Financial Results Briefing Materials

for the Second Quarter of the Fiscal Year Ending December 31, 2024

August 9, 2024

KINJIRO CO., LTD.

1. Consolidated Financial Results

for the Second Quarter of the Fiscal Year Ending December 31, 2024 (FY2024)

2. Growth Strategy

3. Topics

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Summary of Consolidated Financial Results for the Second Quarter of FY2024

■ Consolidated Statement of Income

- Recorded highest 2Q net sales ever
- Operating profit, ordinary profit, and profit was all came in well above the 2Q forecast
- 2Q profit had initially been projected to shrink YoY due to upfront investments for Cloud Business expansion (increased costs) and increased amortization of software, but due to the better-than-expected sales and thorough cost control, the actual profit surpassed the 2Q forecast as a result.

(Unit: Million yen)

	FY2023 2Q results	FY2024 2Q forecast (announced February 9, 2024)	FY2024 2Q results	YoY change	Compared to forecast
Net sales	1,970	2,029	2,068	+97	+38
Operating profit	298	188	281	-17	+93
Ordinary profit	296	188	286	-10	+97
Profit	189	120	190	+1	+70

YoY Changes in Net Sales by Business Segment

■ Net sales

・Cloud Business performed robustly, buoyed by higher Cloud License sales; HRM Business as a whole (including On-Premises Business) also grew its sales

(Unit: Million yen)

Business segment	Sales segment	FY2023 2Q results	FY2024 2Q results	YoY change
Cloud Business	Cloud License	938	1,069	+14%
	Cloud Consultation Support	237	256	+8%
	Others	49	61	+24%
	Subtotal	1,225	1,386	+13%
On-Premises Business	Premium Support	284	286	+1%
	Software Products	188	198	+5%
	Software Consultation Support	110	74	-33%
	Employment Information Devices	63	36	-44%
	Subtotal	647	595	-8%
Total of HRM Business		1,873	1,982	+6%
Real Estate Rental Business		97	86	-11%
Net sales		1,970	2,068	+5%
Recurring revenue*		1,231	1,363	+11%

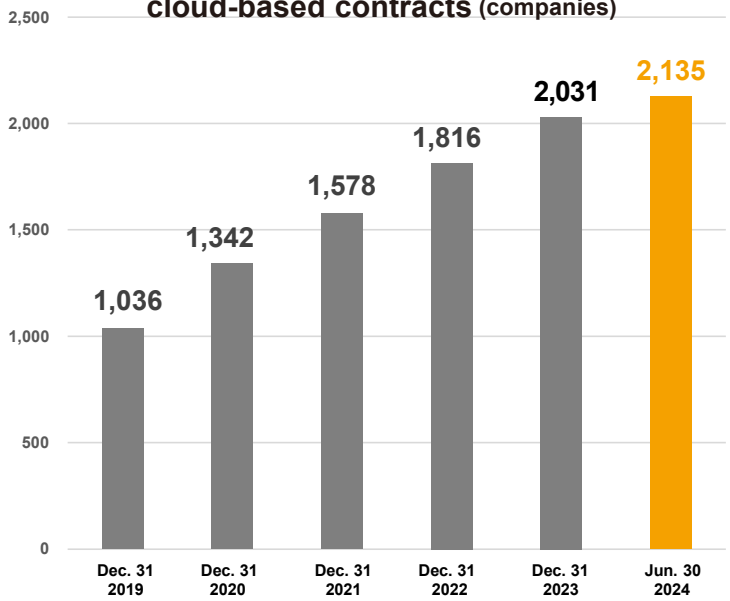
* Includes revenue from cloud licensing, premium support, and other services.

Number of Corporate Clients on Contract and Number of Licenses

High growth continues in the number of licenses, with an average annual growth rate (AAGR) of 20.5%.

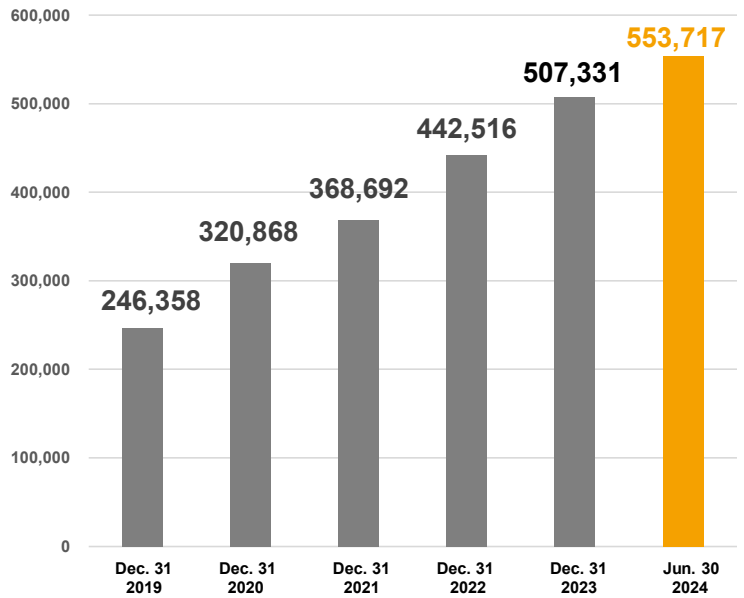
18.8%
AAGR for the last 5 years

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



20.5%
AAGR for the last 5 years

Number of cloud-based licenses* (persons)



*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 & Productivity Management).

ARPU trend

ARPU	September 2022	December 2022	March 2023	June 2023	September 2023	December 2023	March 2024	June 2024
Enterprise	351 yen	353 yen	351 yen	351 yen	353 yen	352 yen	351 yen	370 yen
Smart	115 yen	117 yen	118 yen	118 yen	118 yen	117 yen	117 yen	120 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*

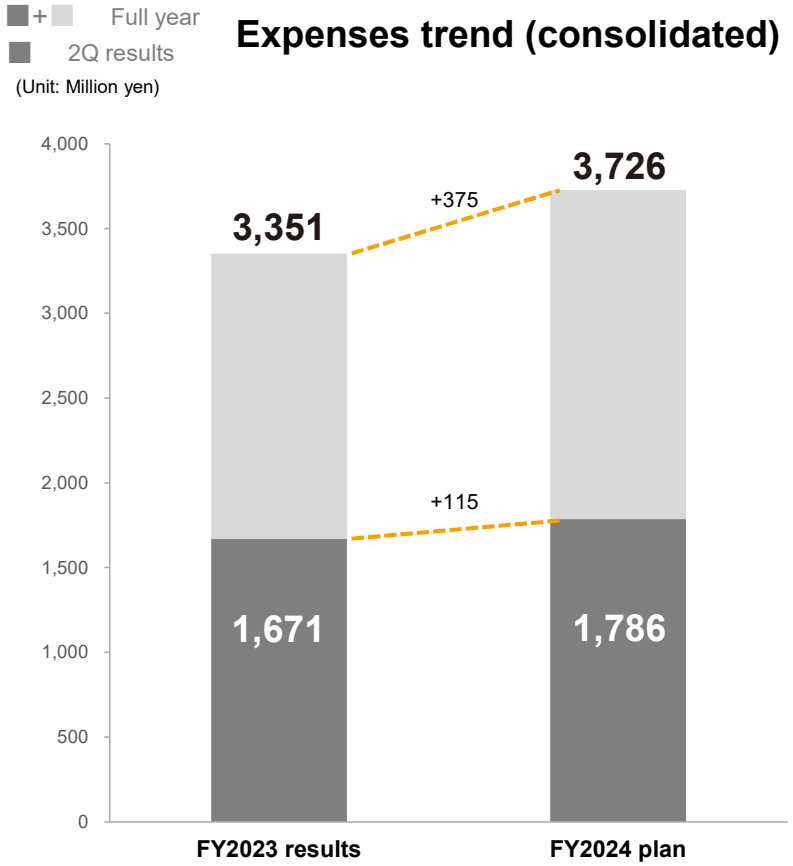


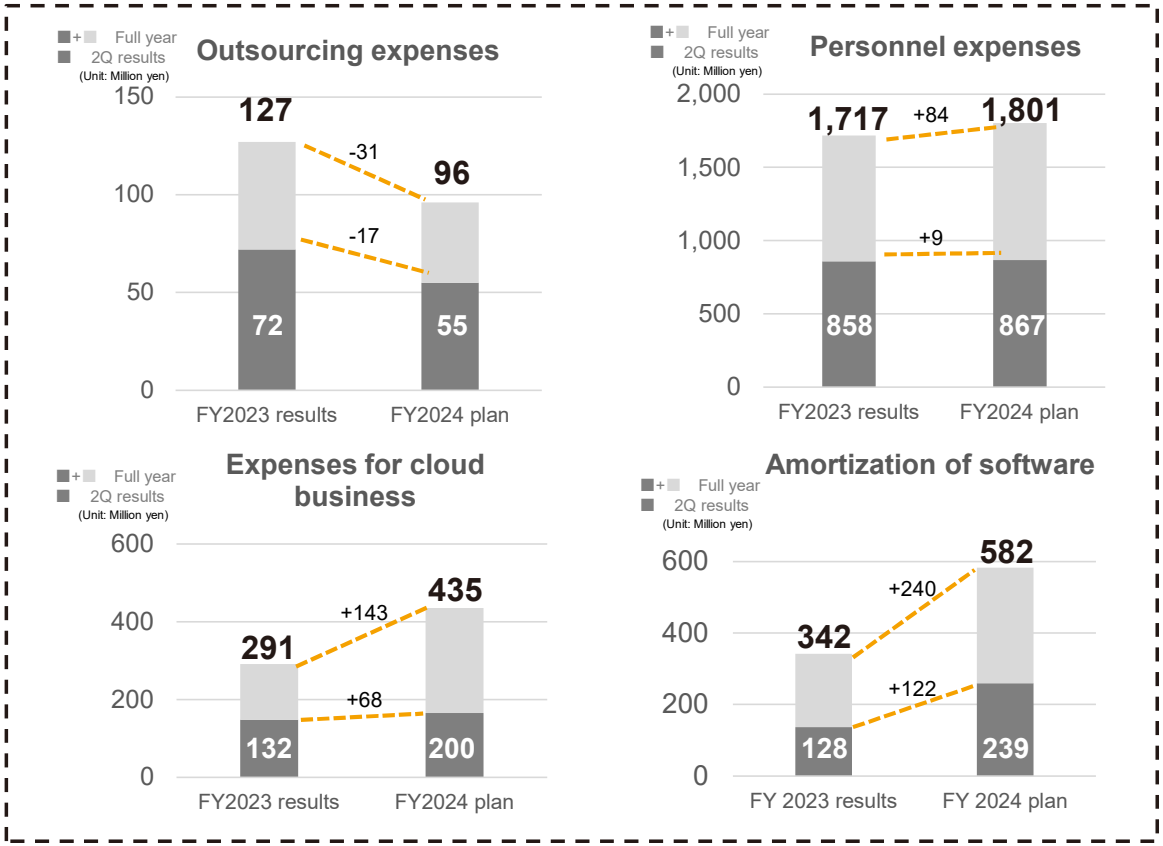
* Monthly average cancellation rate. Calculated by dividing revenue from customers who cancelled their contracts in the current month by revenue from total customers in the previous month.

Cost Structure

Cost structure for the second quarter of the fiscal year ending December 31, 2024

・Upward pressure was placed on costs by upfront investments for Cloud Business expansion (expenses for Cloud Business) and increases in amortization of software and other expenses, but cost control measures targeted mainly at outsourcing expenses (Utilization of our subsidiary in Viet Nam) reined in the quarter's YoY cost rise to +115 million yen.





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Mid-Term Management Plan

■ Targeted Management Metrics

- In FY2024, we plan to increase upfront investments such as product development to accelerate the shift to cloud-based services. Increases in amortization of software associated with product development are forecasted to slow down from FY2025 onward. Expenses for cloud facility are projected to rise from FY2025 onward in conjunction with efforts to achieve target of 1 million cloud licenses in FY2027 or later.
- In FY2025, we aim for a 15% increase in net sales and a significant 66% increase in operating profit.

(Unit: Million yen)

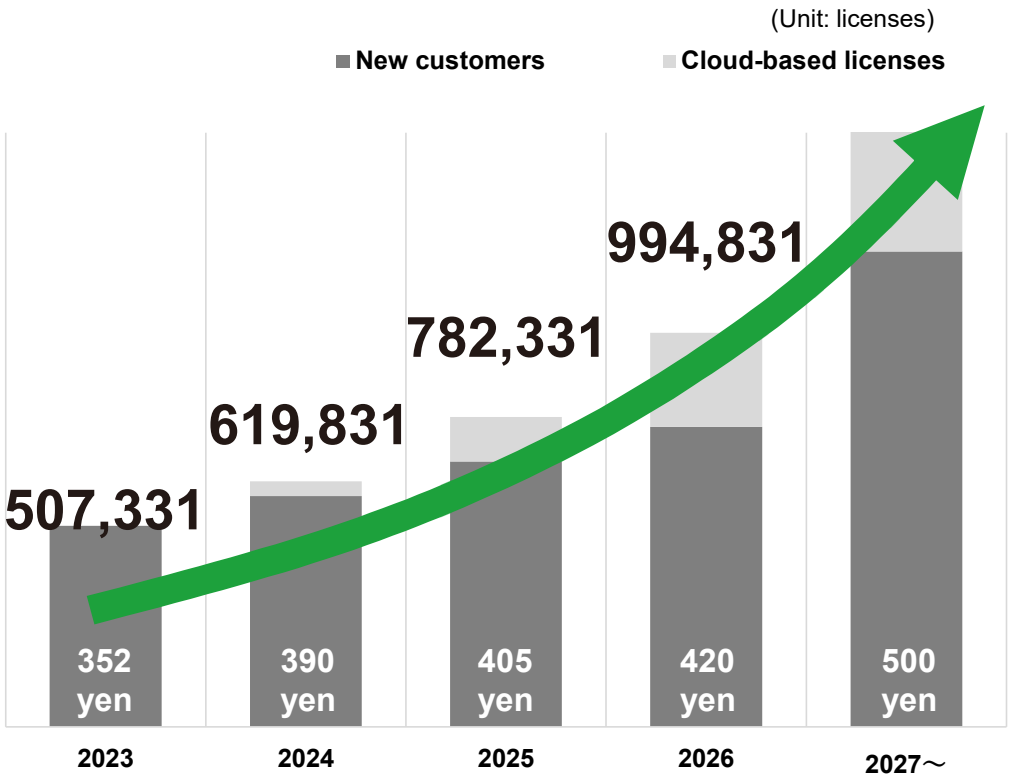
Kinjiro Group consolidated	FY2024 (current fiscal year)		FY2025		FY2026	
	Amount	Change	Amount	Change	Amount	Change
Net sales	4,300	10%	4,950	15%	5,700	15%
Operating profit	573	0%	953	66%	1,215	27%
Operating profit margin	13.3%	-	19.3%	-	21.3%	-

Mid-Term Management Plan

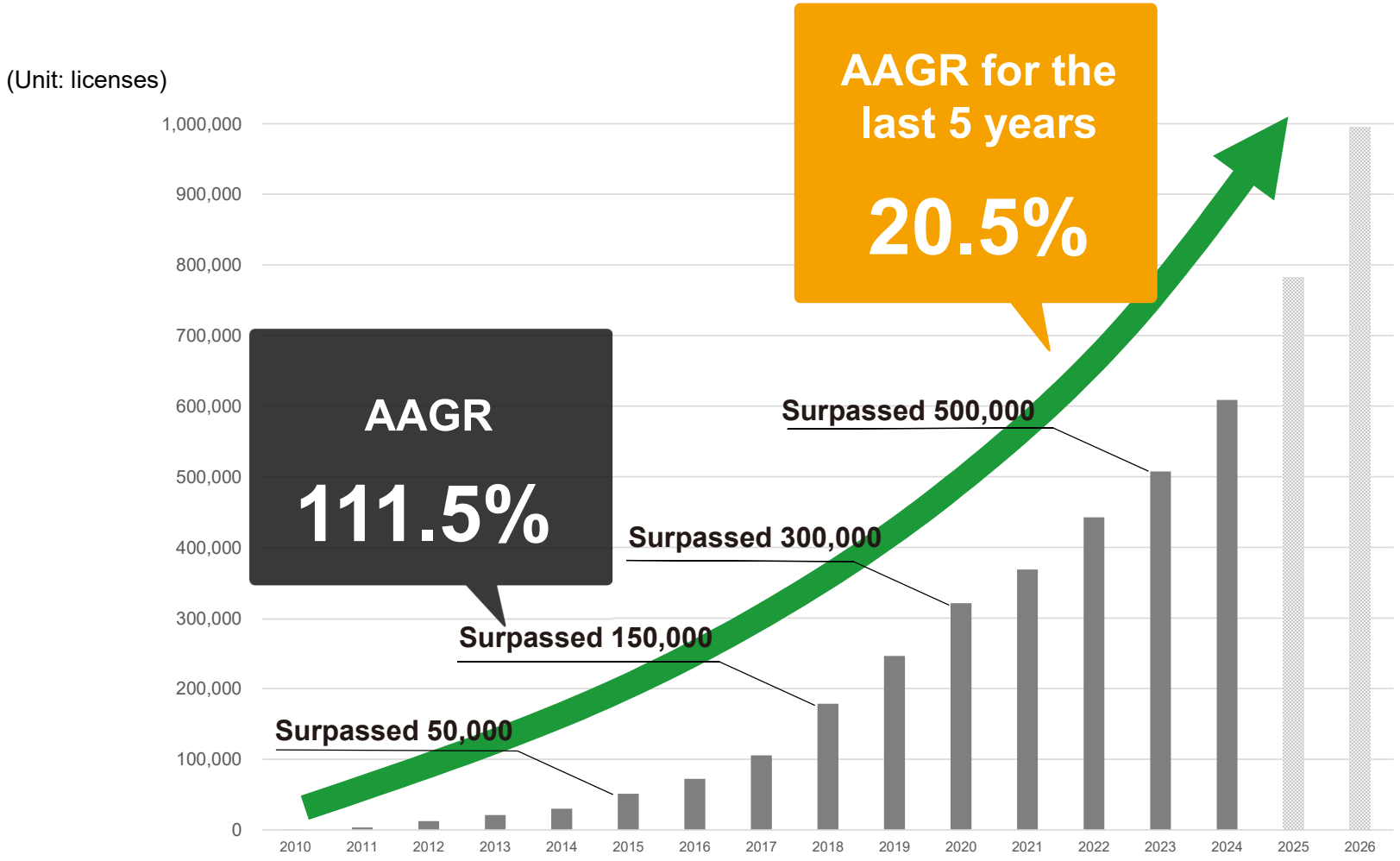
Three Focuses for Improvement

1. **Shift** Kinjiro Enterprise on-premises users **to cloud-based services**
2. **Accelerate development** of HRM all-in-one solutions
3. **Pricing strategy**

Image of target number of licenses and ARPU target



Cloud License



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Kinjiro's Mission and Strength

■ Offer products and services that solve social challenges faced by modern Japan

Performance delivered by each and every worker will become increasingly important going forward as the labor force is expected to decline significantly.

Solve social challenges faced by Japan by contributing to corporate clients' HRM with "Universal Kinjiro" and "Health x Life."

勤次郎
UNIVERSAL KINJIRO



SUSTAINABLE DEVELOPMENT GOALS

Our History

Providing services that accurately anticipate the changing times

43 years of business

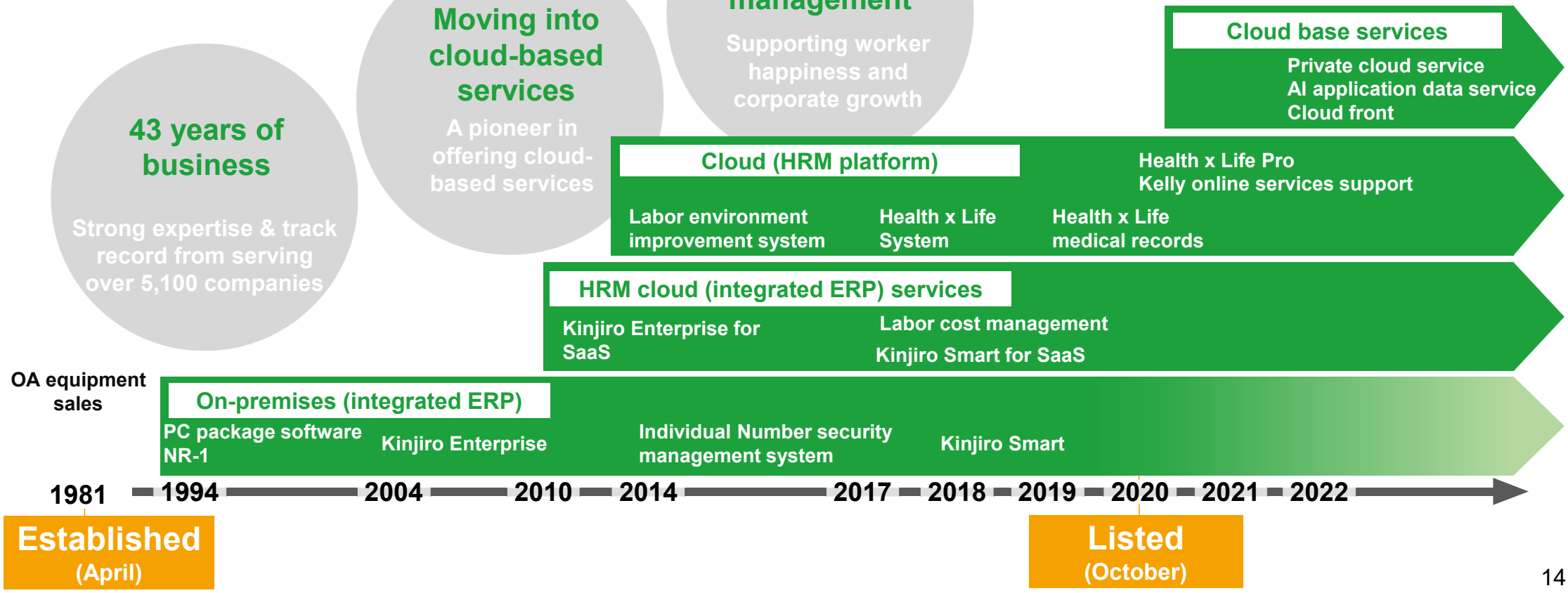
Strong expertise & track record from serving over 5,100 companies

Moving into cloud-based services

A pioneer in offering cloud-based services

Focusing on human capital management

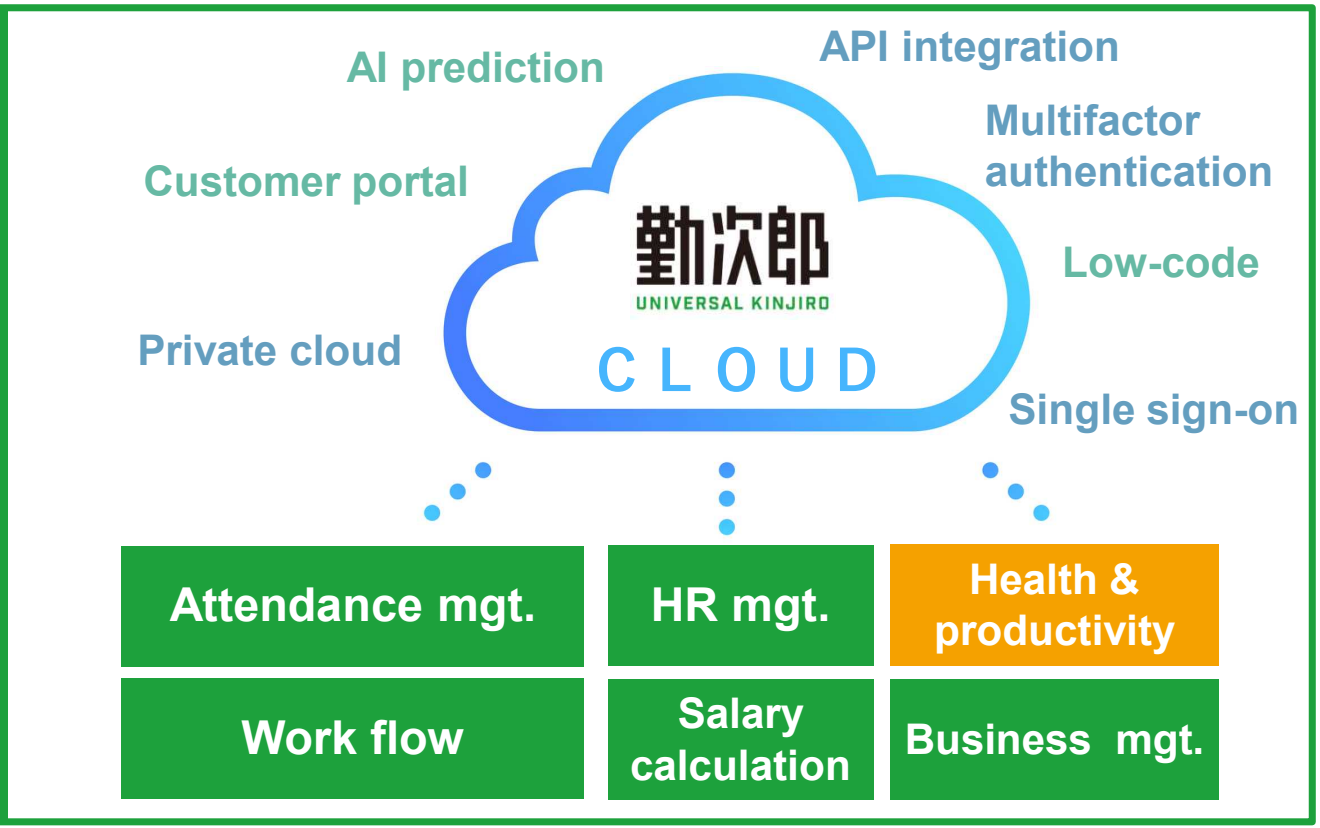
Supporting worker happiness and corporate growth



Business Scope

Simultaneously manage work and health to achieve work style reform and health & productivity management, and help enhance corporate value by improving labor productivity

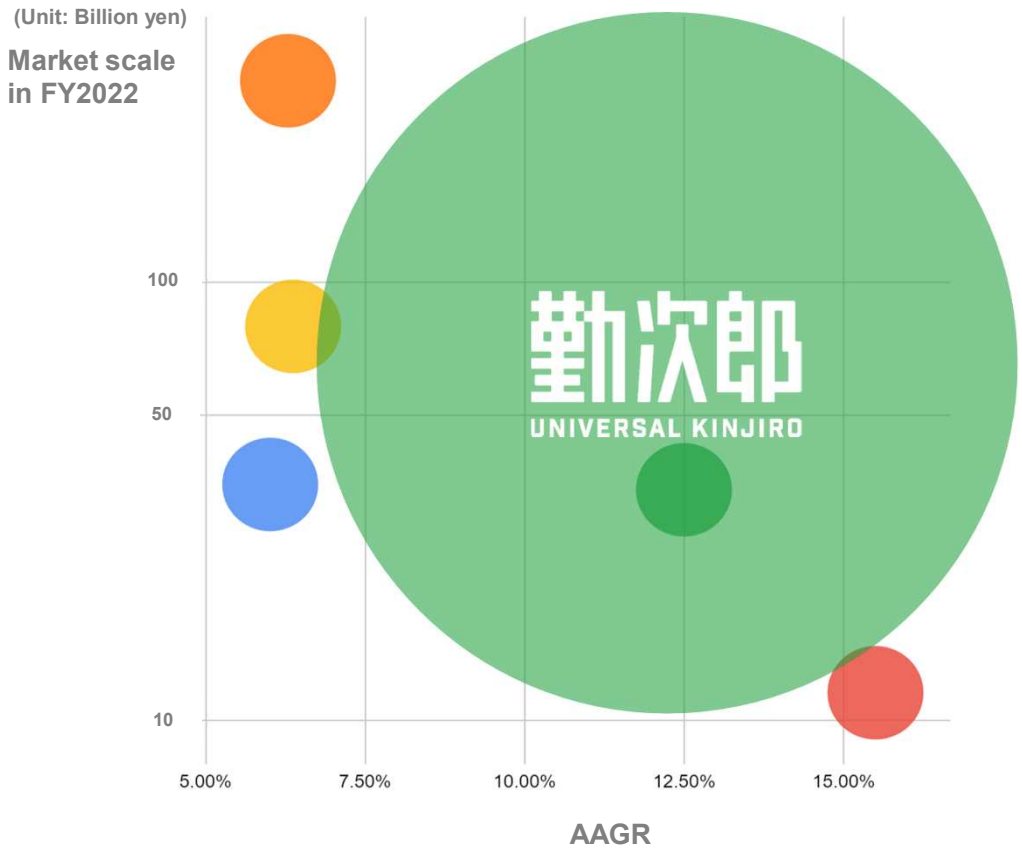
The health and happiness of employees builds the company's future



Human Capital Management

Market scale in FY2022 (billion yen) and AAGR ('27/'22)

● Attendance mgt. ● Health mgt. ● HR and salary ● Expense settlement ● Groupware



Aiming to become No. 1 in HRM services by strengthening health management systems, a growing market

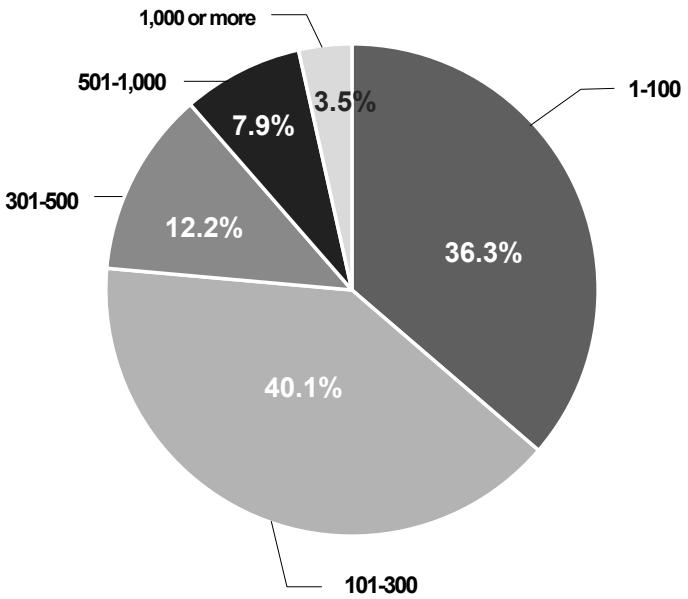
	AAGR	Market scale
Groupware	6.3%	286.7 billion yen
Attendance mgt.	6.0%	34.5 billion yen
HR and salary	6.4%	79.3 billion yen
Expense settlement	12.5%	33.55 billion yen
Health mgt.	15.5%	11.6 billion yen

Source: Fuji Chimera Research Institute, “Software Business New Market 2023 Edition”

Kinjiro Enterprise Installations Breakdown by Scale and Industry

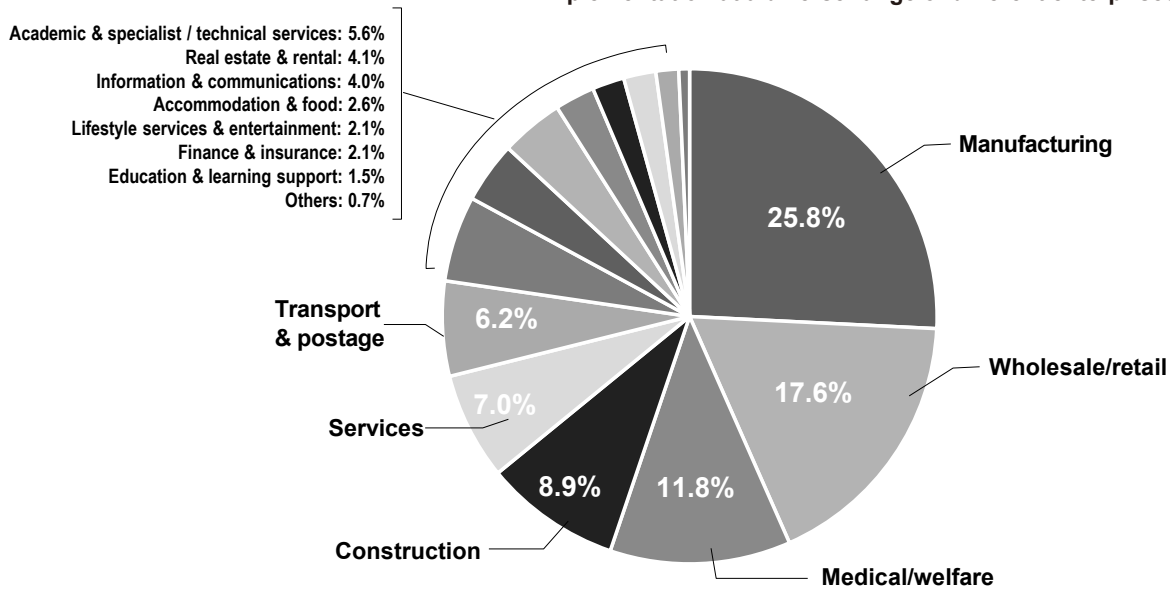
■ Meet the needs of diverse enterprises in different sizes, ranging from SMEs to large enterprises, in different industries

Breakdown of implementation by number of employees



Breakdown of client numbers by industry

*Implementation at a diverse range of different enterprises



* As of June 30, 2024

Sustainability: Health & Productivity Management Initiatives

■ Recognized as a “Certified Health & Productivity Management Outstanding Organization” for the Seventh Consecutive Year

Kinjiro was ranked in the top 100 among 3,520 organizations, which were recognized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as “Certified Health & Productivity Management Organizations (White 500).”

■Health & productivity management initiatives

- Measure employees’ performance indicators as presenteeism quantitatively in conjunction with every stress check
- Implement a PDCA cycle on a regular basis using work engagement and pulse surveys

■Using HRM platforms at our office

- Achieved early detection of declines in health data using “Universal Kinjiro / Health & Productivity Management”
- Used “Online Services & Support” to facilitate interactions between industrial physicians and in-house public health nurses, and used a remote consultation tool to provide consultations and treatments

■Awarded the “Award for Outstanding Business Facilities under the Nagoya Health Declaration”

Kinjiro was also awarded as a company practicing outstanding initiatives to promote health & productivity management by Nagoya City and Japan Health Insurance Association (JHIA), in addition to receiving the “Healthy Declaration Excellent Office” award from the Aichi Branch of JHIA two years in a row.


表彰状

勤次郎株式会社 様

貴社は令和三年度なごや健康宣言優良事業所として従業員の健康維持に取り組みその活動は他の模範となります
よってここに表彰します

令和五年三月二十日

名古屋市長 河村たかし
全国健康保険協会愛知支部
支部長 芦田 豊



2024 健康経営優良法人 Health and productivity ホワイト500

Health & Productivity Management Survey Feedback Sheet

確定版　CODE: 004013

令和5年度　健康経営度調査フィードバックシート

法人名：勤次郎株式会社

英文名：Kinjiro Co.,Ltd

■加入保険者：全国健康保険協会愛知支部　上場

■所属業種：情報・通信業

①健康経営度評価結果

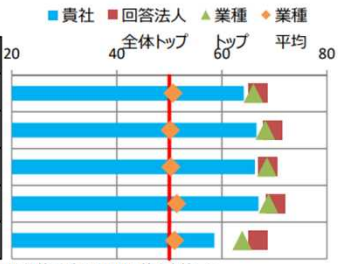
■総合順位：　51～100位　／ 3520 社中

■総合評価：　64.2　↓0.6　（前回偏差値 64.8 ）

※「ホワイト500」に該当するかについては、回答法人全体ではなく申請法人に絞った順位で判定するため、フィードバックシートの順位から繰り上がり認定される場合があります。

②評価の内訳

側面	重み	貴社	回答法人全体トップ	業種トップ	業種平均
総合評価	-	64.2	66.9	66.0	50.7
経営理念・方針	3	66.6	69.6	68.3	50.2
組織体制	2	66.3	68.8	68.6	50.3
制度・施策実行	2	67.0	70.3	68.9	51.4
評価・改善	3	58.6	66.9	63.9	51.0



※各側面の数値は、回答法人全体の平均に基づく偏差値です。各側面の数値に重みを掛けた値を合算して、得点・順位を算出しています。

※トップの数値は項目毎の最高値です。なお、所属業種の有効回答が5社未満の場合、業種トップには「－」を表示しています。

Participated in HR EXPO (Tokyo & Nagoya)

- “14th Tokyo HR EXPO”: We set up a booth at Tokyo Big Sight from May 8 to 10, 2024 (Total number of visitors: 33,937)
- “6th Nagoya HR EXPO”: We set up a booth at Port Messe Nagoya from July 17 to 19, 2024 (Total number of visitors: 12,117)

Exhibition concept focusing on “Work style reform to enhance work engagement”

Our exhibition aimed to improve corporate recognition and promote direct sales (to win business) by promoting the corporate brand “Kinjiro Co., Ltd.” and its products “Universal Kinjiro series.” The booth was designed to simulate an office environment that enhances work engagement among HR, general affairs, management, corporate planning, and other divisions. This helped not only visitors but also explaining staff to relax, allowing them to improve their performance.

Tokyo Big Sight



Port Messe Nagoya



FY2024 Kinjiro Genki Project Activities

■ Further enhanced our health & productivity management initiatives through the "Kinjiro Genki Project" led by young employees, and held various events

Concept for FY2024 activities:

More fun, more laidback, more health-enhancing

◆ 2nd Wednesday of each month: Outdoor cleanup

・A monthly event for cleaning up the area around the Nagoya headquarters and getting exercise



◆ Launch of Genki Project's official LINE account

・An official LINE account for the Genki Project was created to make it easier for employees to join in!



◆ Step Count Competition

・Participants are divided into groups according to how much they walk each day, and compete with their fellow group members to see who can walk the most steps



Celebrating 10 years of Kinjiro Viet Nam (wholly owned subsidiary)

■ Kinjiro Viet Nam turns 10!

Kinjiro Viet Nam marked its 10th anniversary this year.
Founded in 2014 with a staff of just six, the subsidiary now boasts over 50 members. It adopted its current name in 2023.

Seeking to further strengthen our product development capabilities, Kinjiro will take action to unlock the full potential of Kinjiro Viet Nam's talent so that both companies can grow together.



■ Genki Project expanded to Viet Nam

The Kinjiro Genki Project, an initiative for enhancing employees' work engagement through health & productivity management, has been expanded to Viet Nam.
By implementing the same project actions in both Japan and Viet Nam we will further strengthen the bonds between both sides.



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.

The health and happiness of employees builds the company’s future

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