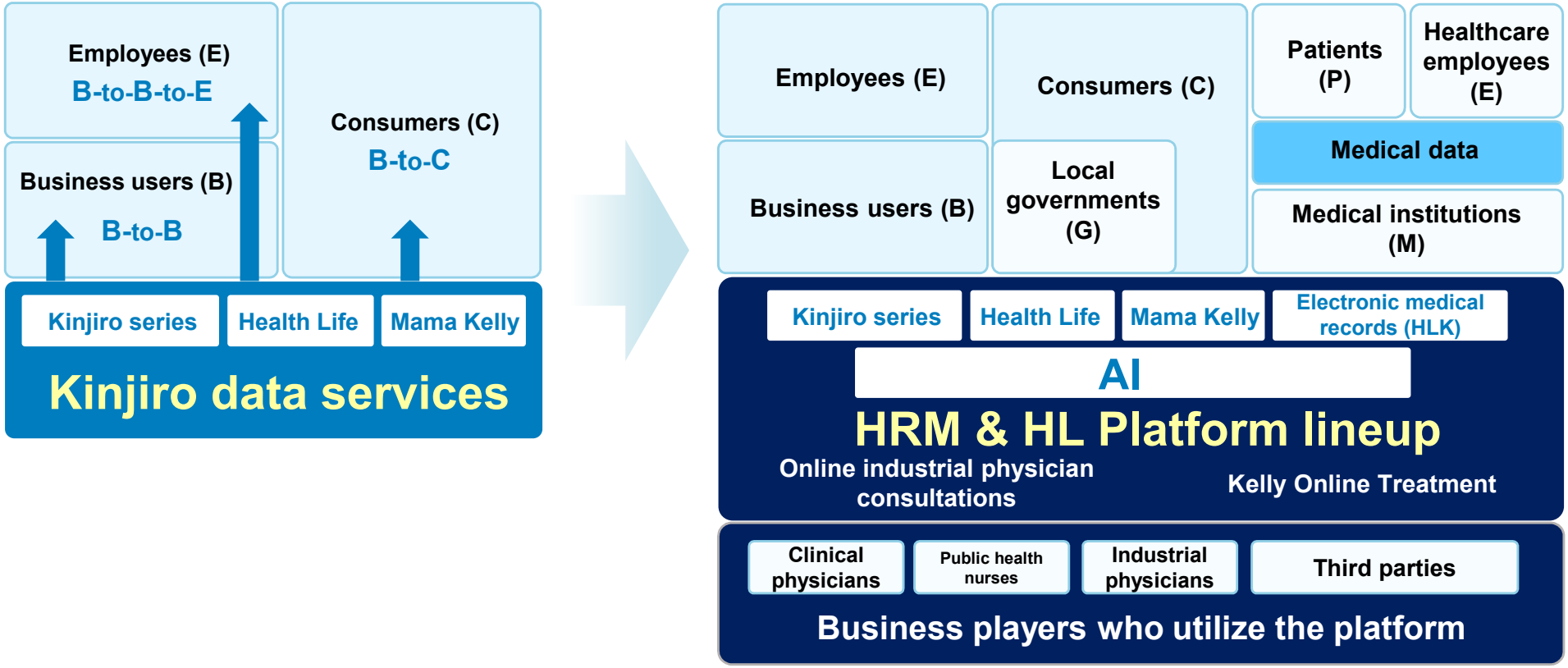
- Companies can manage vaccination status (vaccination registration and history management)
- Can instruct and encourage employees to get vaccinated (e-mails and push notifications to the *Health* × *Life* app)
  * Data can be transferred from B-to-C services



Sales Growth Strategy C-(5)

Evolution of platform business model

- Enhance health, life, and other services for employees (B-to-B-to-E) and expand services for consumers (B-to-C)
- Strengthen our function as a health & productivity management platform that can be used by industrial physicians and public health nurses with the inclusion of electronic medical records and remote treatment services



Sales Growth Strategy C-(6)

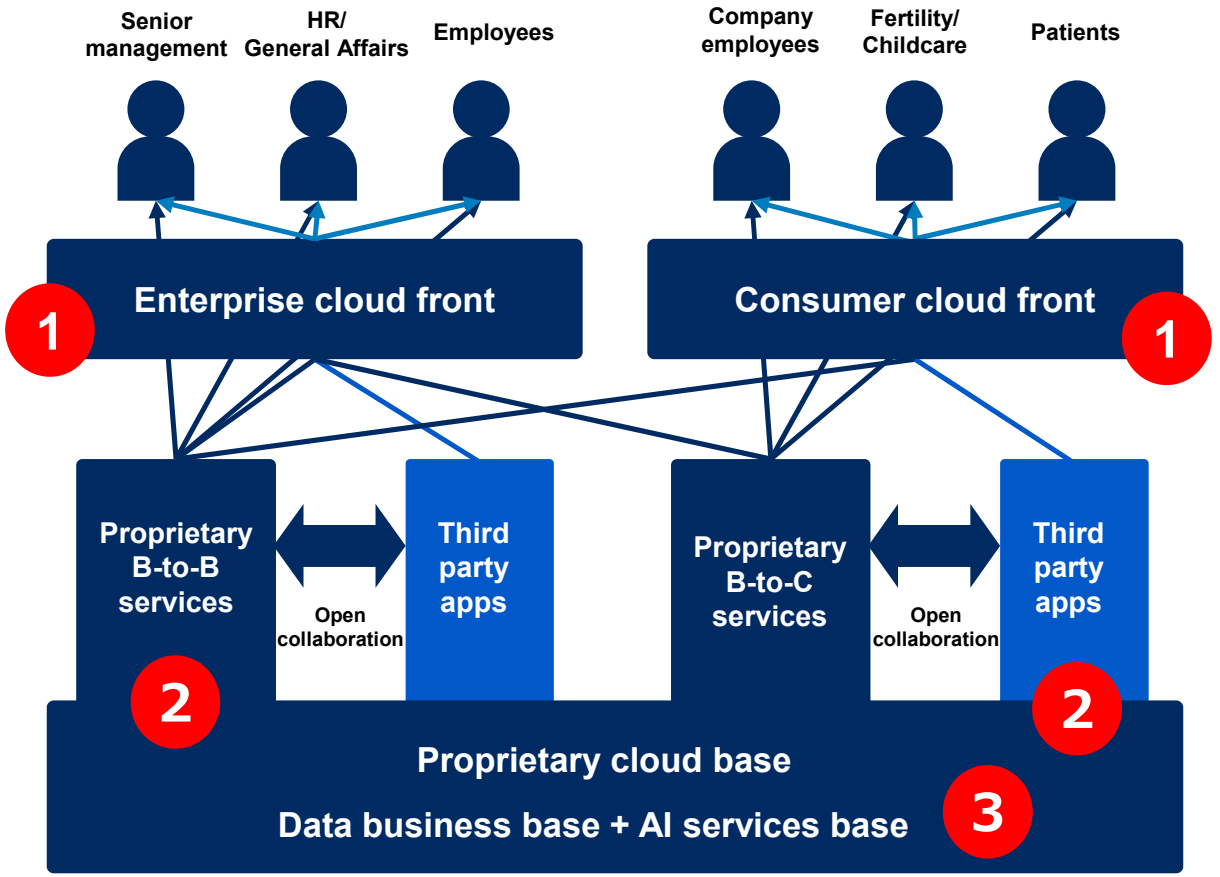
Provide other companies with apps utilizing our cloud base (release planned in FY2021 2H)

- **Utilize our company's client base as a base that our partners can reach with their app offerings, etc., thus achieving further growth**

1 Strengthen the cloud front

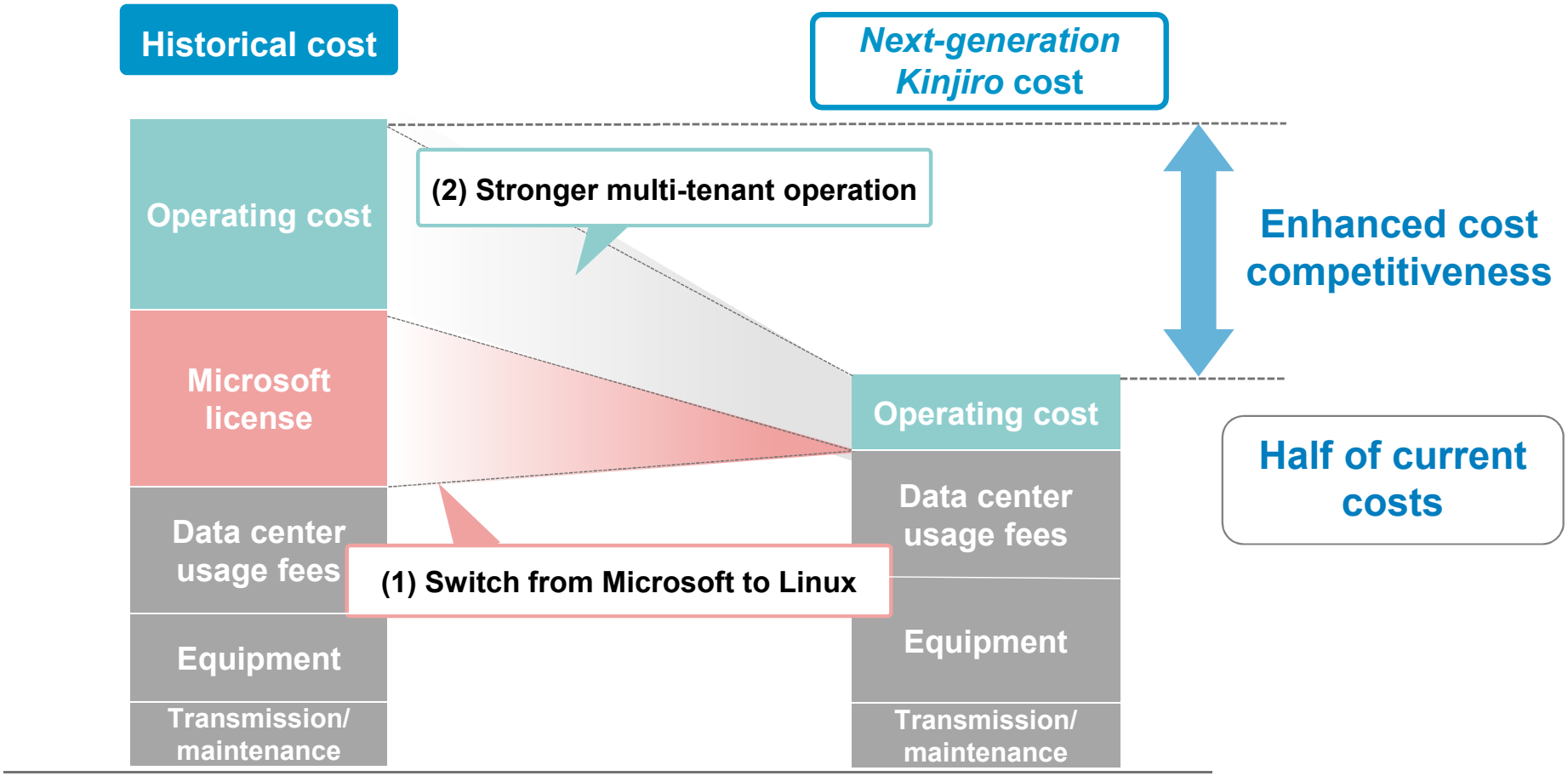
2 Evolve the cloud base

3 Data business utilizing AI



Profit Growth Strategy
Enhance cost competitiveness

- Enhance cost competitiveness through *Next-generation Kinjiro* (the provisional name for *Universal-K* (code name)), currently under development, to expand revenues and market share



We will cut operating costs in half by shifting not just new users of *Next-generation Kinjiro*, but also on-premises and cloud users of *Kinjiro Enterprise* to cloud contracts for *Next-generation Kinjiro*.

Disclaimer

To the extent that statements in this presentation do not relate to historical or current facts, they constitute forward-looking statements. These statements represent the judgement of our senior management, based on the information currently available, and involve risks and uncertainties.

Actual results may differ significantly from the outlook for performance and other matters presented here, due to various factors including economic conditions, the status of competition within the industry, and the success or failure of new services.