Financial Results Briefing Materials for the First Quarter of the Fiscal Year Ending December 31, 2022

Kinjiro Co., Ltd.

May 13, 2022

STRICTLY PRIVATE AND CONFIDENTIAL

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1. Financial Results for the First Quarter of the Fiscal Year Ending December 31, 2022 (FY2022)

Highlights for the First Quarter of FY2022

Key performance indicators (KPIs)

Number of cloud licenses: Increased by 32,038 from the end of the last fiscal year (increased by 181.2% year on year) to 400,730

Recurring revenue: Continued to grow briskly (average annual growth: 16.1%)

ARPU: Edged up to 353 yen for Enterprise

Cloud-based contract cancellation rate: Remained low at 0.20%

Consolidated financial results

Net sales: Decreased year on year to 808 million yen

Ordinary profit: Increased year on year to 109 million yen

Summary of Consolidated Financial Results for the First Quarter of FY2022

- Net sales: 45% of the forecast for 1H, and down 6% year on year to 808 million yen
- Operating profit: 73% of the forecast for 1H, and up 3% year on year to 109 million yen
- Ordinary profit: 73% of the forecast for 1H, and up 2% year on year to 109 million yen
- Profit: 75% of the forecast for 1H, and up 2% year on year to 75 million yen

Consolidated statement of income

(Unit: Million yen)

	FY2022 1H forecast	FY2022 1Q results	Rate of progress	FY2021 1Q results	YoY change
Net sales	1,800	**808**	45%	**860**	-6%
Operating profit	150	**109**	73%	**106**	+3%
Ordinary profit	150	**109**	73%	**107**	+2%
Profit	100	**75**	75%	**74**	+2%

YoY Changes in Net Sales by Business Segment

Net sales

(Unit: Million yen)

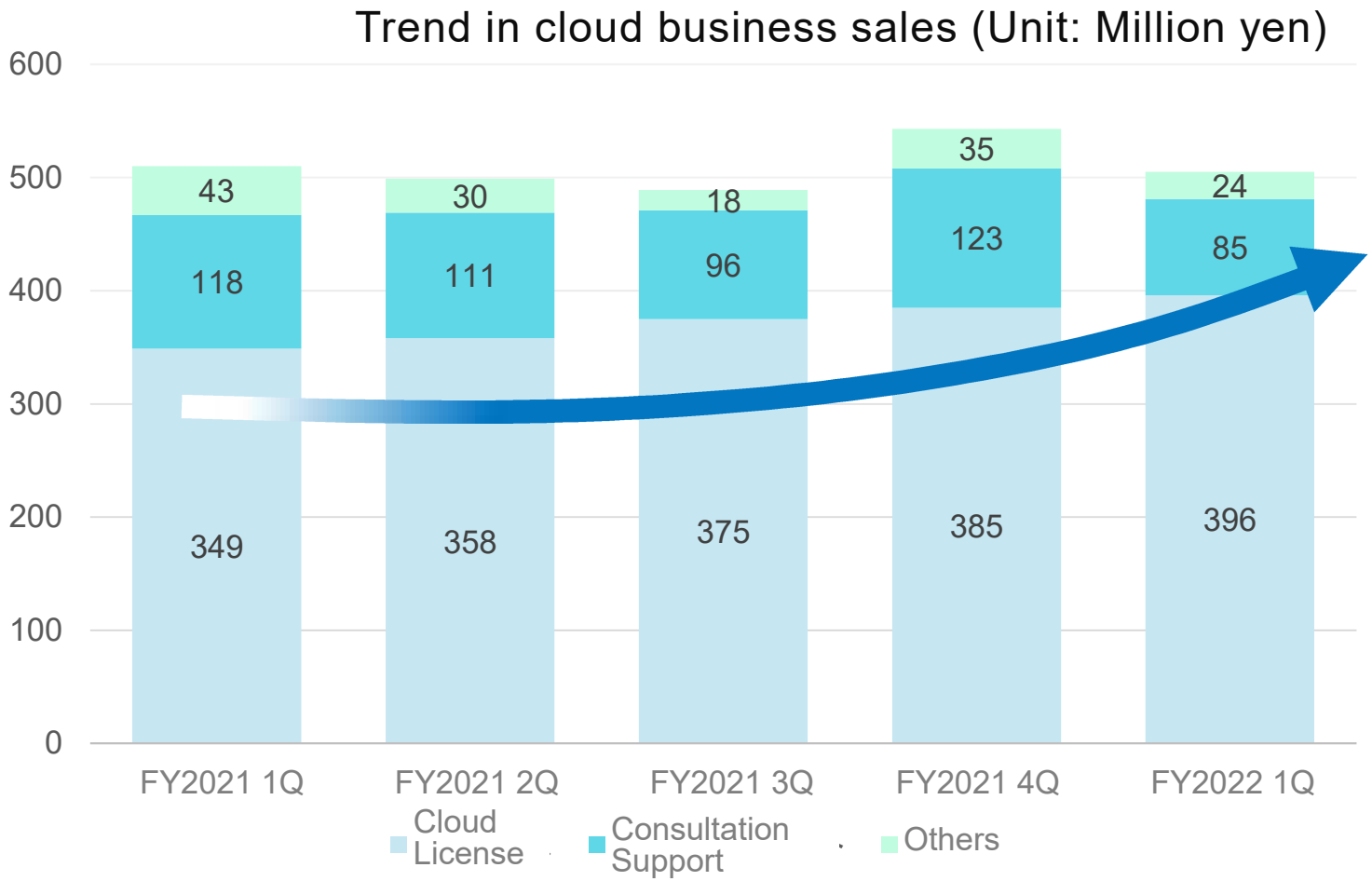
Business Segment	Sales segment	FY2021 1Q results	FY2022 1Q results	YoY change
Cloud Business	Cloud License	**349**	**396**	+14%
	Cloud Consultation Support	**118**	**85**	-28%
	Others	**43**	**24**	-43%
	Subtotal	**510**	**506**	-1%
On-Premises Business	Premium support	**148**	**145**	-1%
	Software Products	**102**	**73**	-29%
	Software Consultation Support	**70**	**58**	-18%
	Employment Information Devices	**25**	**23**	-8%
	Subtotal	**347**	**300**	-13%
Total net sales		**860**	**808**	-6%

Recurring revenue*	**504**	**548**	+9%

* Includes revenue from cloud licensing, premium support, and other services

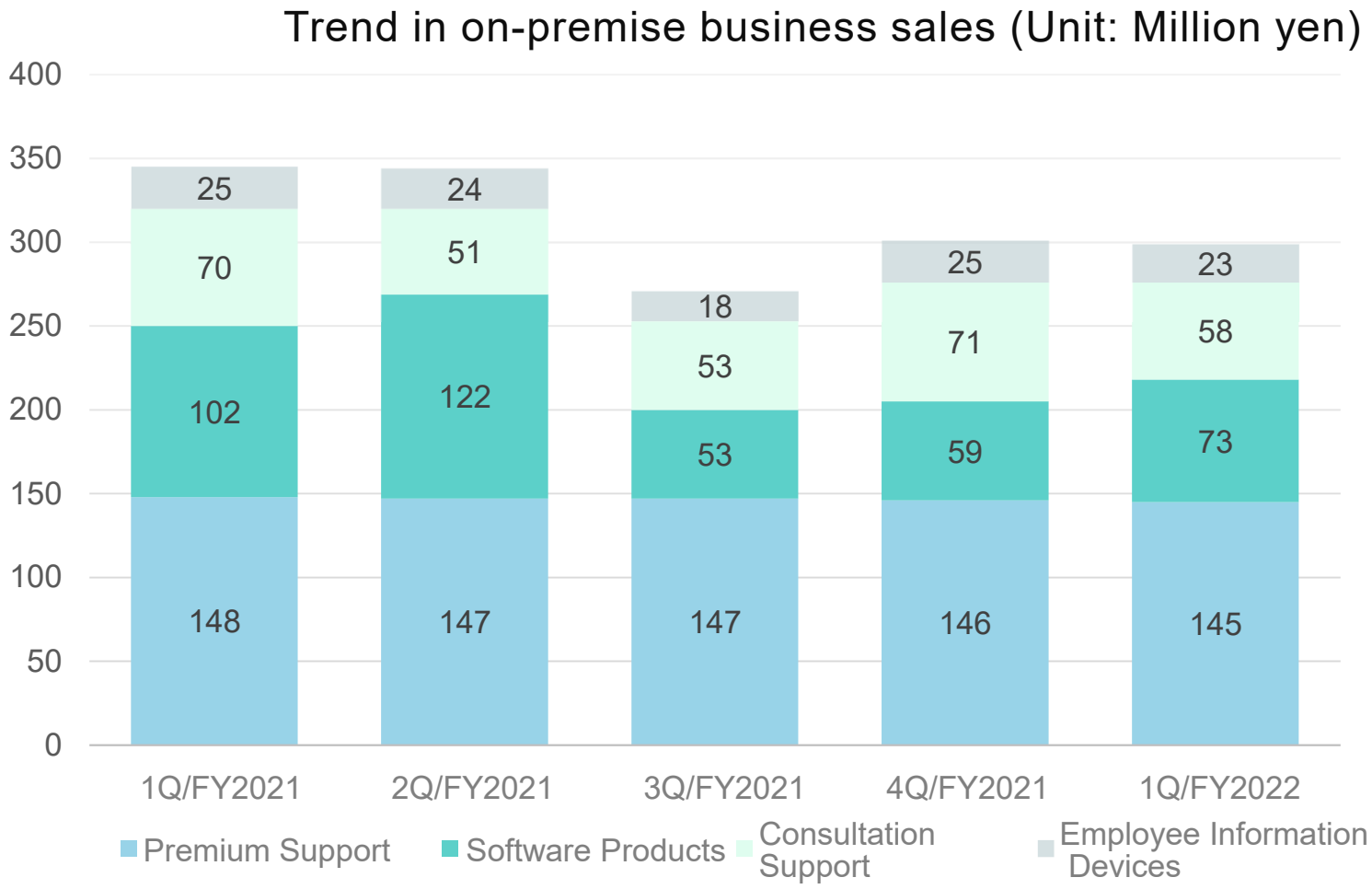
Sales in Cloud Business

- Cloud License sales grew by 14% year on year to 396 million yen.
- Cloud Consultation Support sales decreased by 28% year on year to 85 million yen, due to enhanced productivity in introduction support enabling prompt service launch to better cater to increased remote support, which resulted in declined average revenue per project.
- Meanwhile, sales in the Others category (employment information devices, etc.) decreased by 43% year on year to 24 million yen.



Sales in On-Premises Business

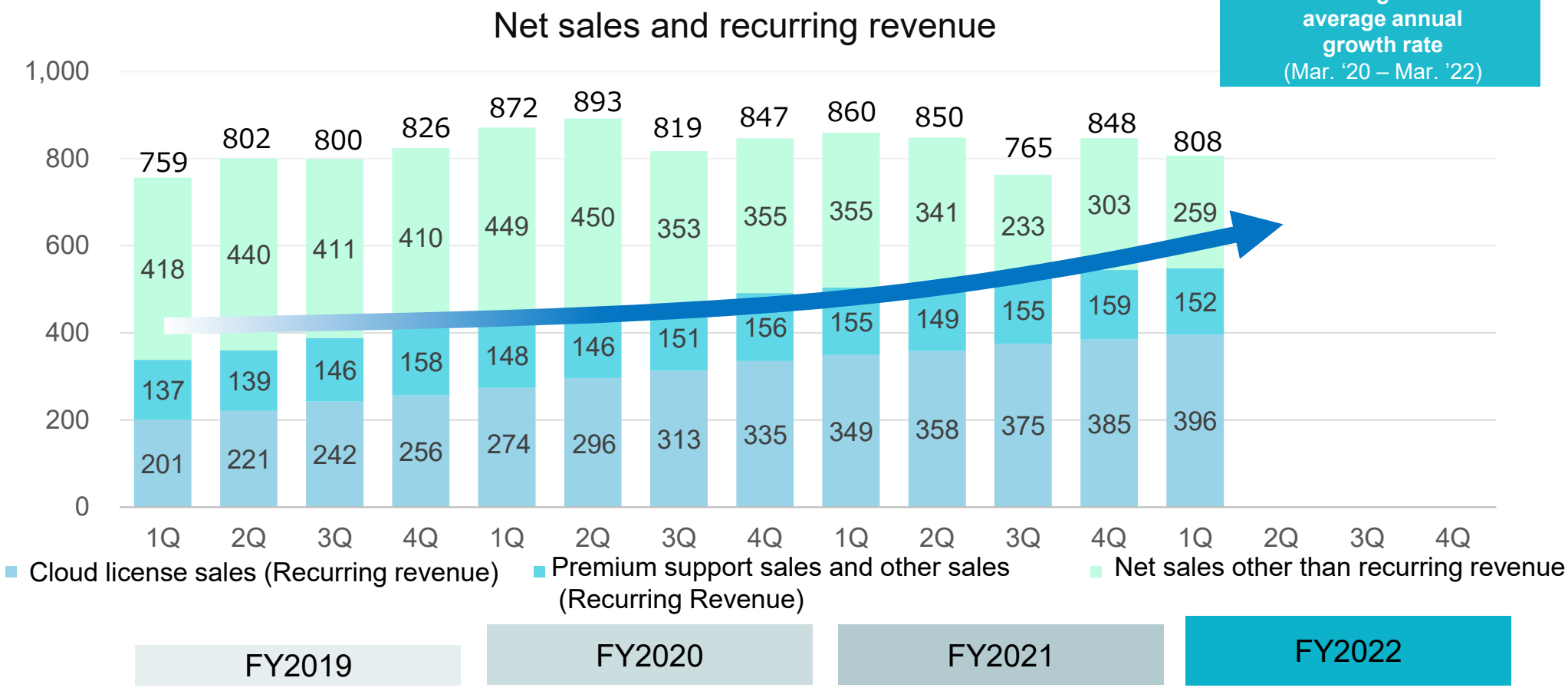
- Premium Support sales decreased by 1% year on year to 145 million yen.
- Software Products sales decreased by 29% year on year to 73 million yen, while Software Consultation Support sales declined by 18% year on year to 58 million yen, primarily because we are being forced to remotely communicate with prospective customers and provide support service introduction due to the COVID-19 pandemic continued from the previous year.



Quarterly Trend in Net Sales and Recurring Revenue

Recurring revenue, which comprises Cloud License sales and Premium Support sales, is showing solid growth on a quarter-by-quarter basis.

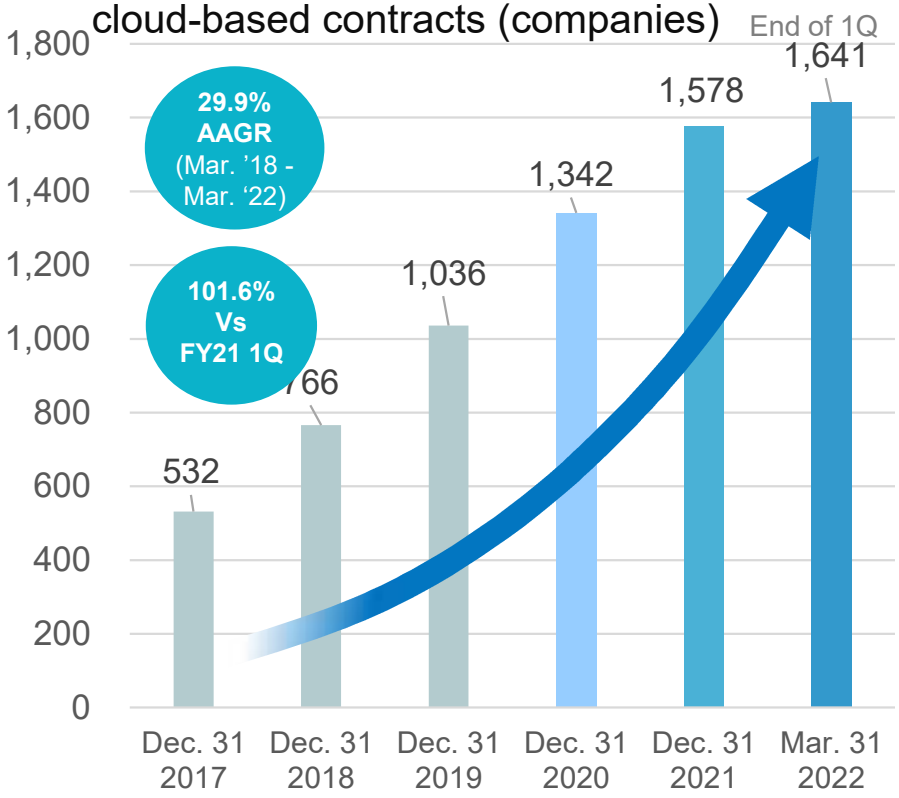
16.1%
Recurring revenue average annual growth rate
(Mar. '20 – Mar. '22)



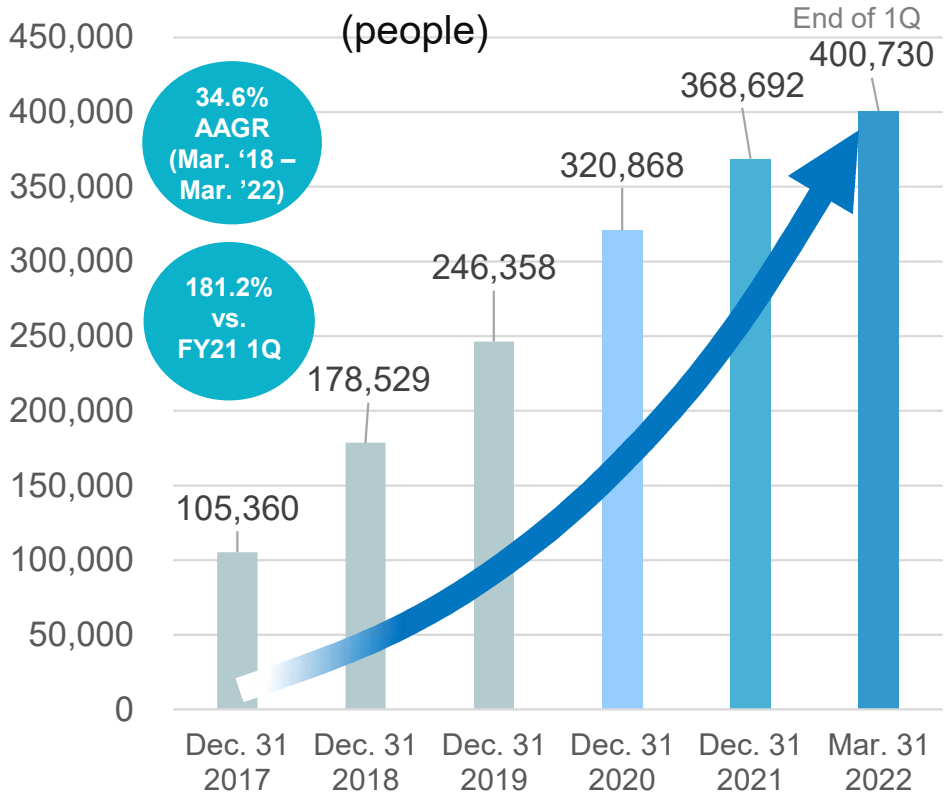
Number of Corporate Clients on Contract and Number of Licenses*1

- High growth continues in the number of licenses, with an average annual growth rate (AAGR) of 34.6%.

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*).

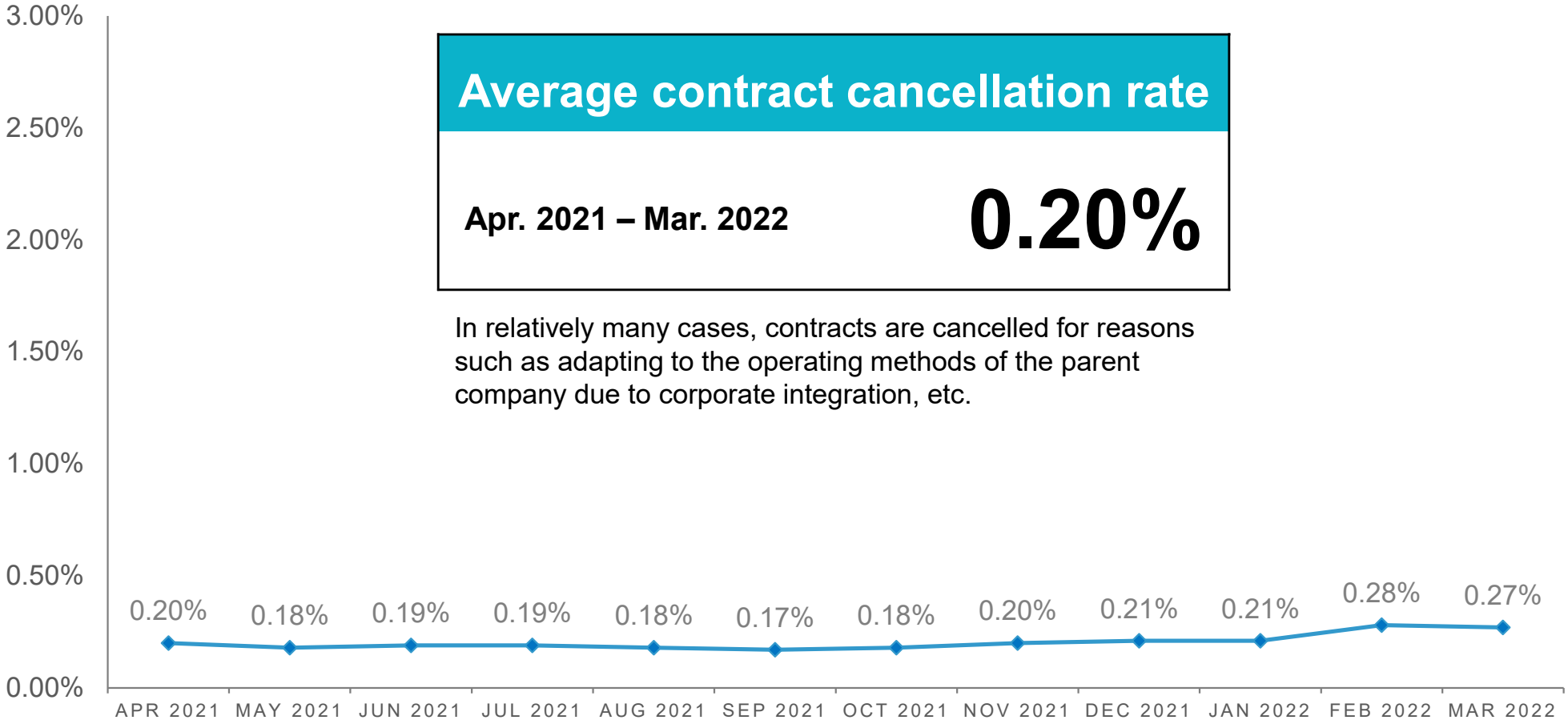
ARPU trend

ARPU	March 2021	June 2021	September 2021	December 2021	March 2022
Enterprise	351 yen	350 yen	349 yen	351 yen	353 yen
Smart	156 yen	153 yen	153 yen	160 yen	117 yen

Cloud-Based Contract Cancellation Rate

- The average rate of cloud-based contracts cancelled per month remains low at 0.20%.

Cloud-based contract cancellation rate[*1]



Average contract cancellation rate

Apr. 2021 – Mar. 2022 **0.20%**

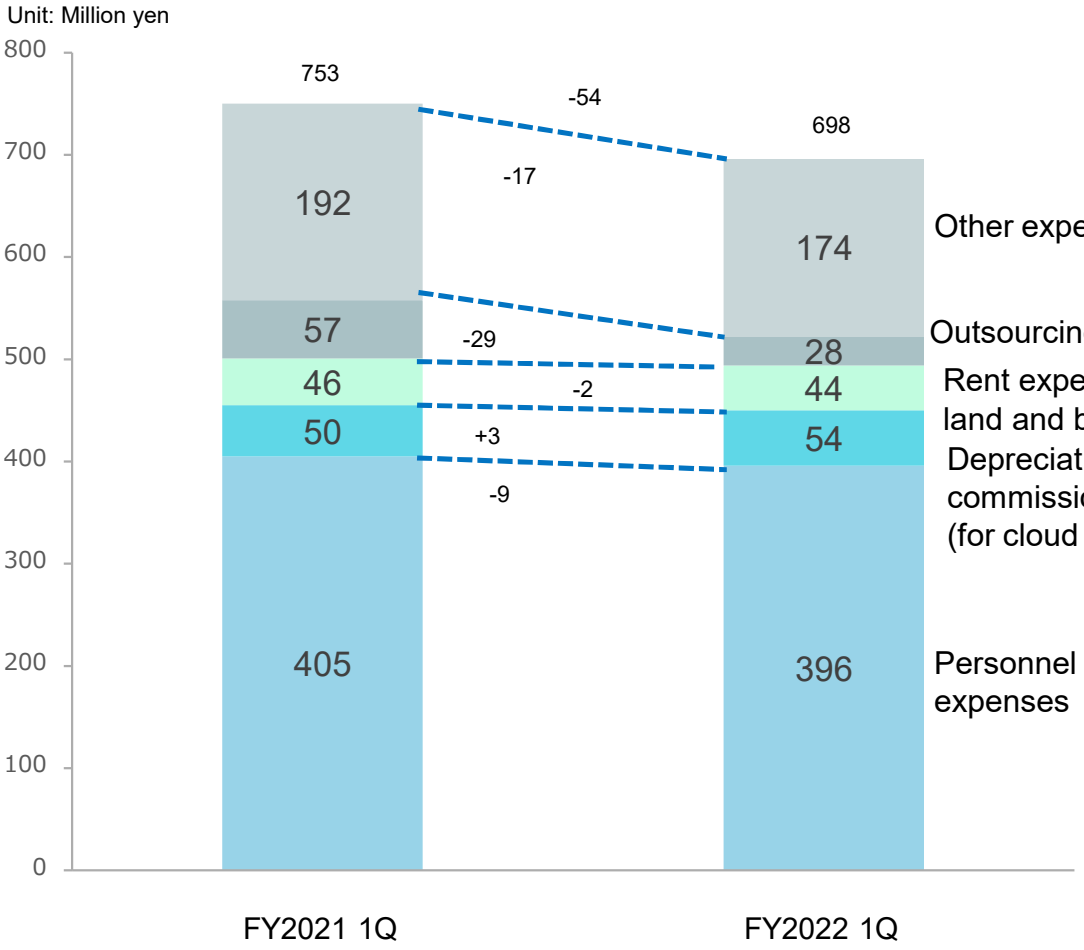
In relatively many cases, contracts are cancelled for reasons such as adapting to the operating methods of the parent company due to corporate integration, etc.

[*1] Monthly average cancellation rate. Calculated by dividing revenue from customers who cancelled their contracts in the current month by revenue from total customers in the previous month.

Cost Structure

- Cost structure for the first three month of the fiscal year ending December 31, 2022

Expend trend (consolidated)



- Total expenses decreased by 54 million yen compared to the costs in three months ended March 31, 2021
- The decrease is attributable to the declines in outsourcing expenses (-29 million yen), other expenses (-17 million yen), and personnel expenses (-9 million yen).

2. Growth Strategy

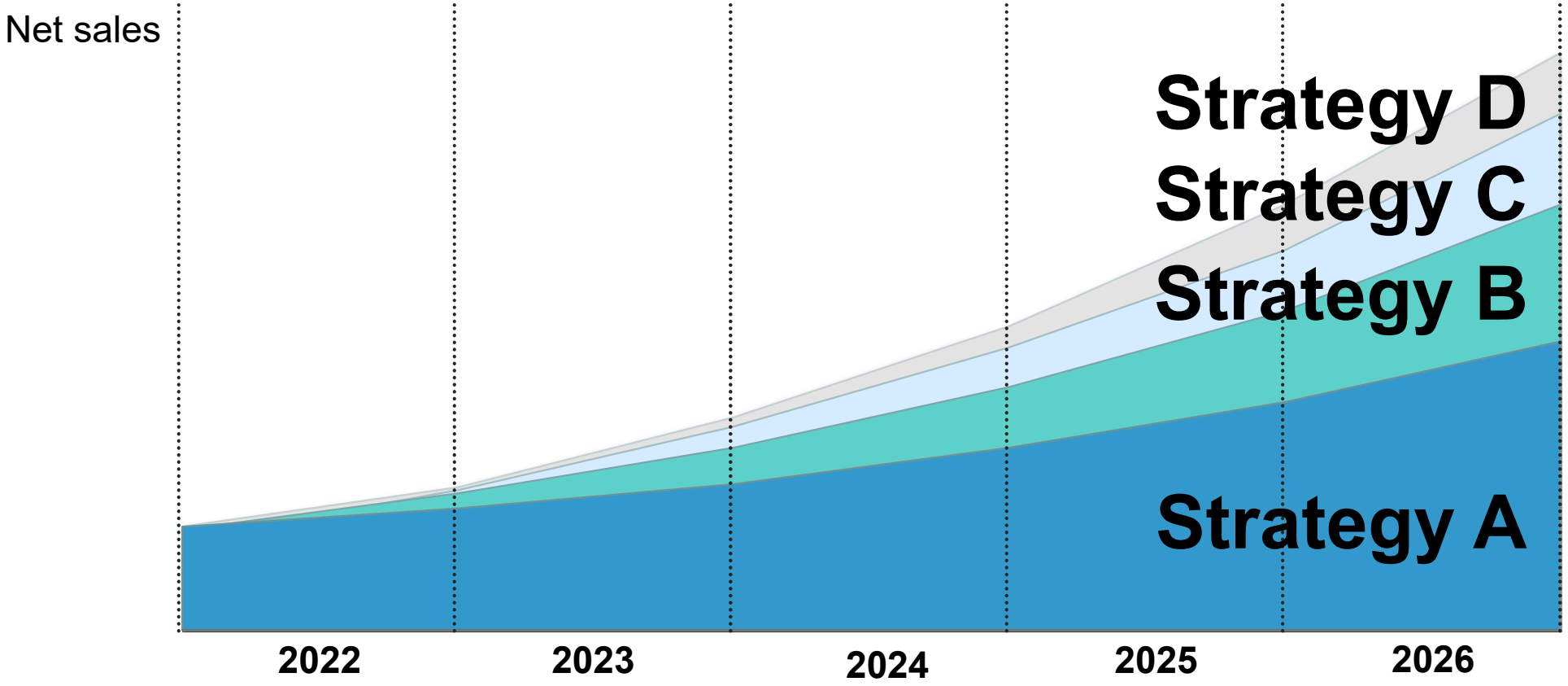
Sales Growth Strategy

Strategy A ⇒ B-to-B, Mainstay business: Accelerate acquisition of new customers for “work style reform and health & productivity management”

Strategy B ⇒ B-to-B, Mainstay business : Shift 900,000 on-premises user licenses to cloud-based services

Strategy C ⇒ B-to-B, New business: Cloud front / private cloud

Strategy D ⇒ B-to-E / B-to-C, Expand sales in platform businesses with revenues from monetization of 350,000 users of B-to-E and B-to-C services, as well as AI, electronic medical records, third-party services, etc.



Strategies A/B: HRM Business
(Work Style Reform & Health & Productivity Management)

- HRM all-in-one solutions for realizing corporate clients' work style reform and health & productivity management
  Drive business growth by enhancing employee labor productivity and work engagement



Improve labor productivity

Strategy A. How to Acquire New Customers

Maintain relationships of trust with existing customers/partners

Direct sales strategy

Reach new customers

Partner strategy

Certification system

Strengthen direct sales, and promote finely-tuned follow-ups and proposals for new products/services as well as product development

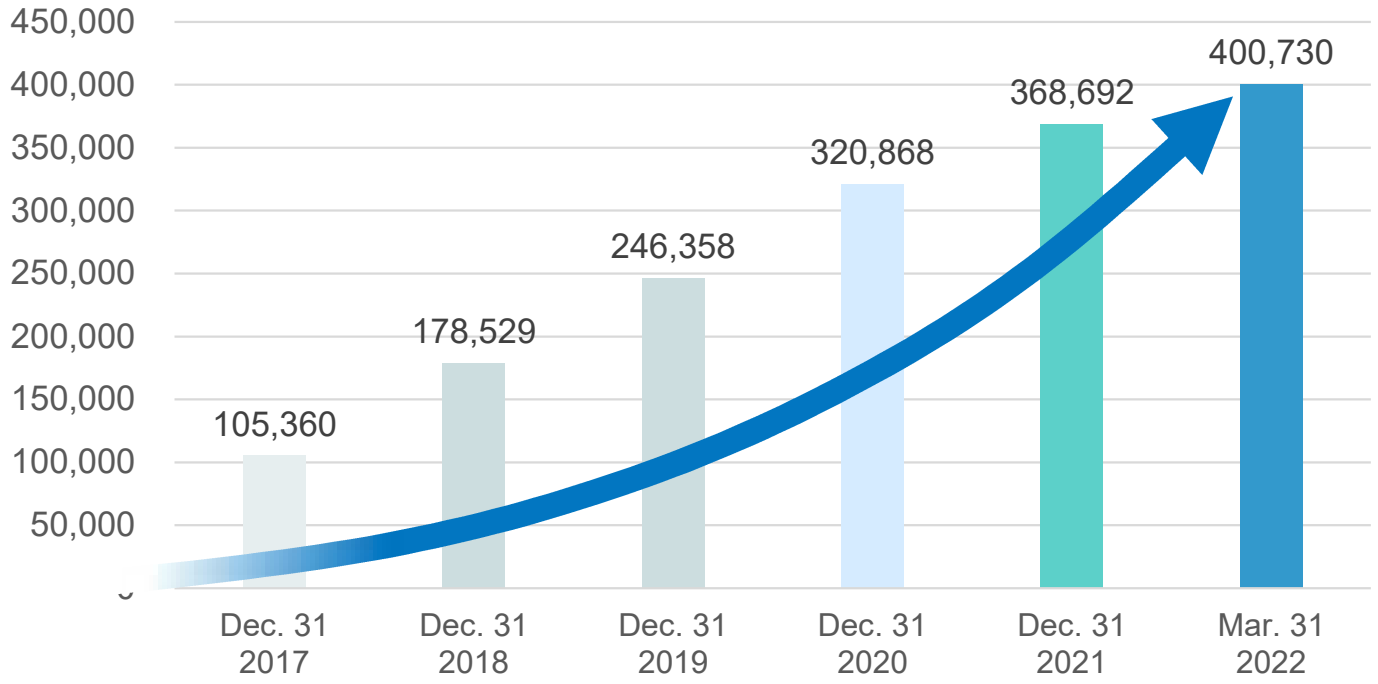


Promote a new partner strategy for organizing SIers in each of the 47 prefectures, on top of the existing partner strategy

Strategy A: Expand Sales to New Customers (Work Style Reform and Health & Productivity Management)

- Boost sales of the cloud business by acquiring new customers to keep expanding cloud license sales
- Meanwhile, the on-premises business will be continued.

Number of cloud-based licenses



34.6%
Average annual growth rate
(Mar. 2018 – Mar. 2022)

Strategy B: Shift On-Premises Users to Cloud

- **Shift 900,000 licenses, which account for approx. 80% of 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 service**

On-Premises Business

1.18M user licenses

(Result as of March 31, 2022)

Move approx. 80%* to cloud-based services

* Estimated based on current customer needs

Strategy B: Boosting ARPU

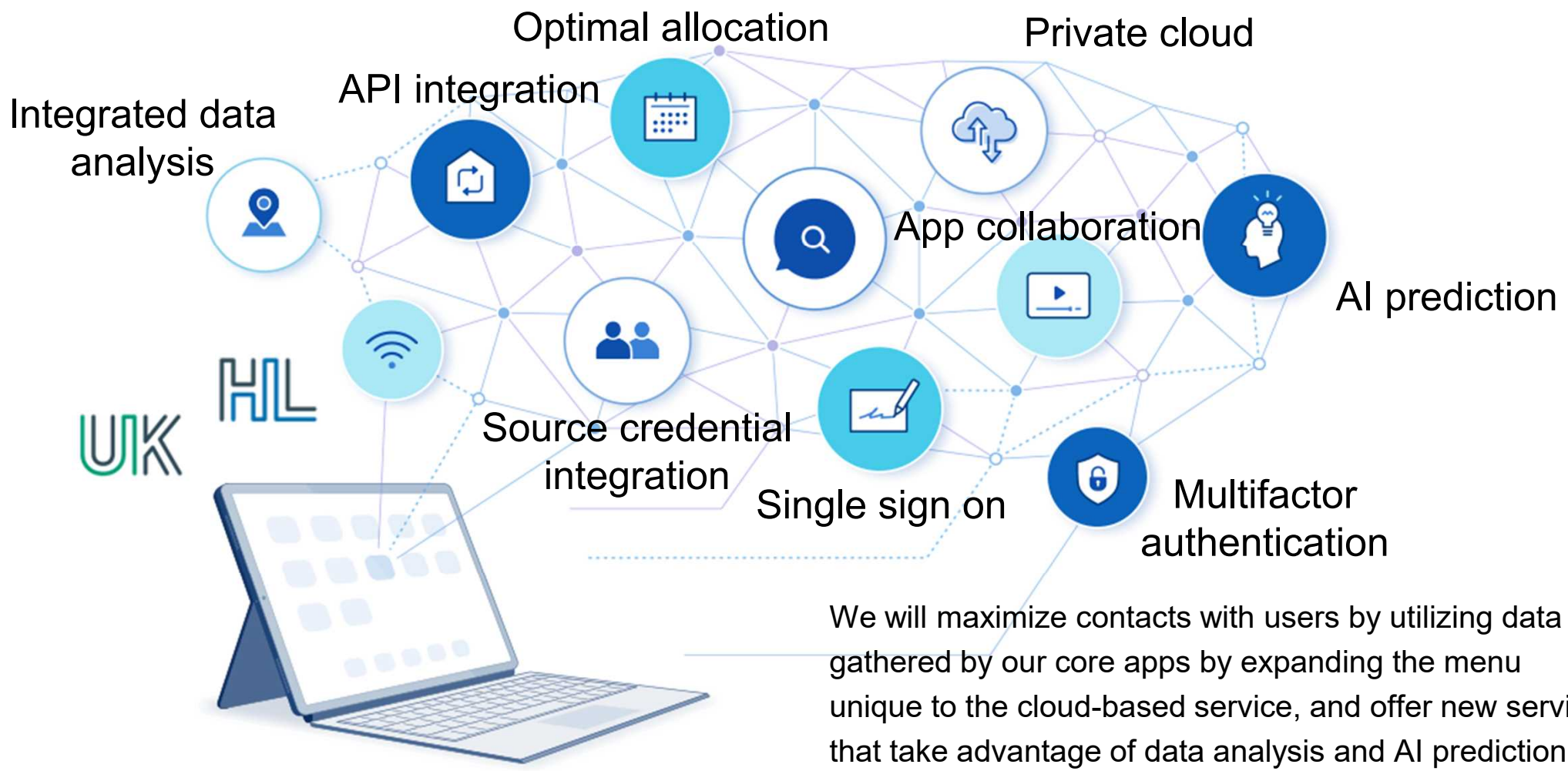
- **When migrating 900,000 licenses out of 1.18 million on-premises user licenses of *Kinjiro Enterprise* to cloud-based services, boost ARPU by cross-selling**

Approx. 900,000 licenses
500 yen per license*

x 12 month = Approx. 5.4B yen

* 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.

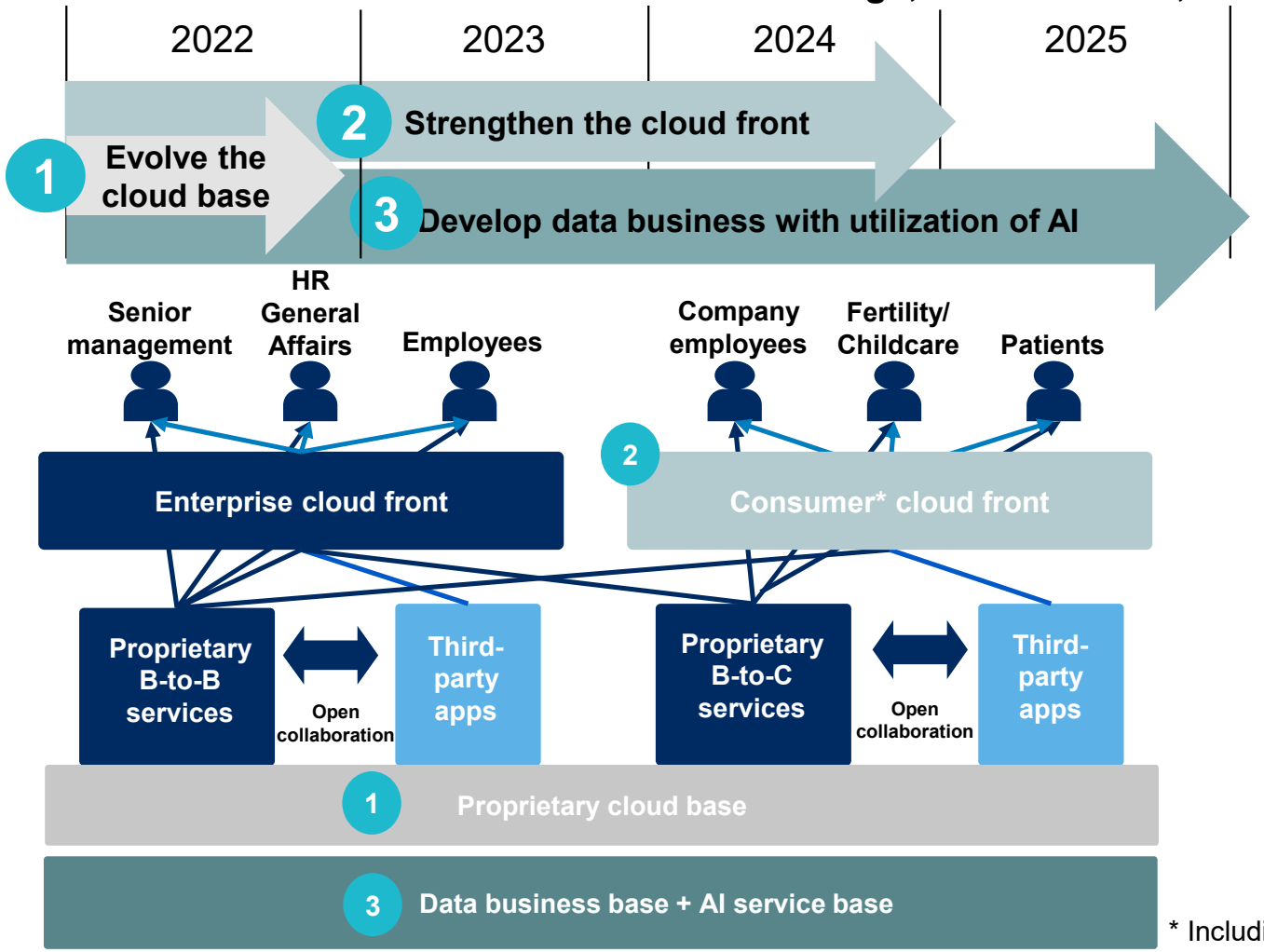
Strategy C: New Business - Cloud Front Strategy



We will maximize contacts with users by utilizing data gathered by our core apps by expanding the menu unique to the cloud-based service, and offer new services that take advantage of data analysis and AI prediction, while at the same time evolving our platform in a way that appeals to business users by enhancing integration functions.

Strategy C: Cloud Front Strategy

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

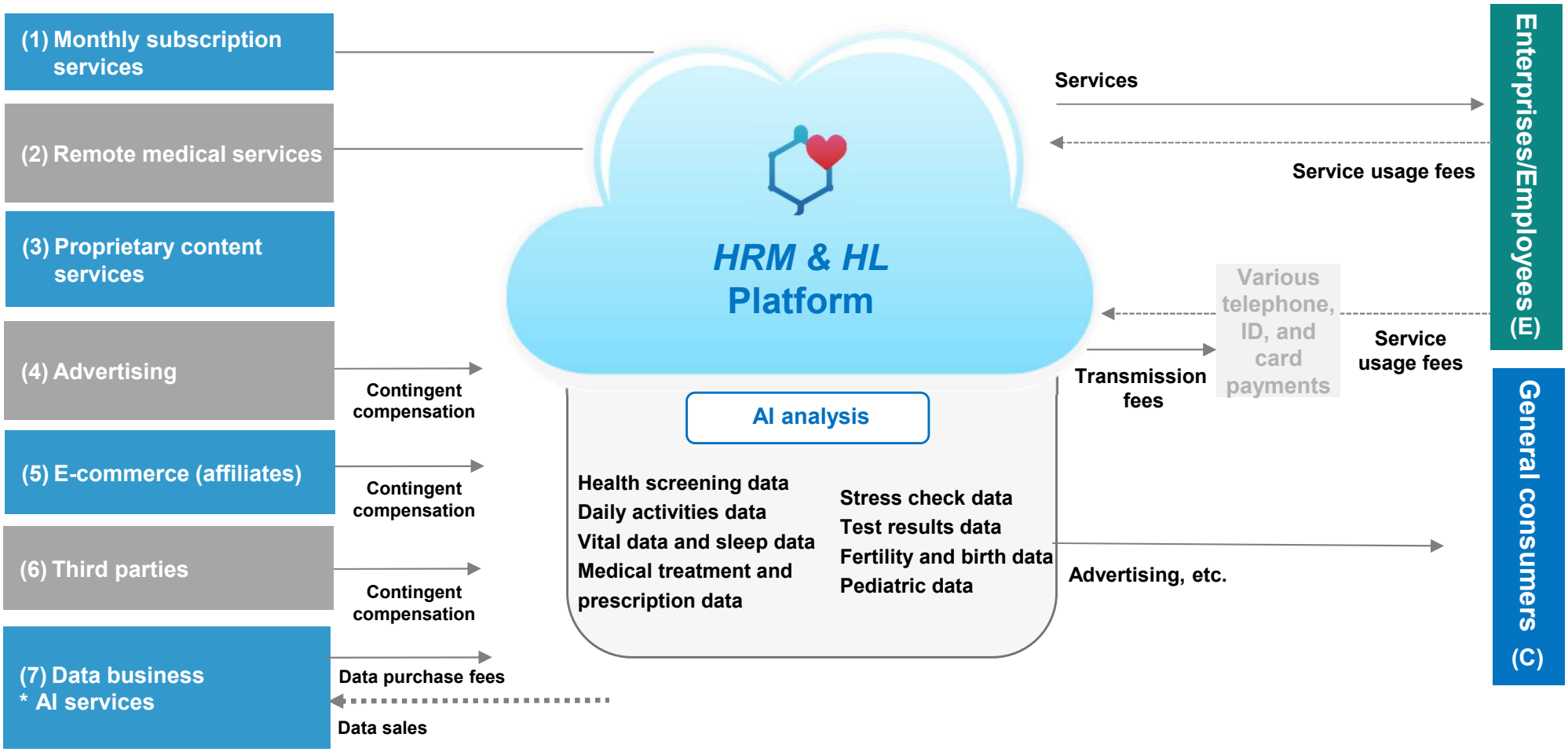


* Including for business partners

Strategy D: Consumer Business Utilizing Platforms

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

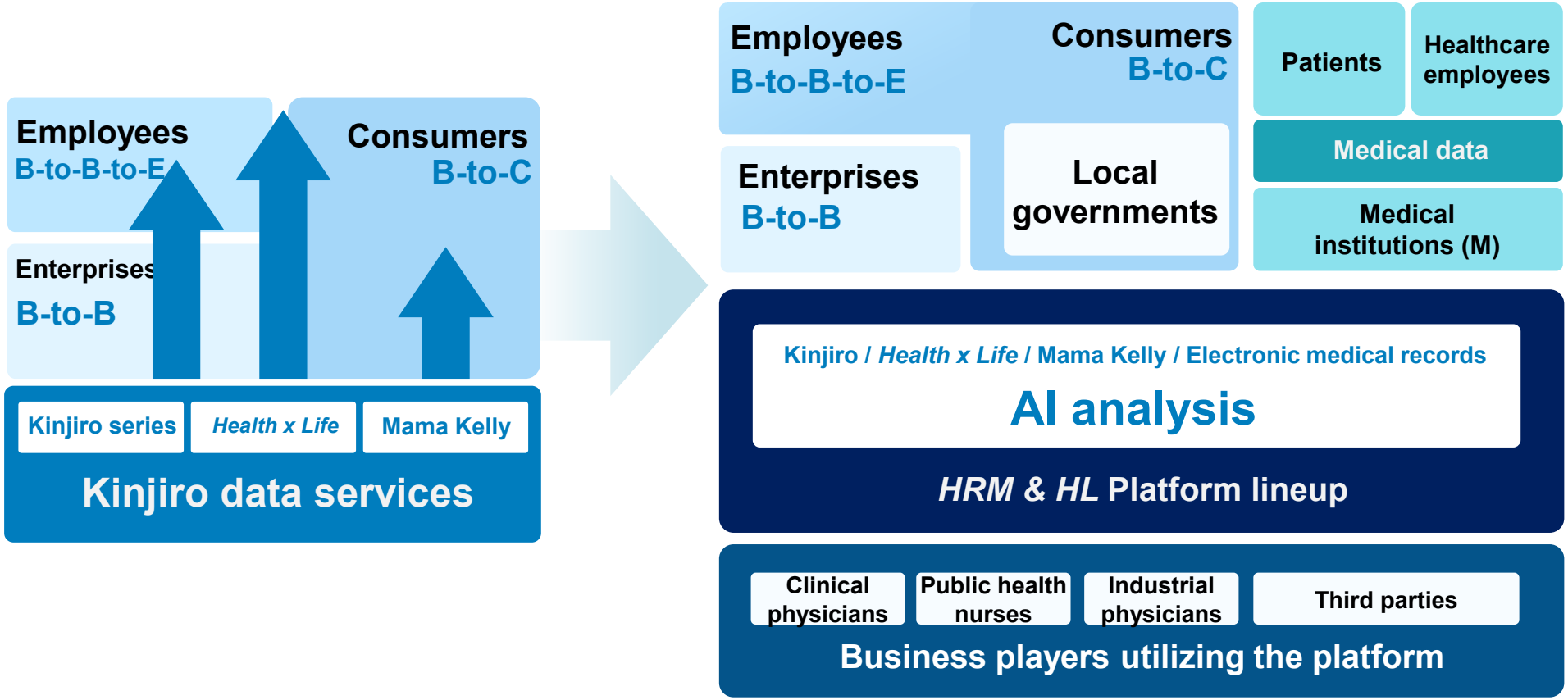
Consumer registration
Monetization from the utilization by 350,000* users



* Result as of March 31, 2022
* 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..

Strategy D: Evolution of Platform Business

- 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 expanding AI services that were developed utilizing work styles, health screenings, stress checks, and lifestyle information



3. Appendix

Corporate Philosophy / Business Model

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 model

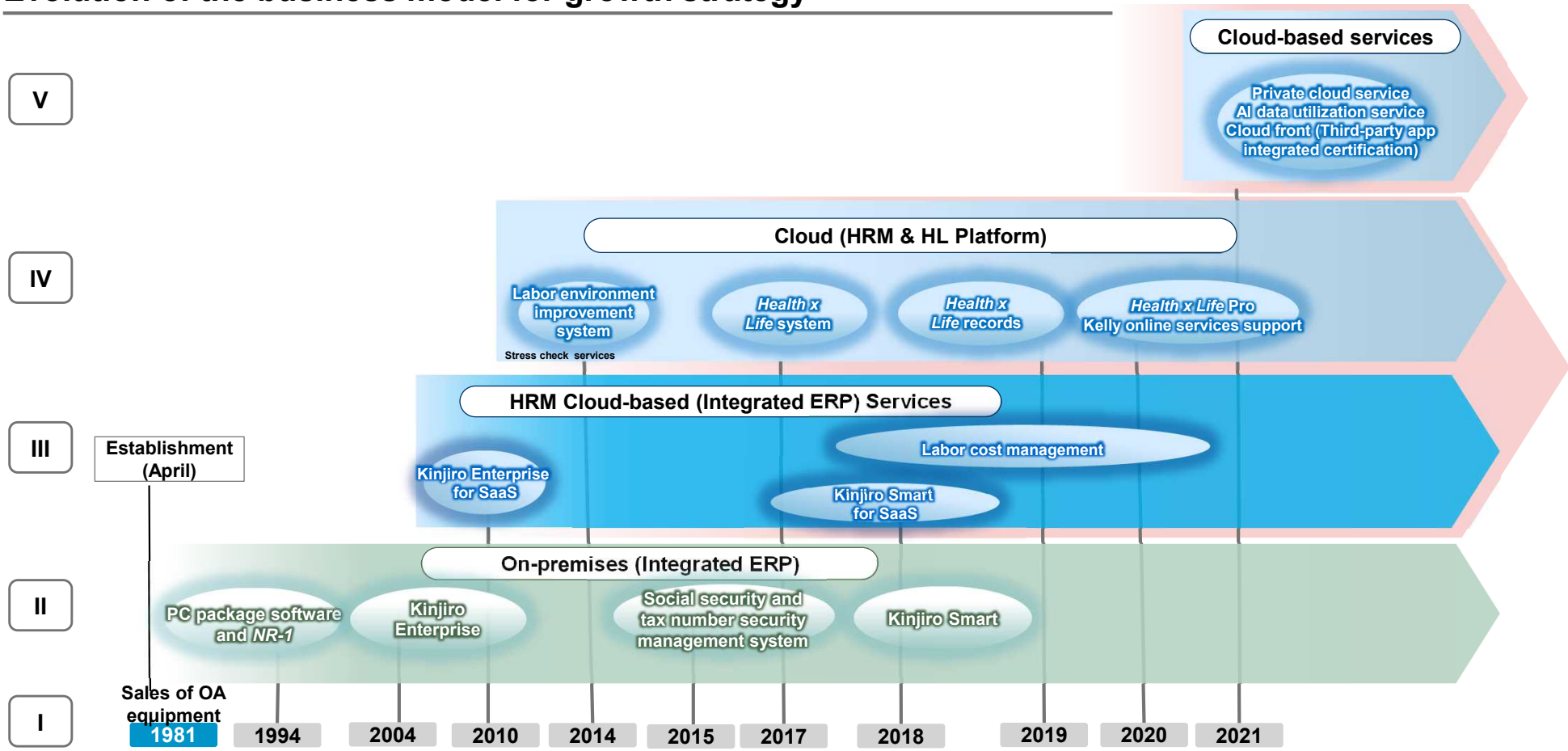
B-to-B, B-to-B-to-E, B-to-C

HRM: Human Resource Management (refers to strategic engagement in personnel procurement, assignment and development, 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.

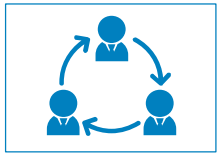
HRM & HL Platform Services

- 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

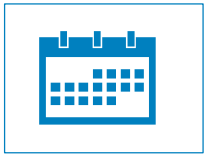

HR data


Salary data


Workload management

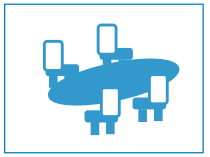

Cost analysis data and simulation


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 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

Utilizing employee data for consumers as well

Mental and physical health care


Health screening results management


Support from industrial physicians and public health nurses

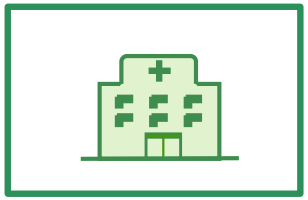

Health screening results diagnosis


Stress checks

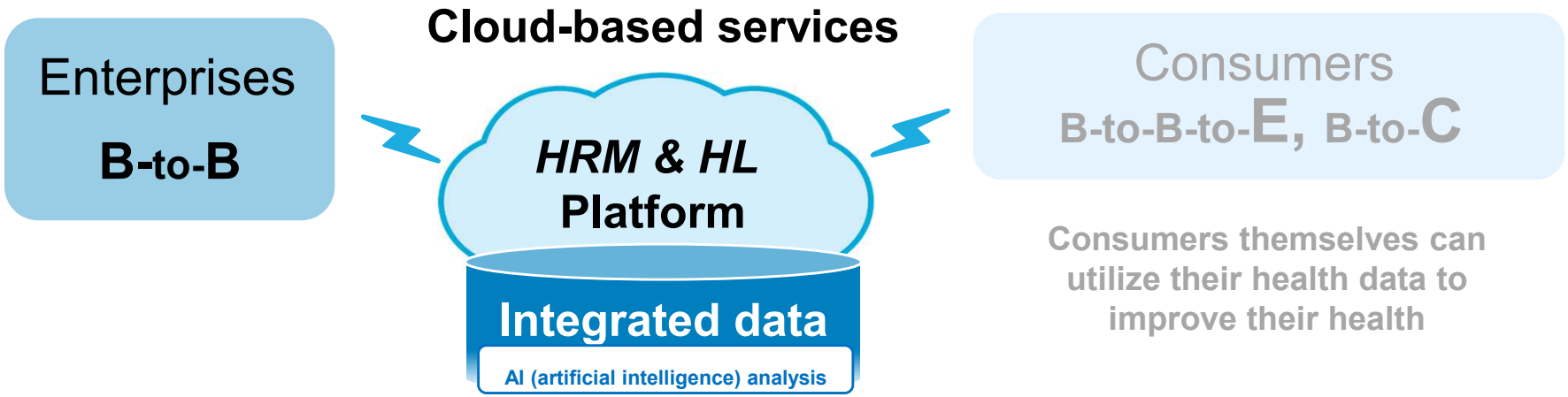

Organization analysis


Health improvement lifestyle log


Electronic medical records (for remote medical treatment)


Health screening medical institutions

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



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

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

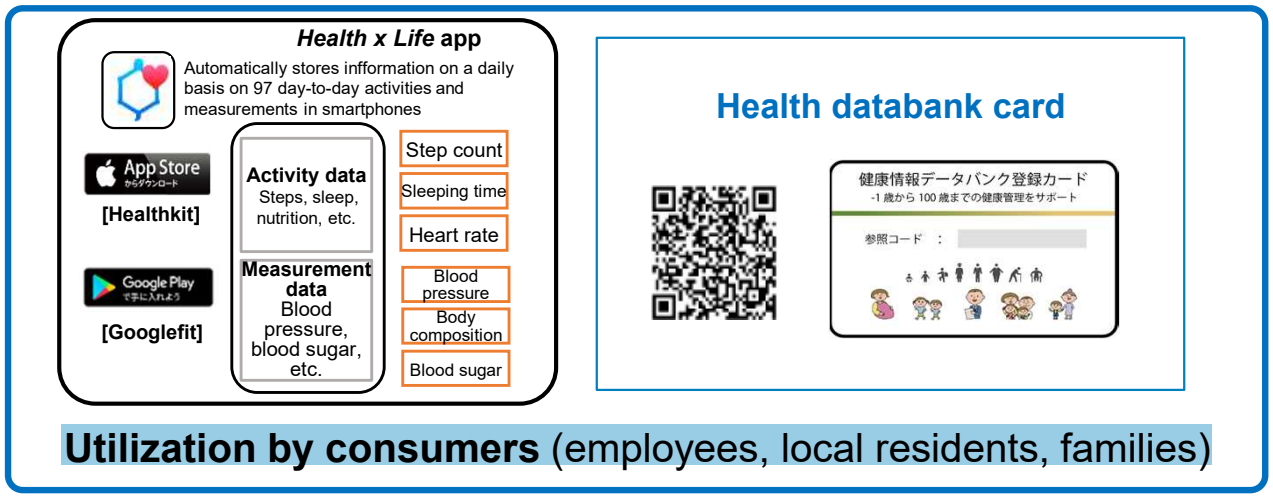
* Online consultations are also possible

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 March 31, 2022)



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 service

***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

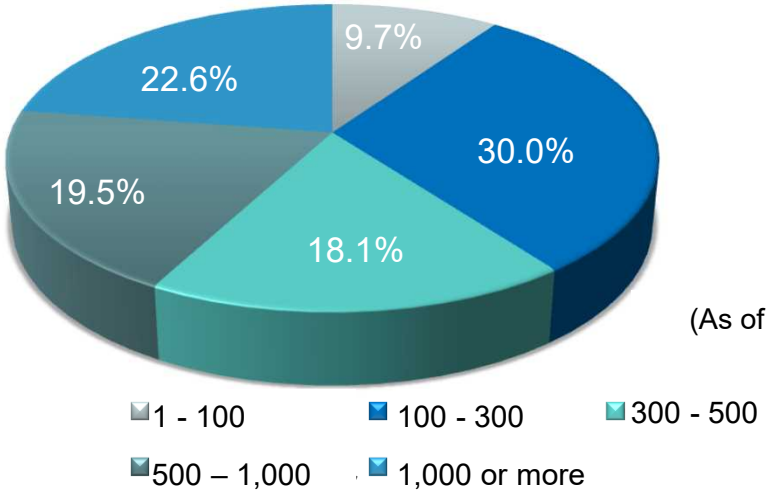
Health improvement content
Collaboration with third parties

Proprietary content service

Kinjiro Enterprise Installations
Breakdown by Scale and Industry

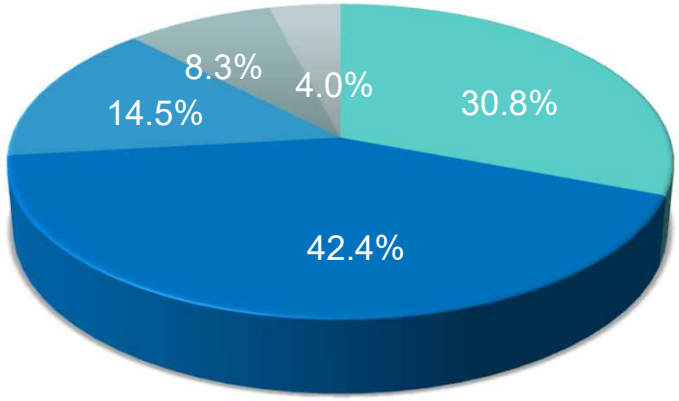
- **Breakdown of implementation by number of employees (On-premises) *1.18 million users**

Mainly mid-size and large enterprises



(As of March 31, 2022)

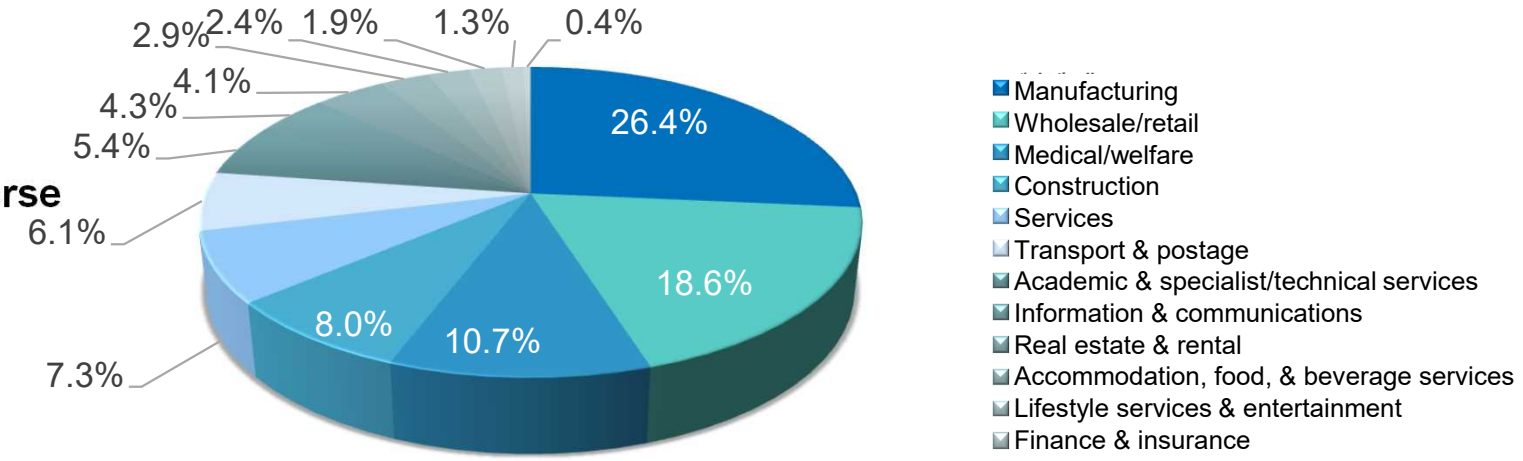
- **Breakdown of implementation by number of employees (Cloud)* 0.36 million users**



(As of March 31, 2022)

- **Breakdown of client numbers by industry**

***Implementation at a diverse range of different enterprises**



(As of March 31, 2022)

ESG Initiatives (Environment, Social, and Governance)

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

By utilizing our products and services, you can:
(1) Increase labor productivity
(2) Health support employees
(3) Create comfortable workplaces

With *Kinjiro Enterprise*…
- Labor and employment management in line with "work style reforms" (complying with the Labor Standards Act and 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*…
- Supported health & productivity management processes
- Analysis of results of health examinations and stress checks
- Online consultations with 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 under the 2022 Certified Health & Productivity Management Outstanding Organizations Recognition Program as "White 500" for the 5th Consecutive Year

- In recognition of our endeavors to 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*-

Kinjiro Co., Ltd. has been certified under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, which is jointly organized by the METI and the Nippon Kenko Kaigi, for the fifth consecutive year.

The *HRM & HL Platform* service allows users to achieve digital transformation (DX) of their initiatives for *work style reform* and *health & productivity management*, completely visualize their employees' health management, and monitor progress in KPIs.

On February 25, 2022, our *Health x Life* app was certified as "*Health Monitoring App*," which helps to prevent the spread of COVID-19, by the Office for COVID-19 and Other Emerging Infectious Disease Control, Cabinet Secretariat, Government of Japan.


2022
健康経営優良法人
Health and productivity
ホワイト500

認定証

(大規模法人部門(ホワイト500))

法人名 勤次郎株式会社

貴法人は、従業員の健康管理を経営的な視点で考え、戦略的に実践する「健康経営」の取組が優良であると認められました
よって、ここに「健康経営優良法人 2022 (大規模法人部門 (ホワイト 500))」として認定します
経済産業省及び厚生労働省と共に、今後一層取組を推進されることを期待いたします

2022年3月9日

日本健康会議

日本健康会議
NIPPON KENKO KAIGI

Work Style Reform 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 - Enhance employees' motivation to improve their own health with health point management [Annual poin-based return system] - Distribute 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) - Implement smoking cessation support programs for smokers
Improve work styles	- Revise working environments as a result of COVID-19 pandemic (utilization of teleworking and staggered shifts) - Promote 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 of internal sports clubs [once every six months] - Paid expenses related to communications 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 judgment 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.