カオナビ

FY2021 3Q Financial Results

February 10, 2022

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Our Purpose

Implement technology to “WORK”
and modify the specifications of society
leveraging individual power

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World That kaonavi Shapes

Aspire to deliver products that empower individuals to take ownership of their careers and ways of working instead of supporting operations or procedures

Empowering Individuals



Shaping the world where people can unlock their potential

Streamlining Operations



Shaping the world that liberates people from troublesome tasks or procedures

A New Initiative in Customer Success

Reinvented our learning programs and the network for our users to exchange day-to-day use cases in order to make success of their talent management efforts more plausible



1. FY2021 3Q Financial Highlights

2. FY2021 Financial Forecast

3. The Future of “WORK” and kaonavi

4. Appendix

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Highlights

Business Overview (Third Quarter)

- Orders in both subscription services and support services were **strong**

  Subscription services : Active users and ARPU both increased steadily. Churn rate remained at a low level

  Support services : Recorded **the highest order amount** following the second quarter. Increased in number and unit price of paid support provided

- Maintained new lead acquisition and business contacting in **high level**

- Released several product updates to enhance the value of the customer experience, including introduction of approval workflow features to the smartphone app

Financial Results (Cumulative Third Quarter)

- **Revised forecast** considering the results up to the third quarter and other factors (please refer to page 18 for details)

Net Sales	JPY **3,230** MM (YoY	**+31.4** %)	vs. Revised Forecast	**71.9** %
Gross Profit	JPY **2,358** MM (YoY	**+29.8** %)	vs. Revised Forecast	**71.7** %
Operating Profit	JPY **231** MM (YoY	**+123.8** %)	vs. Revised Forecast	**157.3** %

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Financial Results

Net sales increased by 31.5% YoY. Gross profit also increased steadily with margin exceeding 75%

JPY MM	FY2020 3Q Same period last year	FY2021 2Q Previous quarter	FY2021 3Q	YoY	QoQ
Net Sales	883	1,061	**1,161**	+31.5%	+9.4%
Gross Profit	635	770	**872**	+37.5%	+13.2%
Margin	71.9%	72.6%	**75.2%**	+3.3pt	+2.5pt
Operating Profit	-58	69	**133**	-	+93.2%
Margin	-	6.5%	**11.4%**	-	+5.0pt
Ordinary Profit	-60	67	**131**	-	+96.9%
Net Profit	-94	45	**89**	-	+99.9%

Business Results

ARR *1

4,488 JPY MM

(+37.5% YoY)

Active Users *2

2,348 Companies

(+19.5% YoY)

ARPU *3

159 JPY Thou.

(+15.1% YoY)

Churn Rate *4

0.58 %

LTV/CAC *5

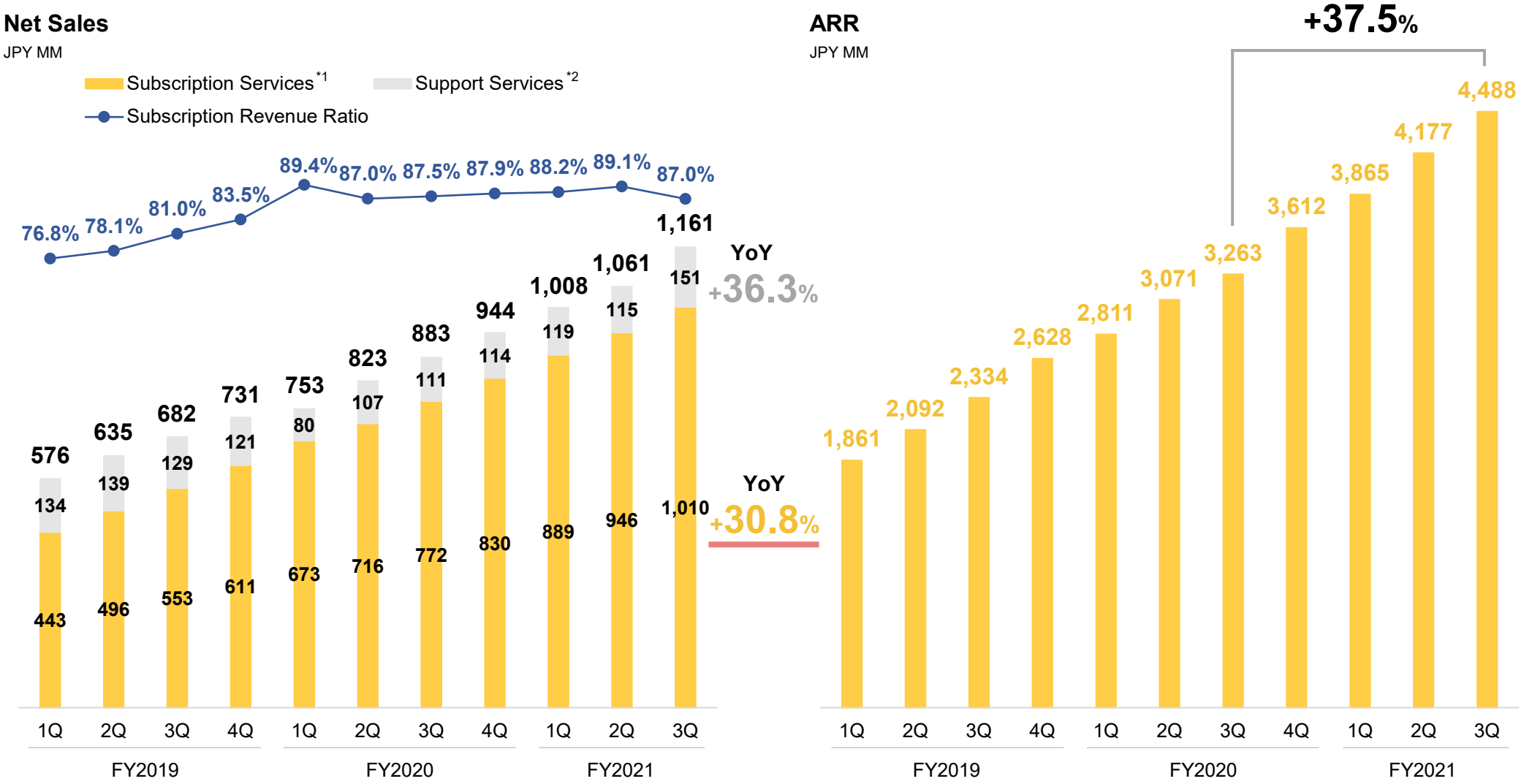
7.7 x

*1：MRR(Monthly Recurring Revenue) at the end of the quarter multiplied by 12
MRR is monthly subscription fee based on the contract value that does not reflect the new revenue recognition standard or prorated free-month (one of managerial accounting figures)
*2：Number of companies and organizations that are using KAONAVI as of the end of the quarter
*3：Average monthly subscription fee per user is calculated by dividing MRR by active users as of the end of the quarter
*4：Last 12-month average churn rate based on MRR
*5：Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

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Net Sales and ARR

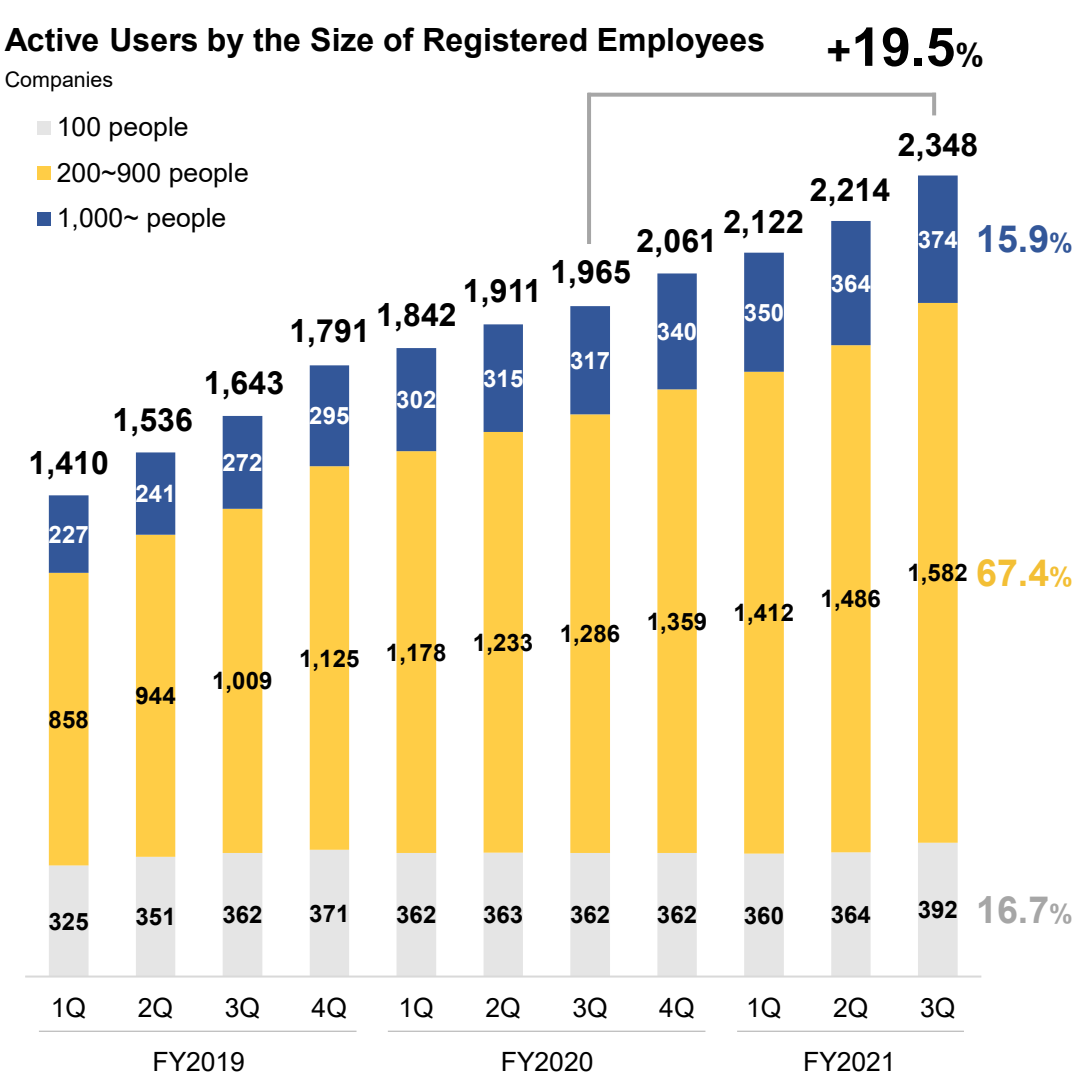
Subscription revenue increased by 30.8% YoY. ARR also continued to grow steadily

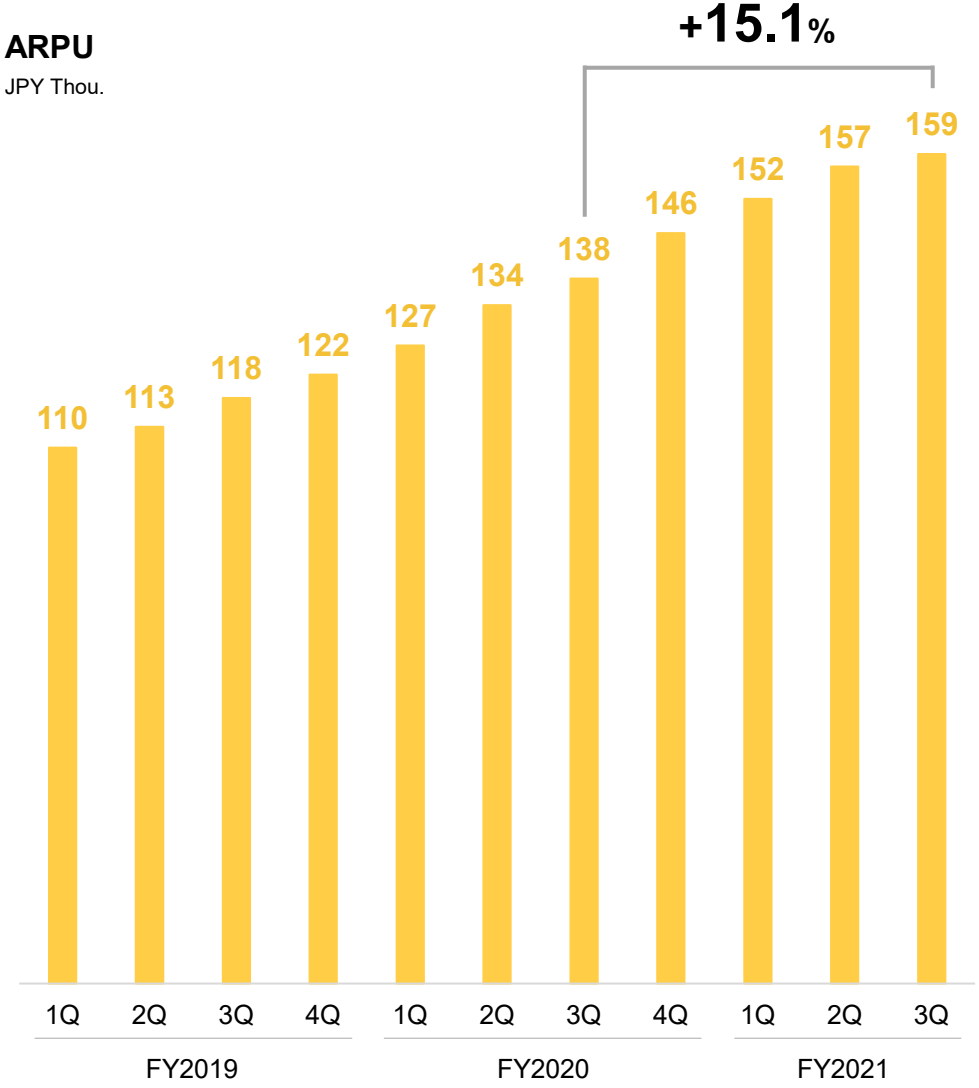


*1 : Net sales from monthly subscription fee
*2 : Net sales from initial setting support and paid support, etc.

Active Users and ARPU

The number of active users and ARPU increased steadily, by +19.5% and +15.1% YoY, respectively



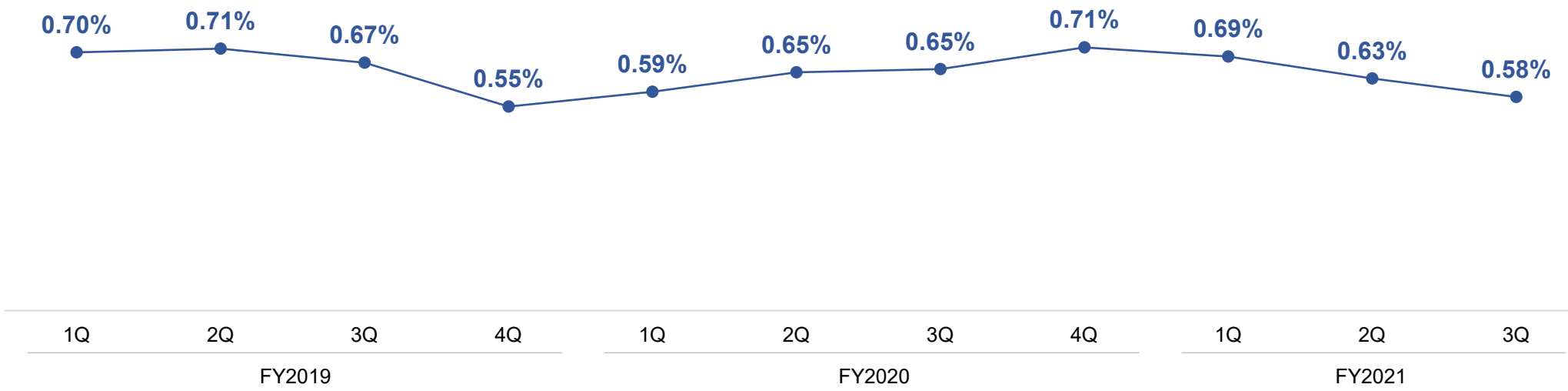


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Churn Rate

Maintaining a low churn rate, improved by 0.05 points from the previous quarter

Last 12-Month Average of MRR Churn Rate *1



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

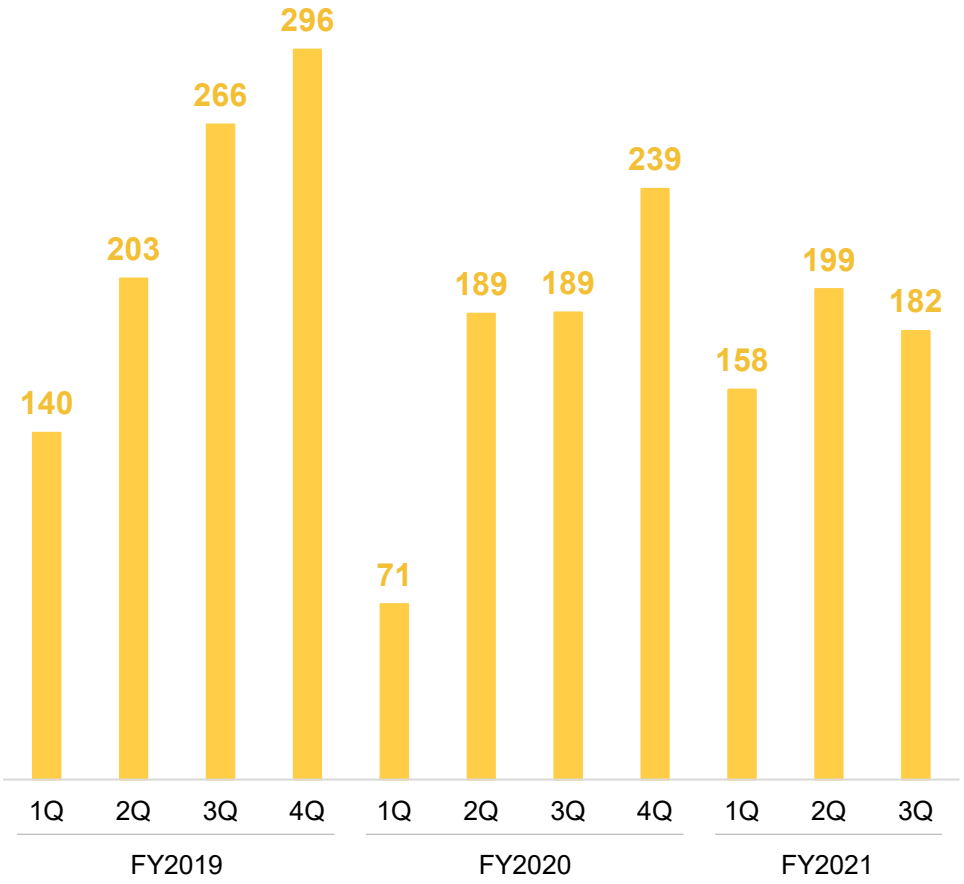
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Unit Economics

LTV/CAC disclosure will be changed to the last 12-month average in order to provide information contributing more to investor's decisions

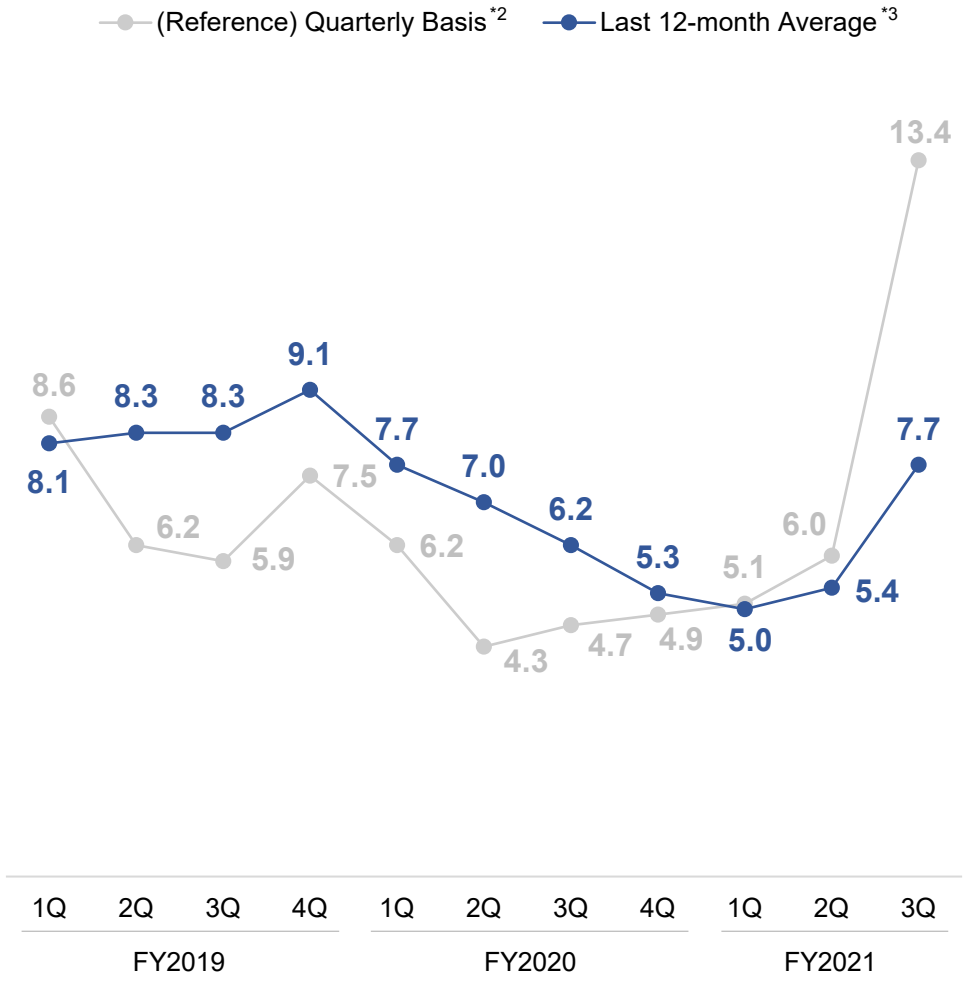
Marketing-related Expenses *1

JPY MM



LTV/CAC

X



*1 : Expenses related to marketing activities such as advertising and sales promotion

*2 : LTV= (Quarterly average of ARPU / Quarterly average of MRR churn rate) x Gross profit margin in the quarter
CAC= Sales & Marketing cost (personnel costs for sales & marketing, customer success and PR, marketing-related expenses, rents, system usage fee, etc.) / # of new customers acquired

*3 : Last 12-month average of monthly LTV/CAC

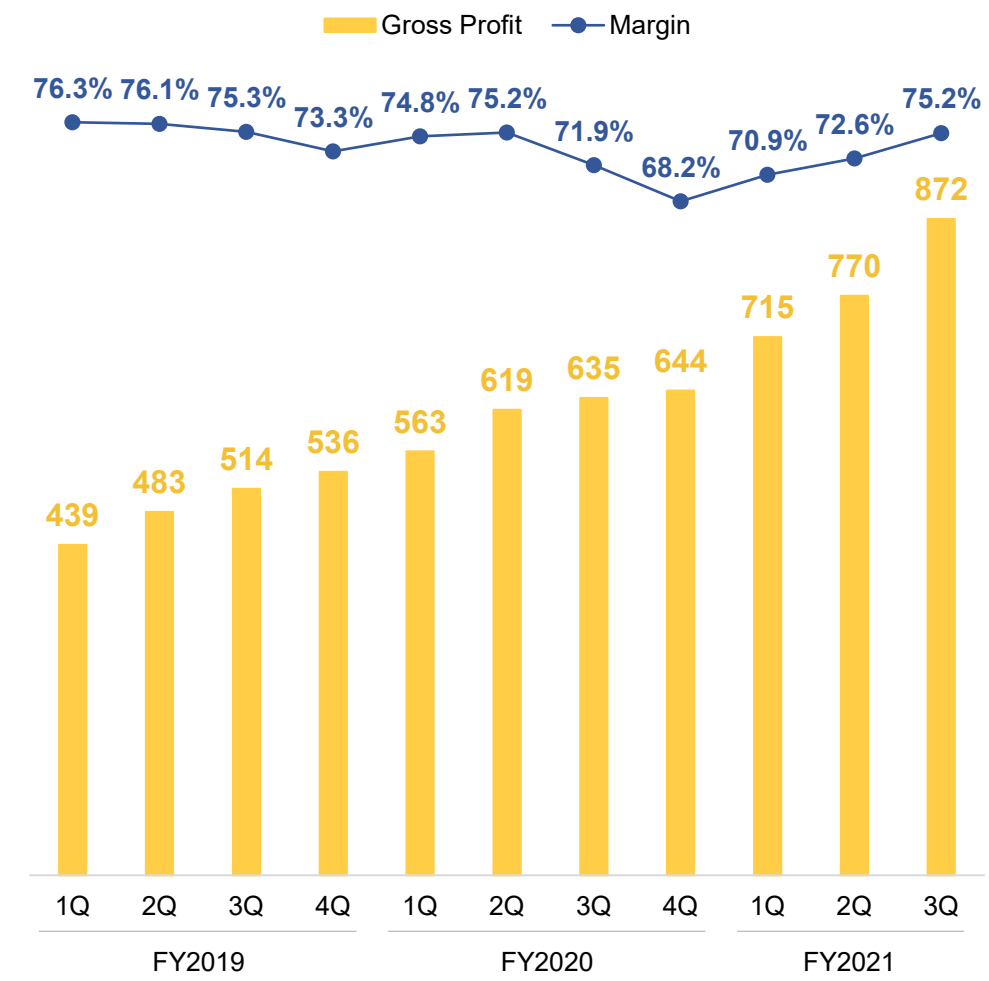
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Gross Profit and Cost of Sales

Gross profit, a source of profitability, has increased steadily in line with the net sales growth

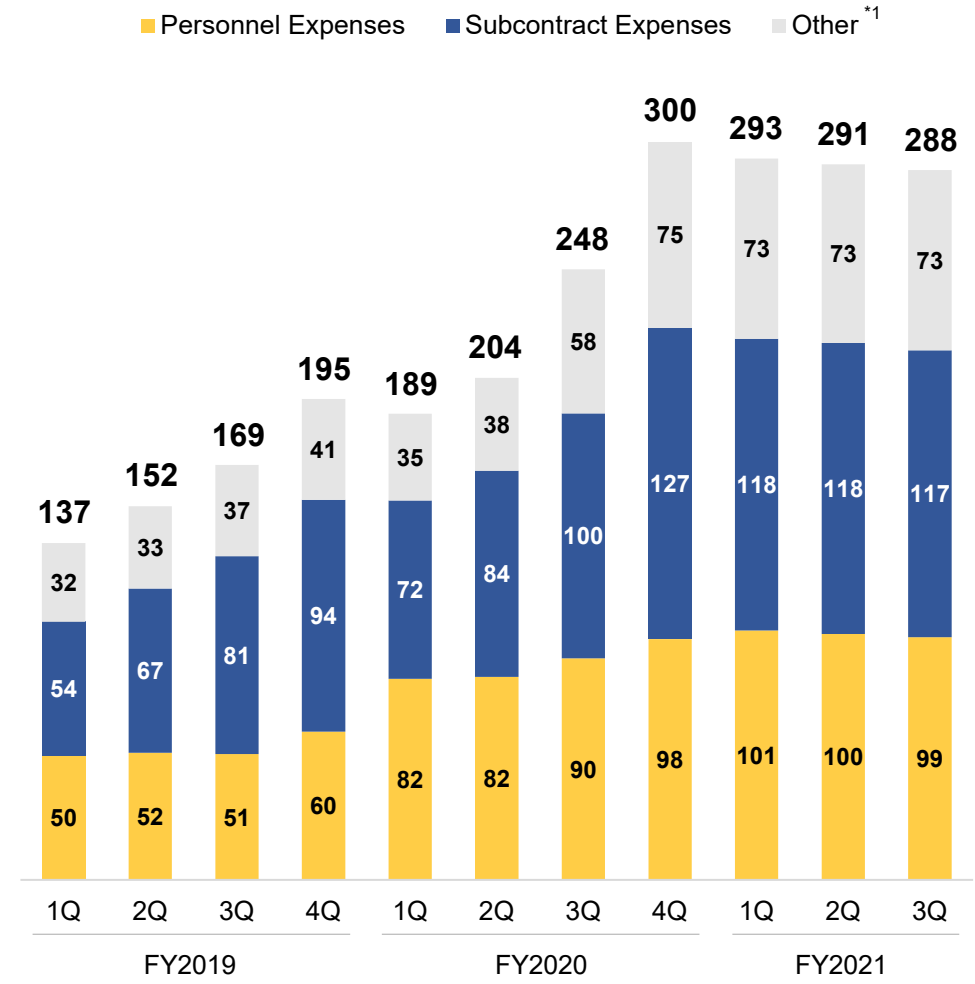
Gross Profit

JPY MM



Cost of Sales

JPY MM



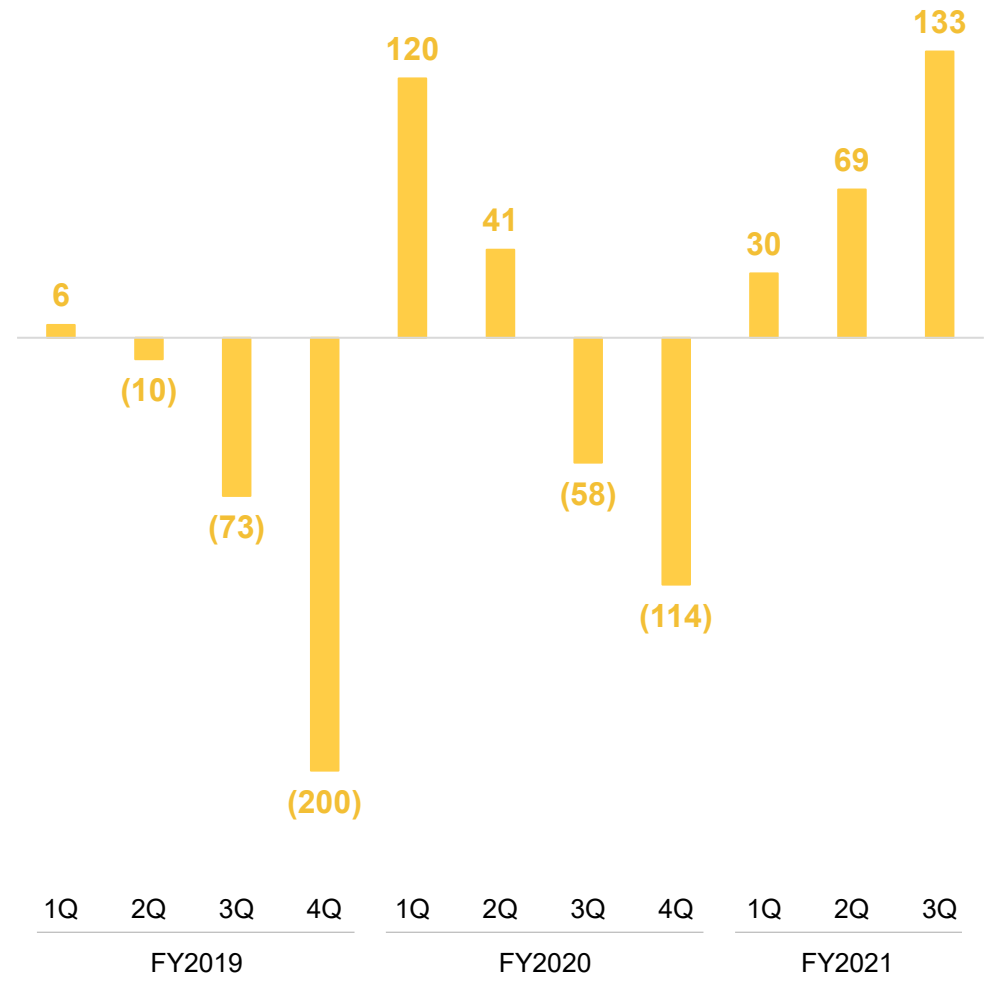
*1：”Other” in this quarter mainly includes Rents of JPY 34MM and Server costs of JPY 30MM

Operating Profit and SG&A

Along with gross profit growth, profitability to generate operating profit also improved

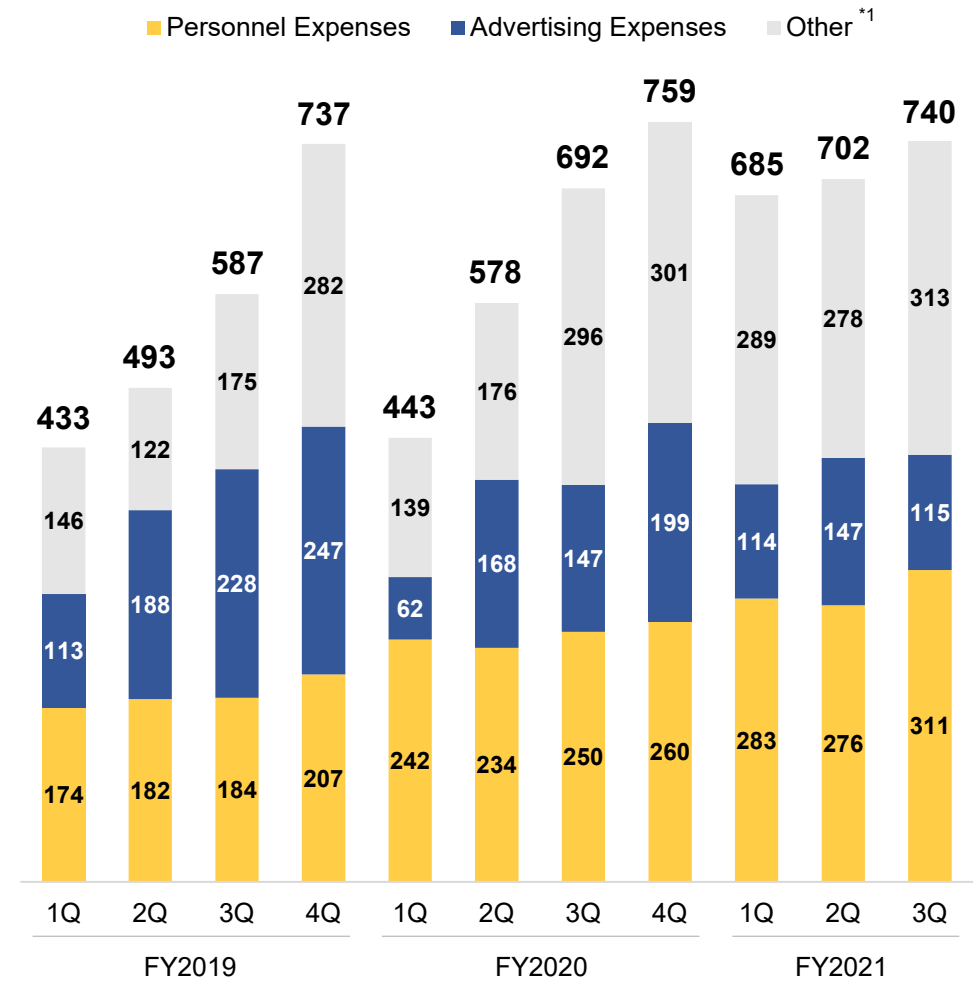
Operating Profit

JPY MM



SG&A

JPY MM



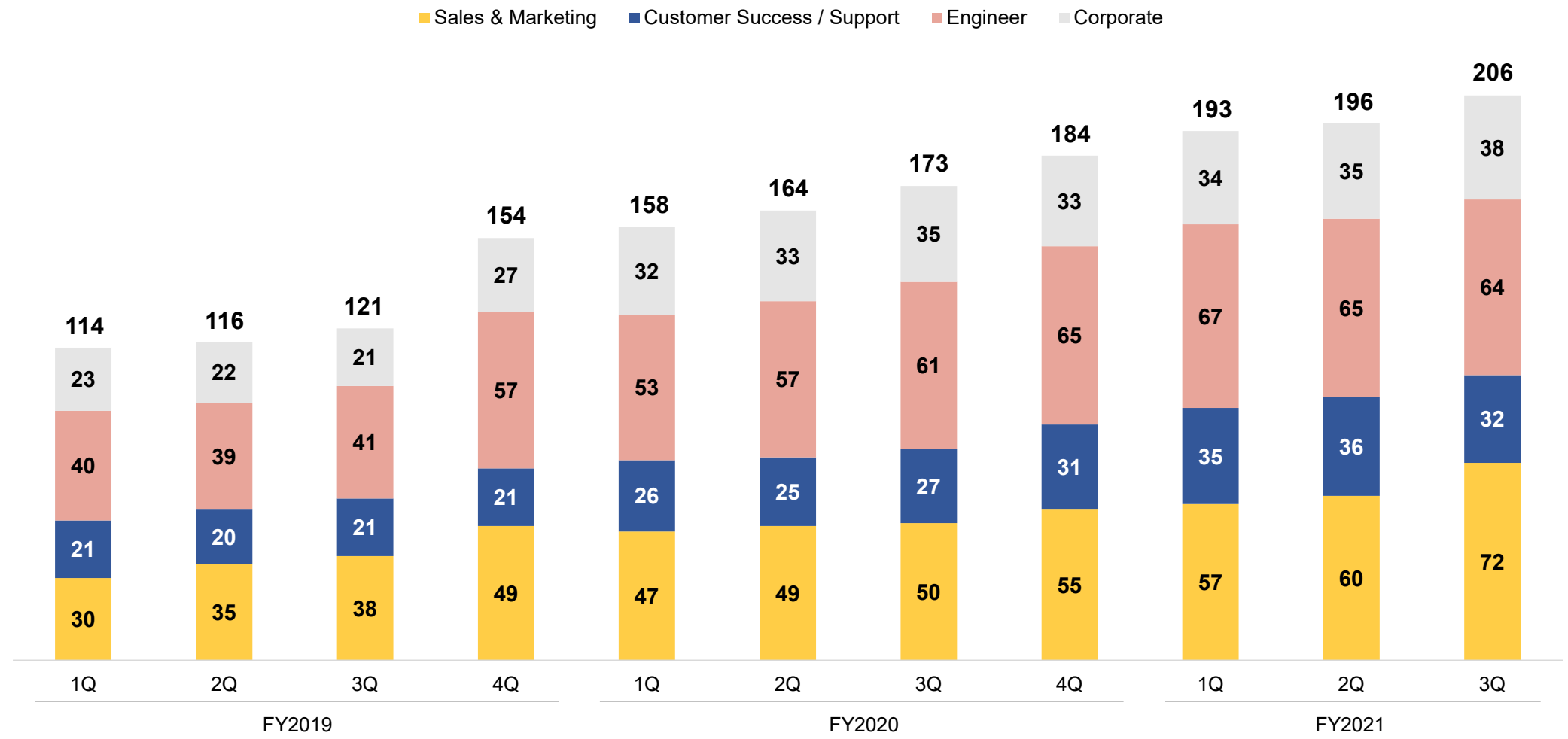
*1：”Other” in this quarter mainly includes Rents of JPY 60MM, Outsourcing expenses of JPY 65MM, Sales promotion expenses of JPY 56MM and Recruiting expenses of JPY 37MM

Number of Employees

Though hiring has progressed slower than anticipated, likely to surge during 4Q and go slightly beyond the plan

Number of Employees *1

People



*1：The number of full-time employees at the end of the quarter

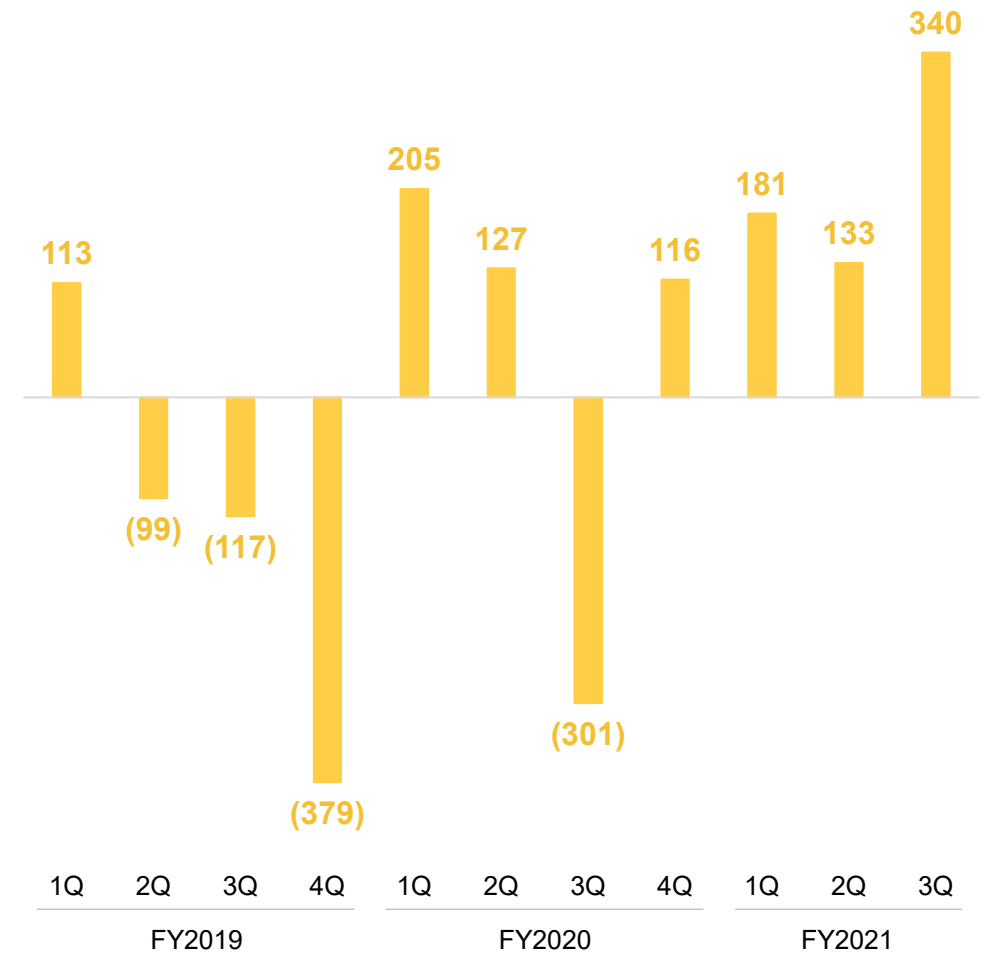
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Free Cash Flow and Deferred Revenue

Steadily improving cash-generation capacity due to a growth of subscription revenue

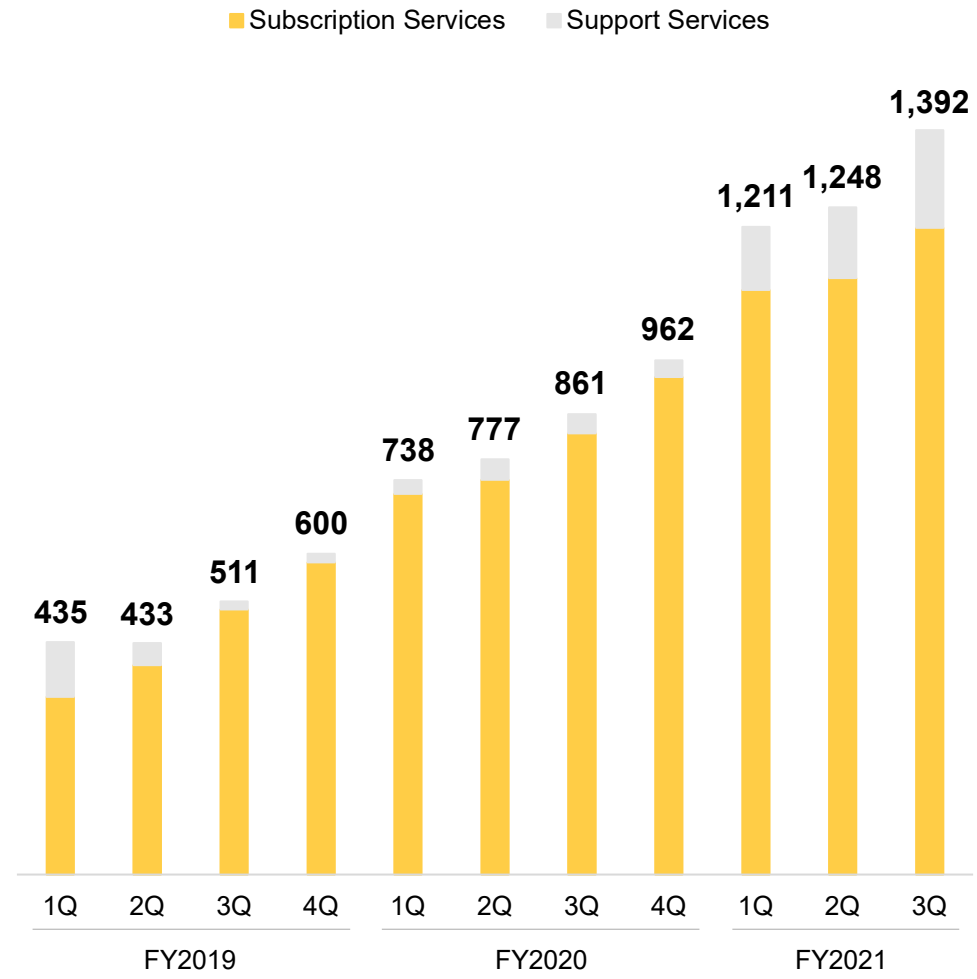
FCF

JPY MM



Deferred Revenue

JPY MM



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FY2021 Financial Forecast

Raised our forecast for subscription revenue owing to strong KPIs. Support revenue is expected to be lower than initial forecast. Profits at every level have been revised upward based on recent financial results, whereas operating expenses are expected to increase significantly in 4Q, mainly due to increased marketing investment in response to the favorable business environment

JPY MM	FY2020 Actual	FY2021 *1 Old Forecast	FY2021 New Forecast	YoY	FY2021 1-3Q *2 Actual	vs. Forecst
Net Sales	3,402	4,540	**4,490**	+32.0%	**3,230**	71.9%
Subscription	2,991	3,840	**3,930**	+31.4%	**2,845**	72.4%
Support	411	700	**560**	+36.3%	**385**	68.8%
Gross Profit	2,461	3,280	**3,287**	+33.6%	**2,358**	71.7%
Margin	72.3%	72.2%	**73.2%**	+0.9pt	**73.0%**	-
Operating Profit	-11	100	**147**	-	**231**	157.3%
Margin	-	2.2%	**3.3%**	-	**7.2%**	-
Ordinary Profit	-16	93	**136**	-	**226**	166.1%
Net Profit	-131	26	**69**	-	**152**	220.3%

*1：Without applying the new revenue recognition standard, net sales is expected to be JPY 4,520MM (JPY 3,920MM for subscription services and JPY 600MM for support services)
*2：Without applying the new revenue recognition standard, net sales was JPY 3,253MM (JPY 2,888MM for subscription services and JPY 365MM for support services)

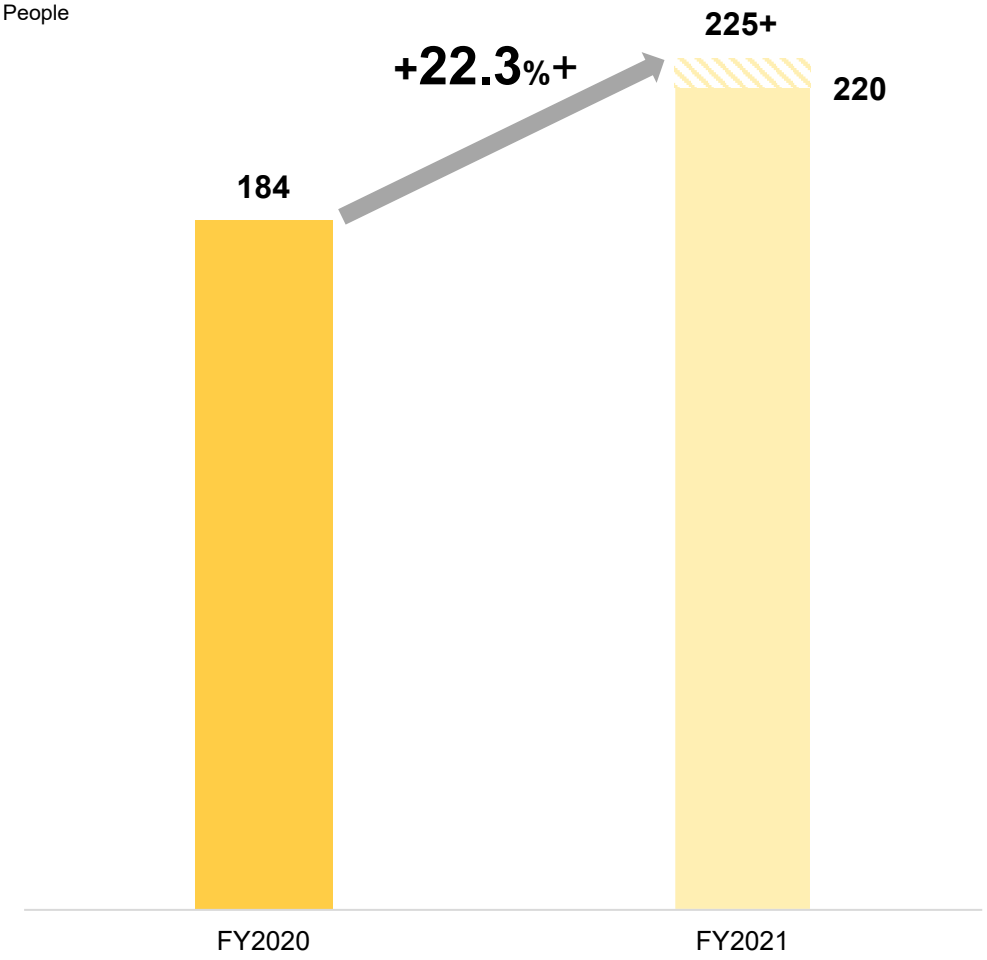
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Major Cost Assumptions

Slight increase in staffing plan. Marketing-related expenses will have a rise of JPY 115MM from the initial plan

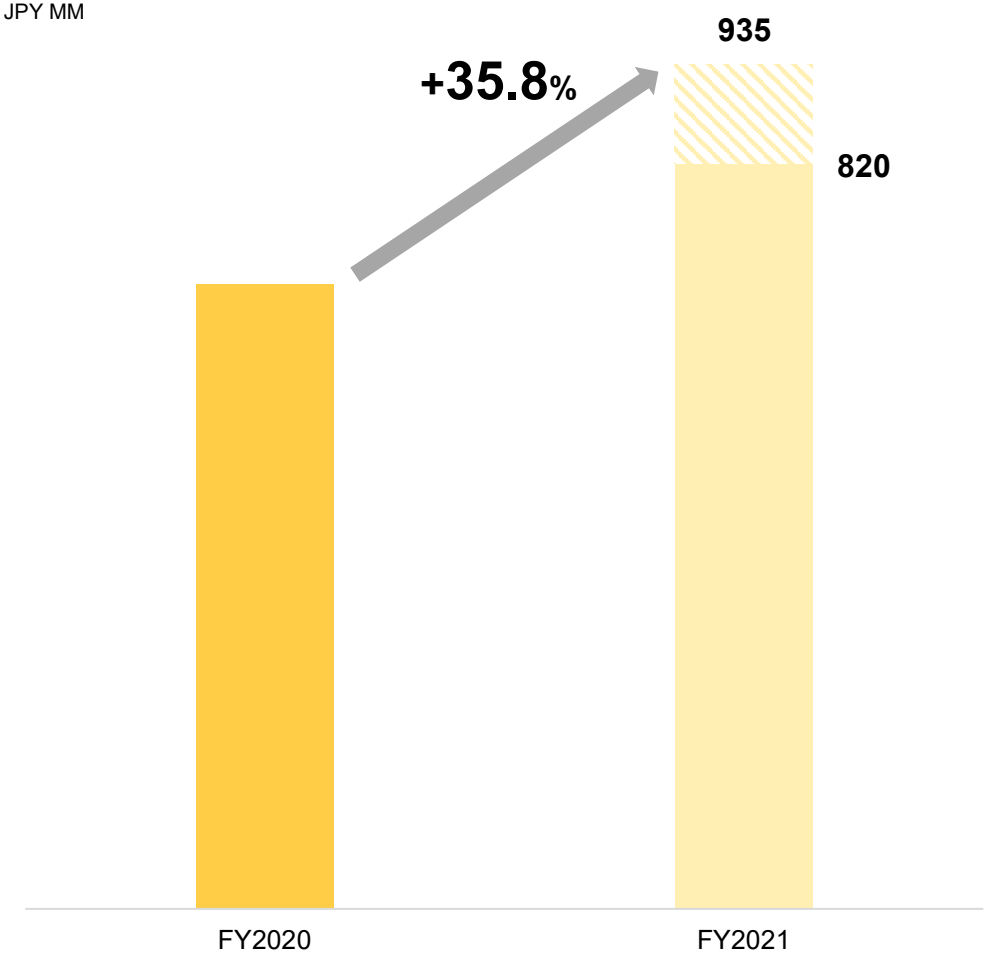
Staffing Plan (Number of Employees)

People



Marketing-related Expenses Forecast

JPY MM



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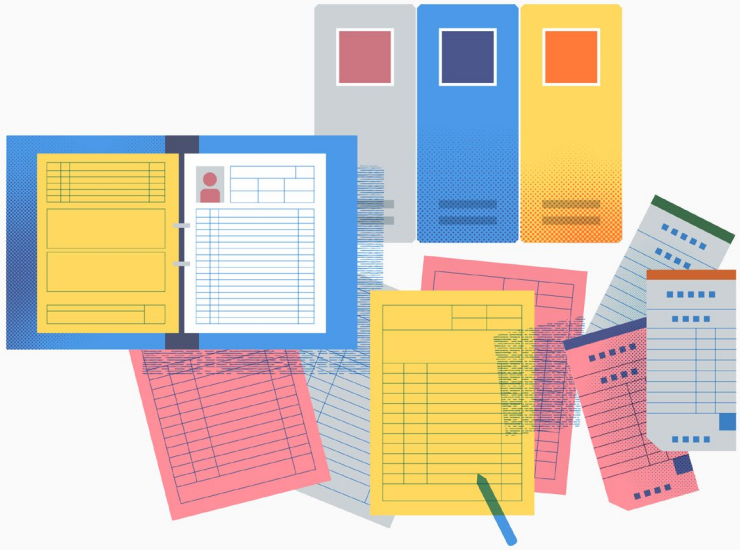
Changes in HR Information Management and Work Styles – Past

1980 1990 2000 2010 2020 2030

Employers manage employee information

Workers own their information

Paper



Employers manage HR information in documented form



Division of simple tasks

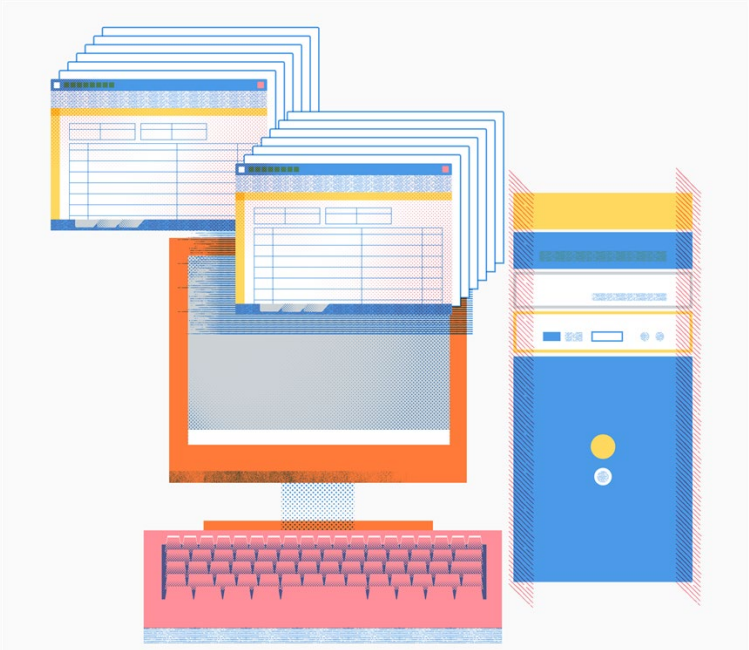
Changes in HR Information Management and Work Styles – Past

1980 1990 2000 2010 2020 2030

Employers manage employee information

Workers own their information

Data



Employers manage HR information digitally



Each employee gets one's job done all alone using a computer

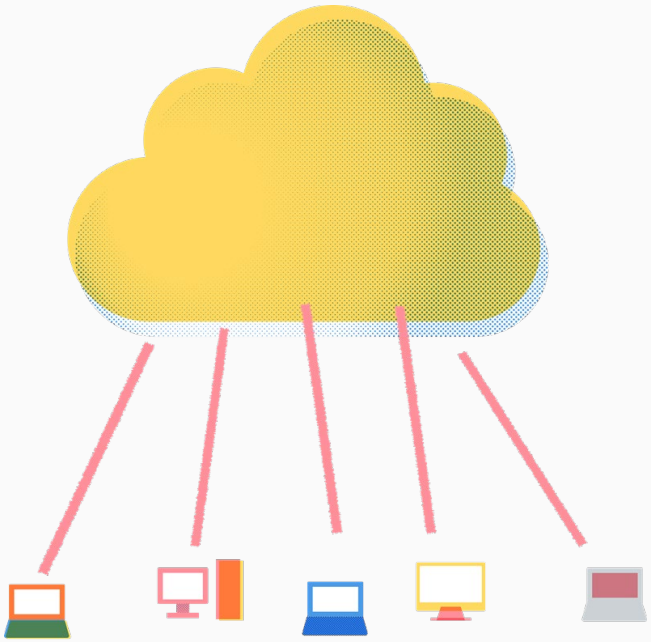
Changes in HR Information Management and Work Styles – Present

1980 1990 2000 2010 2020 2030

Employers manage employee information

Workers own their information

Cloud



Employers manage HR data in the cloud



Making better use of HR data

→ Team based work taking advantage of individual strength

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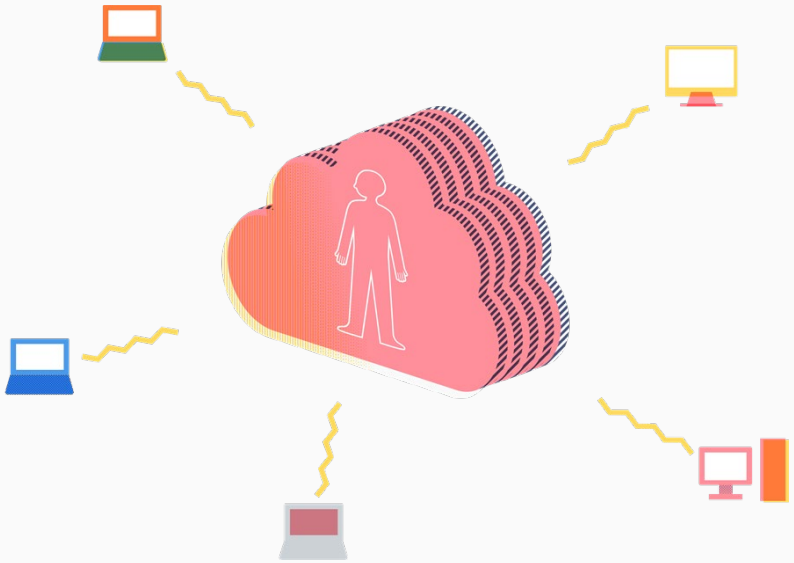
Changes in HR Information Management and Work Styles – Future

1980 1990 2000 2010 2020 2030

Employers manage employee information

Workers own their information

Portable



Organizations access career data owned by individuals



Work with various organizations leveraging one’s skills and abilities

Product for a New Era

A portable passport to “WORK”
that contains one’s traits
and endowment among others



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Characteristics of the Product



Gamification Mind

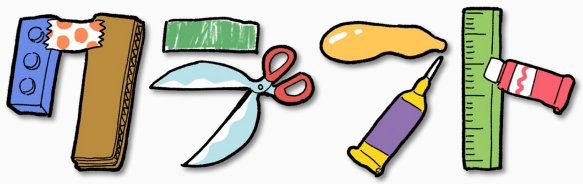
KAONAVI was born out of an audacious idea, “what if talent management could be gamified like Saga of Three Kingdoms”.

The notion to bring gaming elements into our thinking foundation is our **central tenet** that makes us stand where we are.



Ethos of Product Development

Craft



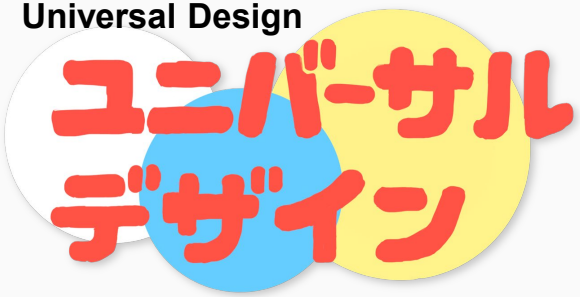


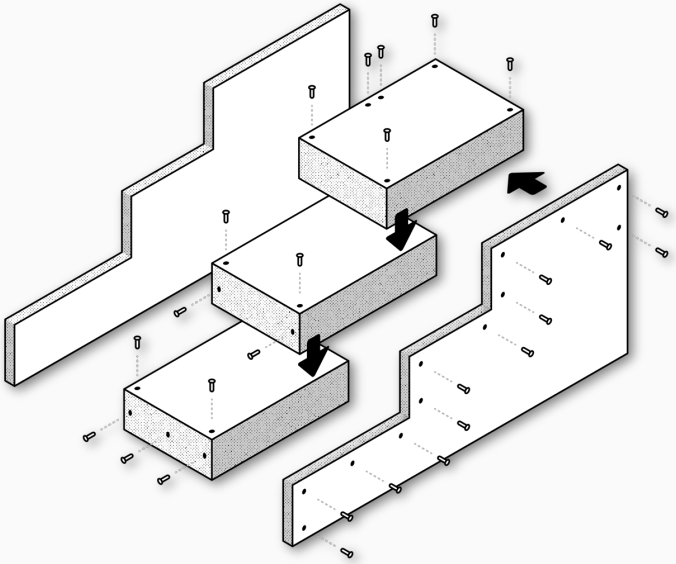
Flexibility-rich System

Adaptability to meet various needs of users instead of predefining use cases.

Inventing a flexible service that can induce and accommodate creativities and inspirations of our users.

Universal Design

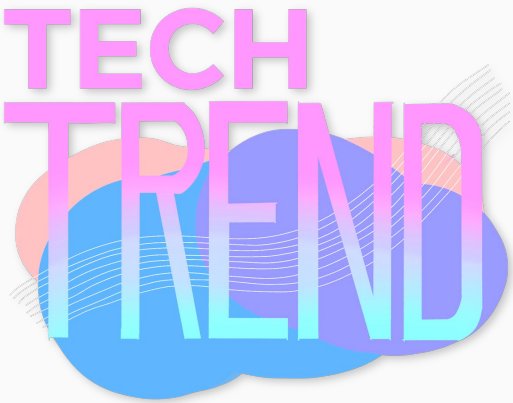


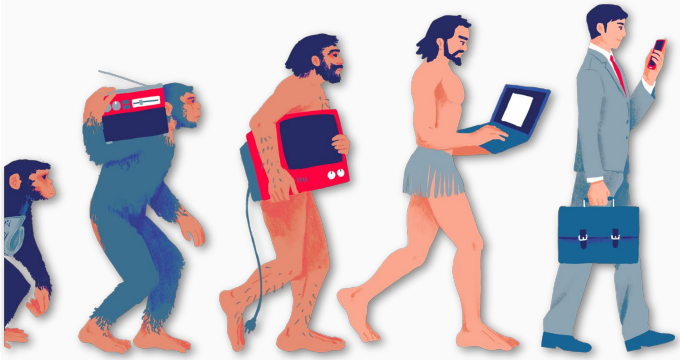


Stress-free Usability

Touching the product tells users about itself intuitively without turning to user's guide.

Trying to realize that simple design which is extremely easy for any users to understand





Keep Pace with Trends

Technology evolves with users' changing lives of the time.

In order to create forward-looking products, we will comprehend technology trends and leverage it.

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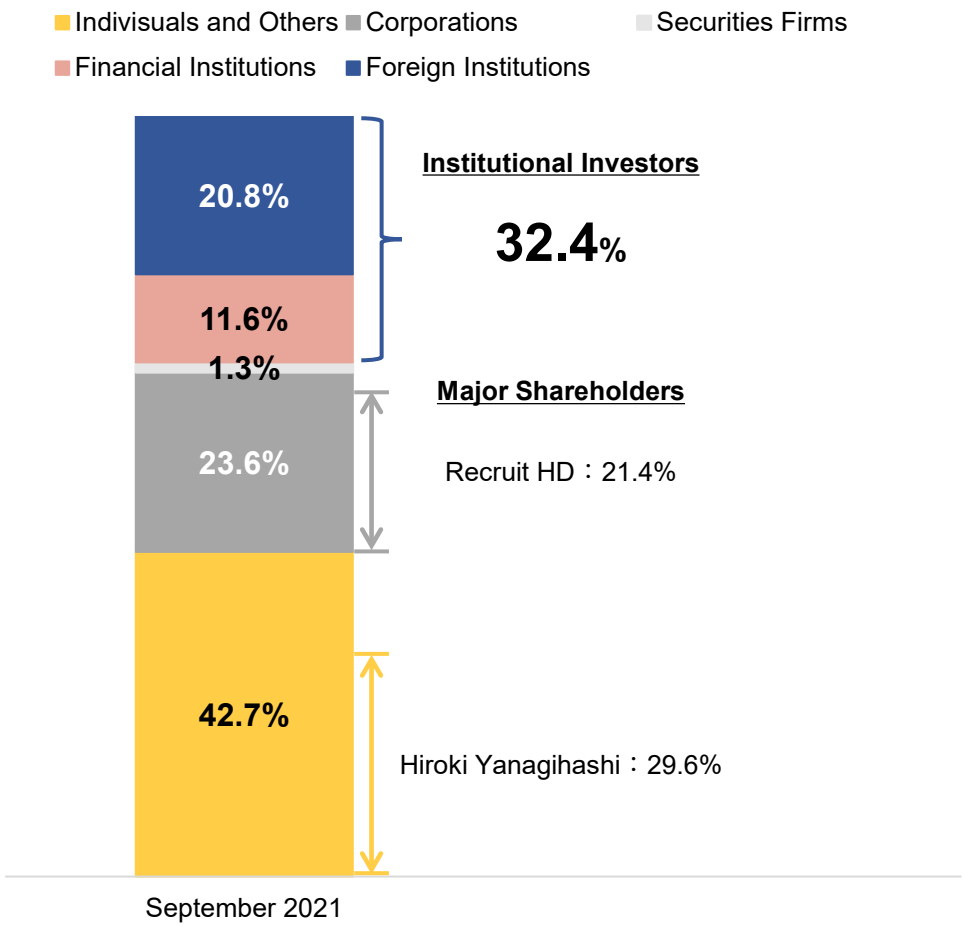
Company Overview

Name	:	kaonavi, inc.
HQ Office	:	15F/16F TOKYO TORANOMON GLOBAL SQUARE, 1-3-1 Toranomon, Minato-ku, Tokyo
Established	:	May 2008 (Commencement of business : April 2012)
# of Employees	:	196 (September 2021)
Business	:	Providing a cloud-based talent management system “KAONAVI”
Board of Directors	:	Hiroki Yanagihashi, Representative Director, President & CEO Hiroyuki Sato, Director, Executive Vice President & COO Kimitaka Hashimoto, Director & CFO Suguru Kobayashi, Outside Director, Representative Director of Field Management Human Resource Inc Masumi Sai, Outside Director, Representative Director of Good News and Companies Jiro Ito, Auditor Hiroyuki Yamada, Auditor Masaharu Adachi, Auditor Akemi Higuchi, Auditor
Major Shareholders	:	Hiroki Yanagihashi Recruit Holdings Co., Ltd. (RSI Fund 1 LLC)

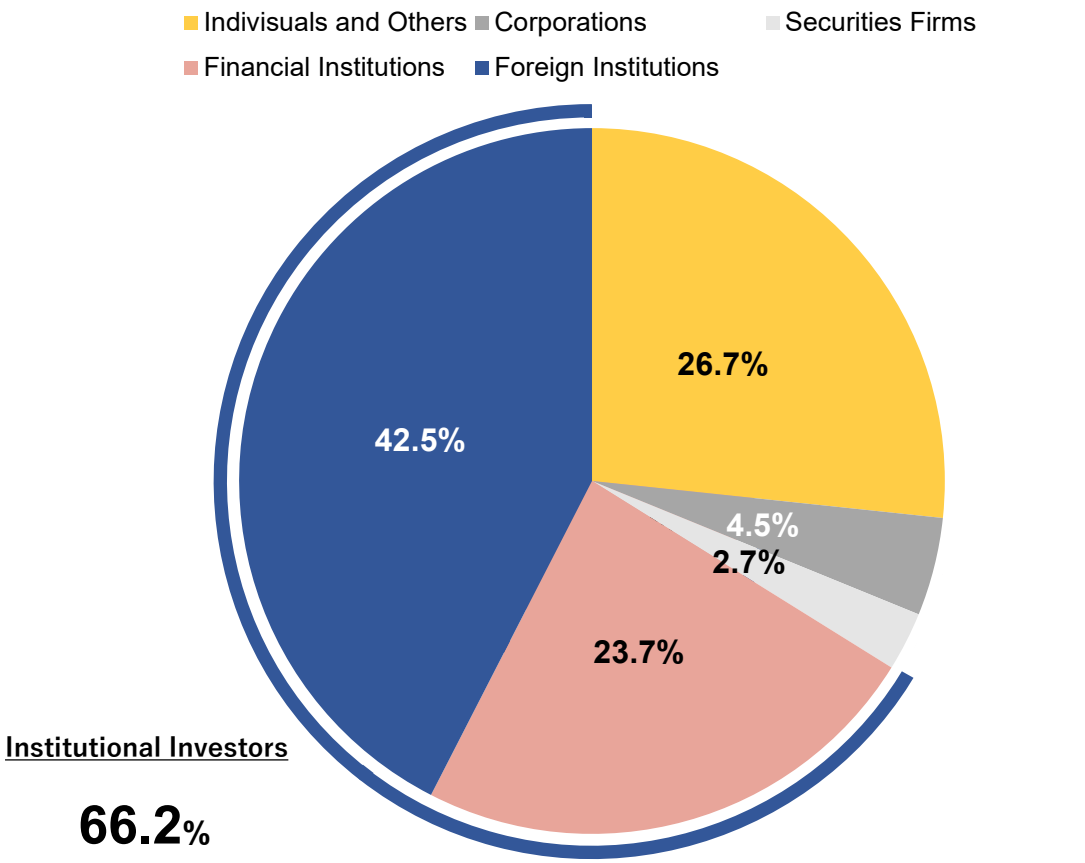
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Ownership Structure (September 2021)

Ownership and Distribution of Shares



Ownership and Distribution of Shares Excluding Major Shareholders



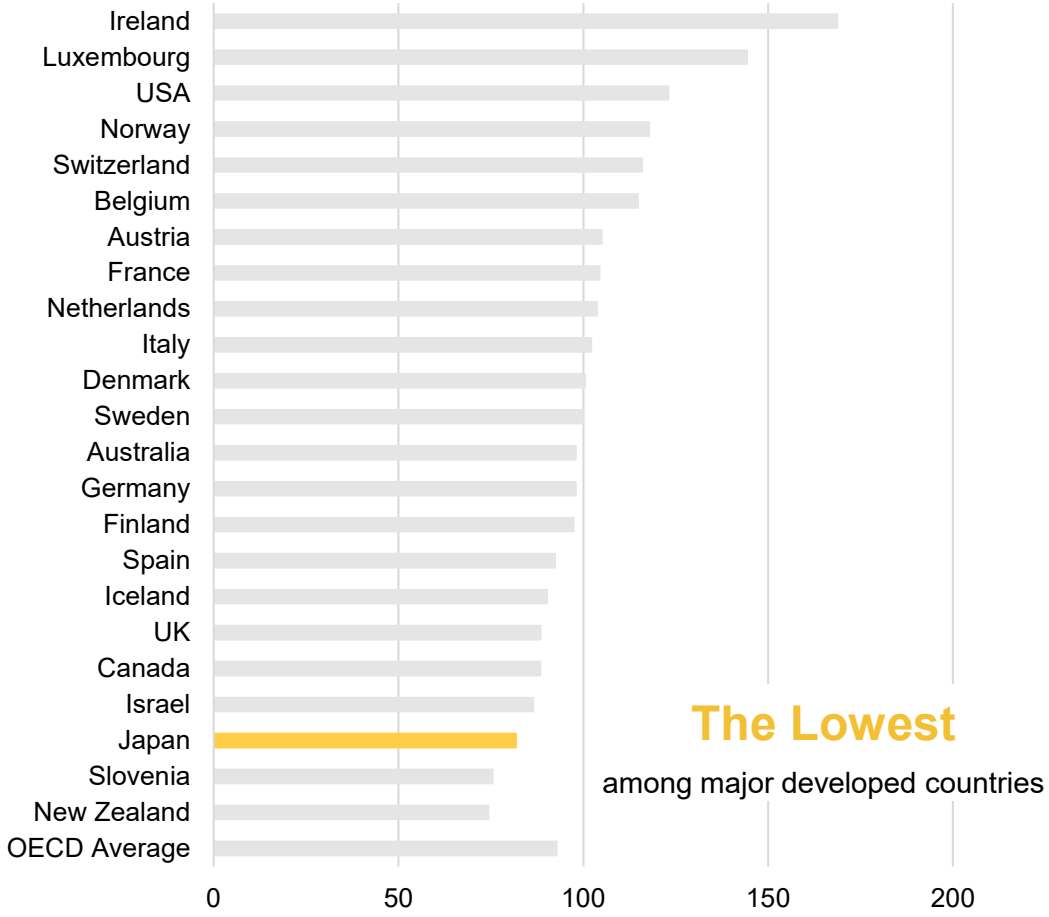
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Japan’s Labor Market Challenges

Raising labor productivity and promoting diverse working styles are some of the urgent issues facing the decline in the working-age population

OECD Countries’ Labor Productivity (2016, per workers)

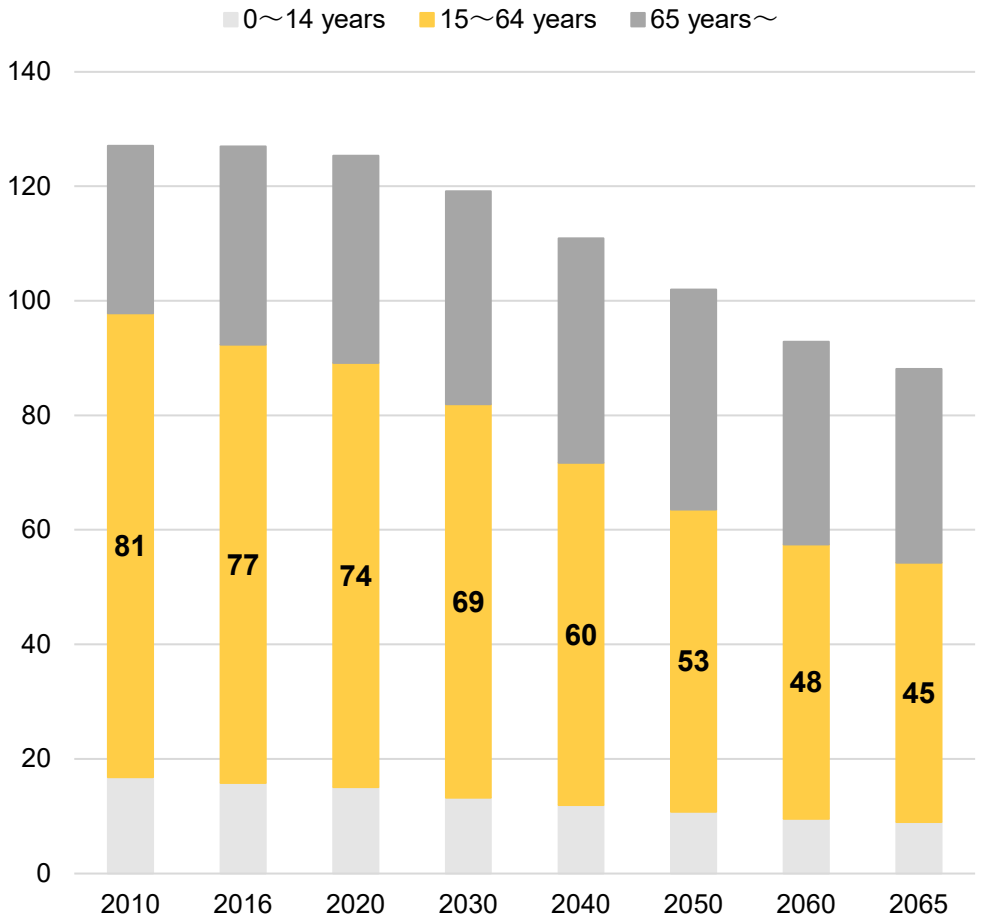
PPP Conversion : US$ 1,000



Source：Japan Productivity Center “International Comparison of Labor Productivity 2017”

Japan’s Population Projections by Age

Million people



Source：Cabinet Office “White Paper on Aging Society 2017”

Rising Demand for Talent Management

Talent management is gaining traction for solving various HR issues that companies confront

People development

Productivity improvement

Improved quality of hire

Increased engagement

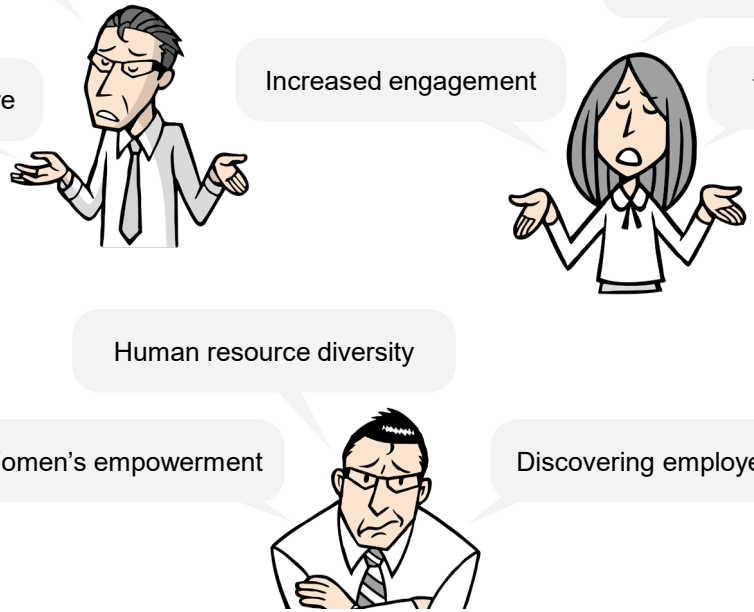
Promoting flexible work styles

Turnover prevention

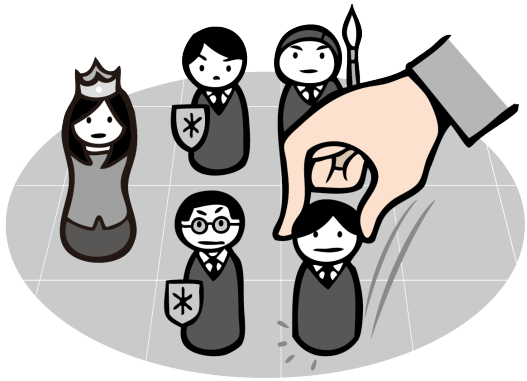
Human resource diversity

Women’s empowerment

Discovering employees’ talent



Talent Management



Maximizing the performance of employees and organizations by using information on employees’ skills and abilities for recruitment, placement and development

© kaonavi, inc.

What Is Talent Management System?

A solution providing system for managerial and HR challenges based on centralized HR data

Centralized and visualized HR data



Streamlined HR operations



Empowering the MGMT to make better decisions



Streamlined performance review



Analysis of mismatch in hiring, High performing analytics



Staff deployment simulation



Skills management, People development



Motivation analysis, Employee turnover analysis



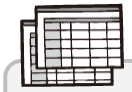
Various surveys, Increased engagement







Information on paper



Data on spreadsheet



Data depending on specific personnel



Data residing in other systems

Our Strengths

Ensuring both the system and customer service working side by side for our users to thrive in talent management initiatives without any silver bullet



Flexibly designed solution, suitable for any user regardless of position



Real-world use cases from other companies

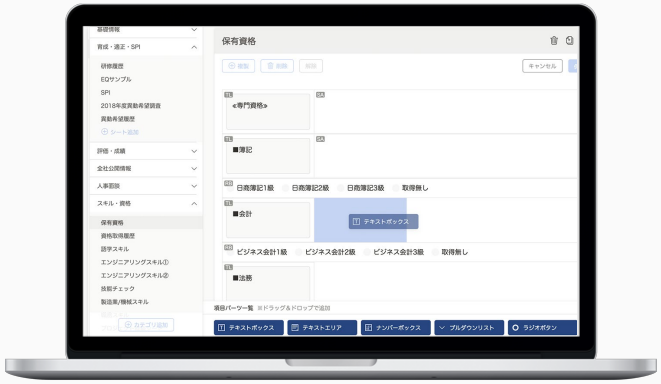
System + Customer Service

Our Strengths

System

System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Customer Service

Hands-on know-how available for our users to adapt to their own talent management

Community



A place where users can learn directly
from other users

Library



Overwhelming amount of use cases
across industries, business types and scale

Dedicated Staff



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

Fee Structure

Offer three subscription plans with different sets of functions and charge based on the number of registered employees

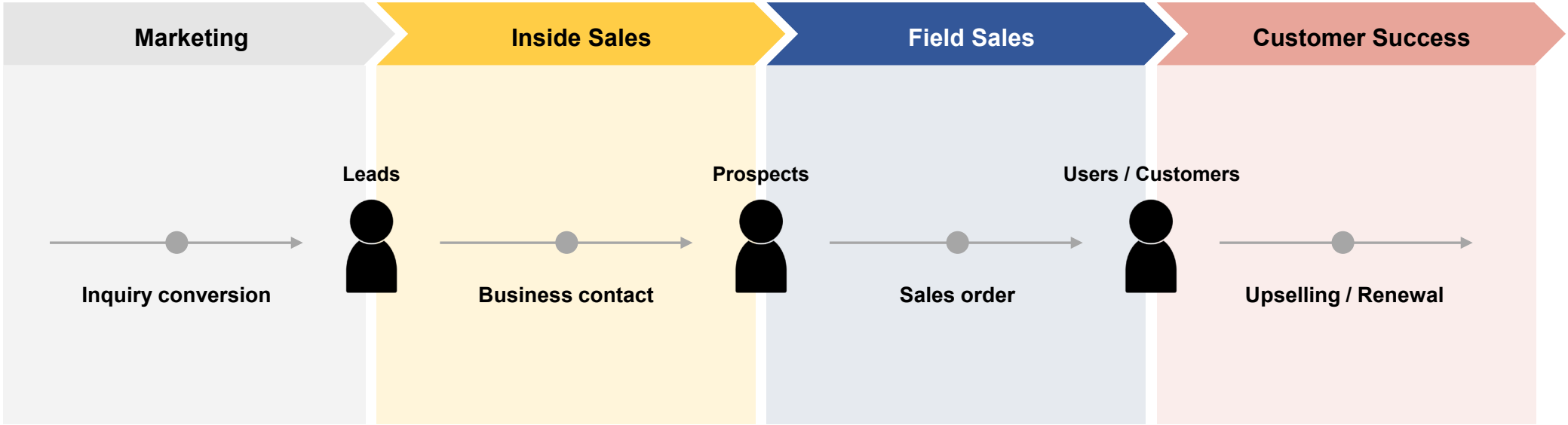
	DATABASE PLAN	PERFORMANCE PLAN	STRATEGY PLAN
	Consolidate all personnel data	Efficient review operation	Strategic HR management
HR Database	✓	✓	✓
Pickup List	✓	✓	✓
Organization Chart	✓	✓	✓
Performance Review		✓	✓
Employee Survey		✓	✓
Matrix Chart			✓
Employee Data Graph			✓
Dash Board			✓
Option Services *1	✓	✓	✓

*1：In addition to our services such as Pulse Survey and Approval Workflow, we also offer third-party services such as the Aptitude Test (SPI3) provided by Recruit Management Solutions Co., Ltd.

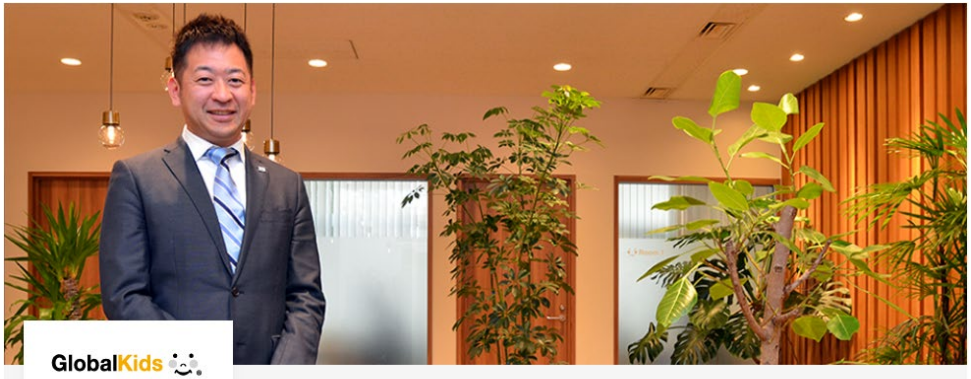
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Business Process

Aiming to streamline sales & marketing activities and maximize LTV by structuring processes



Customer Stories



Issues / Challenges

- Mismatch between names and faces of staffs amid headcount increase
- Retention of childcare workers

Why KAONAVI ?

- Excellent user interface

Benefits of KAONAVI

- Lower turnover rate (16% → less than 10%）
- Efficient response to administrative audits (centralized document management)
- Prevention of recruitment mismatches



Issues / Challenges

- Harmonization and alignment of employees diversified following the post merger integration

Why KAONAVI ?

- Usability and flexibility as a communication tool
- Applicability as a platform to promote digitization of the HR department

Benefits of KAONAVI

- Driving inter-departmental communication
- Highly improved efficiency of assessment process

© kaonavi, inc.

Customer Stories



イノチオホールディングス株式会社

Issues / Challenges

- Lack of information sharing among group companies
- Inefficient operation of performance review (paper documents and Excel files)

Why KAONAVI ?

- Flexibility in building performance review systems
- No involvement of programming knowledge or expensive customization

Benefits of KAONAVI

- Centralized digitization of performance review
- Visualization of HR issues by employee surveys



学校法人立命館

Issues / Challenges

- Dispersed HR information among the group organizations
- Upskilling and deploying human resources

Why KAONAVI ?

- Centralized information management capability
- Highly intuitive user interface

Benefits of KAONAVI

- Centralization of HR data
- Shorter preparation time for personnel transfers (1 week → 1 hour)
- Improved operation efficiency and reduced costs by eliminating paperwork drastically

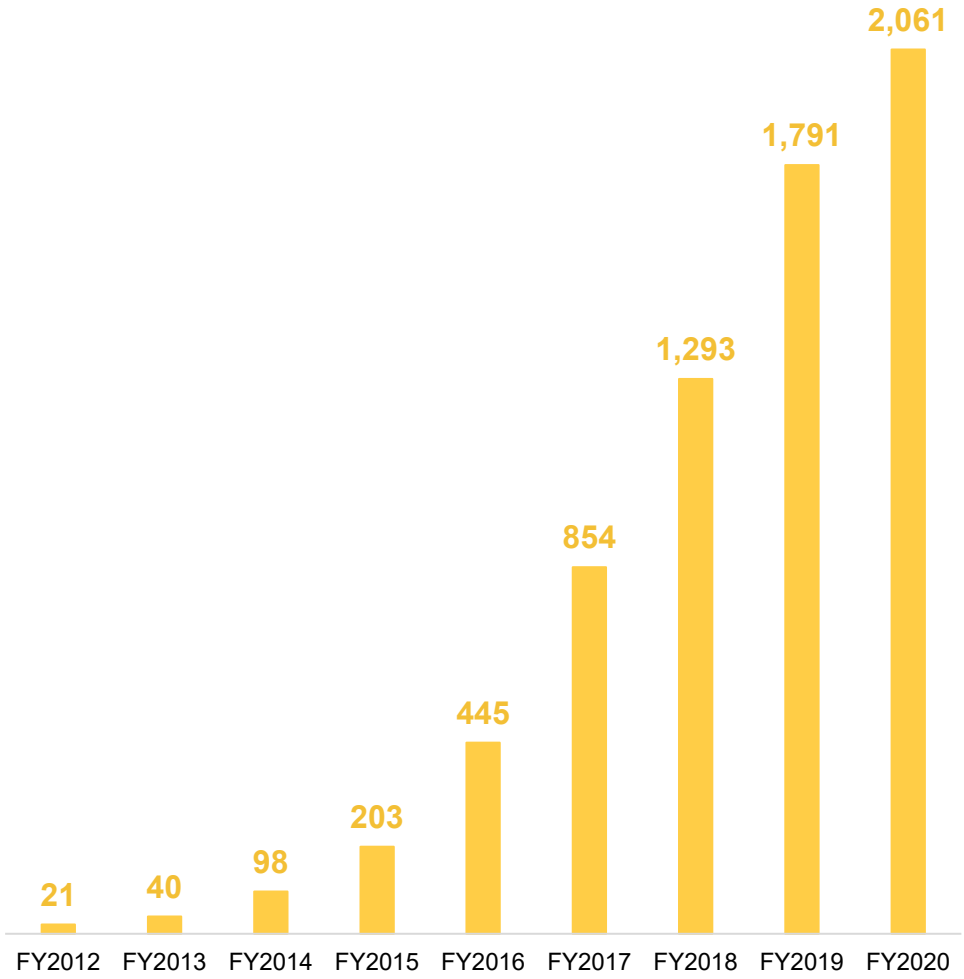
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Market Position

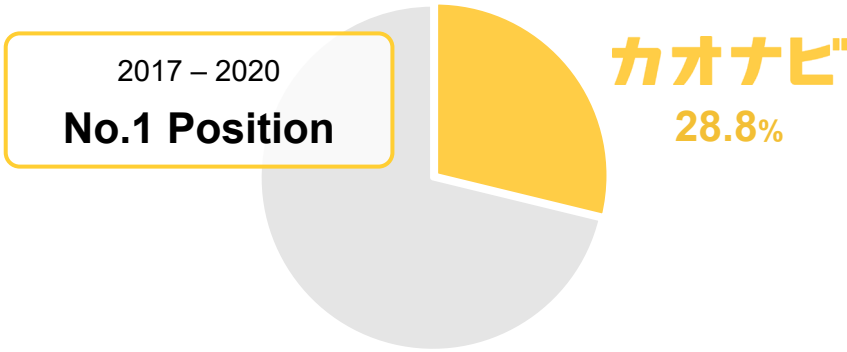
The market leader in talent management system

Active Users

Companies



Market Share of Shipment (2020)



Source：HRTech Cloud Market – HR and deployment cloud by Deloitte Tohmatsu MIC Research Institute, January 2021

Customers *1

休.com
Money Forward
sansan
KADOKAWA
NIKKEI
MBS
あなたと、コンビに、FamilyMart
みんなの食卓でありたい。松屋
TOYOTA
日本キャタピラー CAT
MARUHA NICHIRO
MITSUBISHI ELECTRIC Changes for the Better
LIXIL Link to Good Living
morinaga 森永乳業
IRIS アイリスオーヤマ株式会社
MIZUHO みずほフィナンシャルグループ
JCB
Panasonic Homes & Living
KINTETSU GROUP HOLDINGS
HONDA

*1：As of March 31, 2021

Strategies for Mid-term Growth

Expand Customer Base

Strengthening the organizational structure

Raising visibility

Leveraging partners

Reducing churn

X

Increase ARPU

Upsell promotion

New feature development

Additional enterprise users

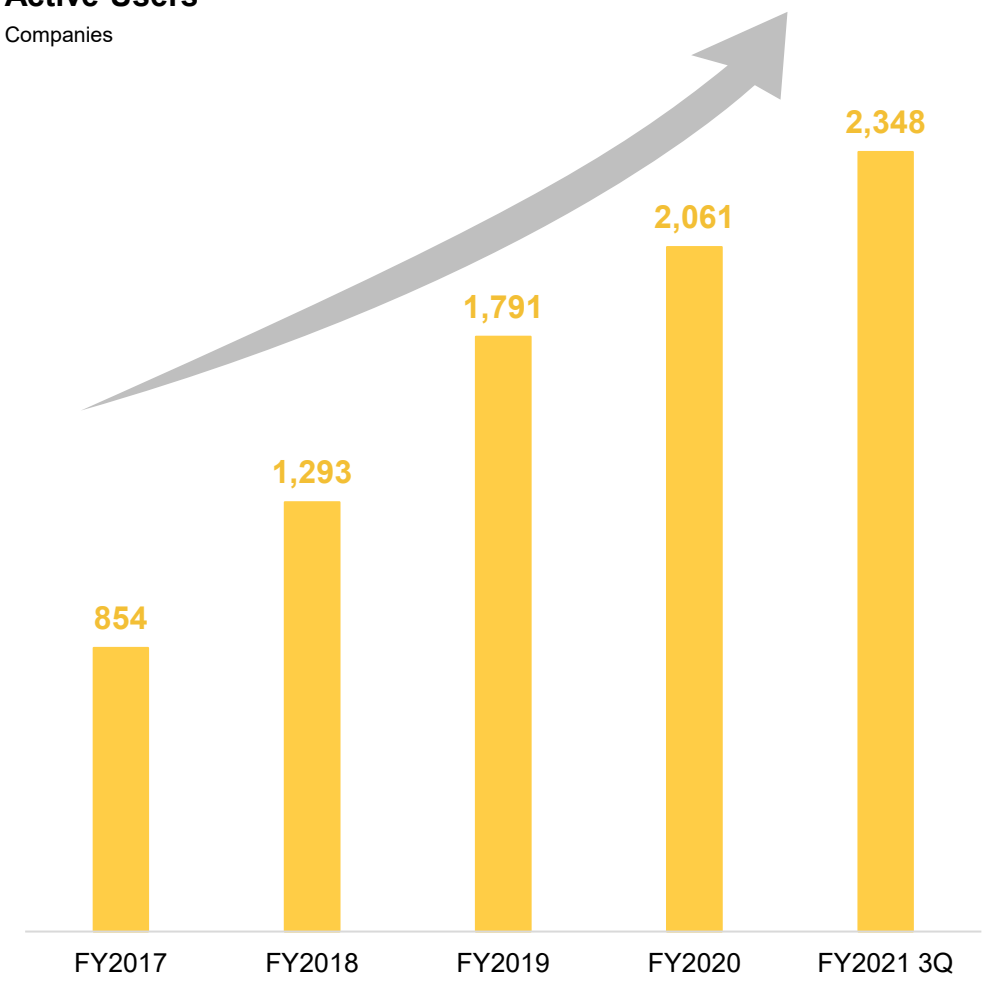
Building a HR data platform

© kaonavi, inc.

Expand Customer Base

Active Users

Companies



Strengthening the organizational structure

- Increase and develop sales personnel
- Strengthen monitoring capabilities for business progress

Raising visibility

- Mass advertisement to gain recognition
- Area expansion to regional cities

Leveraging partners

- Expansion of referral partners
- Increase sales via sales partners

Reducing churn

- Strengthening customer success
- Continuous product improvement to enhance UX

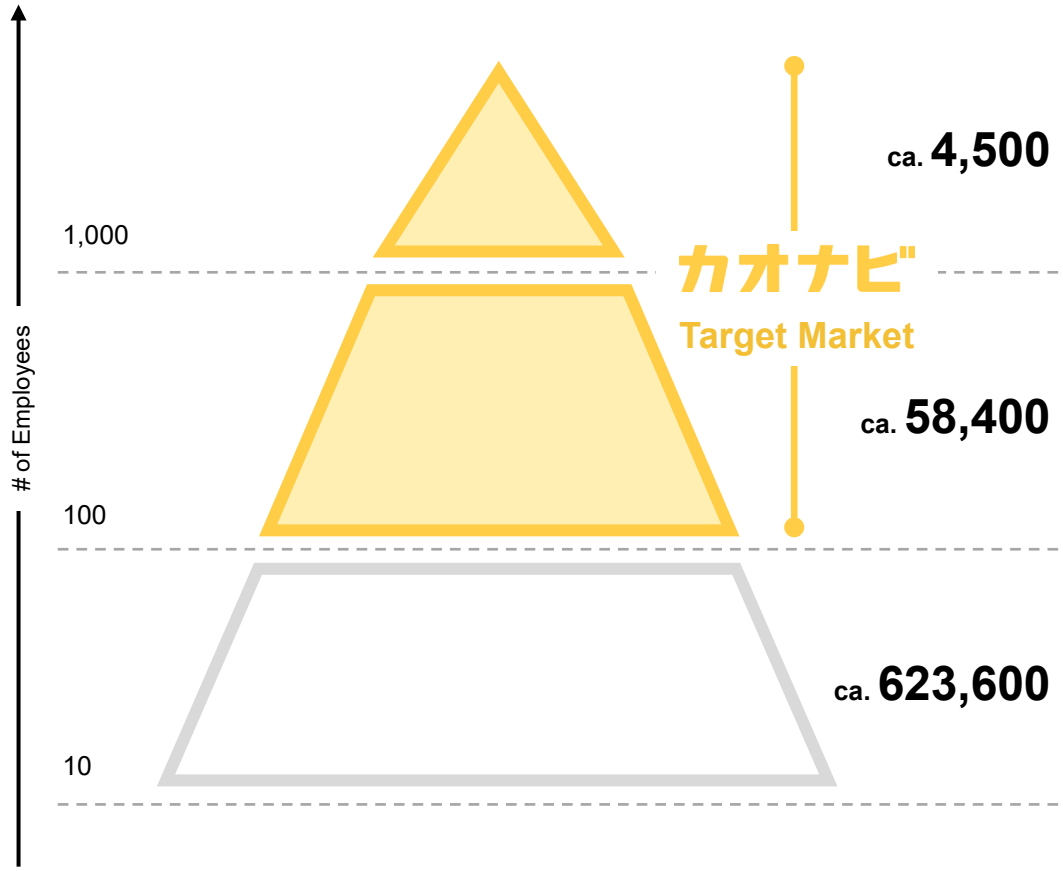
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Growth Potential

KAONAVI's target market is still uncultivated, and it has high growth potential

of Companies in Japan

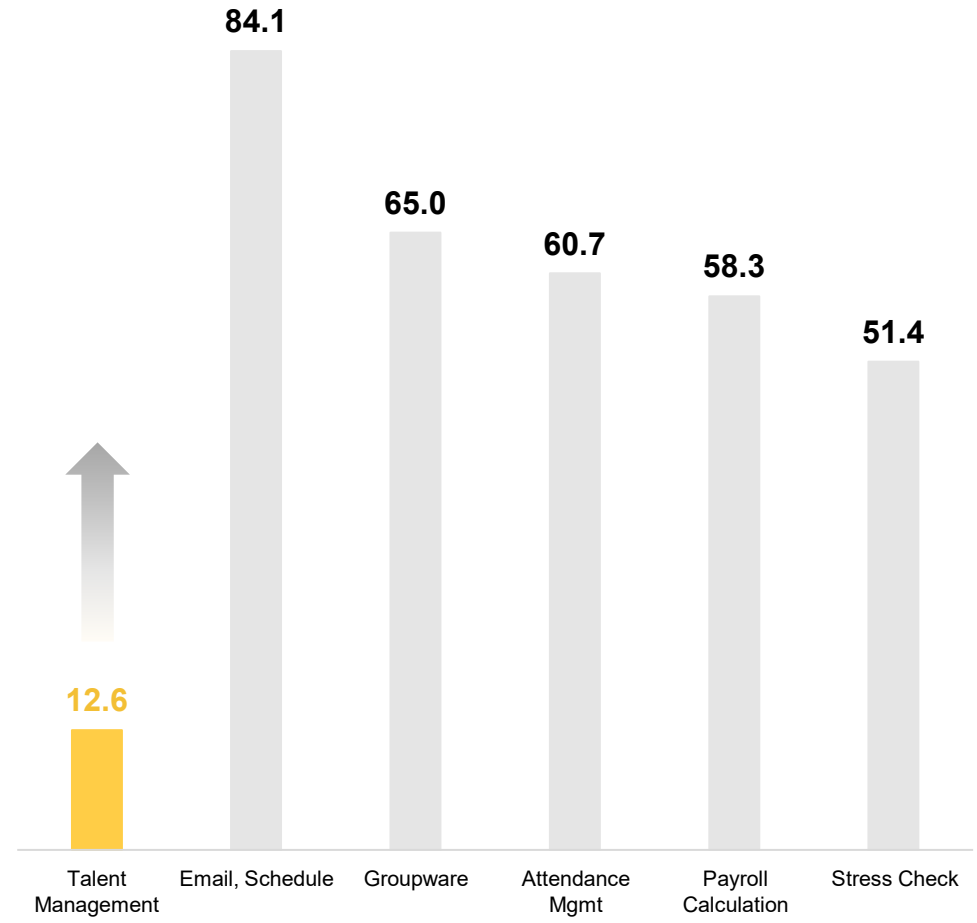
Companies



Source：kaonavi, based on MIC and METI "2016 Economic Census for Business Activity"

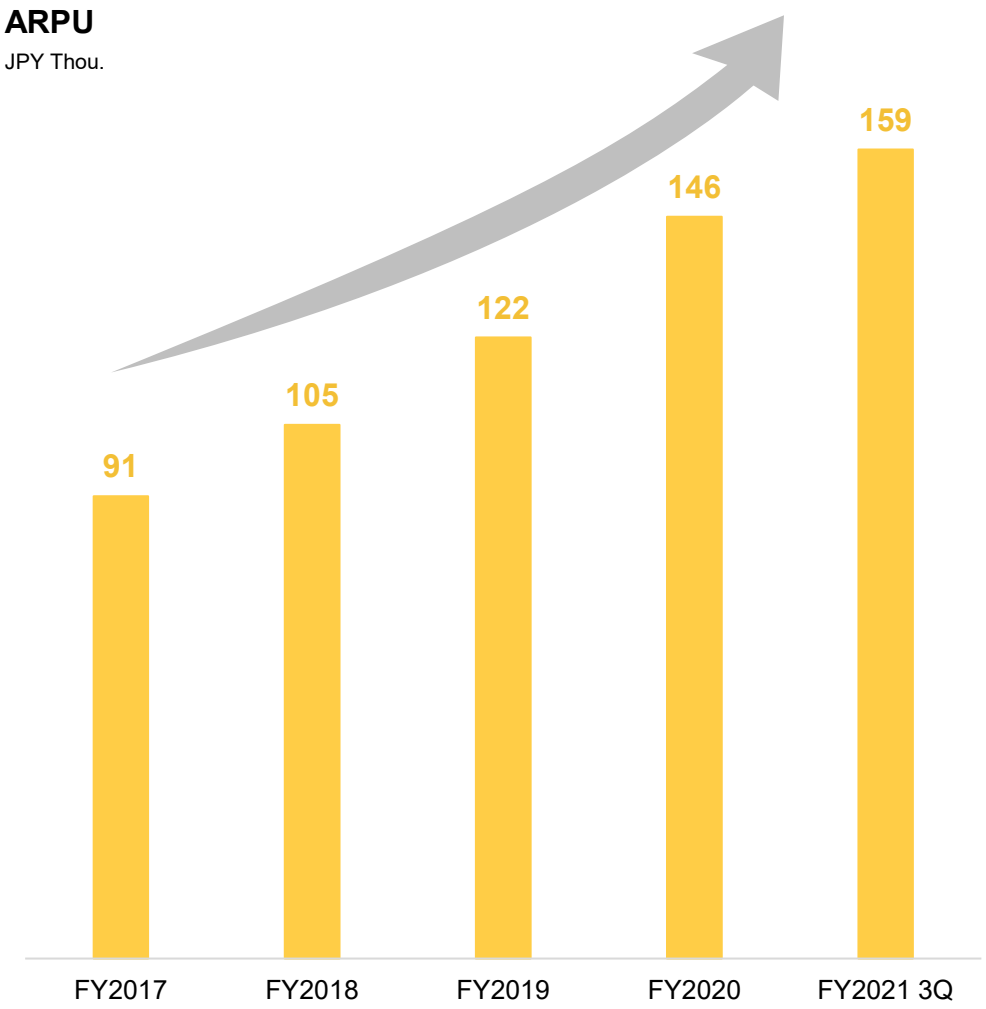
Adoption of HR-related IT Systems in Japan

Implementation Rate：%



Source：IDC Japan, July 2017

Increase ARPU



Upsell promotion

- Increasing registered members by extending user departments
- Introducing optional functions such as approval workflow

New feature development

- Developing new optional features

Additional enterprise users

- Applying outbound sales measures

Building a HR data platform

- Expanding services into new business areas leveraging the HR database

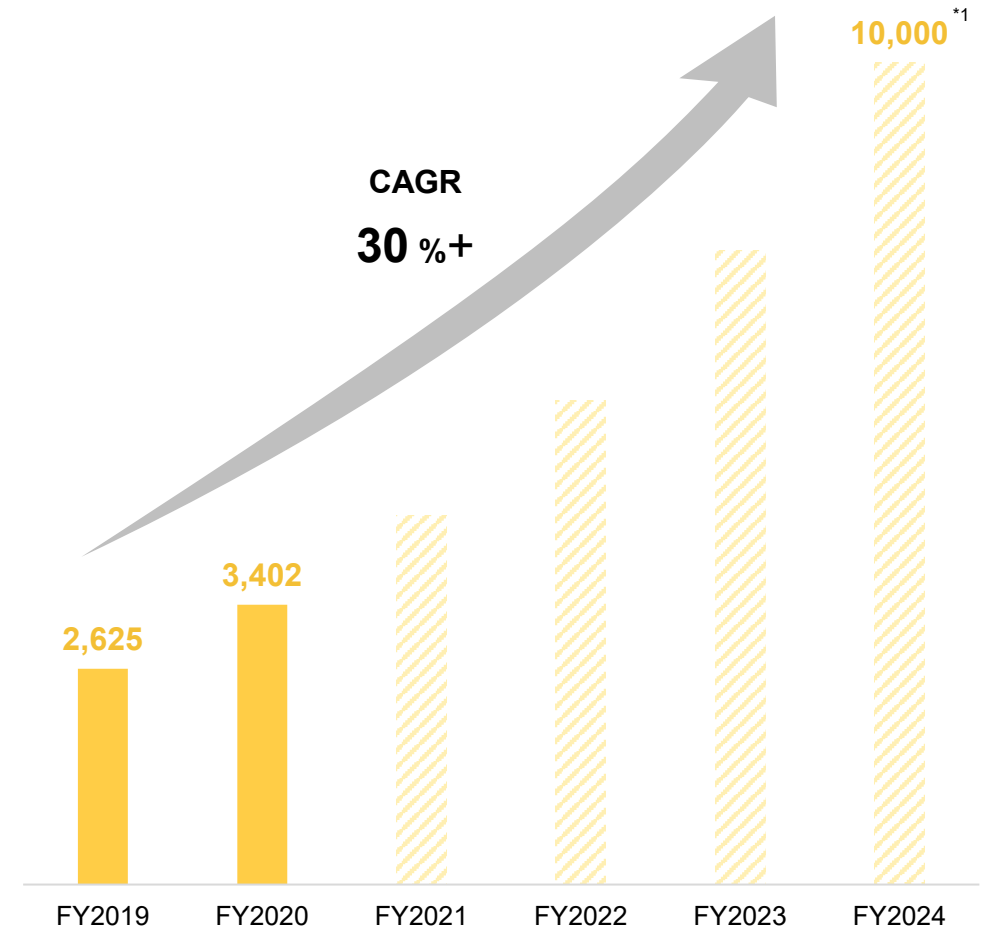
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Grand Design of Mid-term Growth

Net sales, GP margin and OP margin to grow up to JPY 10bn, 80% and 30% respectively in the mid-term

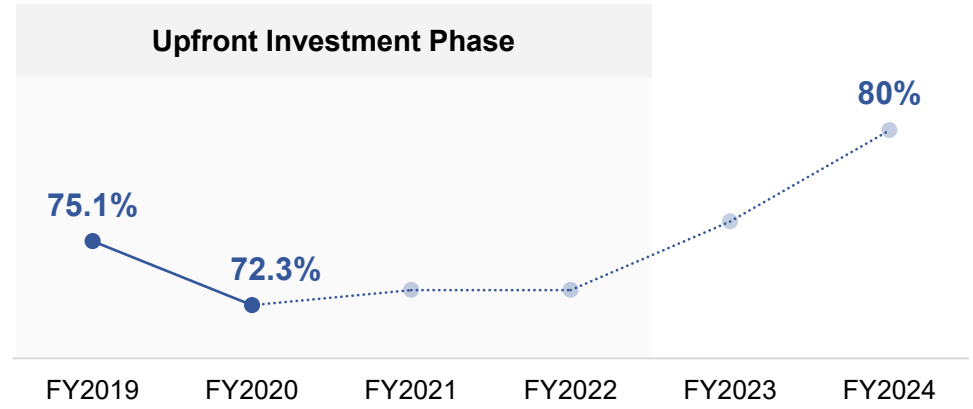
Prediction of Net Sales Growth

JPY MM



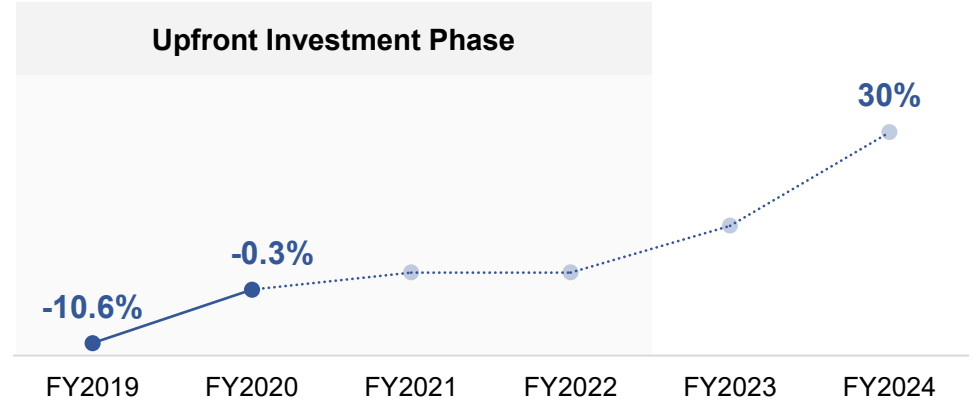
Prediction of Gross Profit Margin Growth

%



Prediction of Operating Profit Margin Growth

%

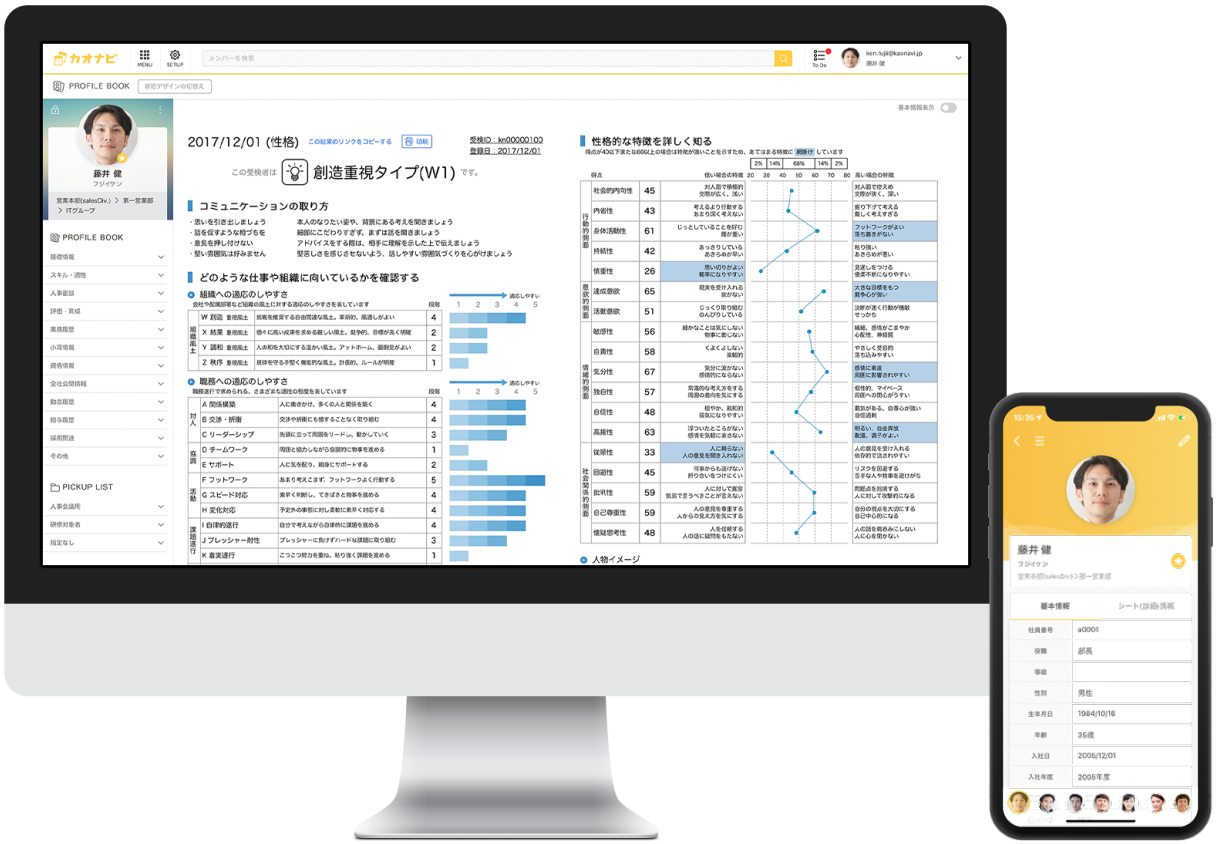


*1：Assuming 4,000~5,000 active users and ARPU of 170~220 thousand yen to reach net sales of JPY 10Bn

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Our Vision

Create a HR data-centric platform



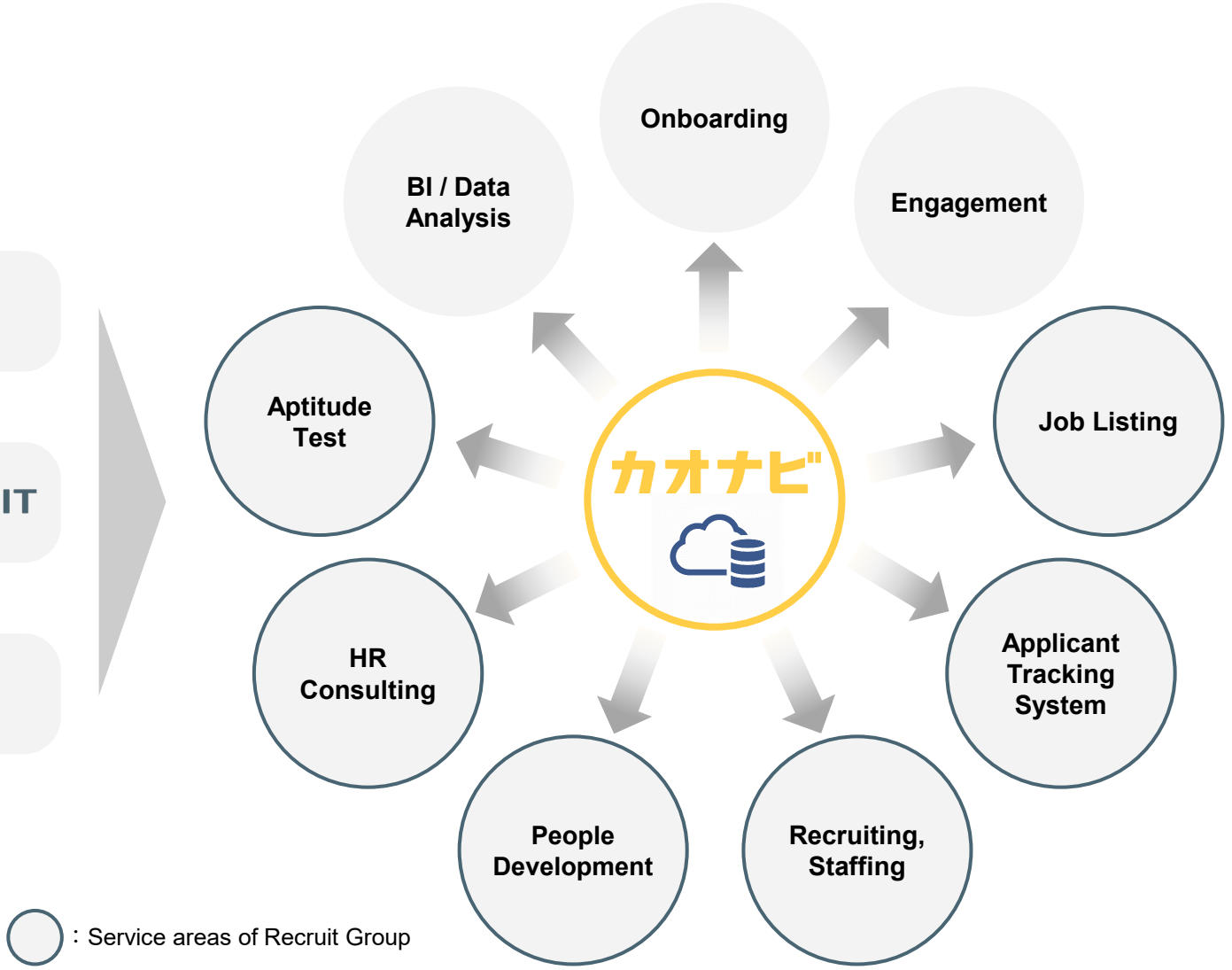
The HR Data Platform Initiative (Mid-to-long Term Strategy)

Paving the way forward for a HR data platform to create monetization opportunities in new business areas

In-house service delivery

Collaboration with RECRUIT

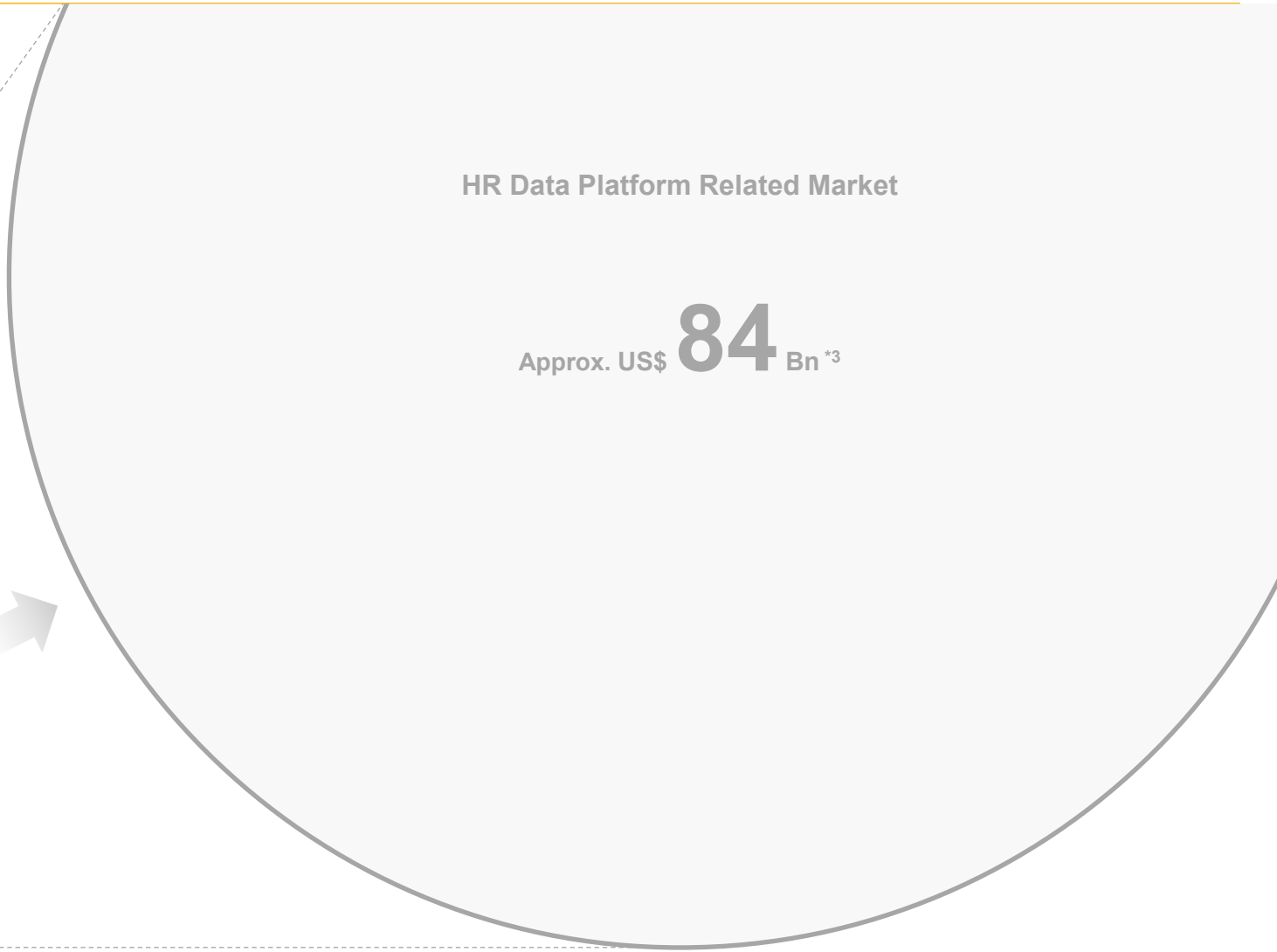
M&As and alliances



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TAM Expansion Opportunities with HR Data Platform *1





*1：USDJPY=100. Potential TAM has been calculated by kaonavi, under certain assumptions, using data referenced from the below publicly disclosed statistical reports
*2：Calculated by multiplying the number of companies with 50 or more employees by KAONAVI's fee structured for corresponding employee size, based on MIC and METI "2016 Economic Census for Business Activity"
*3：Calculated as the sum of the below markets
Market size of job listing, job recruiting and job staffing by Japan Association of Human Resource Services Industry "The Labor Market in 2030 and The Role of The HR Services Industry"
Market size of training services for companies (2019) by Yano Research Institute "Research on Corporate Training Services Market (2020)"
Market size of reemployment support (2019) by Yano Research Institute "Research on The Human Resources Business Market (2020)"
Market size of employee assistance program (2015 forecast) by Yano Research Institute "Research on EAP Market (2016)"
Market size of ATS cloud and employee development cloud (2021 forecast) by Deloitte Tohmatsu MIC Research Institute "HR Tech Cloud Market 2020"

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Philanthropic Initiatives

Contributing to the sustainable development of society by supporting talent management for academic institutions and public sector organizations

カオナビ

Academy Cloud

Applicable Academic institutions such as school corporation

Price Special price

カオナビ

Government Cloud

Applicable Government offices, municipal governments, independent administrative agencies

Price Special price

Image of career development program status optimized for academic institutions



Empowering Employees

Aim to boost productivity by advancing flexible work style optimized for each employee

MY WORK STYLE

Super Flextime

Allows employees to vary the time to work free from the core time set within the flextime. Achieving a unique and personalized work style while balancing self development and care giving among other things



Switch-work

A system to arrange working hours on and off instead of working many hours straight at a time. It accommodates household chores, child-care and more during the day



Work From Anywhere

Employees can choose to work where they work best – home, office or hybrid wherever suitable for employees' lifestyle, mood, and schedule for the day



Second Job Encouragement

Supporting employees who have passion for something apart from full-time job. Experiences in different fields also contribute career development at kaonavi



Ratio of Employees Who Have Second Job

(As of March 2021)

17.9%

Empowering Employees

Diverse and flexible work style also enables us to achieve successful women’s empowerment

女性活躍・両立支援に積極的に取り組む企業の 事例集

厚生労働省

女性の活躍推進・両立支援総合サイトトップ > 女性活躍・両立支援事例集トップ（事例検索） > 企業事例

株式会社カオナビ （情報通信業）

2020年度

男女問わず最高のパフォーマンスを発揮できる革新的な働き方を実践



企業プロフィール

設立	2008年
所在地	東京都港区
事業内容	タレントマネジメントシステム「カオナビ」の製造・販売・サポート
従業員数	164人（うち女性約60人）
企業認定・表彰等	

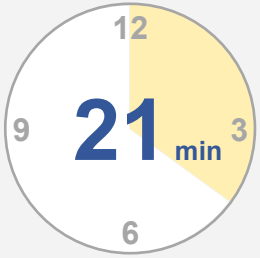
取組内容

仕事と育児の両立支援　仕事と介護の両立支援　テレワーク　フレックスタイム制　短時間正社員制度

Source：Ministry of Health, Labor and Welfare

Employee Data at kaonavi

Average Daily Overtime
(FY2020)



Ratio of Women in Managerial Positions
(As of March 2021)

30.0%

Focusing on “Individuality”

Exploring and communicating ideas and concepts of individuality through our owned media

個性って、なんだ？
うにくる



kaonavi vivivi
人とチームの個性を鮮明にする



Information Security, Protection of Personal Data and Privacy

Committed to protecting, managing and handling information assets properly and responsibly

ISO 27001:2013 認証取得

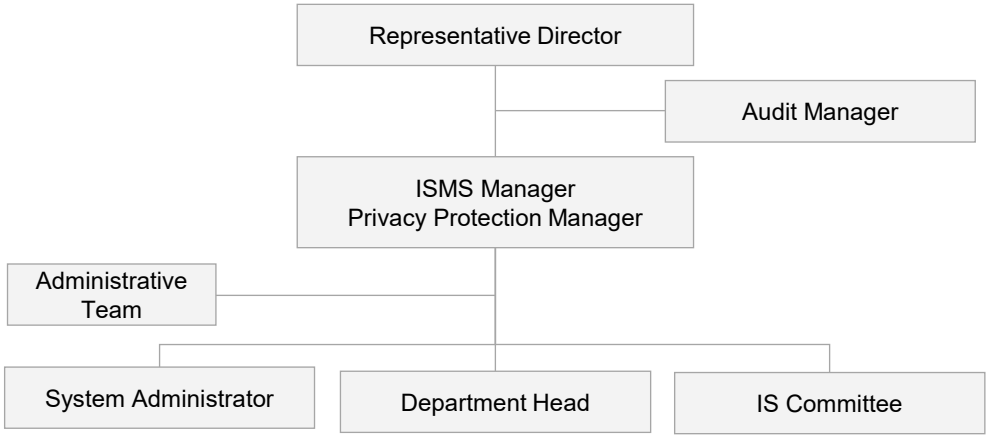
ISO 27017:2015 認証取得

Information Security

Information Security Policy

Defined safe and appropriate information security measures in accordance with “Information Security Policy” to be entrusted by our customers and other stakeholders

Information Security Management Structure



Information Security Training

Conduct annual security training and targeted attack email training for all employees to improve their experience and ability to respond quickly in the event of a problem

Implementation of Information Security Measures

Obtained ISO27001(ISMS certification) and ISO27017(ISMS cloud security certification) to maintain a continuous security management system. In addition, KAONAVI was certified as satisfying the security requirements of the government and registered on the “Information System Security Management and Assessment Program (ISMAP)” cloud services list

Protection of Personal Data and Privacy

21000694

Certification

Obtained the Privacy Mark

Acquisition of Permissions

When collecting personal information, users’ permissions are acquired and other measures are taken

Safety Management Measures

Secure management measures are thoroughly implemented to safeguard personal data

Disclaimer

The contents set out in this material are prepared based on generally acknowledged economic, social and other conditions, and on certain assumptions deemed rational by kaonavi, inc. and may therefore be subject to change without prior notice due to changes in the managerial environment for other reasons.

The forward-looking statements set out in this material including performance outlooks are based on information currently available to kaonavi, inc. and on certain assumptions deemed rational, and may therefore differ materially from actual results due to uncertainties in judgements or assumptions, or for other reasons.

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

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Contact IR : ir@kaonavi.jp　　Corporate website：https://corp.kaonavi.jp/en/