March 19, 2021

Karadanote,Inc.
Tatsuya Sato Executive Director
Securities code:4014

Karadanote, Inc.

Q2 Financial Results Briefing for the Fiscal Year Ending July 2021

[Number of Speakers] Tatsuya Sato Executive Director

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Presentation

Sato: Thank you for participating in the live stream of Karadanote, Inc.'s financial results briefing. I am Tatsuya Sato, Executive Director.
Today, first of all, I would like to explain the second-quarter financial results. After that, we will move on to the question-and-answer session.





Now, please turn over the materials and I will explain the table of contents. First of all, I would like to briefly explain our company, Karadanote, and then explain the business results in the second quarter of the fiscal year ending July 2021. After that, I will explain the topics and our growth potential.

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Page four introduces our company, Karadanote.
Our vision is to "support the health of the family and increase smiles." there are various life events such as marriage, childbirth, admission to kindergarten/school, employment, retirement, and life thereafter. Especially in the current situation, we target pregnancy, childbirth, childcare and life around the retirement ages and provide products that help our customers gain and keep physical and mental health, such as health management tool apps and those that help them make various decisions.
As a result, we would like to improve the grade of happiness of Japanese people starting from those life events under this vision.

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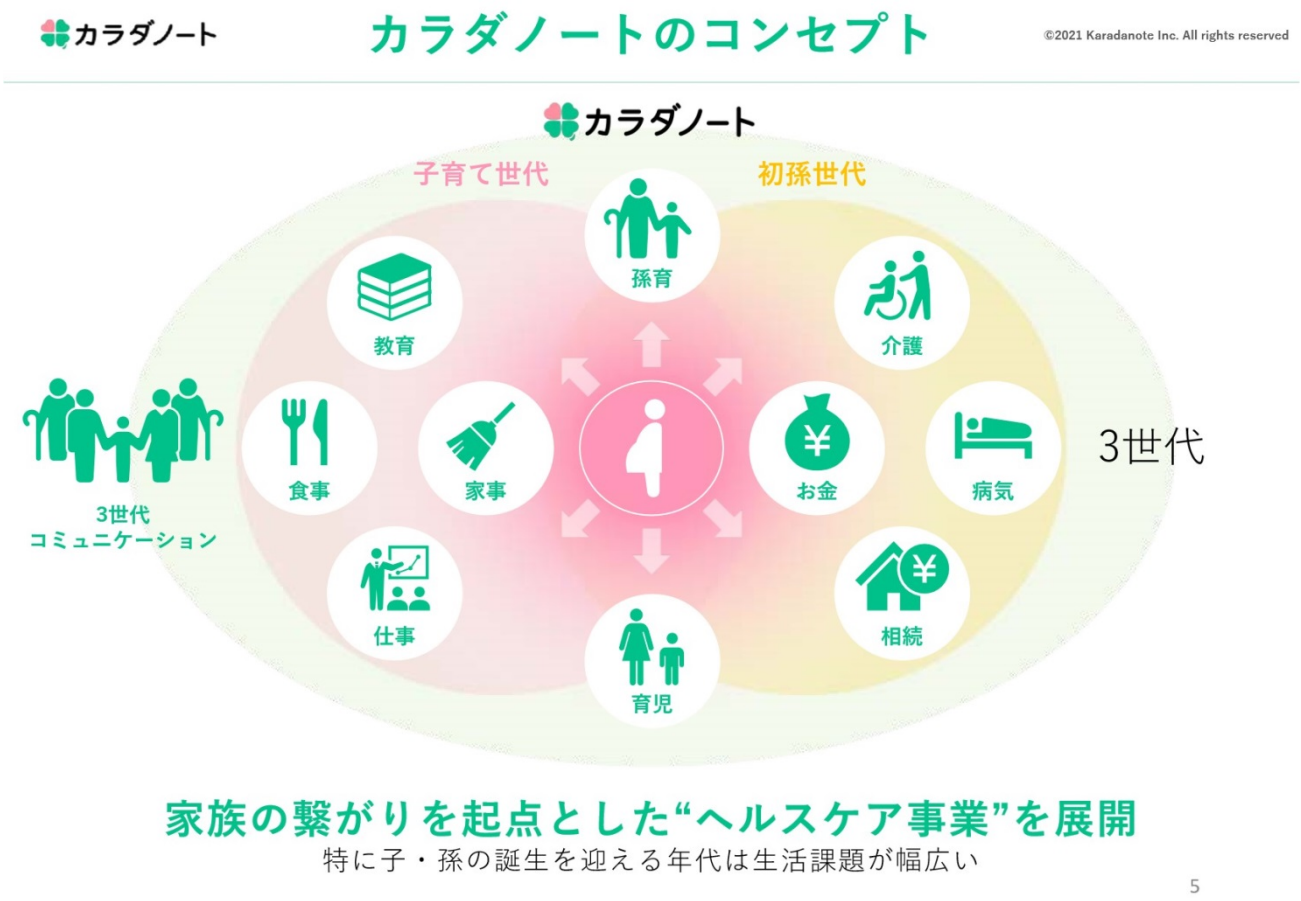

Page five shows our business concept. We define us as a healthcare business that starts with family connections and develop the business.

For child-rearing people, we provide various smartphone apps, especially for those who are worried or anxious about pregnancy and childcare, all free of charge. Among them, as described here, we help and support them ease not only such physical worries and anxieties but also the problems that occur in various decision-making phases.

In addition, we help people around retirement ages, whom we call hatsumago (the first grandchild) generations, make decisions, centering on health management apps. In terms of the health in various families, mothers are spotlighted before and after childbirth, as a matter of course. Around the retirement age, the wife may manage the health of her husband. We believe that moms and wives are the hubs of health in families in various areas, so we are particularly strengthening services for wives.

Among them, especially at the timing of the birth of children and grandchildren, there tend to be various health issues and many other problems that need serious decision-making, so we provide our products starting from the birth of children and grandchildren.

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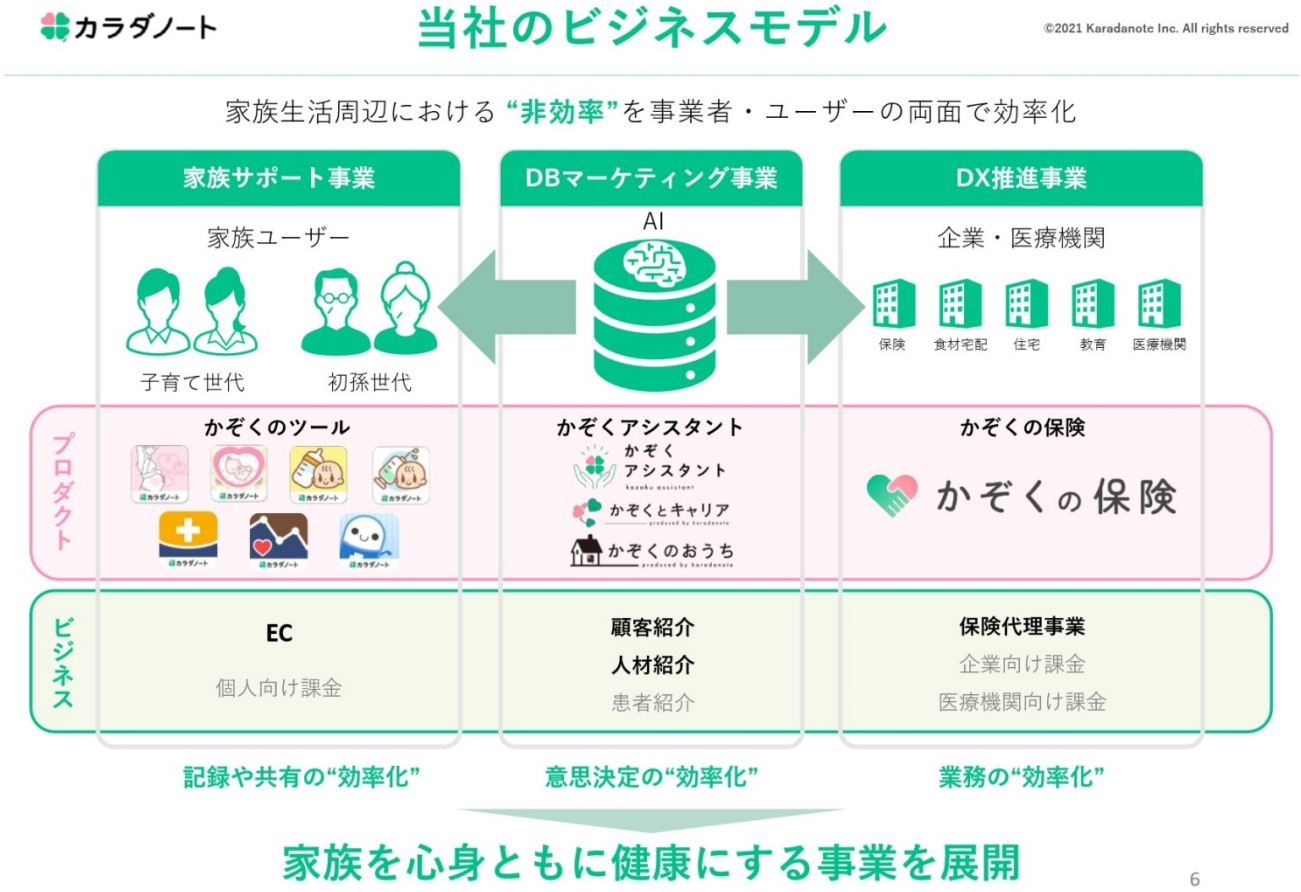

Next is an explanation of our business model. We collectively call it the Family Data Platform Business, which consists of three business areas. A common factor is that both the business operator and users transform inefficiency around family life into efficiency and the operator takes profits from what is made efficient.

First of all, the Family Support Business on the left is our founding business and the most important part. We provide various health management apps, which we define as Kazoku no Tool, or family tools, for family users, including child-rearing generations and hatsumago generations.

For example, we basically provide many health recording apps, such as pregnancy records, labor interval records, breastfeeding records, baby food records, vaccination records, and so on.

In addition, we provide hatsumago (the first grandchild) generations around retirement ages with recording apps, such as records of blood pressure control, information on medication, and taking medicines, and they are widely used by many of them.

We offer various products based on the concept of improving the efficiency of recording

and information sharing, changing the conventional records on paper into apps.

All of these are provided free of charge to users, and the two businesses on the right are the main profit earners.

Next, the DB Marketing Business in the middle is a business for attracting potential customers. Instead of the direct physical worries of users on the left, we will transform various decision-making parts that occur during their anxieties into a business in the form of attracting prospective customers to relevant sites.

As we define it as DB Marketing, rather than sending people who have really become obvious users, we first of all store data of latent users on our database, such as the timings of pregnancy and childcare of mothers or retirement, and interest and other personal information of such peopleand use AI methods like machine learning to provide relevant information on proper timings to various companies on the right side that need such information. It is a performance-based business by introducing prospective customers.

Though we had provided a variety of products, we recently gave them a unified brand name of Kazoku Assistant (family assistant). Among them, we cut out two services, Kazoku to Career (family and career) and Kazoku no Ouchi (family's house), as more vertical ones. The former is for housing and the latter is for recruitment. We provide them as stand-alone business services.

Basically, conventional operators opened booths at commercial facilities, distributed balloons to prospective customers and asked them to answer questionnaires, or they took a random telemarketing approach. On the other hand, using more efficient decision-making processes, we store data of prospective customers, find where they are interested in, and recommend at the right time that they consider buying products.

In addition, we have begun to strengthen the DX Promotion Business on the right as a new business. As mentioned earlier, we are still providing customer information to various categories such as insurance, food delivery, housing, and early childhood education, but especially in the insurance sector, we have begun to sell insurance policies under the name of Kazoku no Hoken (family insurance).

The background and reason for this are partly because our Insurance-Related Business had been faring well. We have helped insurance agencies to promote DX in our DB Marketing support. However, we were not a player, just a supporter who did not receive premiums. Instead, we have decided to develop our insurance business in a more committed manner, so we have cut out only the insurance area as Kazoku no Hoken.

While we help customer companies to become more efficient or we provide our own services as a player, we are doing the new business with the idea of firmly returning the

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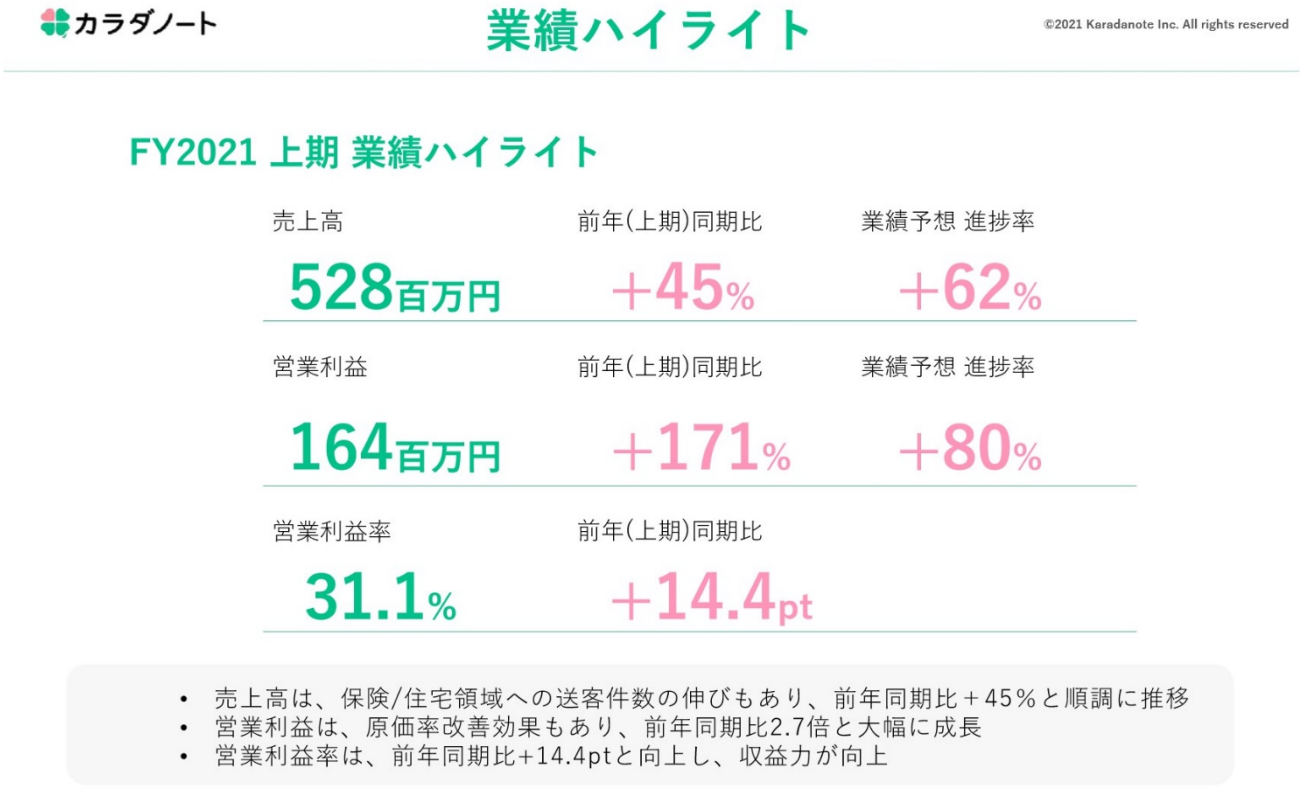
benefit of the part, which had been left untreated, to users.
The common concept to all is our vision of making the customer families healthy both physically and mentally, so we are developing our businesses with that in mind.



Now, I would like to explain our business results in the second quarter.
First of all, revenue in the first half was JPY528 million, operating income was JPY164 million, and the operating income margin was 31.1%.
Revenue steadily increased by 45% YoY, partly due to an increase in the volume of customer data sent to the insurance/housing business sectors. In addition, operating income surged 2.7-fold YoY, not only due to the top-line growth, but also due to the effect of the improved cost-to-revenue ratio. The operating income margin improved significantly, up 14.4 percentage points YoY.

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カラダノート

業績サマリー 四半期

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売上高は前年同期比で＋35%、営業利益は前年同期比で＋83%
前年同期比で売上高・利益共に大きく成長

(単位：百万円)	2021.7 第2四半期	2020.7 第2四半期	増減
売上高	246	182	+35%
営業利益	49	26	+83%
経常利益	48	26	+79%
当期純利益	31	17	+80%

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Next is a summary of the quarterly earnings. Revenue was up 35% YoY, and operating income was up 83% YoY.

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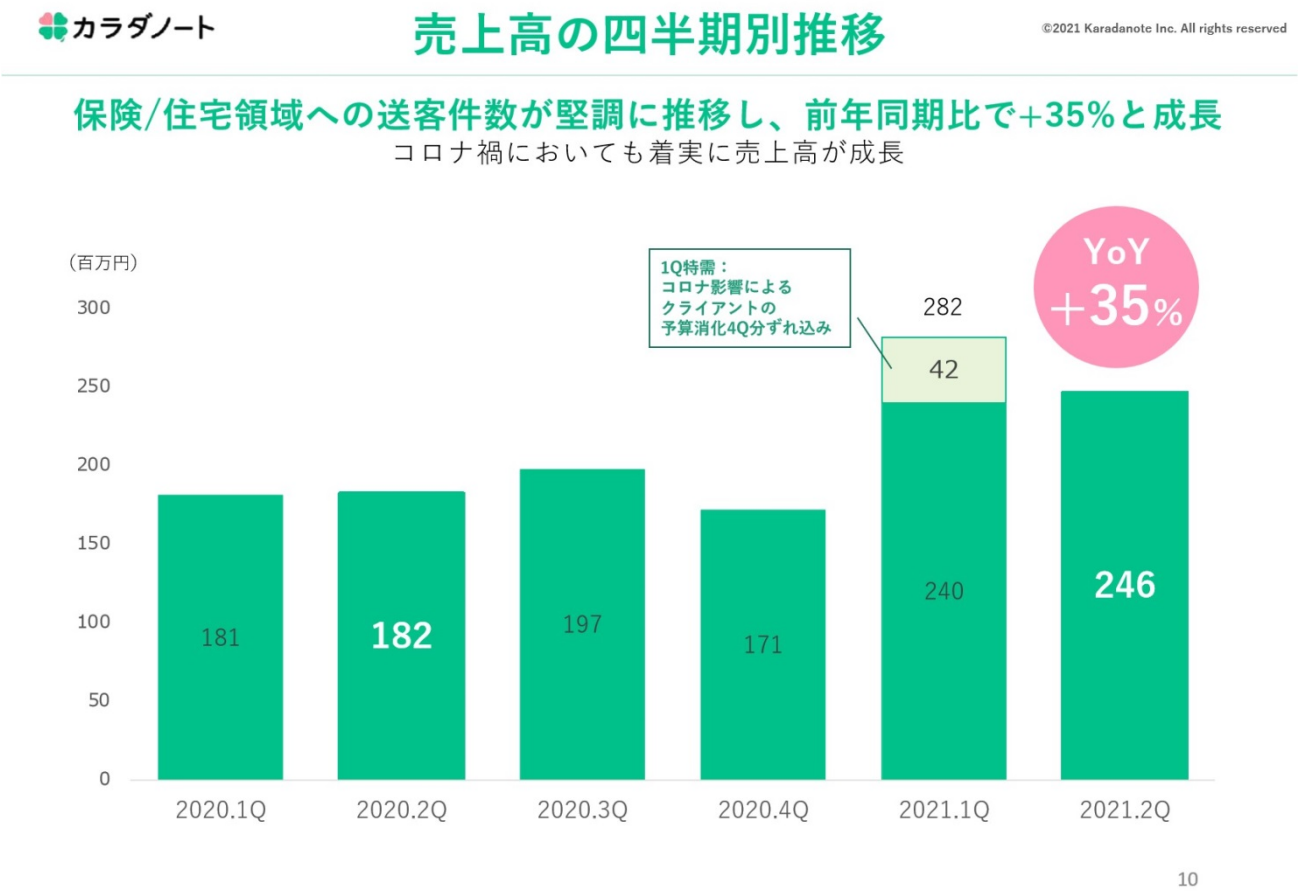

Next, please look at the quarterly changes in revenue.
As a result of the steady volume of customer data sent to the insurance/housing areas, revenue grew 35% YoY, but it incurred a fall from the previous quarter. However, revenue in the first quarter increased partly because client companies used their budgets, which had to be used in the fourth quarter of the previous fiscal year, delayed by COVID-19.
In addition, although our main business is to provide data of prospective customers, first of all, we introduce prospective customers when we obtain new client companies, but in the end, many clients increase their budgets for the first time after they have confirmed final results of our conduct, such that introduced customers have concluded insurance contracts or purchased houses.
Therefore, even if the number of new customers increases, there will be a gap until the budgets are increased or we conduct further growth. So far, we have shown step-by-step grown rather than smooth growth like a slope. At present, we are expanding the number of trading partners and preparing various things toward the next step of growth.

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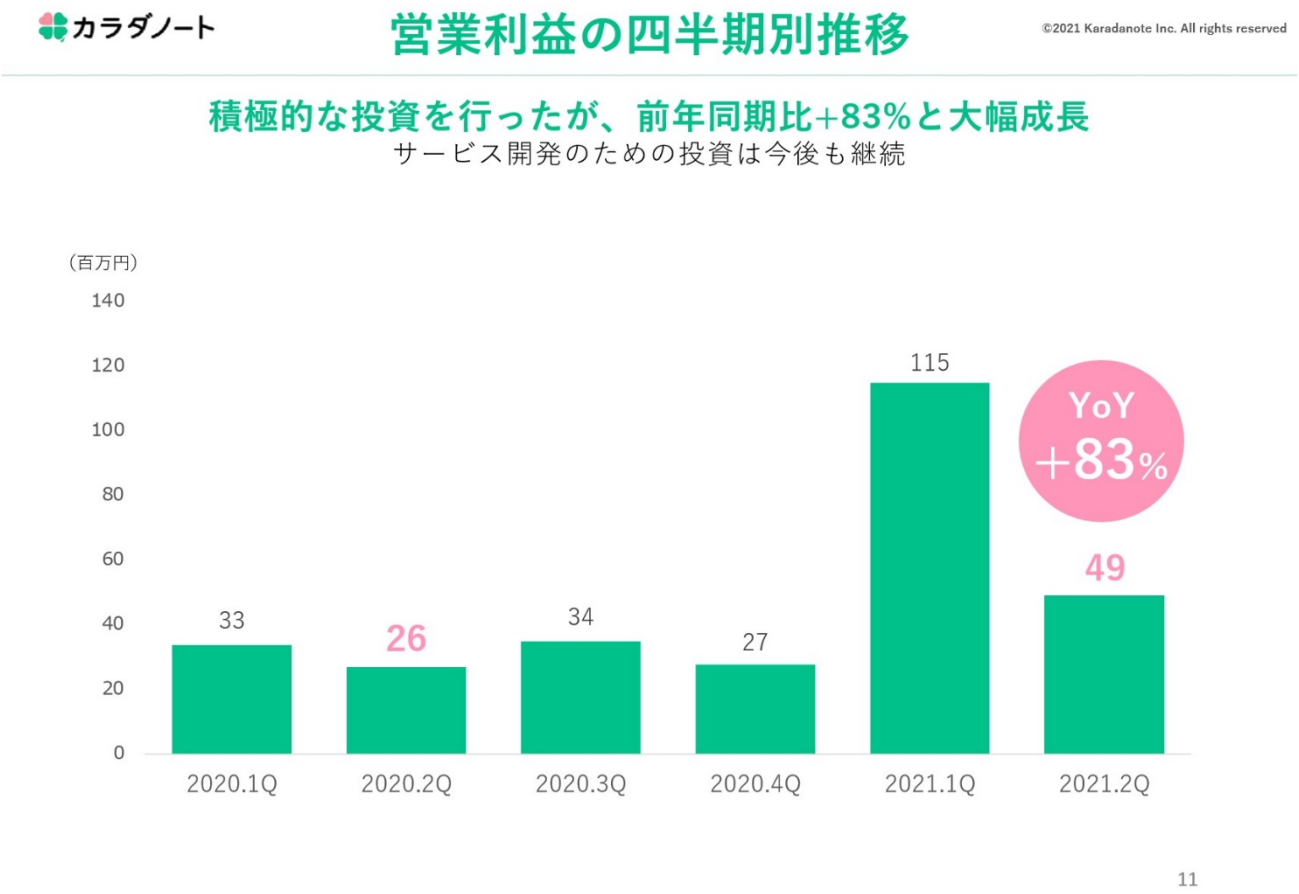

Next is the quarterly trend of operating income. As stated, we enjoyed a significant YoY increase of 83% as we made aggressive investments. However, the result was down QoQ.

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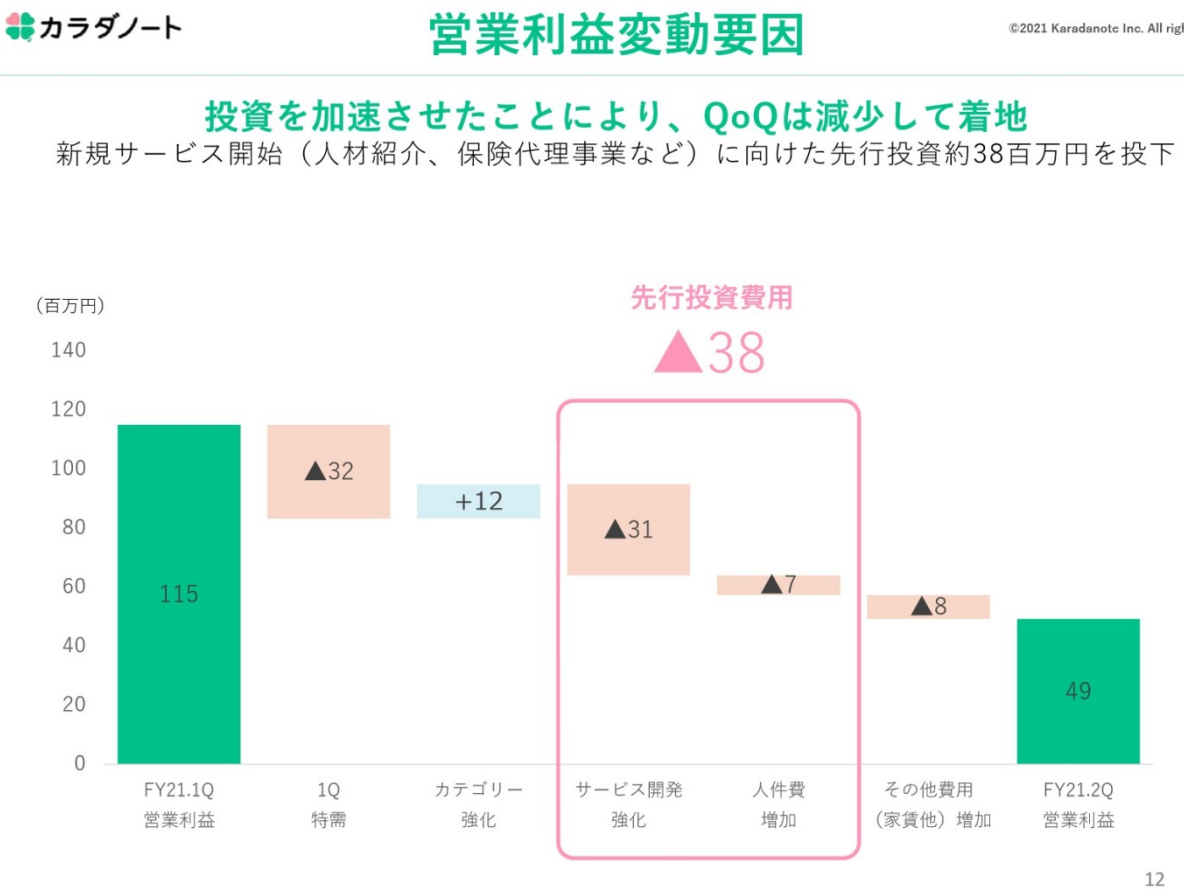

Page 12 shows the factors behind operating income.
By accelerating the investments, it incurred the QoQ decline. This decline partly reflected upfront investments, such as advertising expenses and development, in the businesses we have disclosed in the past month, such as the start of new services of recruitment and Insurance Agency Business.
I think we are at a stage of having to expand the top line further, so we would like to make firm investments while properly controlling the profit part and the investment part.

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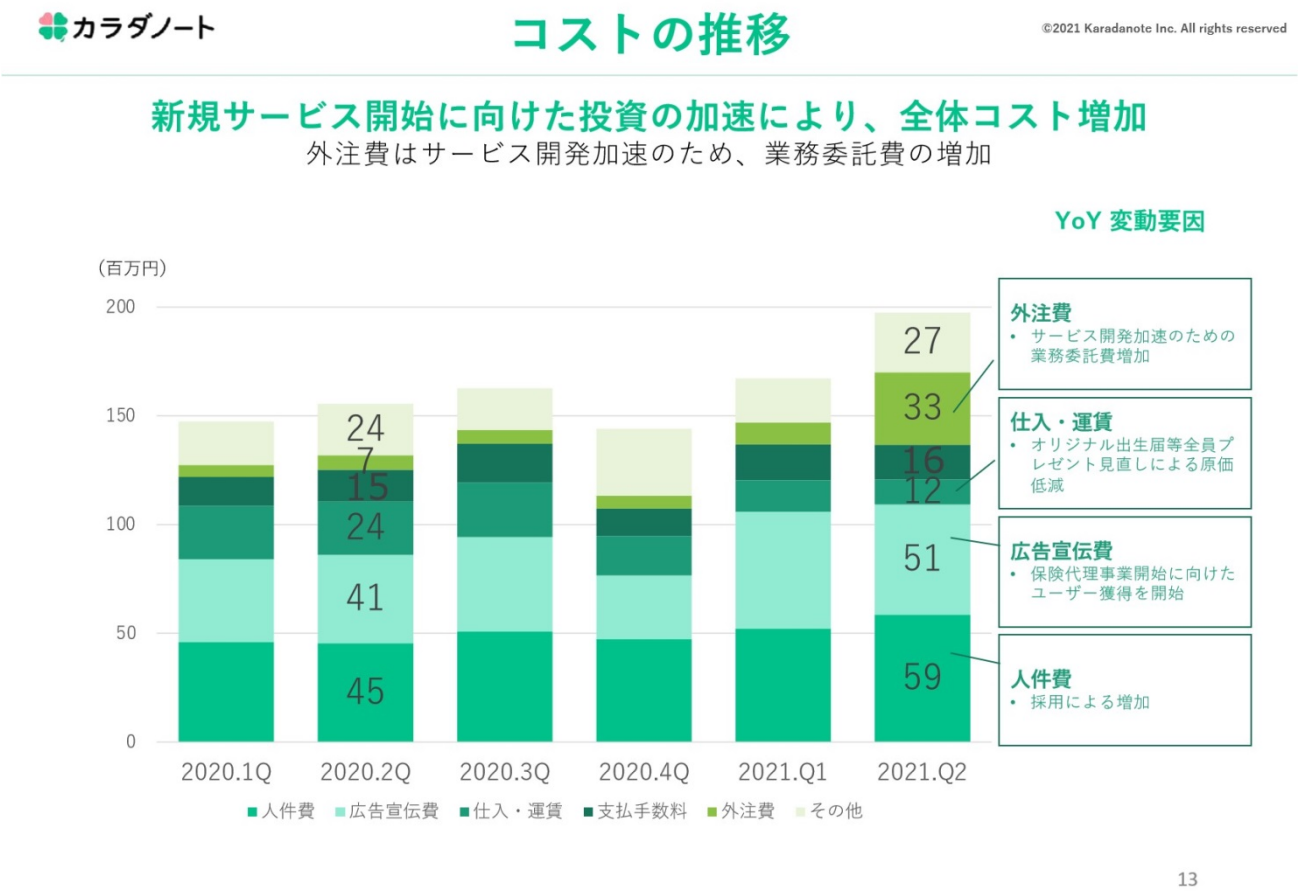

Next, page 13 shows the breakdown of costs. There is some overlapping with what I have just explained, but when compared with the same period of the previous year, the focus is on rises in outsourcing costs, advertising costs, personnel costs, and other costs due to an increase in the number of internal staff.

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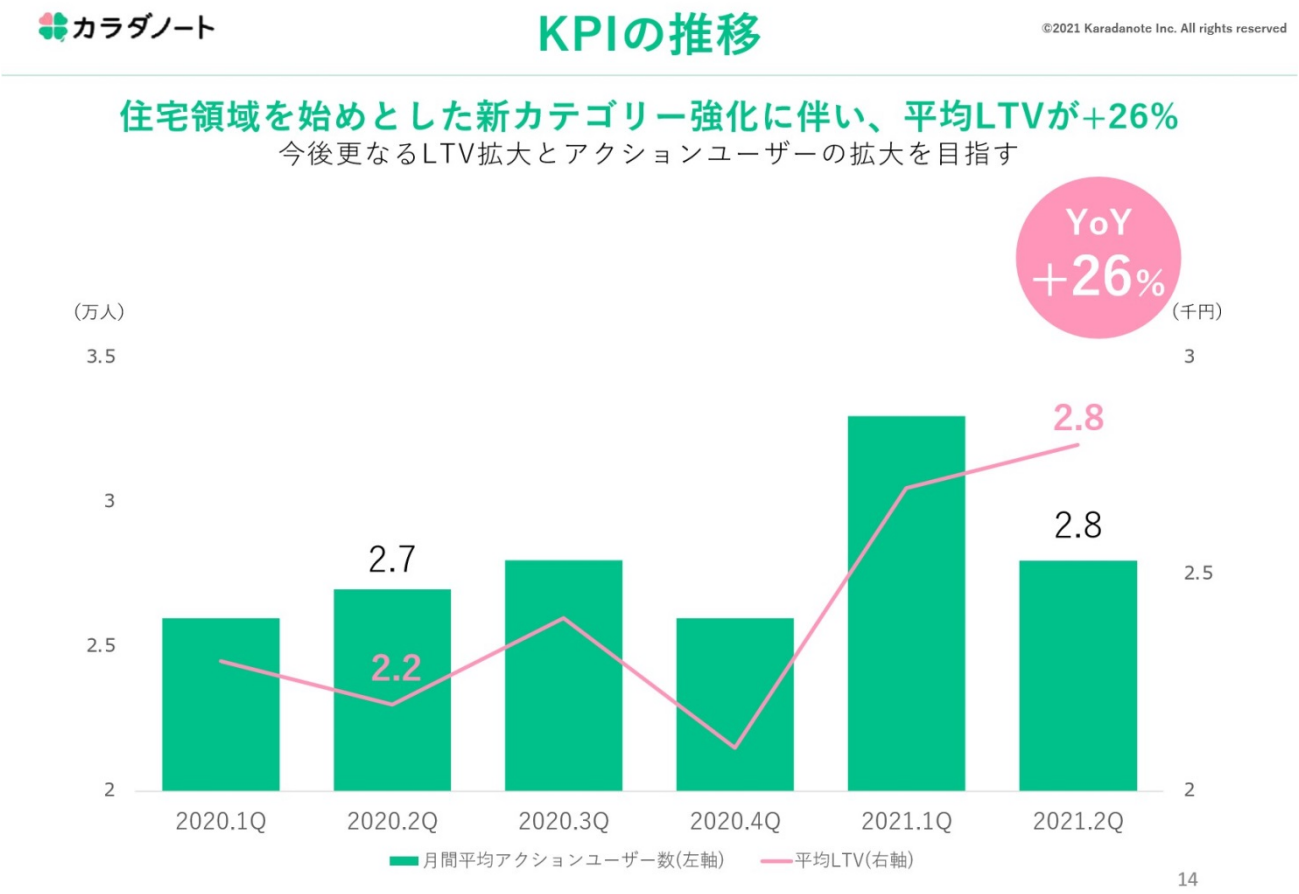

Next, page 14 shows the transition of KPIs.
With the strengthening of new categories such as the housing area, the average LTV increased 26% YoY. Here, first of all, by increasing the LTV, it will be easier to allocate a promotion budget and development investments. By doing so, we would like to increase the average number of monthly action users. Since we operate a performance-based business, revenue is calculated by multiplying the number of action users by the LTV. First of all, we are focusing on the growth of LTV.

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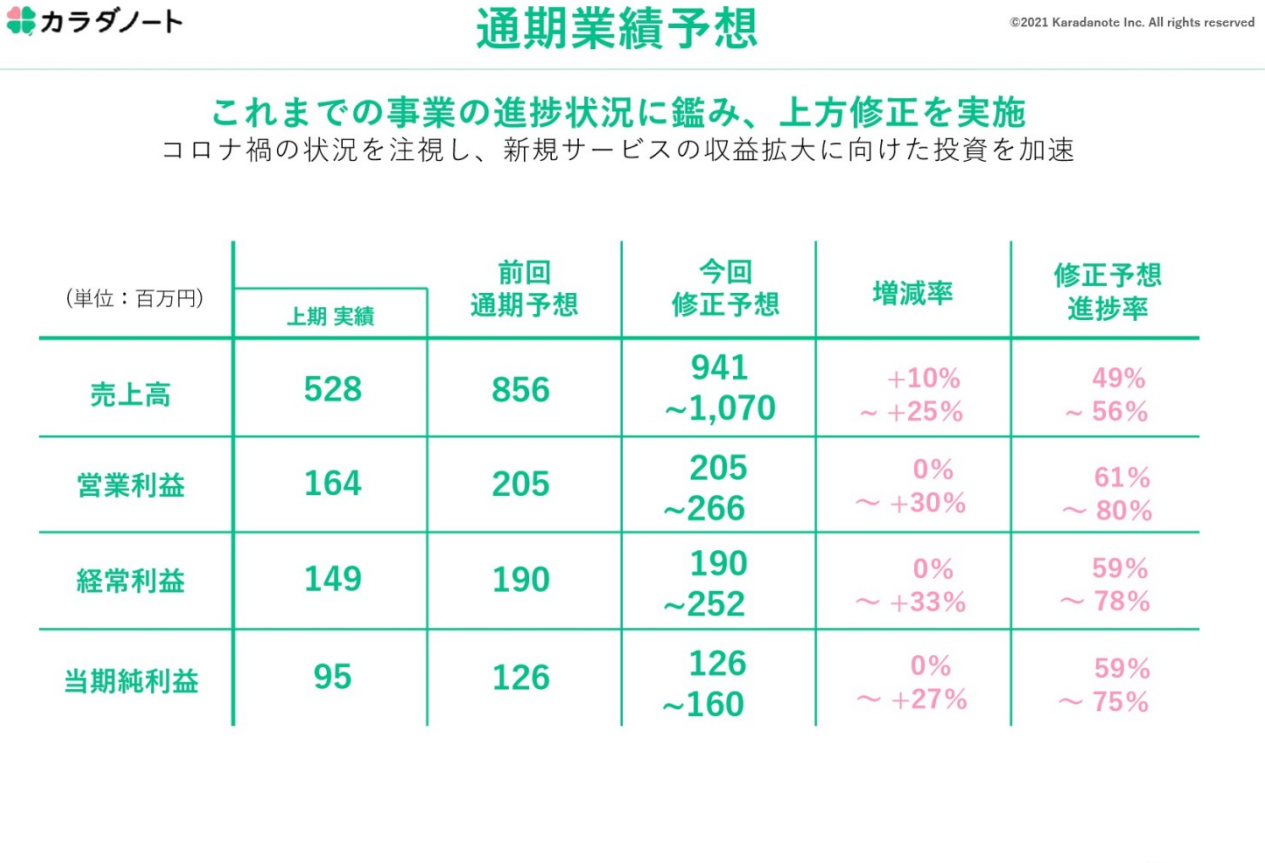

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Next, on page 15, we showed the revised full-year earnings forecast.
As we disclosed today, we have made upward revisions to the earnings forecast in light of the progress of the businesses up to 2Q. However, since we will make investments to increase the profitability of the new services, while paying close attention to the situation of COVID-19, we have disclosed the newly forecast figures in certain ranges.
First of all, we raised the forecast for full-year revenue from JPY856 million to a range between JPY914 million and JPY1.07 billion. Regarding this range, we will basically make efforts to end up in a higher level, but as I said earlier, there are uncertainties amid COVID-19, and we have factored some risks.
We revised our operating income forecast from JPY205 million to a range between JPY205 million and JPY266 million. As I mentioned earlier, we believe that this will fluctuate depending on the future investment situation.
Basically, we would like to accelerate investments for top-line growth from the next fiscal year onward, but for example, investments may not proceed as planned in various aspects such as recruitment, or some of the planned investments may be delayed. Because of this,

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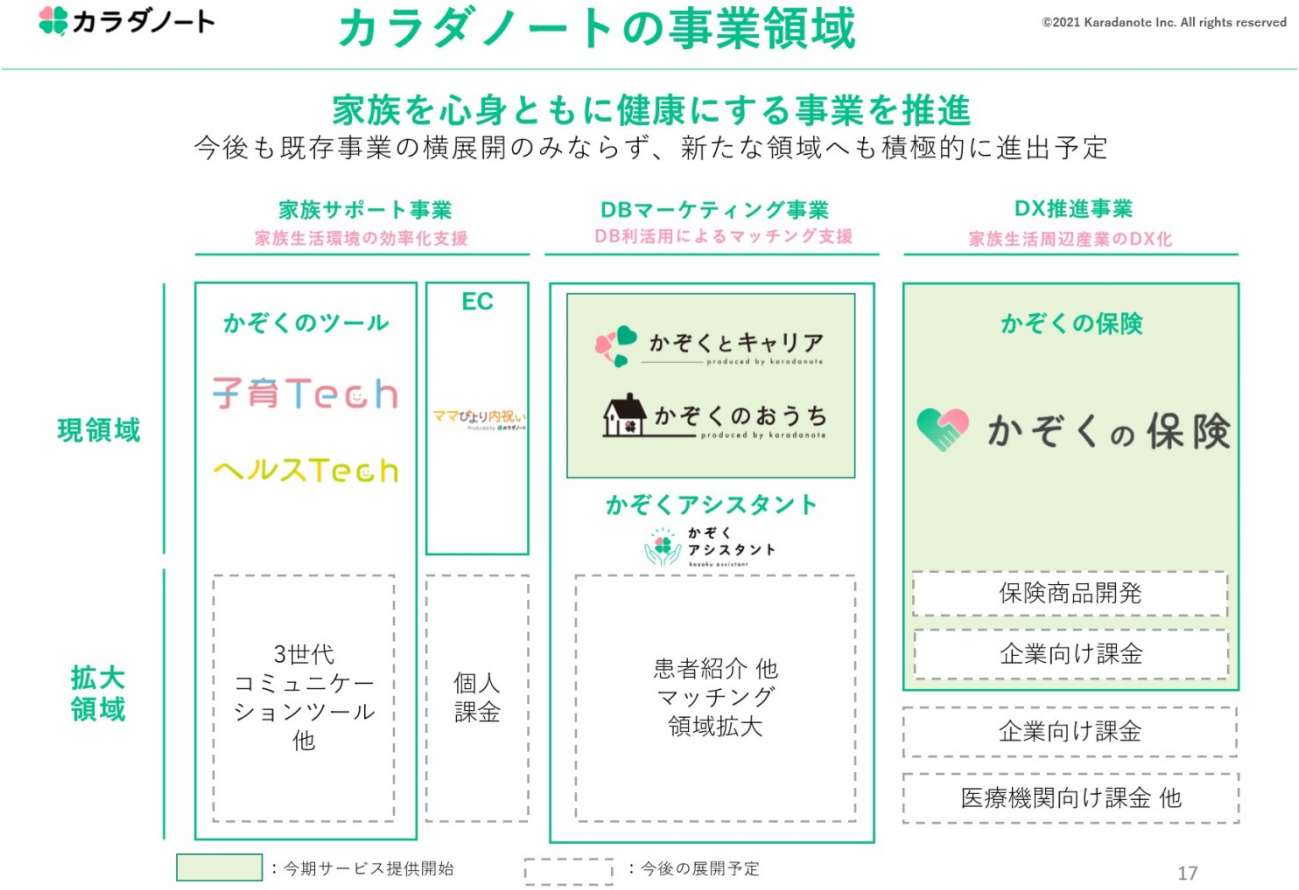
we have shown this forecast range of operating income.
The same applies to ordinary income and net income.
Now, let me explain the topics from here.



Page 17 is again an explanation of our business areas.
We want to promote businesses that make everyone's family healthy both physically and mentally. Previously we defined our business as a Family Data Platform Business. However, there were opinions that our description was hard to understand, and we should disassemble the business to smaller parts on such occasions as at the road show at the time of stock listing and the financial results briefing for 1Q. As a result of the firm division and showing it in a more understandable way, we have begun to introduce the business in three parts.
The first is the Family Support Business. As I explained earlier, we provide products directly to general users, and in many cases, we offer them free of charge or in some cases with user charges.
Currently, we provide two categories of tools for family members: KosodaTech for child

rearing and HealthTech for health management and records. As for ecommerce, we offer an ecommerce service for childbirth celebrations.

As areas of expansion in the future, we plan to strengthen communication tools for the three generations and services and products closer to HealthTech. Also, regarding personal billing, we are considering not only ecommerce but also real billing rather than online billing on apps.

What we call the DB Marketing Business had no particular name until the previous quarter, and we introduced it in the form of a customer data providing business. We used to conduct a questionnaire campaign with gifts. From the current year, we named the clear name. We define it as Kazoku Assistant (family assistant).

As we would like to assist decision making by families as a kind of escort runner, we gave our service this name and we would like to make proposals that suit users at a more appropriate timing. We will focus on supporting not on decisions that have become evident, but on a potential need for decisions at a necessary timing in a moderate way.

As I introduced earlier, in the current year, we started to provide the new services of Kazoku no Ouchi (family's house) and Kazoku to Career (family and career), which are shown in green on page 17.

Regarding future expansion areas, we are currently focusing on providing data on prospective customers, but previously we offered a service to introduce doctors to patients in recommending that they go to see the doctors. This time, we are expanding various business areas on the opportunity of stock listing, so we would like to resume the recommendation service for clinics.

Finally, regarding the promotion of DX, as I mentioned earlier, we have started Kazoku no Hoken (family insurance) as we wanted to join the insurance business as a player.

However, we have joined this Insurance Agency Business not as an independent insurance agency, but for a joint insurance agency business with partners. This is because we have difficulty in providing some parts of the insurance services like holding FPs. While supporting digital efficiency improvement, we would like to exert our power to reduce user stress and improve the work efficiency of insurance agents.

In addition, as future development, we would like to develop insurance products on our own, and start a billing business for companies, including insurance agents.

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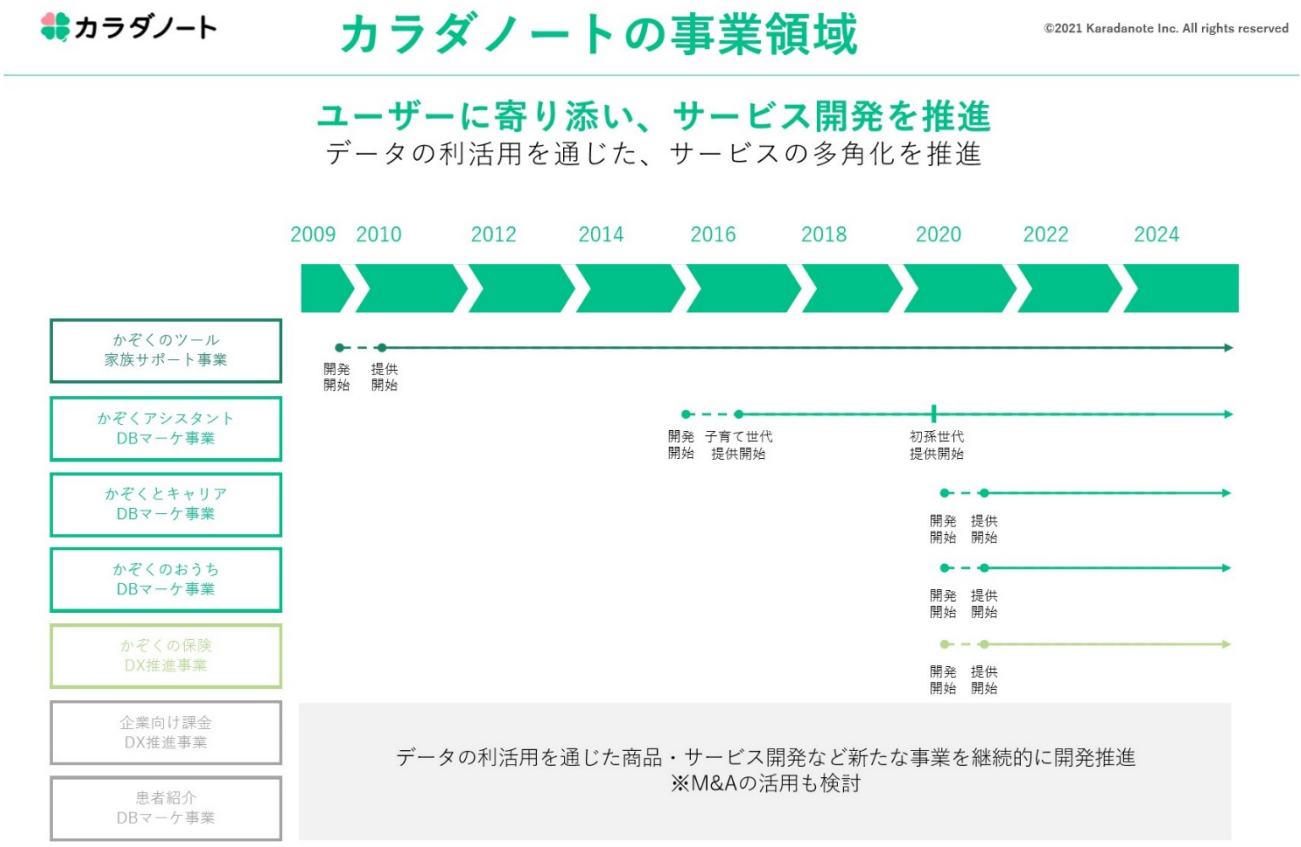

Next is the progress of the business areas on page 18. Again, we are working closely with our users to promote service development and accelerate our businesses.
So far, starting from Kazoku no Tool (family tool), which is the Family Support business, we have been developing Kazoku Assistant (family assistant), Kazoku no Hoken (family insurance), and the DX Promotion Business in sequence. In the future, we would like to accelerate the areas that we could not do before, such as billing for companies and referrals of patients. Against this backdrop, we would like to consider the use of M&A and keeping active investments.

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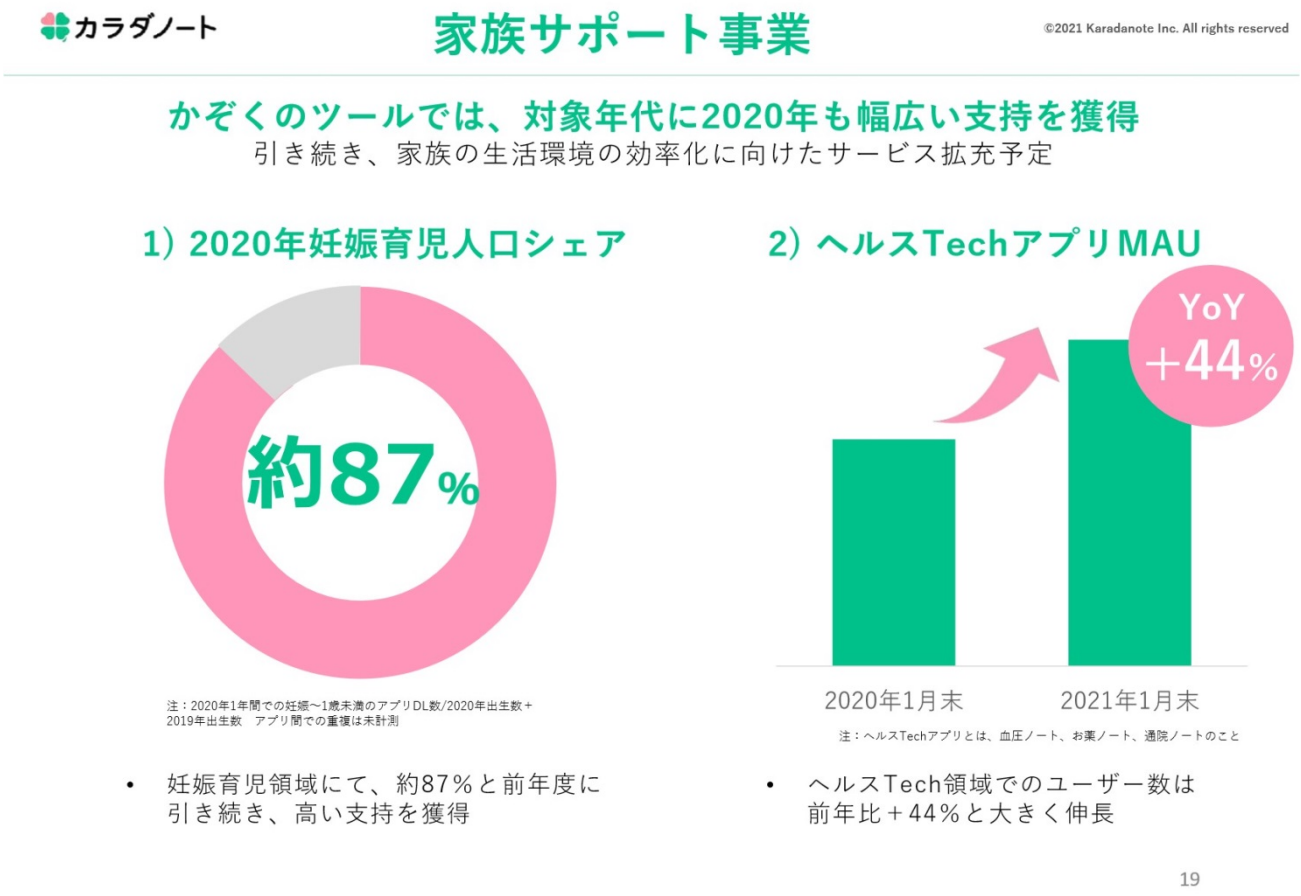


Next, I would like to talk about the topics of the Family Support Business.

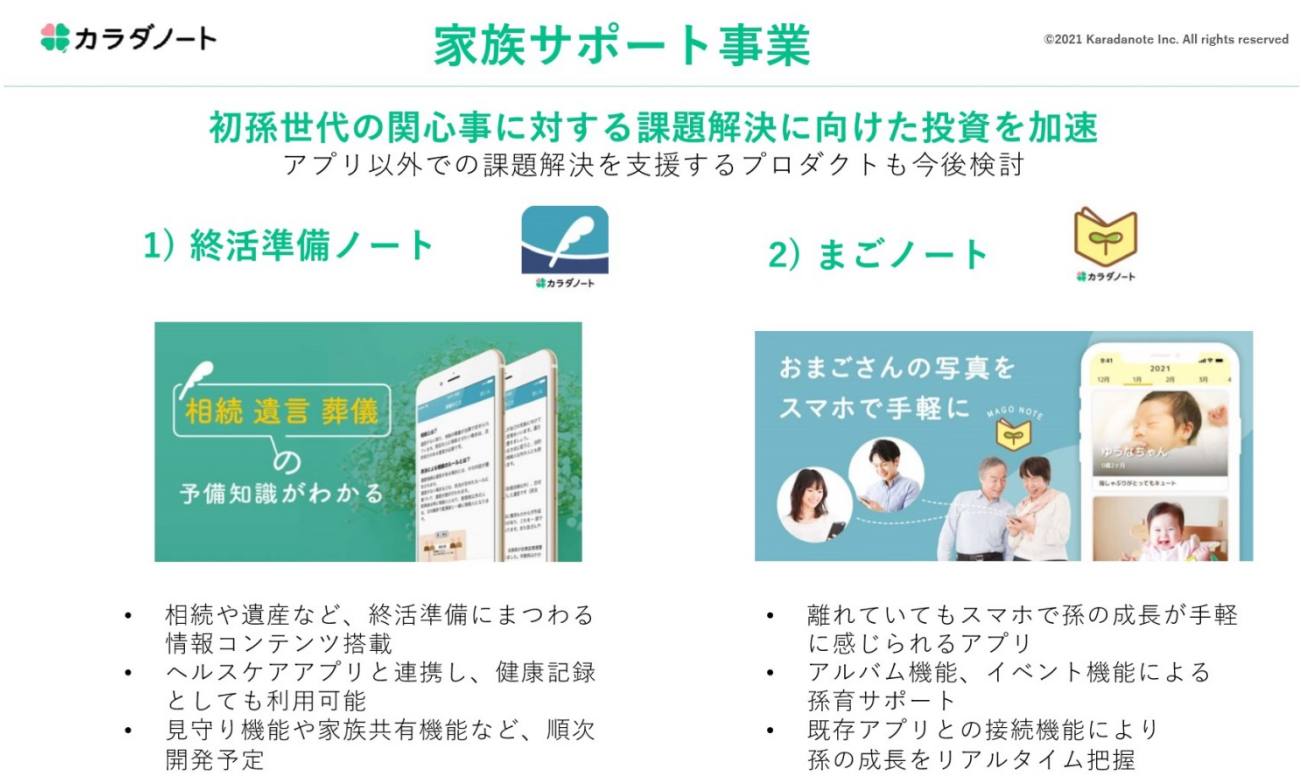
Regarding Kazoku no Tool, we received widespread support from the target generations in 2020.

We offer the two main services, KosodaTech and HealthTech. First of all, in the field of KosodaTech childcare technology, as I explained at the road show, we covered about 87% of the whole population of pregnant women and those engaging in childcare in 2020, the same level as in 2019. After all, due to the problem of declining birthrate, the number of denominators for the percentage is decreasing, but on the other hand, we are still enjoying a high share.

In addition, as described specifically there, MAU of the HealthTech app, which is a health record app for blood pressure, medicines, and hospital visit records as outpatients. Compared to the end of January last year, MAU were up 44% YoY. This was largely due to demand for handy management and records of health conditions amid the COVID-19 pandemic.

On the other hand, there are still some areas that have not been linked to profits, so we

would like to focus firmly on these areas and link them to monetization and further product growth.



Regarding HealthTech, among others, we are accelerating investments for the hatsumago (the first grandchild) generations to solve problems related to their concerns. In the future, we would like to actively solve problems using other measures than the app, but we would like to keep providing the app for the time being.

One thing is the end-of-life preparation notebook, which allows the user to keep records of his/her preparation, knowledge, and health regarding the end of life. In the future, we would like to strengthen the watching function from younger generations who have delivered babies as well as the family-sharing function.

The other is the mago (grandchild) notebook. Traditionally, there was a sharing function for the pregnancy and childcare apps, but in some cases, for example, grandparents had to download breastfeeding records. Instead, we have started offering the mago notebook in response to the need from grandparents for watching only photographs of their grandchildren.

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In the future, we would like to strengthen the cooperation function with all existing apps and develop a service that allows grandparents to grasp the growth of their grandchildren on a real-time basis.



Next is the topics of the DB Marketing Business. We are strengthening services that support particularly large family decisions in life events.

This time, we have released the two services, Kazoku to Career and Kazoku no Ouchi, both of which see strong user needs reflecting their great worries and anxieties over their profession and housing issues.

First of all, regarding Kazoku to Career, work is a part of life where a lot of time is spent, and I think that earning money is a solution to a big monetary problem, so we started the service. From our side, among workstyle reforms, we would like to help particularly people, who are going to have children, establish their careers.

Regarding the other service, Kazoku no Ouchi, we were expanding the number of customers in the housing area from the previous quarter. Thanks to the effort, the number of partner companies has expanded from 17 to 67. Since the number of companies

increased very much, we have started the business called Kazoku no Ouchi by cutting out only that part.



Finally, regarding the topics of the DX Promotion Business, as I mentioned earlier, we have entered the insurance agency business. We have started to provide the service not because we simply want to do insurance agency business, but because we want to support the health of our customer families by supporting the insurance area, which accounts for a large proportion of household expenditures.

Therefore, when it comes to family insurance, we will operate not only the Insurance Agency Business, but as I mentioned earlier, we will also consider designing insurance products, particularly a type of insurance that can support issues before and after childbirth. We may not be able to do it alone, but we would like to announce it after forging an appropriate alliance.

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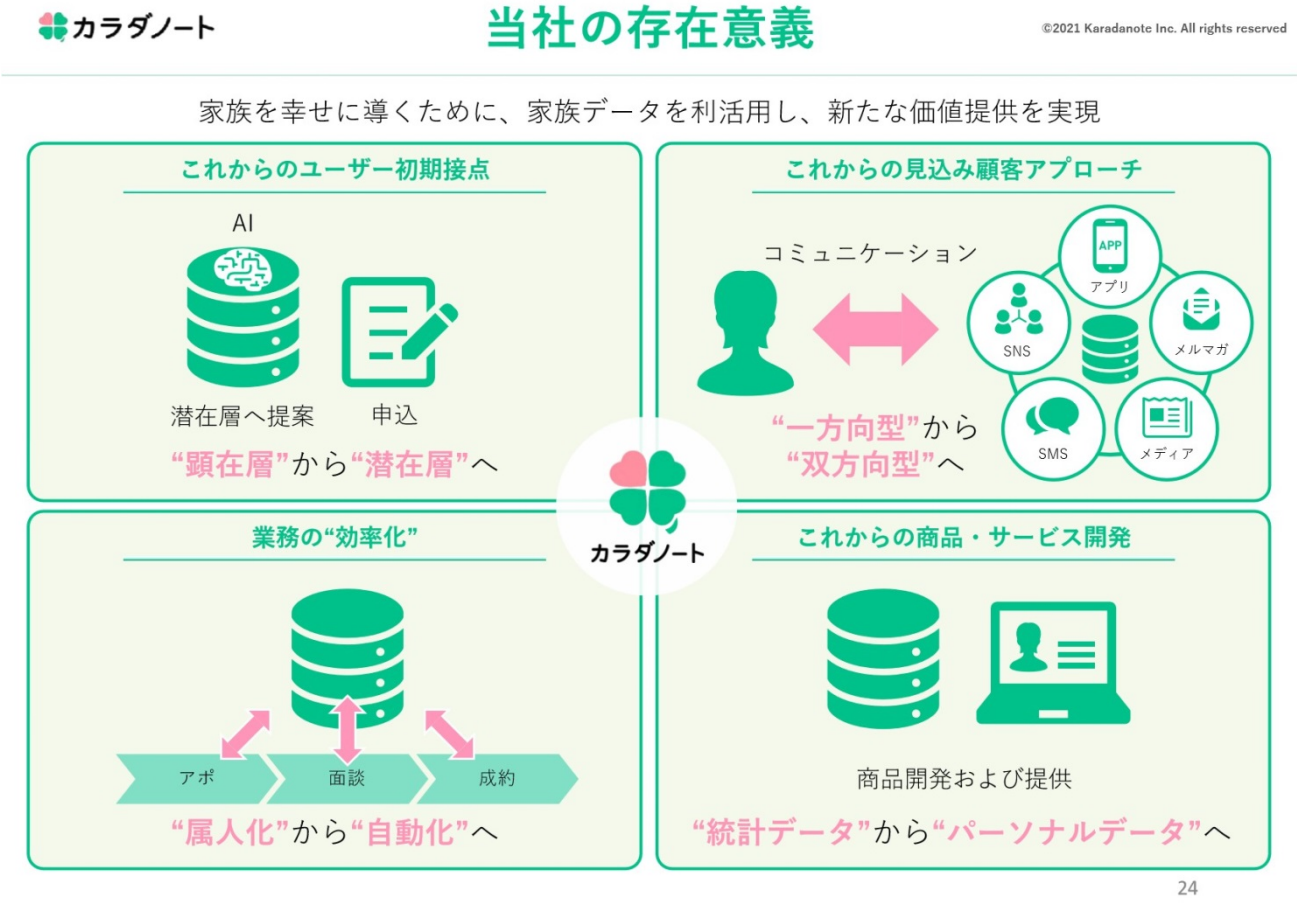

Finally, I would like to reiterate our growth potential.

On page 24, which shows the significance of our existence, we would like to utilize family data and provide new value to lead our customer families to happiness.

In the past, in the business areas in which we are currently expanding, there have been a lot of websites and web services for the actual layer of possible users, such as collective comparison sites and collective document request sites.

However, as marketing using databases, AI, machine learning recommendations, and others are evolving, I would like to say that instead of picking up possible users by web search, we should acquire life event data and encourage possible users to buy products or services at the right time. Since it is important to guide the latent layer, which is comprised of less possible users, to applications for products or services, we assume that the initial contact with users will shift from the actual layer to the latent layer, and we are approaching this contact point.

Also, in terms of the DB Marketing, for example, early childhood education companies and health food companies used to acquire personal information, send direct mail to

households, and attract customers with samples or brochures. There was a lot of marketing cases via DM.

Rather than communicating from one direction like that, we would like to raise user motivation by using apps, e-mail newsletters, social media, and so on, although we will also use DM as needed. We would like to communicate with prospective users so that they will take actions and submit applications.

There are two kinds of DX promotion businesses.

First is the efficiency of operations. Especially in the insurance field and from the perspective of raising the grade of target customers from among other prospective customers, there are cases that it is very difficult to conclude contracts because salespersons have personalized the information and procedures too much. Those who are doing BtoC small businesses have many analog parts where DX has not advanced. We would like to provide the parts that are to be automated in shift from the personalization as added value.

Finally, product/service development. When it comes to providing insurance products, there are many cases where statistical data are provided. However, people who take health records, not only blood pressure data, but also records of breastfeeding or baby food, are highly conscious of health issues and they have low health risks. We would like to provide insurance products that are likely to be preferred by such people.

We believe that we will be able to bring out our value as provided with a data shift from statistical data to personal data.

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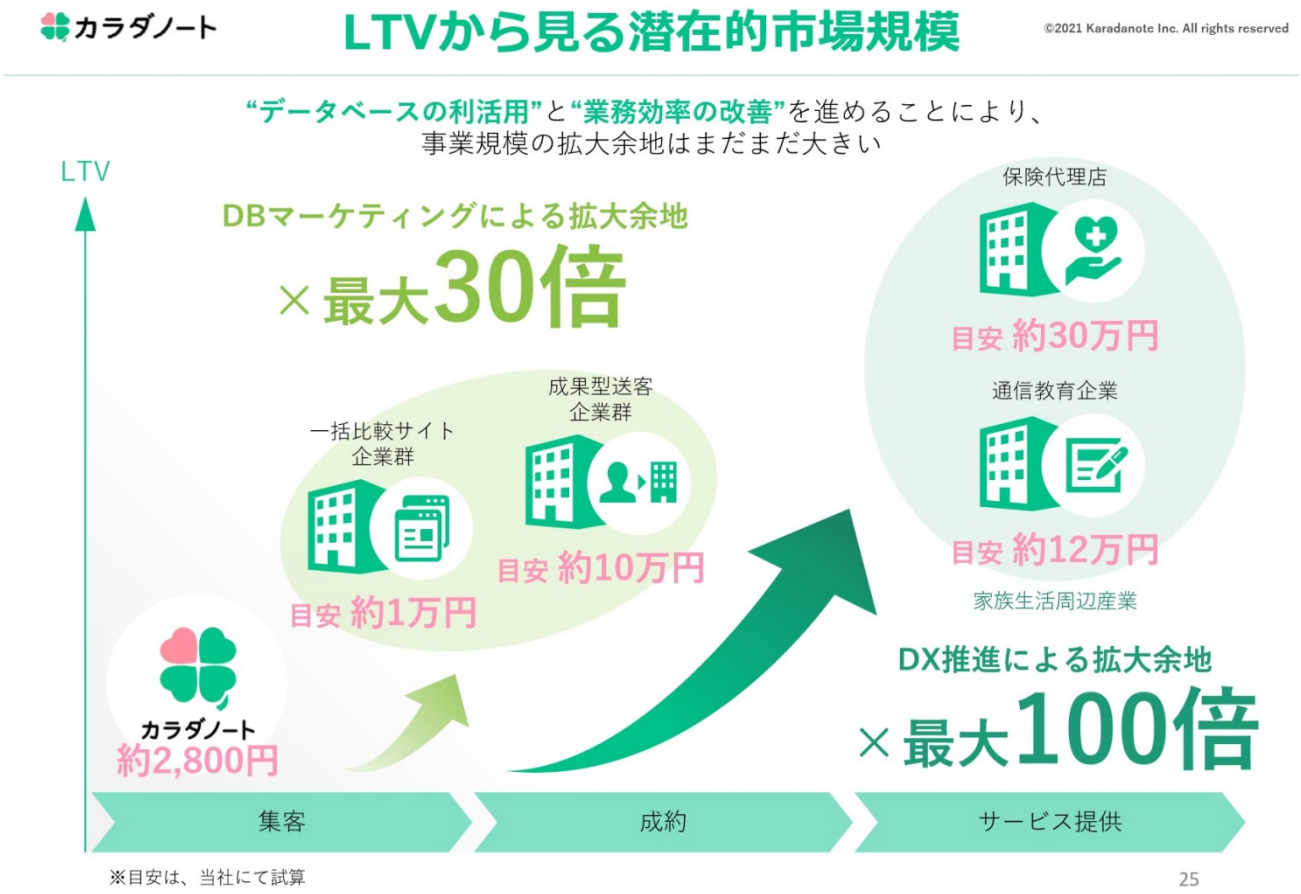

Next, I would like to explain the potential market size seen from the LTV.
As I said earlier, first of all, we are expanding our business with DB Marketing. Revenue is the LTV multiplied by the number of action users. The current LTV is about JPY2,800. As I explained it during the road show, we would like to raise this to the JPY5,000 level as soon as possible. A basis for this is that a company operating a collective comparison site system takes nearly JPY10,000 with a single action in many cases. After all, since its service targets the actual layer of possible customers, it naturally charges such a unit price at that timing, but if we take an appropriate approach centered on the life event data of the latent layer of less possible customers, the LTV that can be accumulated on those people will be nearly JPY10,000.
Also, when it comes to introducing prospective customers, if you commit to the purchase of final results not by stopping at the introduction, but by making it a result-based customer data provision, a company engaging in a vertical comparison site is enjoying an LTV of as much as JPY100,000. So, we would like to expand our business to that extent with DB Marketing.

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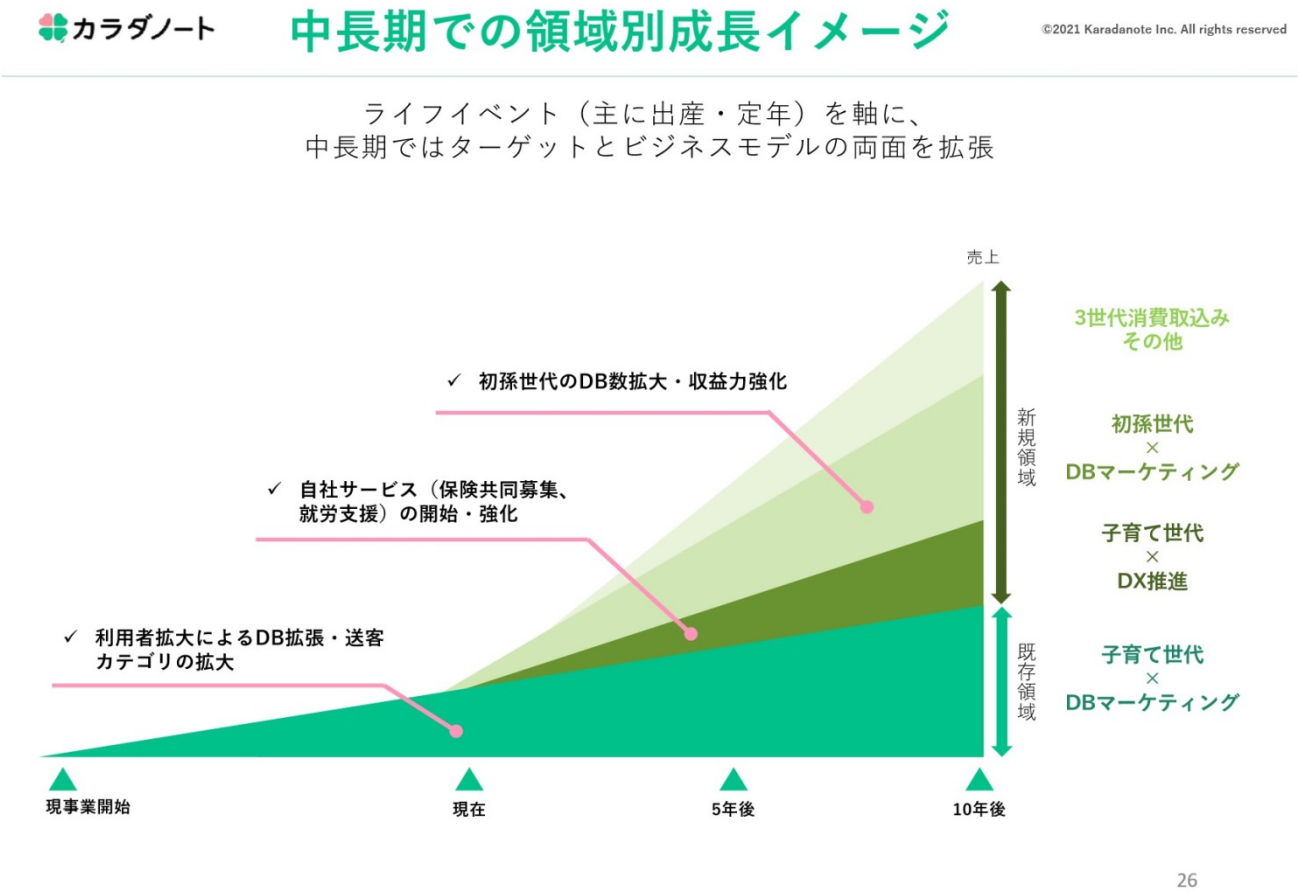
Ultimately, as you can see on the right, there is room for expansion of DX promotion, including the expansion of the Insurance Agency Business and the development of a Distance Learning Business. As we become a key player based on family data, I think that we will be able to increase our LTV up to 100 times.



Next, regarding the setup of the growth image by area in the medium to long term, we are currently developing DB Marketing for the child-rearing generations as our main business. On top of that, while providing the DX Promotion Business for the child-rearing generations, we will also be accelerating the DB Marketing for the hatsumago first grand-child generations. Ultimately, we would like to expand new areas beyond the existing areas. With the above, I have explained the financial results for the second quarter.