Financial Results Briefing Materials for the Fiscal Year Ended December 31, 2021

(TSE Mothers: 4013)

STRICTLY PRIVATE AND CONFIDENTIAL

February 9, 2022

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1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2021 (FY2021)

Summary of Consolidated Financial Results for FY2021

- Net sales in the cloud business were impacted by COVID-19; however, cloud license sales have built up relatively well. Meanwhile, net sales in the on-premises business continued to be affected by COVID-19. There are many cases where customers who were expecting on-premise implementation have switched to cloud based contracts, in addition to orders for package software having been postponed to the next fiscal year.

Consolidated statement of income (Unit: Million yen)

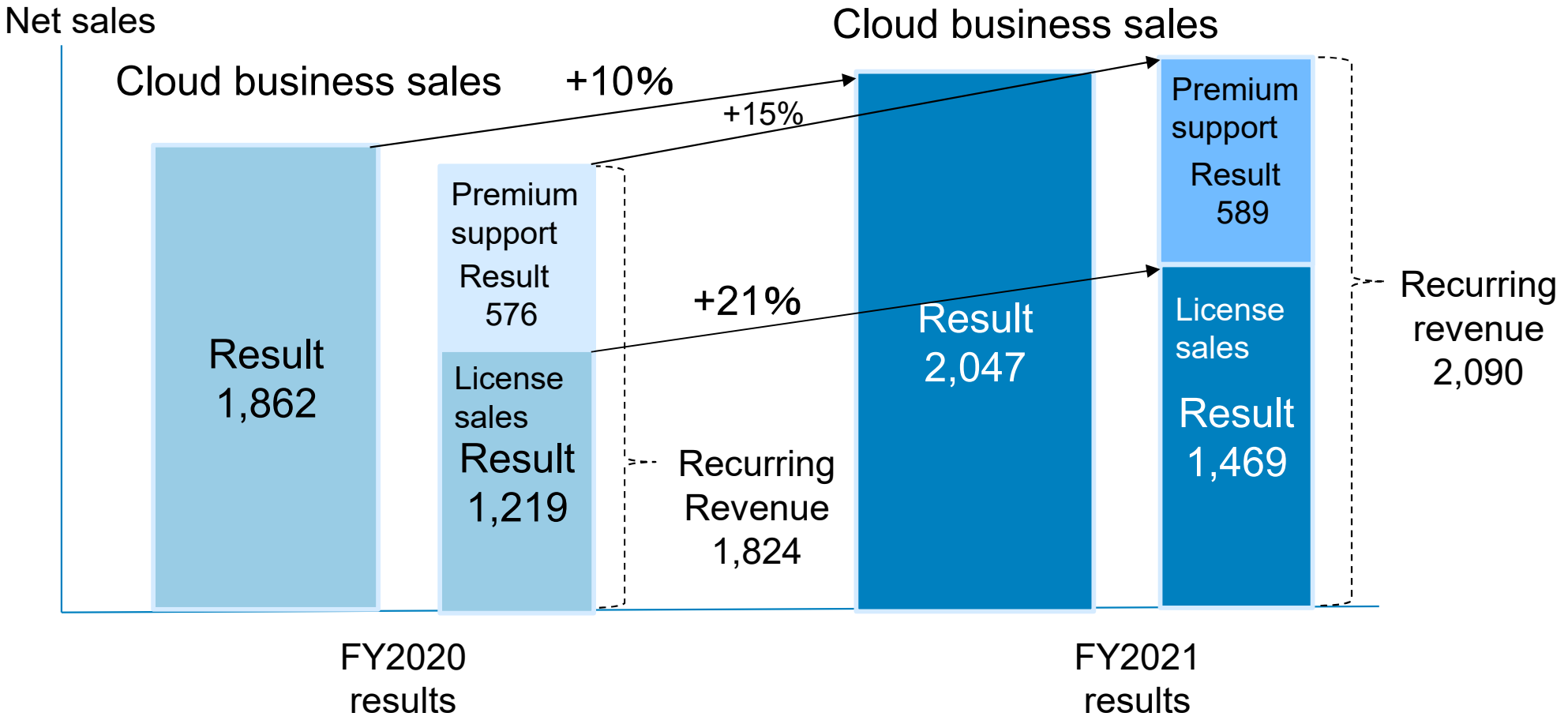
	FY2020 results	FY2021 results	YoY change
Net sales	3,432	**3,324**	-3%
Cloud business	1,862	**2,047**	+10%
On-premises business	1,554	**1,266**	-19%
*1 (Recurring revenue)	1,824	**2,090**	+15%
Operating profit	562	**261**	-54%
Ordinary profit	511	**244**	-52%
Profit	329	**162**	-51%

*1 Composed of cloud license sales, premium support sales, etc.

Sales in Cloud Business and Recurring Revenue

- Net sales were 2,047 million yen, up 10% year-on-year, even though the business was impacted by the COVID-19 pandemic. (Cloud license sales grew 21% year-on-year to 1,469 million yen and recurring revenue grew 15% year-on-year to 2,090 million yen.)

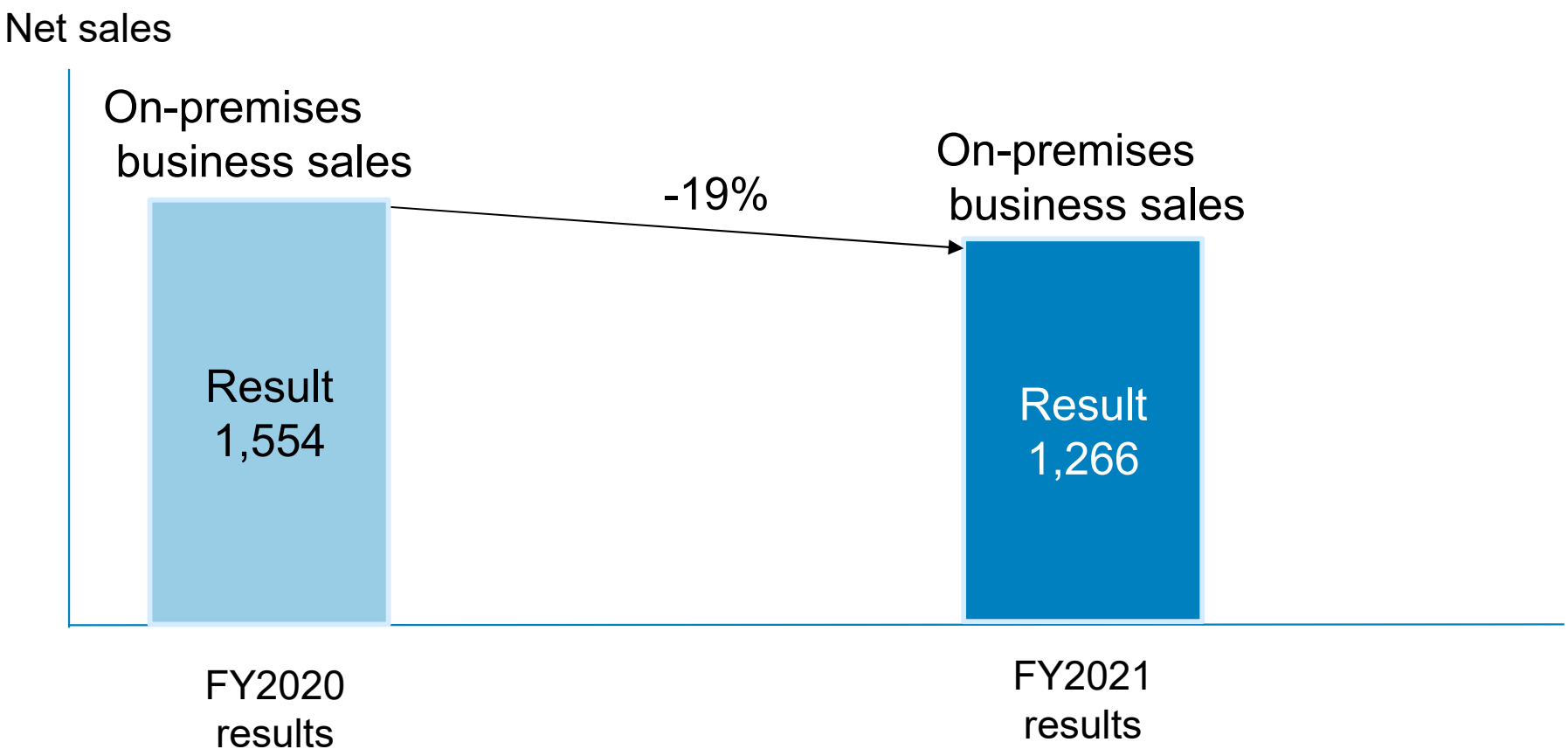
Comparison with the result for the same period of the previous year (Unit: Million yen)



Sales in On-premises Business

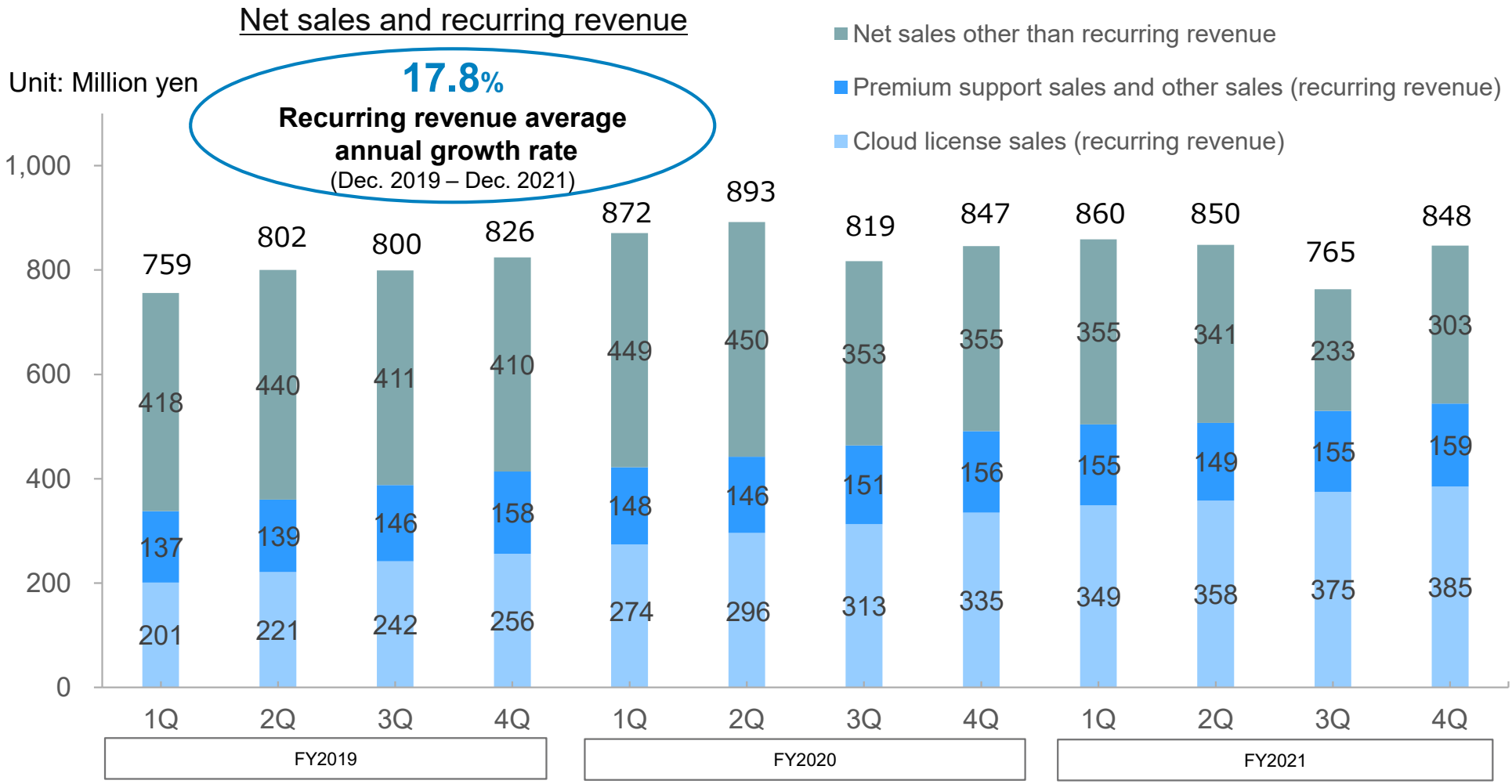
- Net sales were 1,266 million yen, down 19% year-on-year from 1,554 million yen, due to factors including the continued postponement of orders and a shift to cloud based contracts by new corporate clients affected by the impact of the COVID-19 pandemic.

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



Quarterly Trend in Net Sales and Recurring Revenue

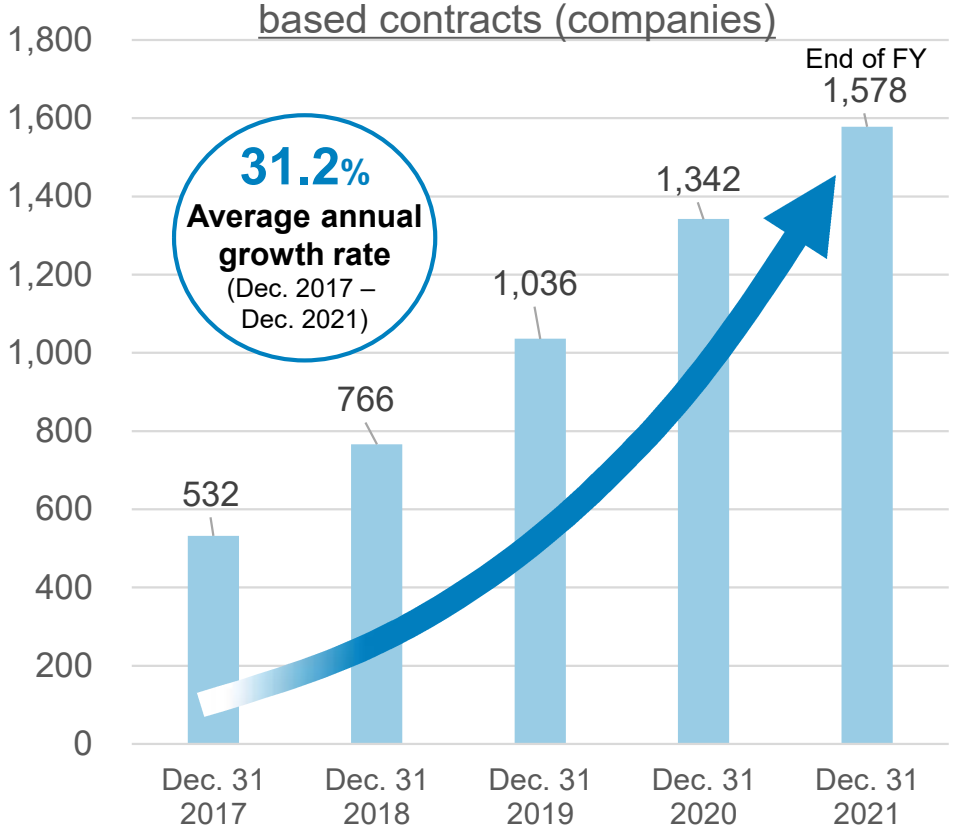
- Recurring revenue, composed of cloud license sales and premium support sales, is also growing on a quarter-by-quarter basis; however, net sales other than recurring revenue are decreasing due to the impact of COVID-19 on package software and consultation support.



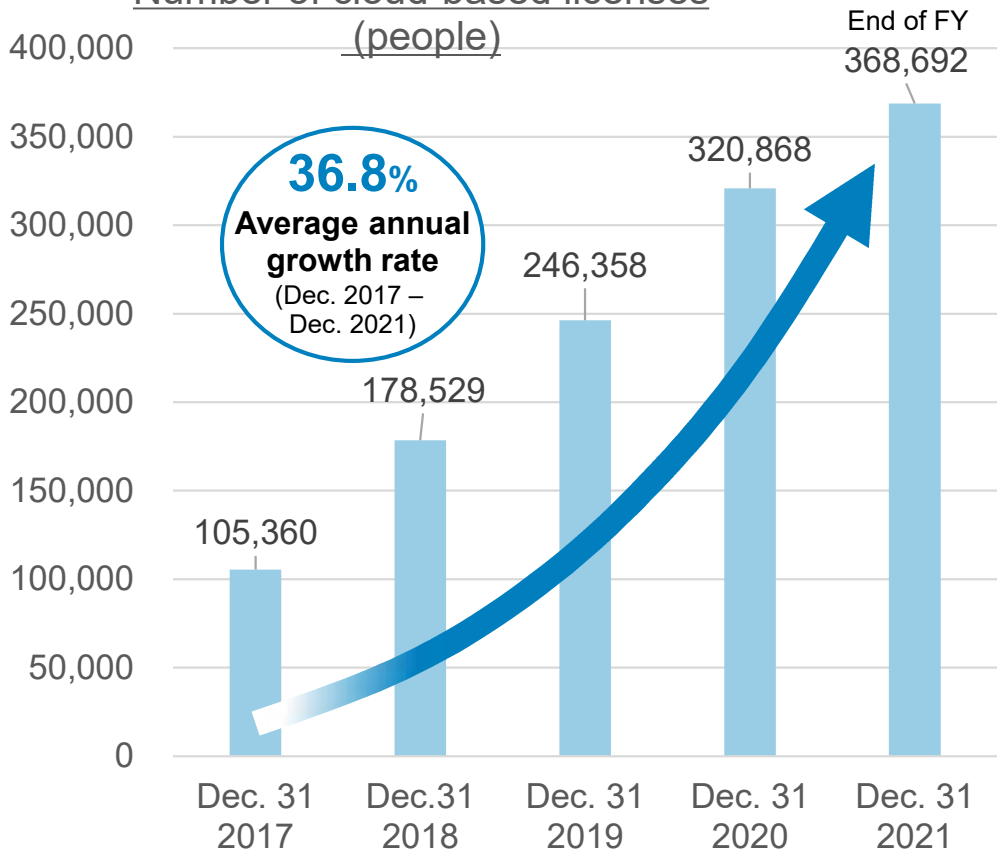
Number of Corporate Clients on Contract and Number of Licenses*1

- High growth continues in the number of licenses, with an average annual growth rate of 36.8%.

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 x Life*).

【ARPU trend】

ARPU	December 2020	March 2021	June 2021	September 2021	December 2021
Enterprise	354 yen	351 yen	350 yen	349 yen	351 yen
Smart	161 yen	156 yen	153 yen	153 yen	160 yen

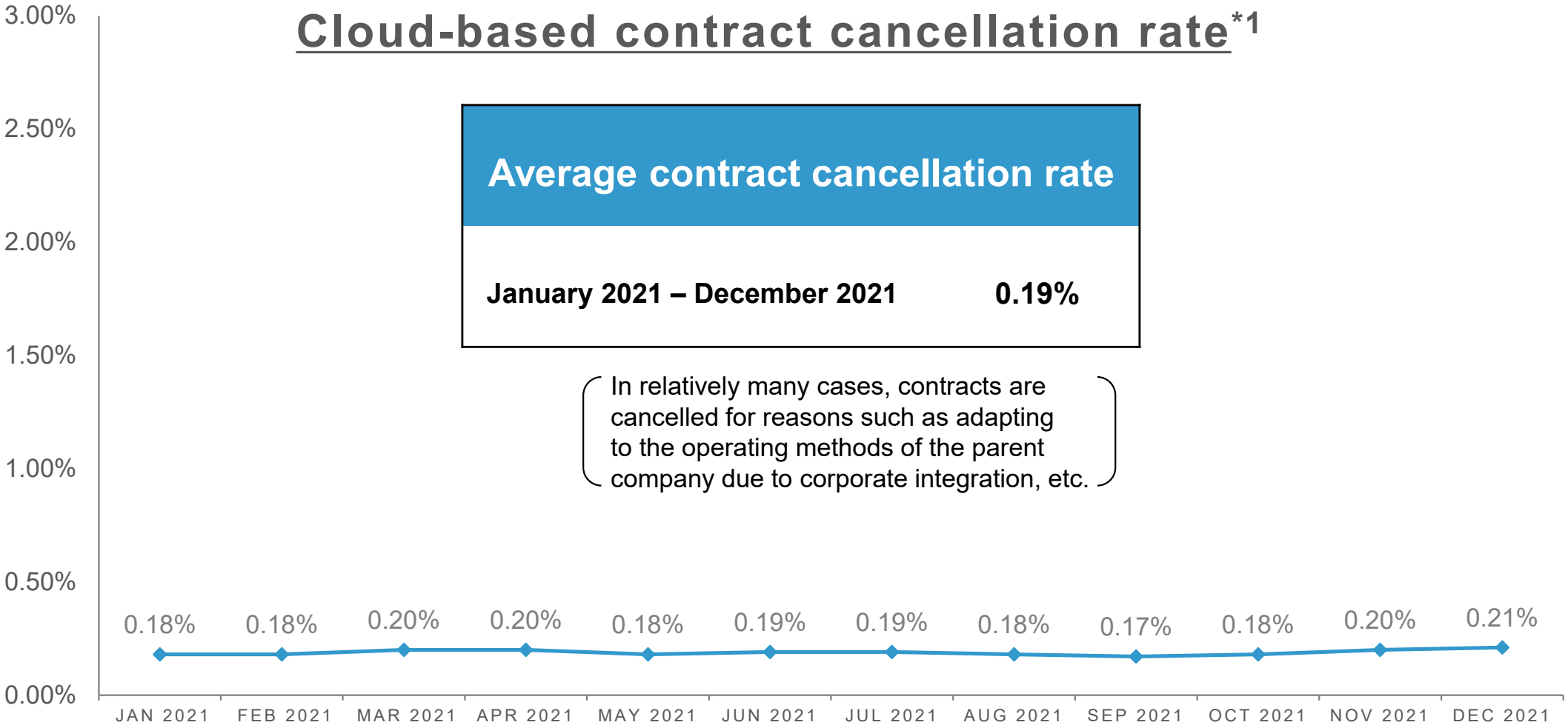
Cloud-based Contract Cancellation Rate

- The average number of cloud-based contracts cancelled per month remains stable at a low rate of 0.19%.

Cloud-based contract cancellation rate*1

Average contract cancellation rate	
January 2021 – December 2021	0.19%

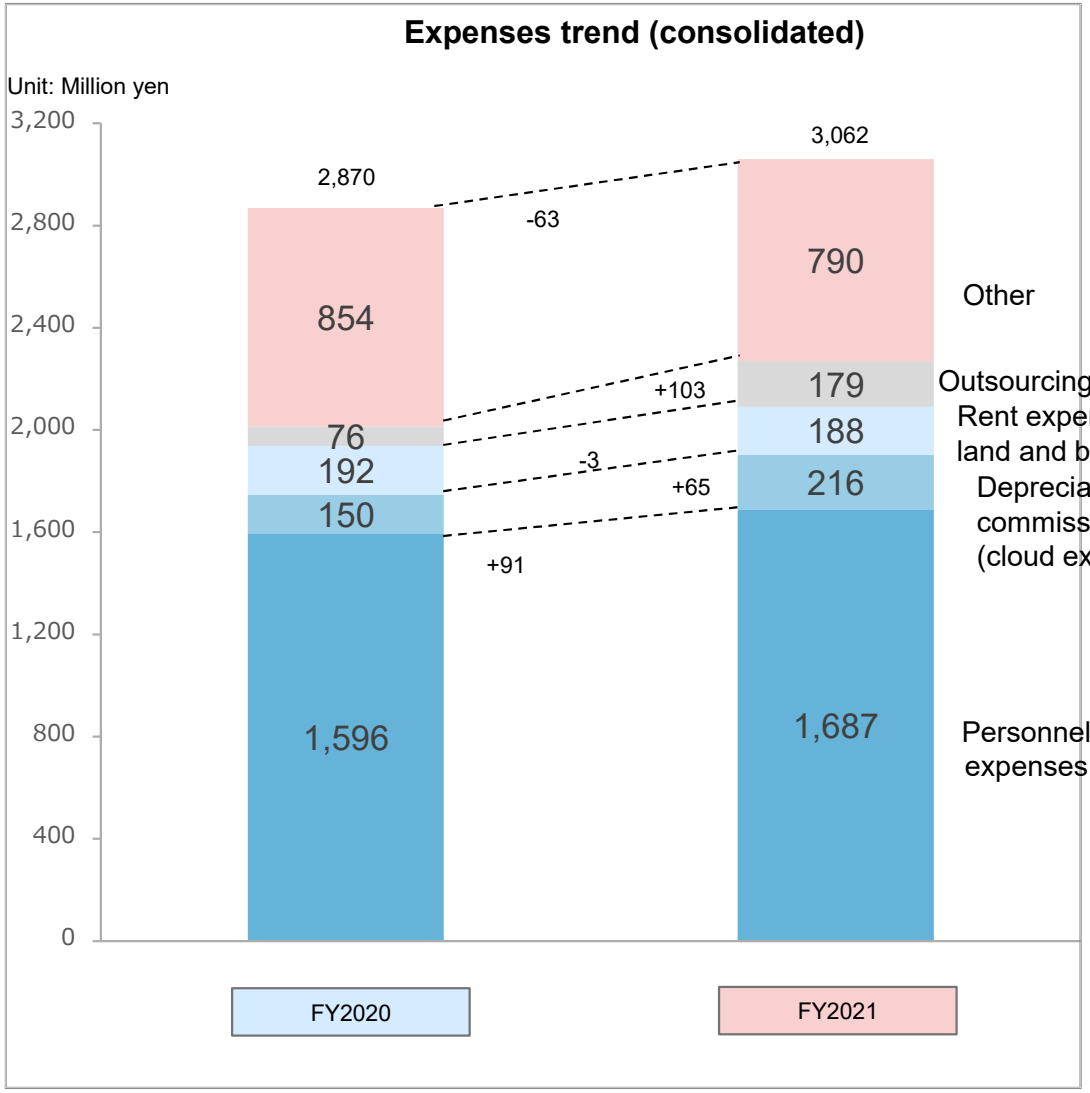
In relatively many cases, contracts are cancelled for reasons such as adapting to the operating methods of the parent company due to corporate integration, etc.



*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

- The cost structure in FY2021 was as follows.



- Total expenses increased by 192 million yen compared to the costs in FY2020.
- The largest increase in expenses was in outsourcing expenses, with an increase of 103 million yen. This was due to an increase in expenses to promote the development of *Universal Kinjiro*.
- The next largest increase in expenses was in personnel expenses, with an increase of 91 million yen. This was due to an increase in the number of personnel and an increase in overtime hours to promote the development of *Universal Kinjiro* compared to the previous year.

2. Plan for the Fiscal Year Ending December 31, 2022 (FY2022)

FY2022 Financial Results Forecast

- In our financial results forecast for FY2022, on November 10, 2021, we announced a net sales forecast of 4,200 million yen, but based on the COVID-19 pandemic situation at that time, this forecast was formulated under the assumption that the impact of COVID-19 will be immaterial.
- Due to the subsequent surge of the Omicron variant, the future impact of COVID-19 is uncertain; therefore, we have revised our forecast of net sales to 3,800 million yen.

- The rationale for the revision is as follows:

  We anticipate that clients who initially had been planning on-premises implementations will decide to further postpone implementations due to large one-time expenses, and that many clients will shift to cloud-based contracts, a trend that has occurred noticeably since the second half of last year. Considering the current condition of the cloud business as well, we decided to revise each as follows:

  ⇒We have revised our net sales forecast, initially announced on November 10, 2021, from 2,714 million yen to 2,465 million yen for the cloud business and from 1,486 million yen to 1,335 million yen for the on-premises business.

FY2022 Plan

- Expand net sales by 14%, ordinary profit by 23%, and profit by 23%.
- We forecast expanded sales in the cloud business based on the increase in FY2021.
- We forecast expanded sales in the on-premises business due to the postponement of contracts from FY2021 and the release of *Universal Kinjiro*.
- We are actively recruiting personnel and plan to hire 40 new graduates in FY2022 mainly to promote development.
- We expect advertising expenses for sales promotion to increase significantly.

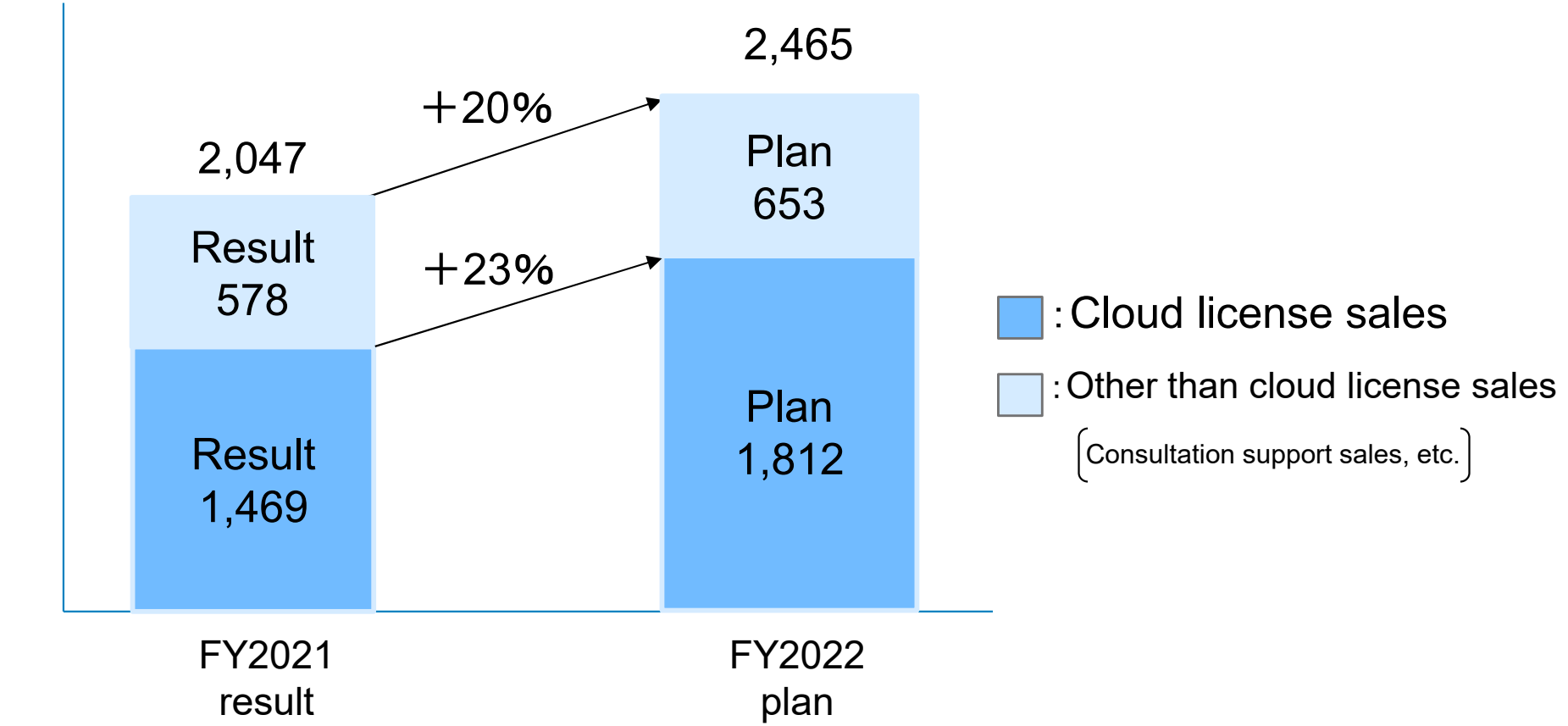
Consolidated statement of income (Unit: Million yen)

	FY2021 results	FY2022 plan	YoY change	% change
Net sales	3,324	3,800	476	+14%
Operating profit	261	300	39	+15%
Ordinary profit	244	300	56	+23%
Profit	162	200	38	+23%

FY2022 Plan (Cloud Business)

- The impact of the COVID-19 pandemic is uncertain, but we forecast expanded sales based on the increase in FY2021.
- We will leverage the release of our next generation product (*Universal Kinjiro*) to shift on-premises users to cloud-based services.

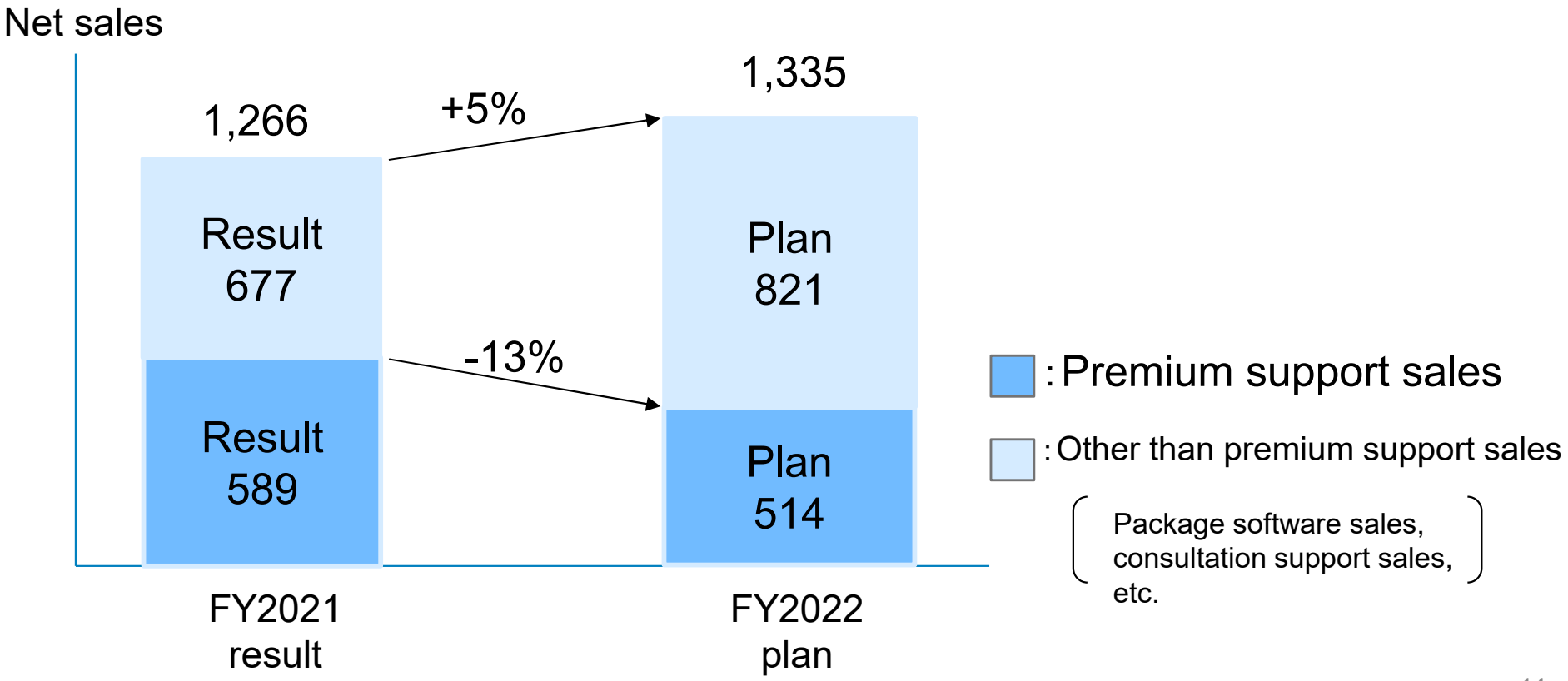
Comparison with FY2021 result (Unit: Million yen)



FY2022 Plan (On-premises Business)

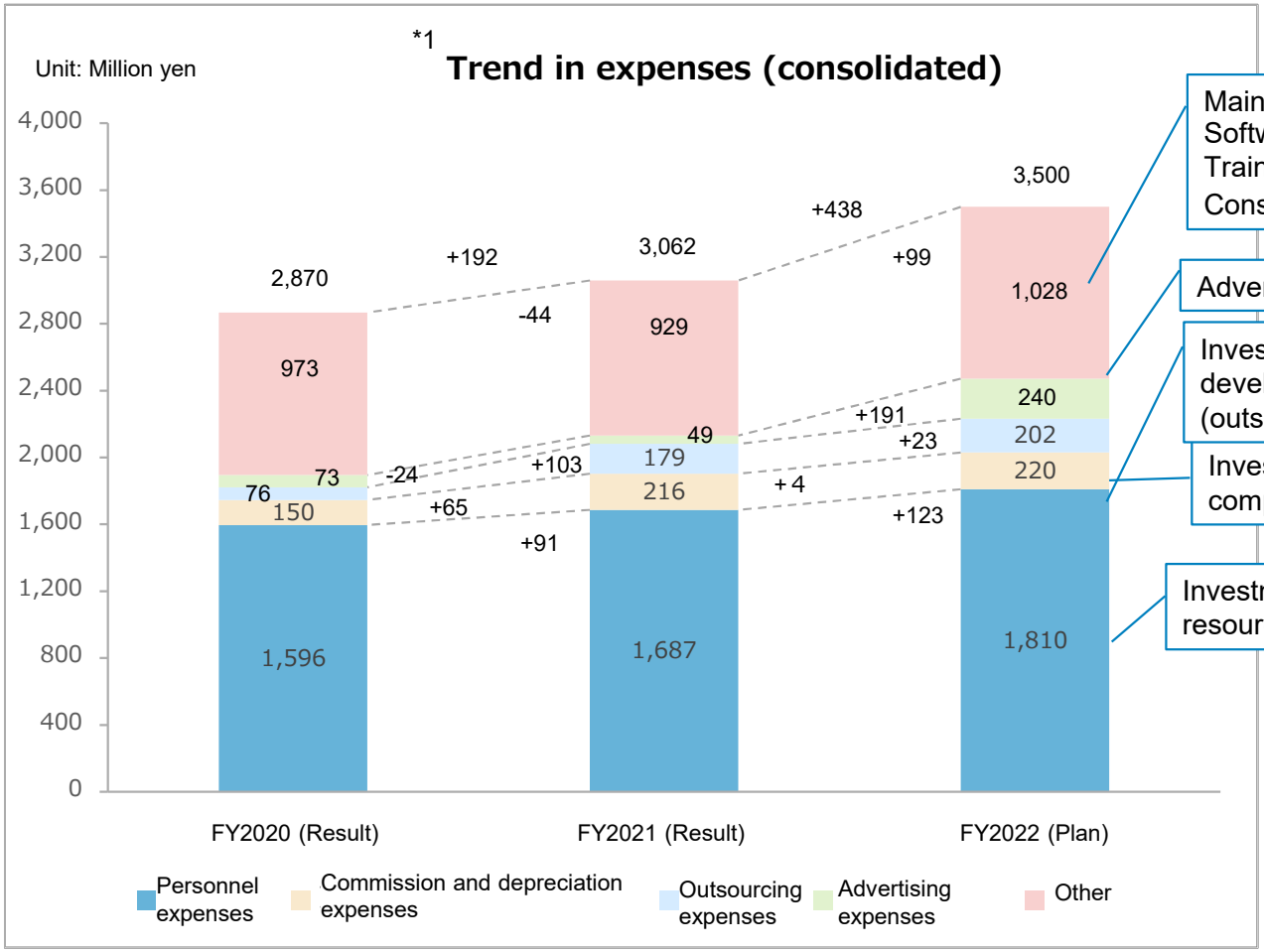
- The impact of COVID-19 is uncertain, but we forecast increased revenue due to the postponement of contracts from FY2021 and the release of Universal Kinjiro.
- We forecast a decrease in premium support sales due to the shift of on-premises users to cloud-based services.

Comparison with FY2021 result (Unit: Million yen)



FY2022 Plan (Cost Structure)

- Expenditure in FY2022 will include investment in human resources, outsourcing, and equipment for the cloud business, as well as investment in advertising. We forecast an increase of 438 million yen compared with FY2021.

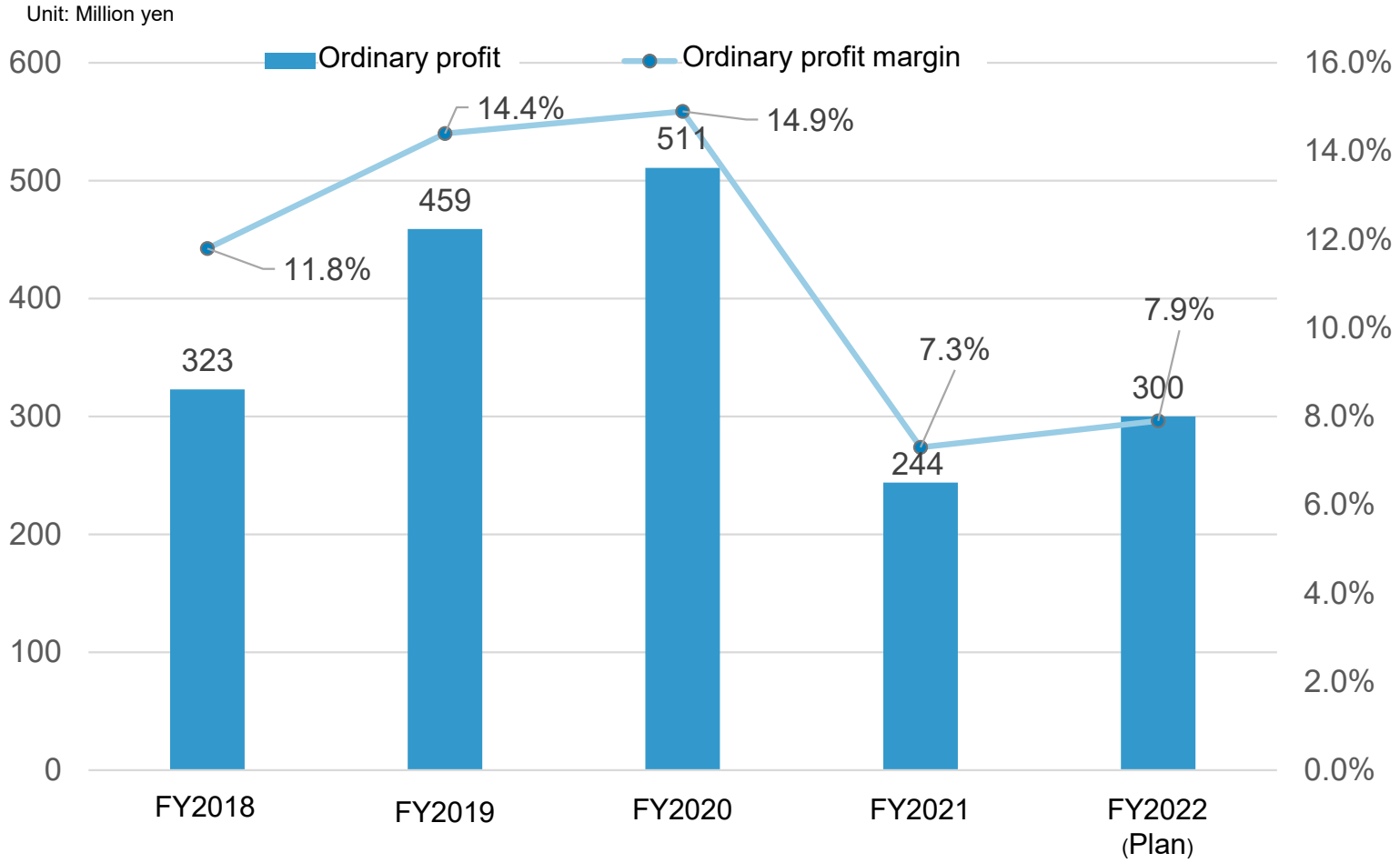


1. Expenses are the sum of cost of sales, selling, general and administrative expenses, and non-operating expenses.

Trend in Ordinary Profit and Ordinary Profit Margin

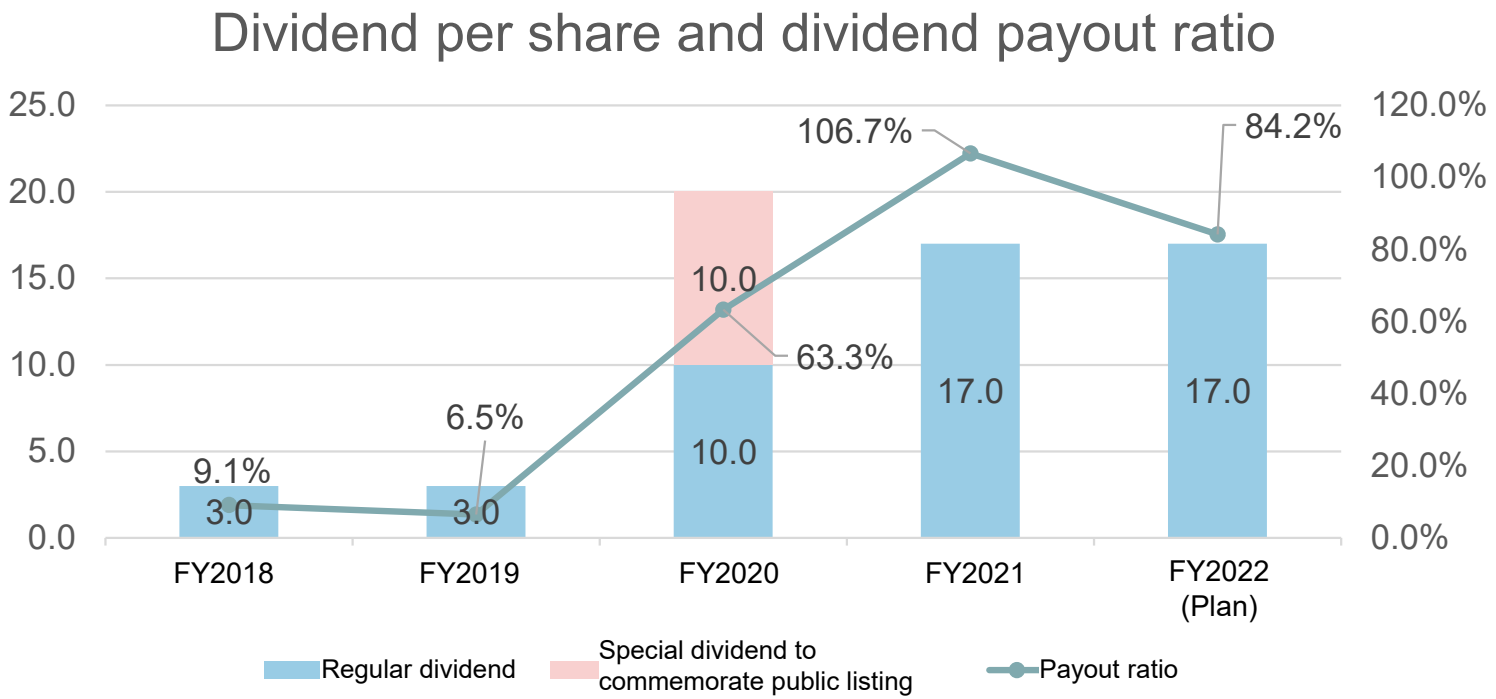
- We anticipate a slight recovery in ordinary profit from FY2021 and plan to achieve an ordinary profit margin (ratio of ordinary profit to net sales) of 7.9% in FY2022.

Ordinary profit and ordinary profit margin



Shareholder Returns

- Dividend policy: We regard the return of profits to all shareholders as a key management issue. Our basic policy is to provide dividends while taking into consideration the level of internal reserves necessary for future business development and enhanced financial strength.
- The dividend payout ratio exceeds 100%, but due to the recovery of profit levels in FY2022, we plan a dividend of 17 yen per share for FY2021 as initially planned.
- We plan to pay a dividend of 17 yen per share for FY2022.



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 as well as ESG-focused management*.

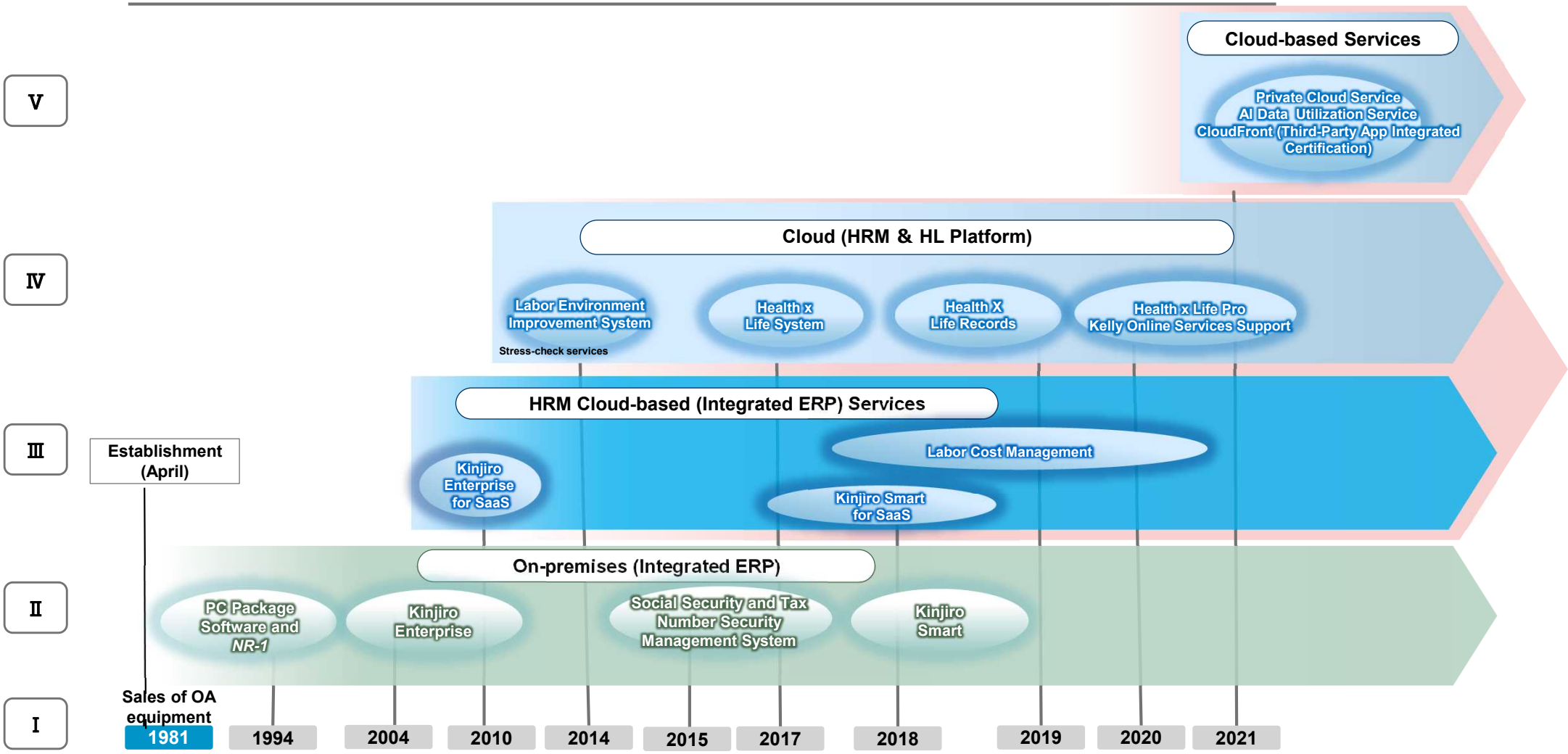
Business models: *B-to-B*, *B-to-B-to-E*, and *B-to-C*

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 for growth strategy

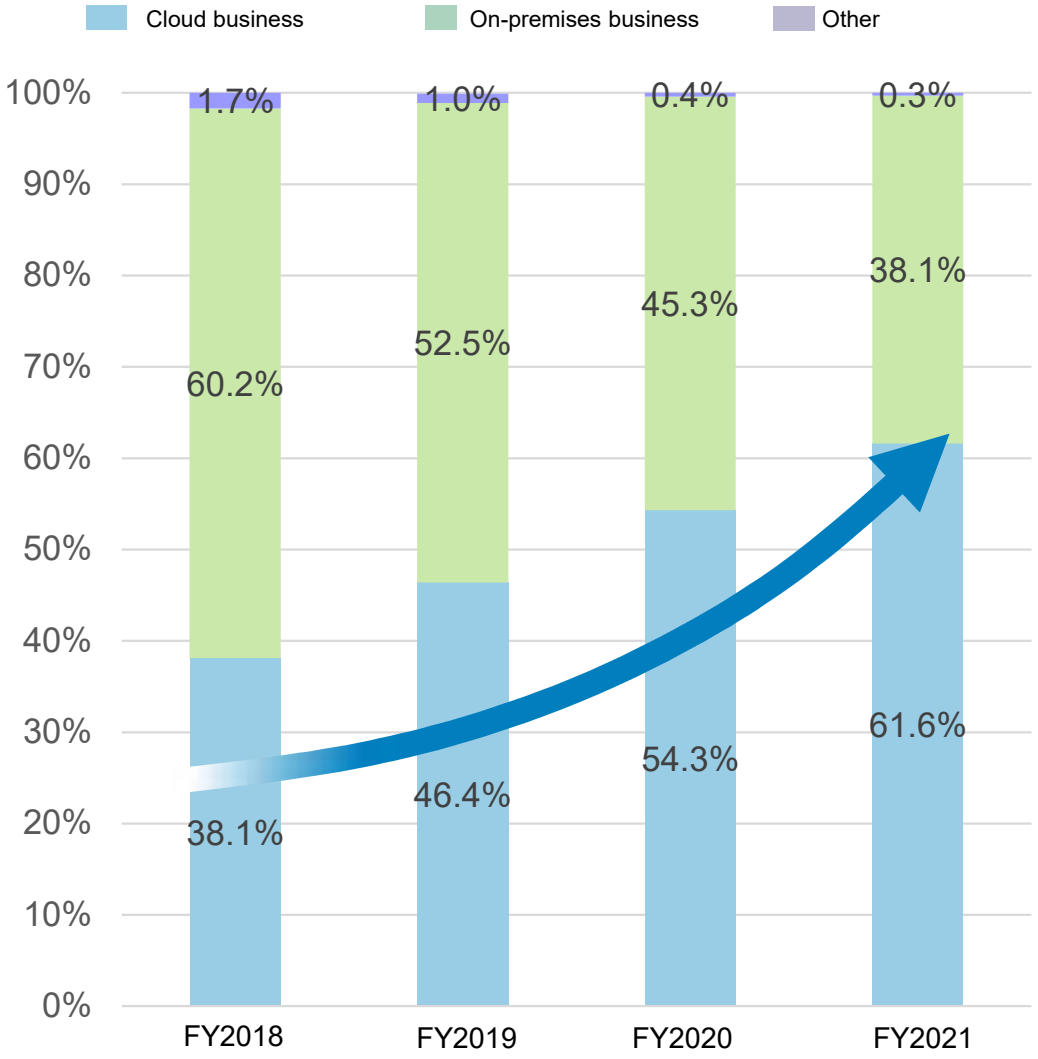


*1. “On-premises” refers to cases when software operations are carried out at the location of the user’s premises.
*2. “Cloud” refers to providing services to users through the Internet and other networks.

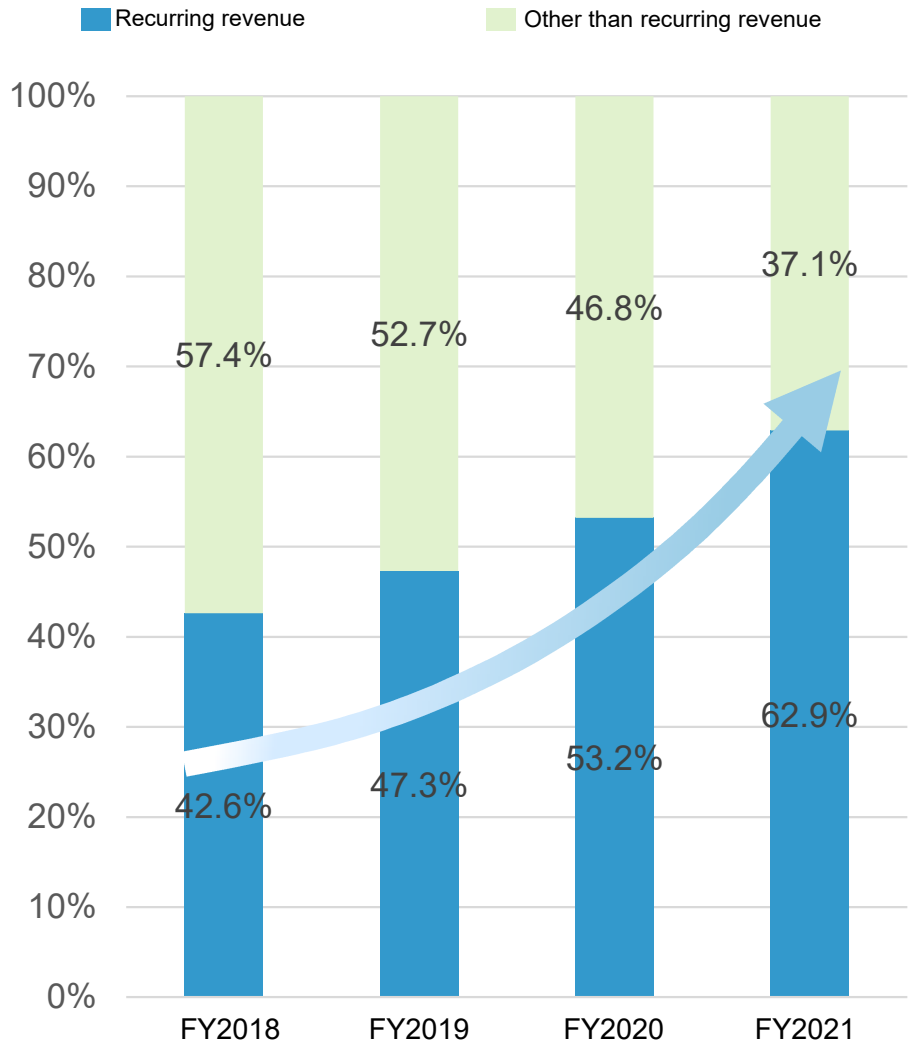
Trend in Structure of Net Sales by Business Segment and Proportion of Recurring Revenue

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

Trend in structure of net sales by business segment



Trend in proportion of recurring revenue



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 (after graduation from a company)

Work style reform data

Working hours data

HR data

Salary data

Workload management

Cost analysis data and simulation

Social Security and Tax Number data

Journal management

Reimbursements

Approval procedure management

Facilities booking management

Entry management

Cloud-based services

HRM & HL Platform

Integrated data

AI (artificial intelligence) analysis

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

Health x Life Pro & Online Services

Integrated Data Analysis Services

Labor Cost Management Services

Analysis and AI predictive forecasts

Health management data

Utilization of employee data by consumers themselves

Mental and physical health care

Health screening results management

Support from industrial physicians and public health nurses

Health screening results diagnosis

Stress checks

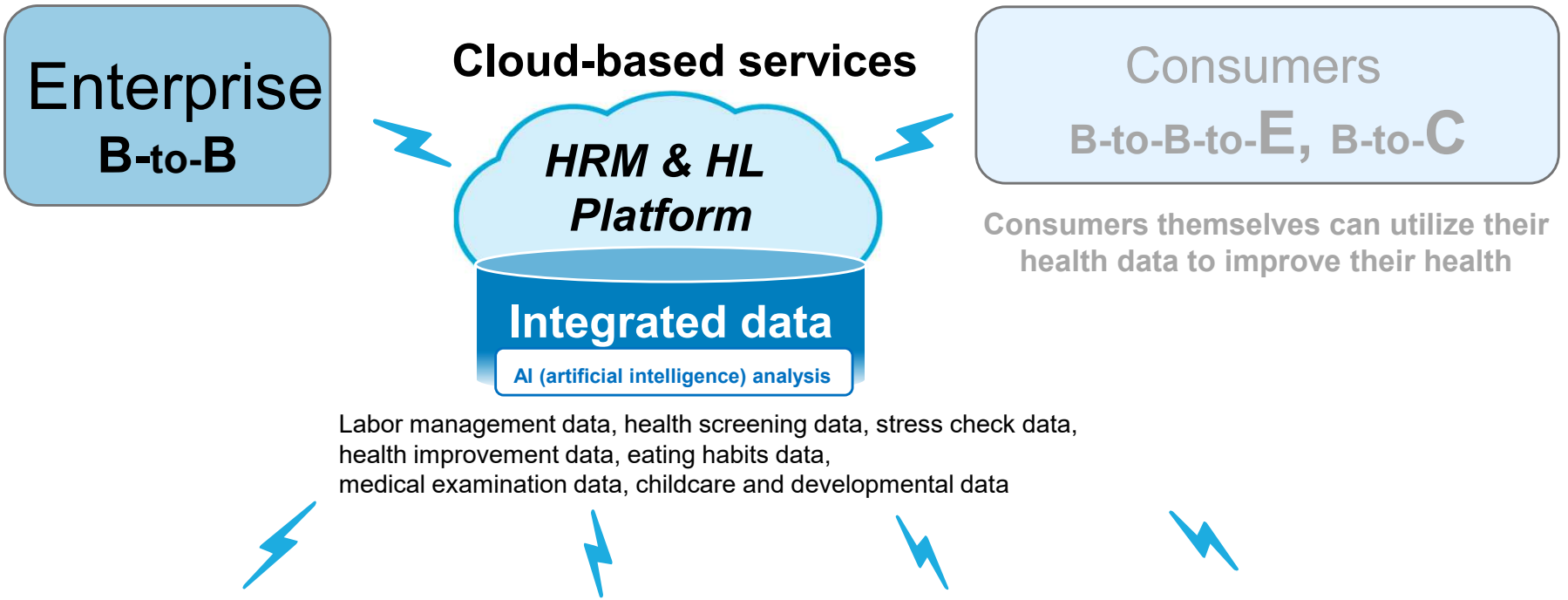
Organization analysis

Health improvement lifestyle log

Electronic medical records (For remote medical treatment)

Health screening medical institutions

Integrated Data Services Utilizing the *HRM&HL Platform* (B-to-B)



HRM Data Services

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, health screening, and stress check data analysis
- Visualization of work style reforms and health & productivity management

Health x Life Pro & Online Services

Consultations with industrial physicians and public health nurses

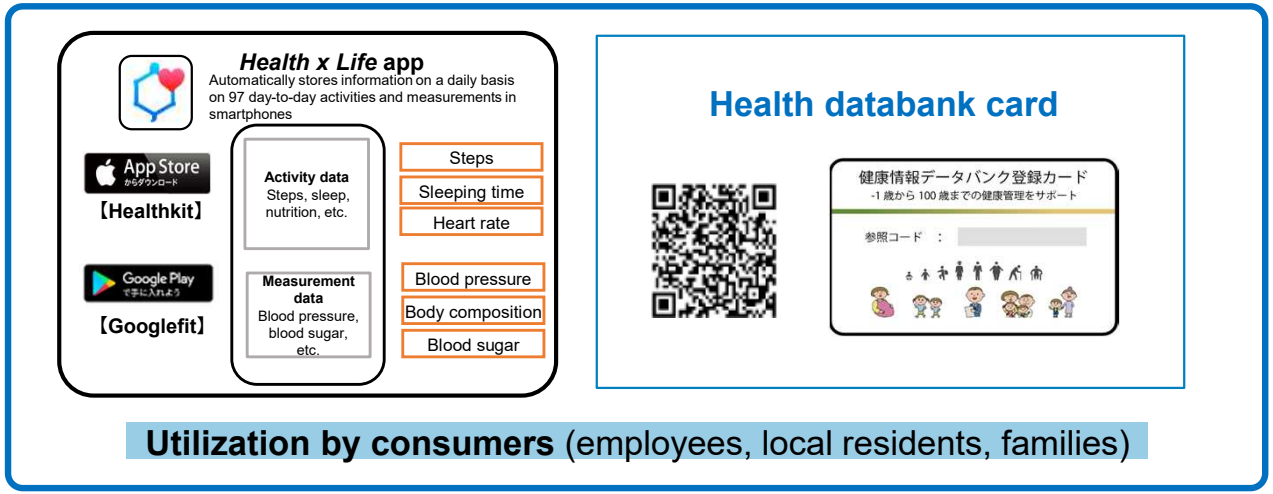
Support that utilizes integrated data analysis services
*Online consultations are also possible

AI predictive forecasts, prevention and improvement

Utilization of integrated data for labor, health screening and stress check

HRM & HL Platform (B-to-B-to-E, B-to-C)

Consumer registrations: 350,000 user accounts → Increase it to 1 million user accounts
(Result as of December 31, 2021)



Supervision and establishment of evidence with universities and medical institutions

Employee data for business enterprises
Local resident data for local governments

Health screening institution data

Cloud-based services

HRM & HL Platform
AI (artificial intelligence) analysis

Clinical physicians, industrial physicians and public health nurses

***Health x Life Pro* & Online Services**

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

Electronic medical records system (Remote medical systems)

Utilization of AI data
Predictive prevention utilizing work style data, health screening data, stress check data, and lifestyle data

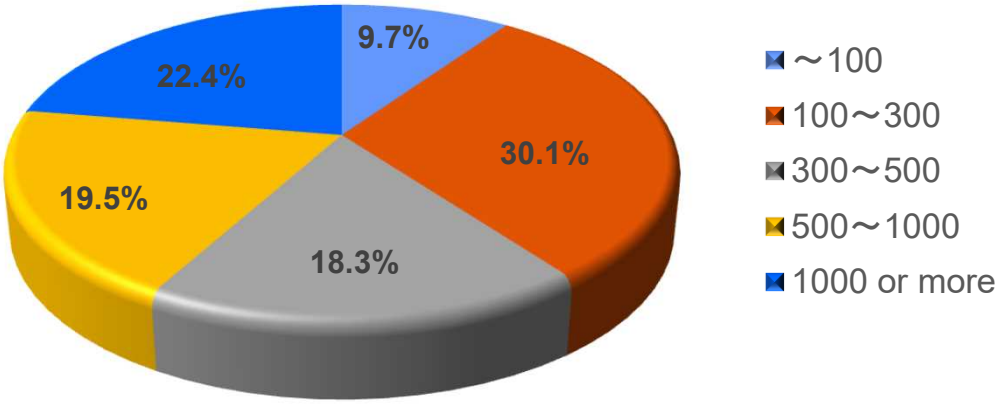
Health improvement content Collaboration with third parties

Proprietary content service

Kinjiro Enterprise Implementation Results
Breakdown by Scale and Industry

- **Breakdown of implementation by number of employees (On-premises) *1.18 million users**

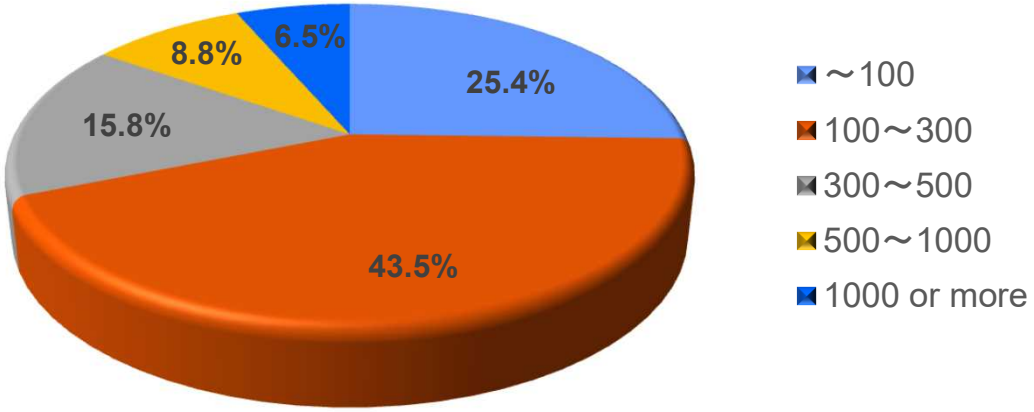
*As of December 31, 2021



Mainly mid-size and large enterprises

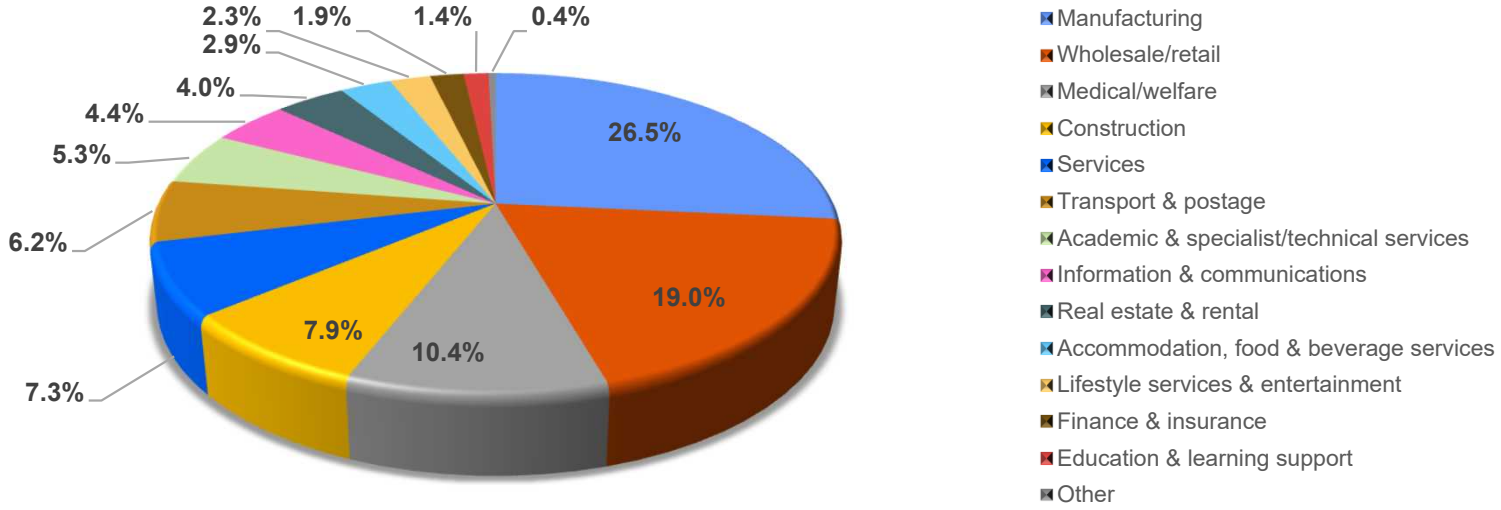
- **Breakdown of implementation by number of employees (Cloud) *0.36 million users**

*As of December 31, 2021



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

*As of December 31, 2021



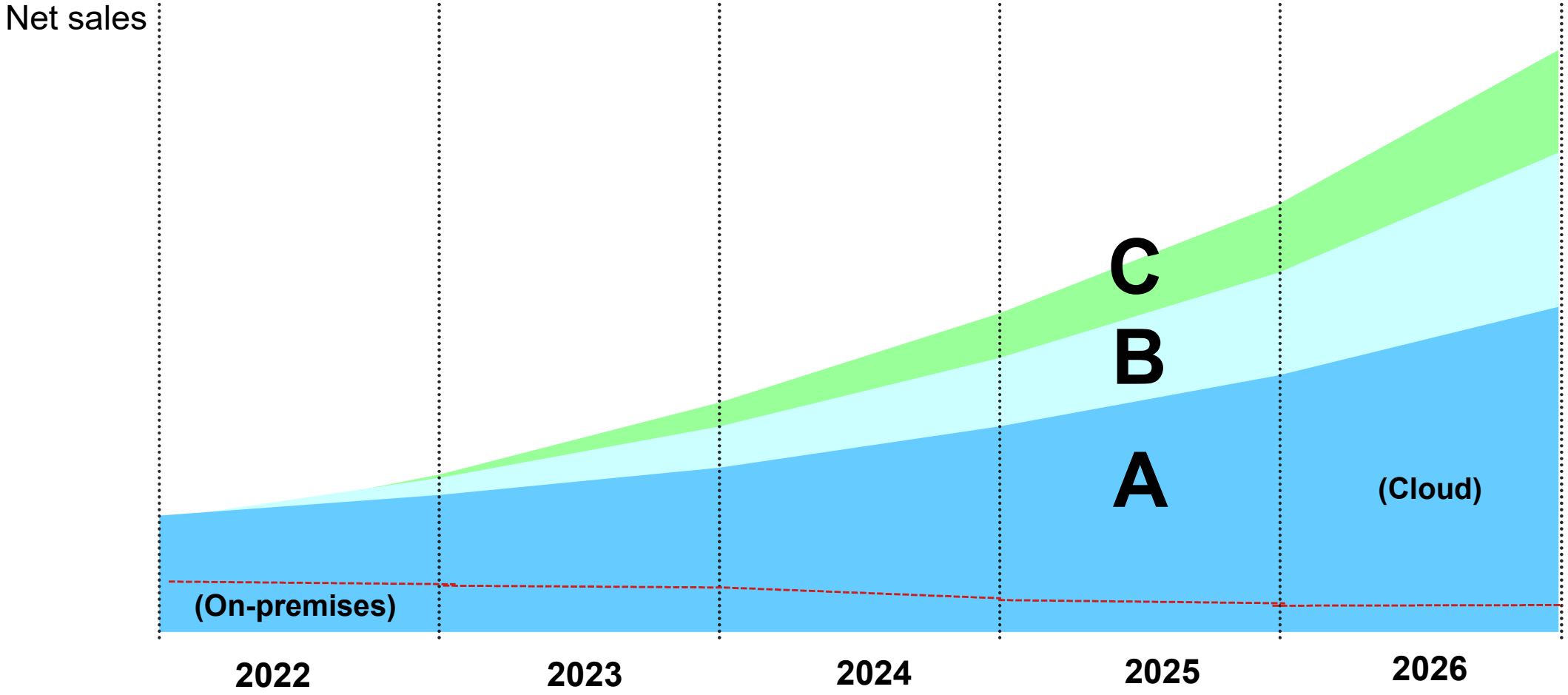
Sales Growth Strategy

Realize further growth through *HRM & Health x Life*

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

B ⇒ Shift 1.18 million on-premises user licenses to cloud-based services with *Next-generation Kinjiro*
(As of December 31, 2021)

C ⇒ Expand sales in platform businesses with revenues from monetization of 350,000 users of
(As of December 31, 2021)
B-to-E and B-to-C services, as well as AI, electronic medical records, third-party services, etc.



Sales Growth Strategy

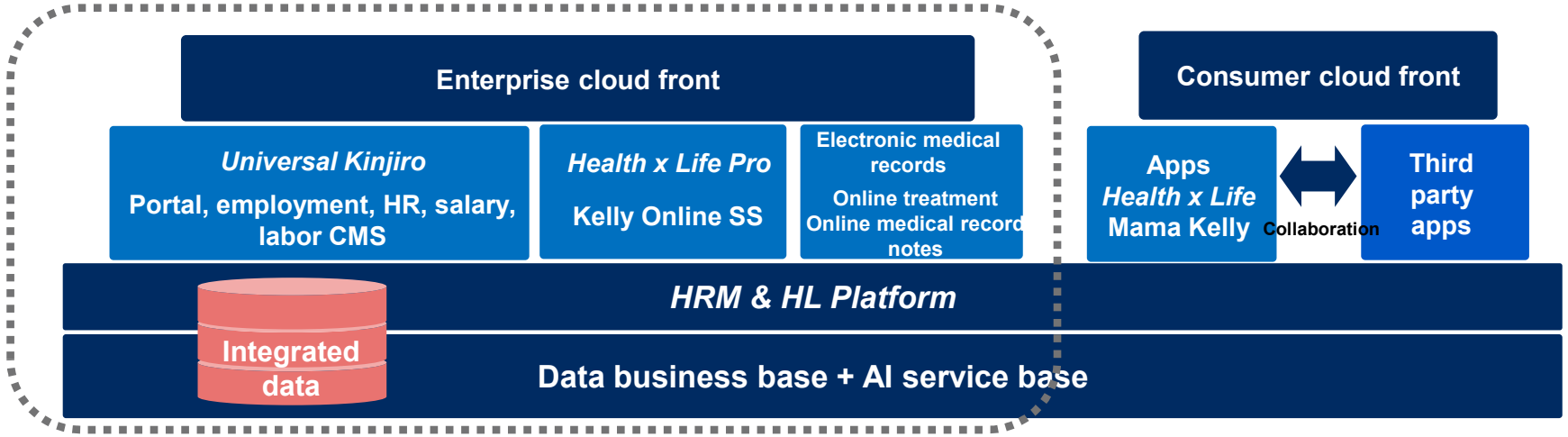
A: Expand sales to new customers (Work style reform and health & productivity management)

- **Characteristics of *Universal Kinjiro*** (Complete support for mobile work)
  - (1) Improved operability through better UI/UX
  - (2) Improved front portal functionality
  - (3) Improved security with safety in mind
  - (4) Improved operability with navigation in mind
  - (5) Improved realization of required specifications through usability
  - (6) Strengthened ERP data integration and improved AI prediction value

**Universal Kinjiro* is a full version upgrade edition of *Kinjiro Enterprise*.

FY2021	Growth Strategy	
End sales of *Kinjiro Enterprise* Enhance *Health x Life Pro* UI/UX	*Universal Kinjiro* Release *Health x Life Pro* (Release edition with enhanced UI/UX)	Develop through operational improvement superiority of work style reform and health & productivity management Develop ERP by using aggregated data from **front portal** *HRM & HL Platform* Use data centralization for integrated analysis and support for initiatives to improve labor environment
Strengthen the cloud base	Strengthen the base of the cloud front business	Expand private cloud sales at the time of on-premises implementation Data utilization through third party portal collaboration on cloud front
Expand *Kinjiro* AI	Strengthen the foundation of the AI data business	*HRM & HL* centralization by AI, services using integrated data analysis

Growth strategy service composition chart

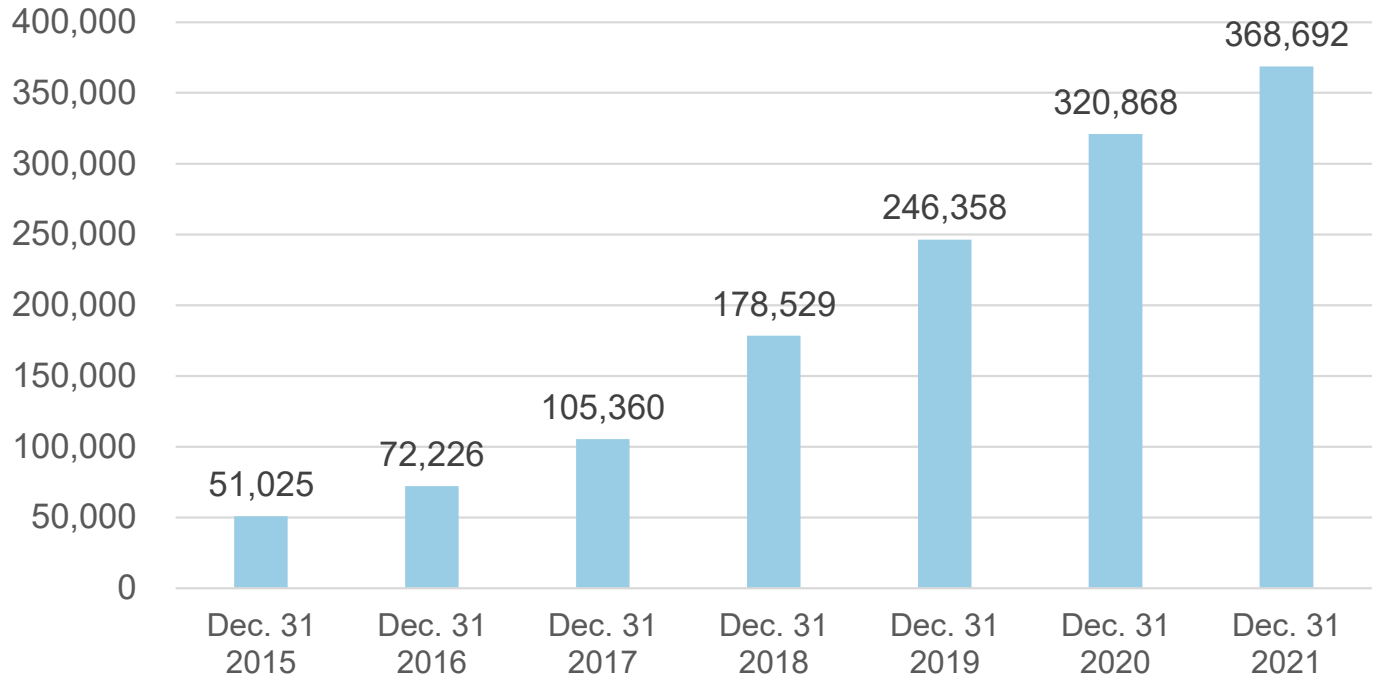


Sales Growth Strategy

A: Expand sales to new customers (Work style reform and health & productivity management)

- In addition to continued results in the on-premise-based business, grow results through simultaneous sales of private cloud. In addition, recording stable revenue from recurring revenue through cloud license sales is set as a management indicator.

Number of cloud-based licenses



36.8%
Average annual growth rate
(Dec. 2017 – Dec. 2021)

Maintain this level

*Issues with on-premise legacy systems
- Aging of the system
- Aging of the technology
- Black-boxing of scratch system

Switching to packages is expected, but with the shift to cloud, on-premise deployment is expected to gradually decline.

Legacy system: Means "outdated systems that have become a negative legacy" in the computer field.

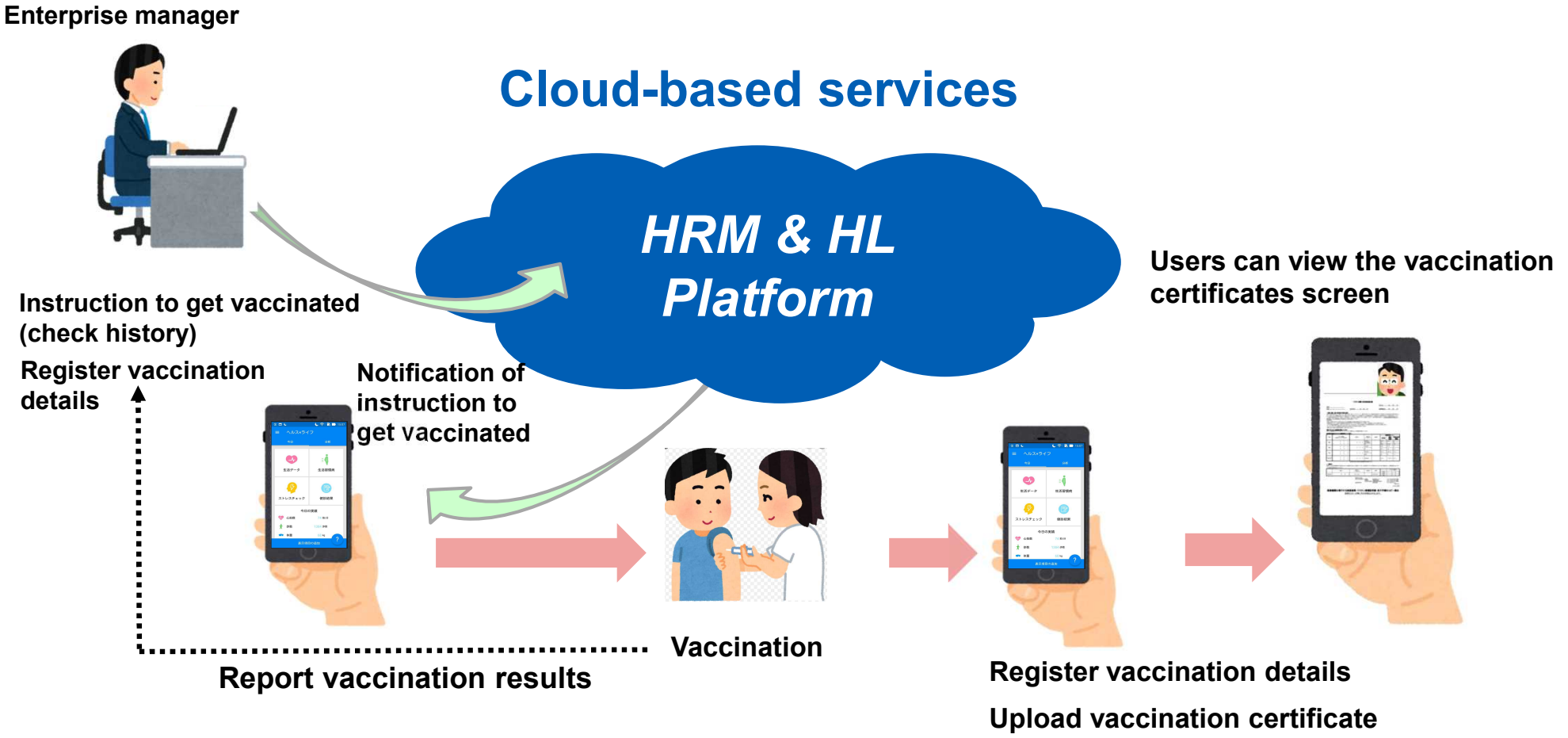
Sales Growth Strategy

A: Approaches to health & productivity management

*Vaccination management and PCR test results history management

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 x Life* app)
- Vaccination upload (vaccination certificate) *Operated by employees, family, and consumers
- Vaccination results view (planned utilization as a vaccine passport)



Sales Growth Strategy

B: Shift on-premises users to cloud

- Shift 1.18 million Kinjiro Enterprise on-premises user licenses to cloud-based services, with *Universal Kinjiro*, which was released in December 2021, as a trigger

On-premises: Approximately 1.18 million user licenses ⇒ Move around 80% (*1) to cloud-based services

(Result as of December 31, 2021)

(*1) Estimated based on current customer needs

The case when gradually moving licenses over a period of five years for users after a certain number of years of introduction

500 yen per license (*2) / month x Approx. 900,000 licenses x 12 months = Approx. 5.4 billion yen

(*2) The average revenue per license (ARPU) will be increased from the current level of approx. 350 yen to at least 500 yen per license through promotion of the use of *Health x Life, Health x Life Pro*, and subsystems such as Labor Cost Management and AI.

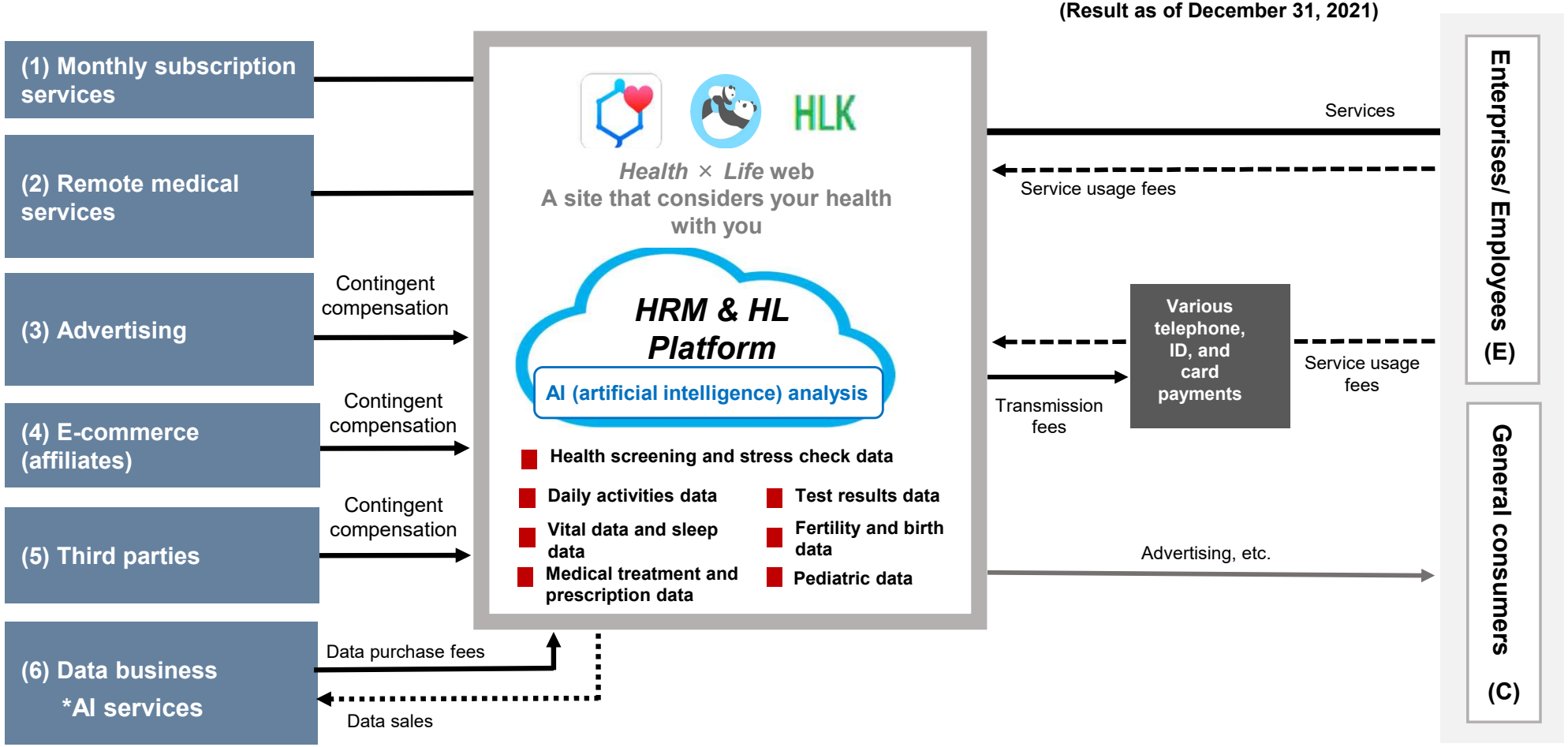
Sales Growth Strategy

C: Consumer business utilizing platforms

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

Consumer registration: Monetization from the utilization by 350,000 users

(Result as of December 31, 2021)



*Monetization: A term that has been used in the Internet world since about 2007 as a method to generate revenue from free online services.
For example, in the case of banner advertising, revenue is generated from advertisers as advertising fees without charging users.

Sales Growth Strategy

C: 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 screenings, stress checks, lifestyle logs, etc. fully leveraging AI, 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 x Life Pro & Kelly Online Services

***Health x Life* app**
Automatically stores information on a daily basis on 97 day-to-day activities and measurements in smartphones

App Store からダウンロード
【Healthkit】

Google Play 手に入れよう
【Googlefit】

Activity data
Steps, sleep, nutrition, etc.

Measurement data
Blood pressure, blood sugar, etc.

- Steps
- Sleeping time
- Heart rate
- Blood pressure
- Body composition
- Blood sugar

*Fully coordinated with iPhone/Android healthcare apps

E and C

Employees and families



Consumers



Linked with data on steps, heart rate, etc.



Cloud-based services

HRM & HL Platform

AI (artificial intelligence) analysis

Enterprises, local governments, and health screening institutions

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**

Using the health databank registration card

Support service for health & productivity management initiatives

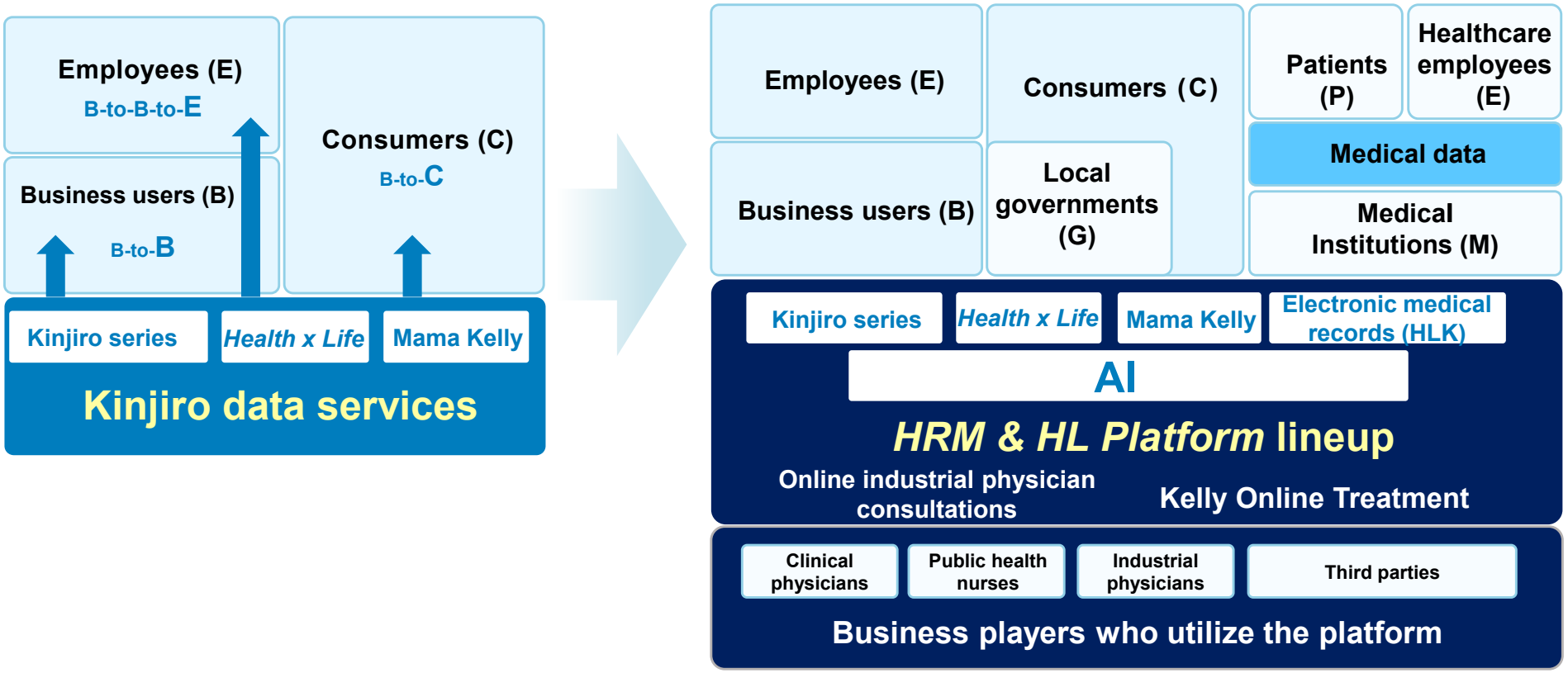
Health point system operation service

Use of AI data
Predictive prevention utilizing work style data, health screening data, stress check data, and lifestyle data

Sales Growth Strategy

C: Evolution of platform business model

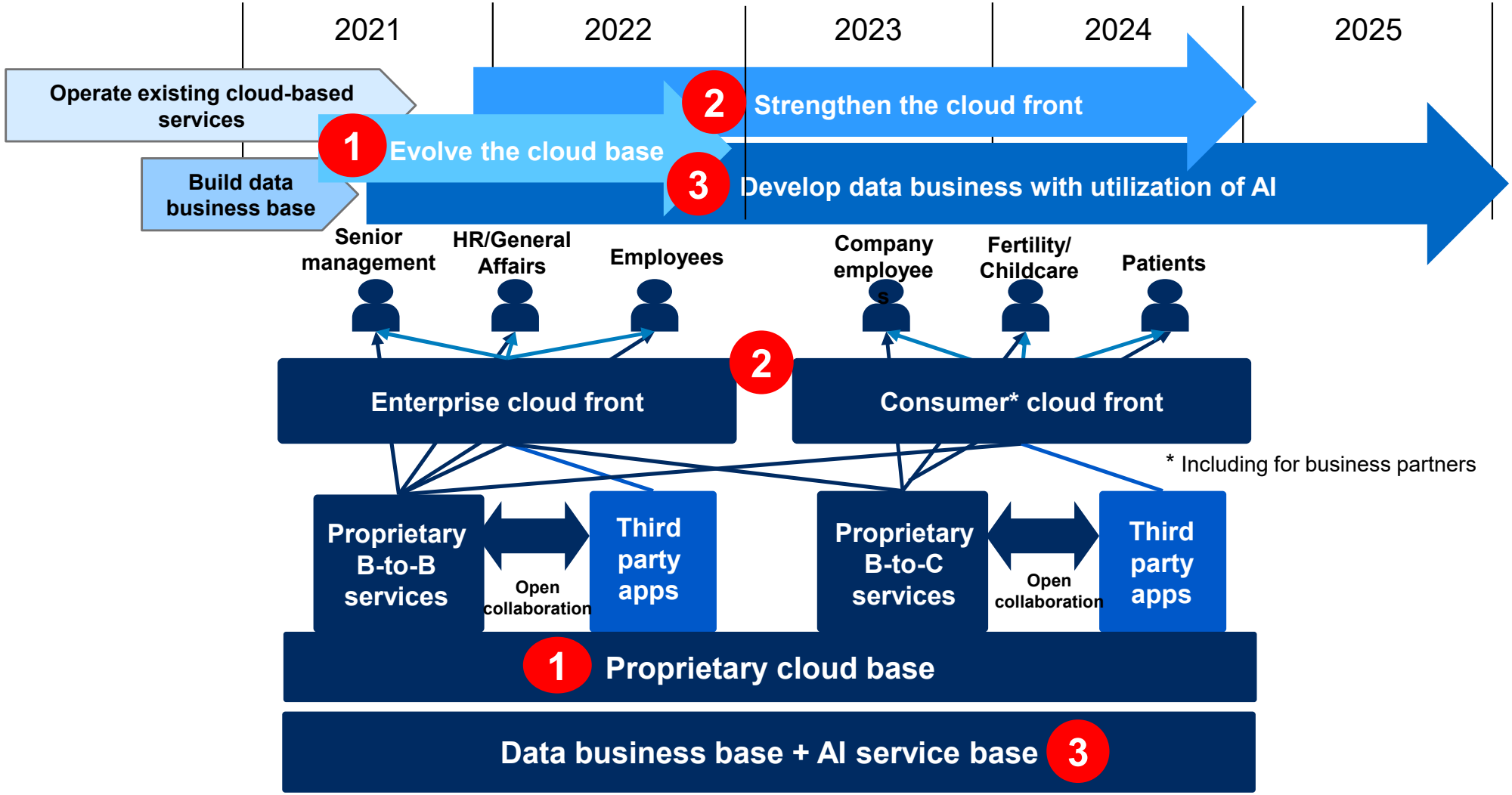
- Enhance services for employees (B-to-B-to-E) through *HRM & HL platform* and expand services for consumers (B-to-C)
- Strengthen our function as a health & productivity management platform used by clinical physicians, industrial physicians and public health nurses through the inclusion of electronic medical records and remote treatment services
- Continue and expand AI services that were developed utilizing work styles, health screenings, stress checks, and lifestyle information



Sales Growth Strategy

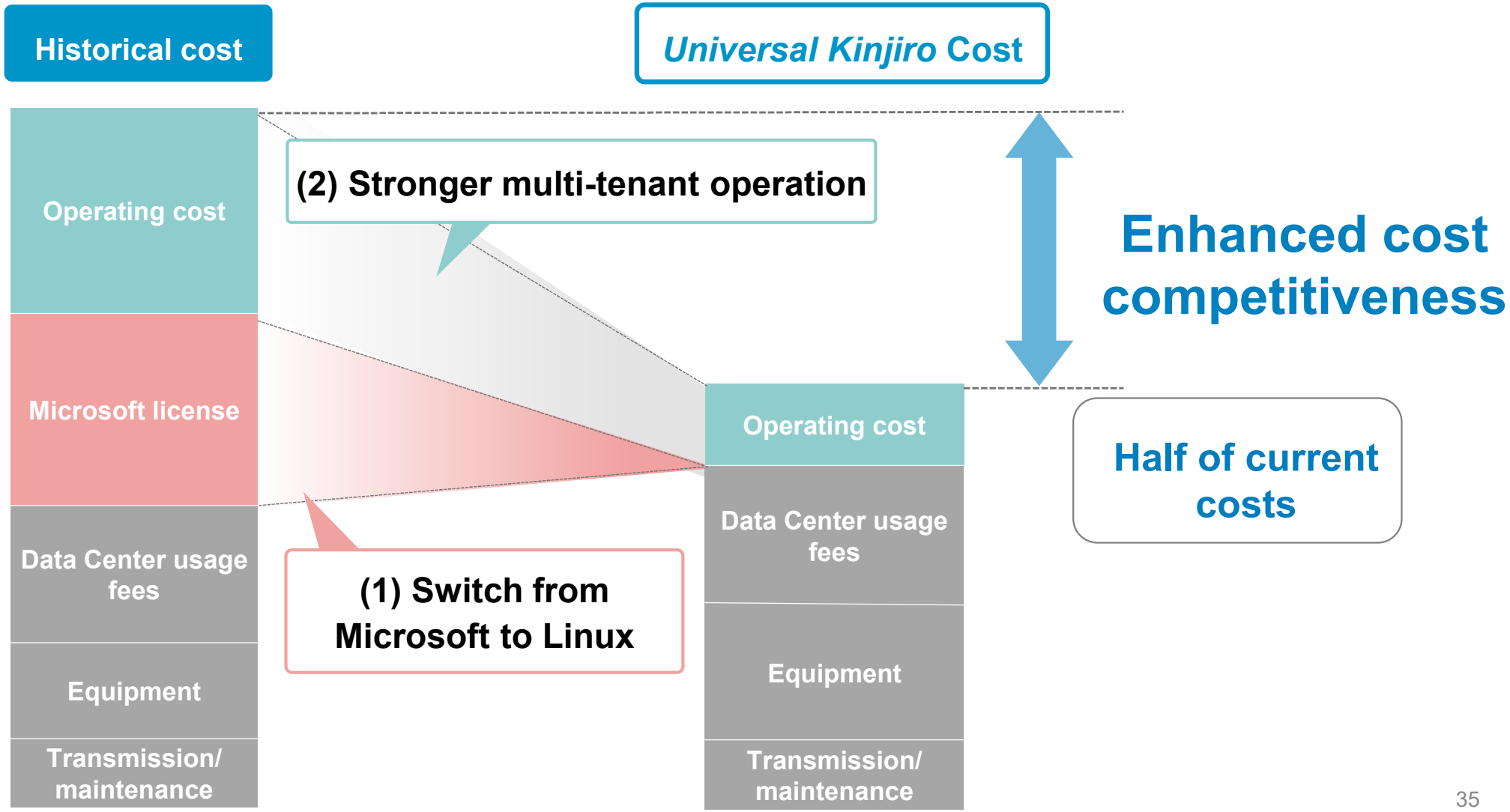
C: Utilization of our cloud base by clients and partners who utilize our client base (release planned in FY2022)

1. Evolve the cloud base ・・・ Flexible utilization of cloud assets, expand private cloud (for individual clients)
2. Strengthen the cloud front ・・・Provide integrated authentication for our company's app and other apps (2Q)
   *Integrated authentication: integrate user authentication
3. Develop data business and AI service business ・・・Strengthen AI services with utilization of work styles, health screenings, stress checks, and lifestyle information



Profit Growth Strategy
Enhance cost competitiveness

- **Enhance cost competitiveness of cloud-based services through *Universal Kinjiro*, which was released in December 2021, and aim to expand revenues and market share**



4. Topics

ESG Initiatives

*Environment, Social, and Governance

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

By utilizing our products and services, you can:
(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.)
- Strengthen trust between labor and the Management

With *Health x 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 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

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: 10, Face-to-face: 2 [Public health nurse consultations] Online consultations: 4, Face-to-face: 11 • Improvement in the anomaly observation rate for diabetes: Improvement rate 27% (YoY change) • 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 (average steps increased 191%) • COVID-19 PCR tests (general vaccine management, body temperature management) • Support for optional expenses related to influenza and health examinations • Continuous implementation of morning radio calisthenics • Improve dietary habits and literacy (distributed drinks)
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 (nursery school fee subsidy, 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 • Internal newsletter from public health nurse / dissemination of health-related information [Delivered once every month] • Educational seminars for external parties: conducted 26
Internal communication	• Paid subsidies to support club activities by internal sports clubs [Once every six months] • Paid expenses related to communication within each department [Once every six months]

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.