kaonavi

FY24/3 3Q Financial Results

February 14, 2024 | kaonavi, inc. (TSE Growth : 4435)

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1. Topics

2. FY24/3 3Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

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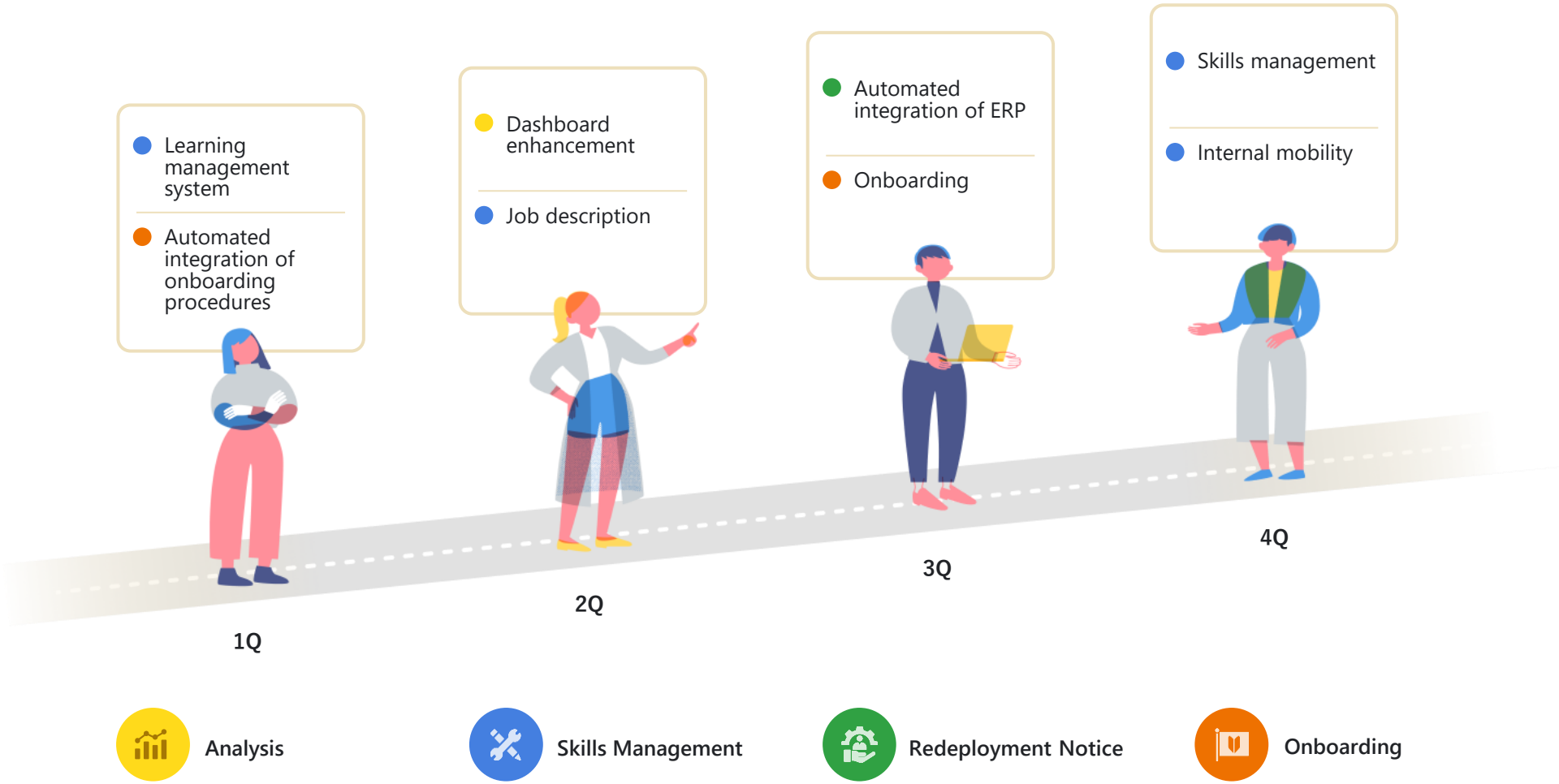
Purpose

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

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Major Product Development Roadmap*1

Focusing on driving the value as an HR data platform through the development of new functions and services



*1：This is a scheduled roadmap from which the actual release timing of each feature might differ

Launching a New Feature

Released “Custom CSV” for easy automatic integration with other systems

Without



Data updated in source systems

1 CSV download

2 Open CSV file in spreadsheet

3 Manual data processing (e.g., mapping names)

4 Repeat step 2 and step 3 multiple times

5 CSV upload

KAONAVI completion in update

With



Data updated in source systems

Automatically convert and upload data

Custom CSV

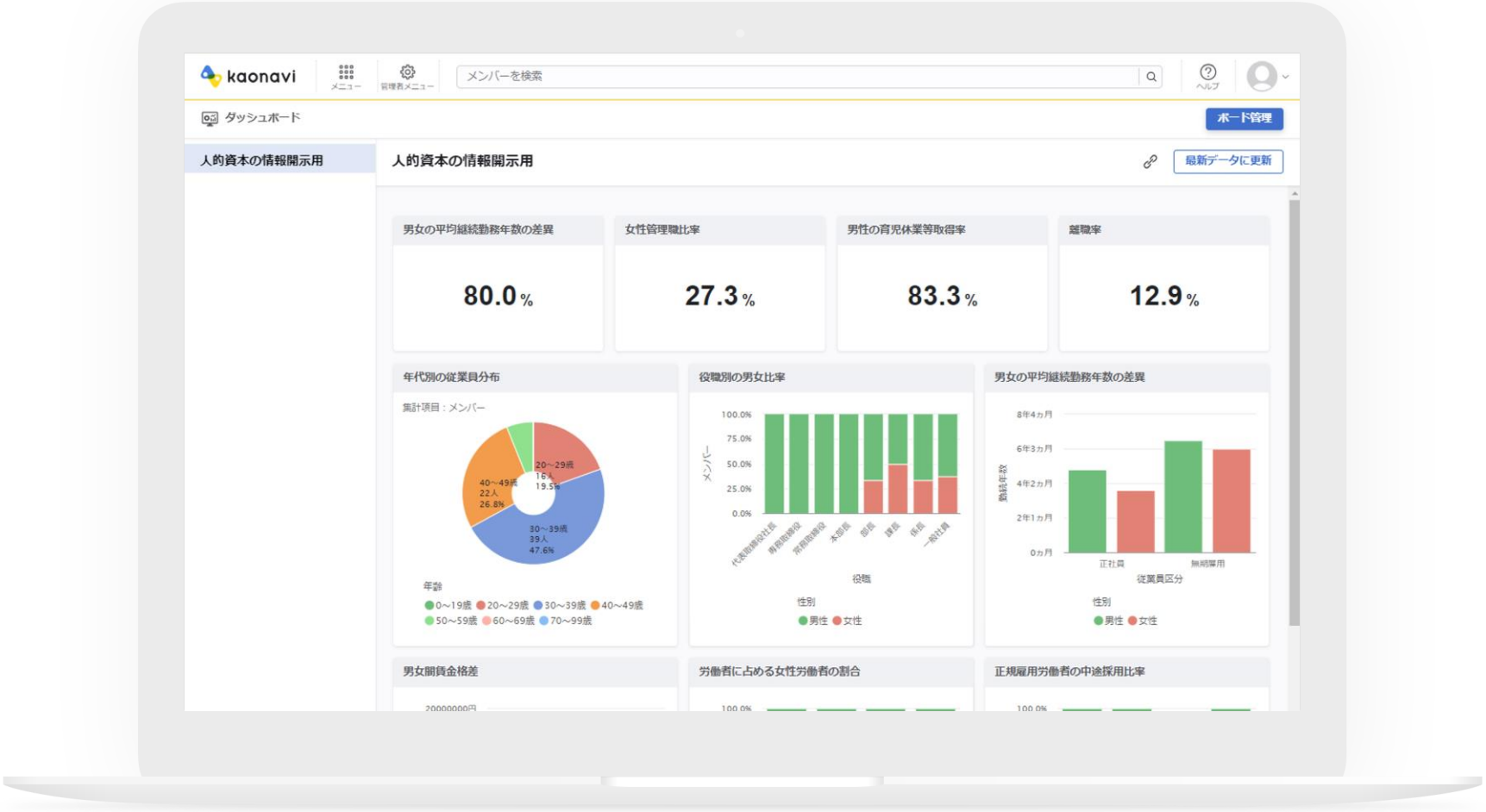
KAONAVI autocompletion in update

Fully Automated Process

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Launching a New Feature

Released “Human Capital Template”, a new function that consolidates all necessary data for human capital disclosure into one place



Launching a New Service

Released “KAOPASS”, a mobile game application developed to promote onboarding and increase engagement



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Launching a New Service

Released “Human Capital Data navi β version”, a database that stores human capital disclosure information of listed companies and makes it accessible to our users

kaonavi

人的資本データnavi

Human Capital Data navi

Provides data library of disclosures from more than 2,300 listed companies



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Group Join of Work Style Teck Ltd. (WST)

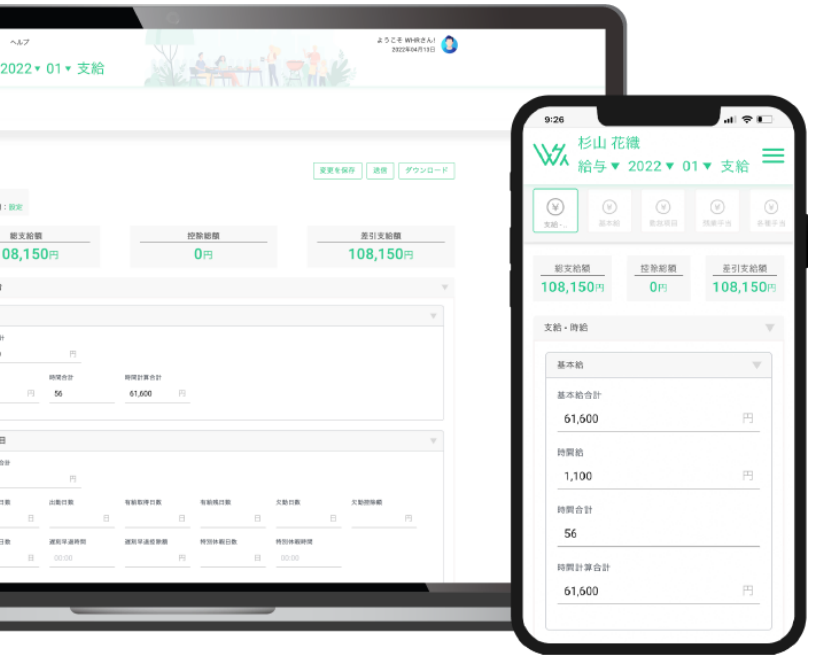
Acquired WST, a subsidiary that offers cloud-based labor management software called “WelcomeHR”
Consolidated income statements to be reported from FY25/3

kaonavi × WorkStyleTech

Purpose	**To execute the expansion of HR data platform as defined in the mid-term management policy** • Adding labor management capability to expand the HR data platform • Gaining touch points for the contingent/part-time employment market
Synergy Effects	**To realize reinforcement of business competitiveness and uplift of operational efficiency** • Satisfy customer needs for both talent management and labor management solutions • Increase ARPU by cross-selling to kaonavi’s existing customers • Improve marketing and sales efficiency in acquiring new customers

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WelcomeHR Services



Accounting Software

CSV data integration

Social Insurance

- Electronic application
  - Health insurance
  - Care insurance
  - Pension insurance

Payslip

- Web-based payroll statement
- Withholding slip

Year-end Adjustment

- Electronic application
- Automatic deduction calculation

Employee information integration

Data storage

Labor Management

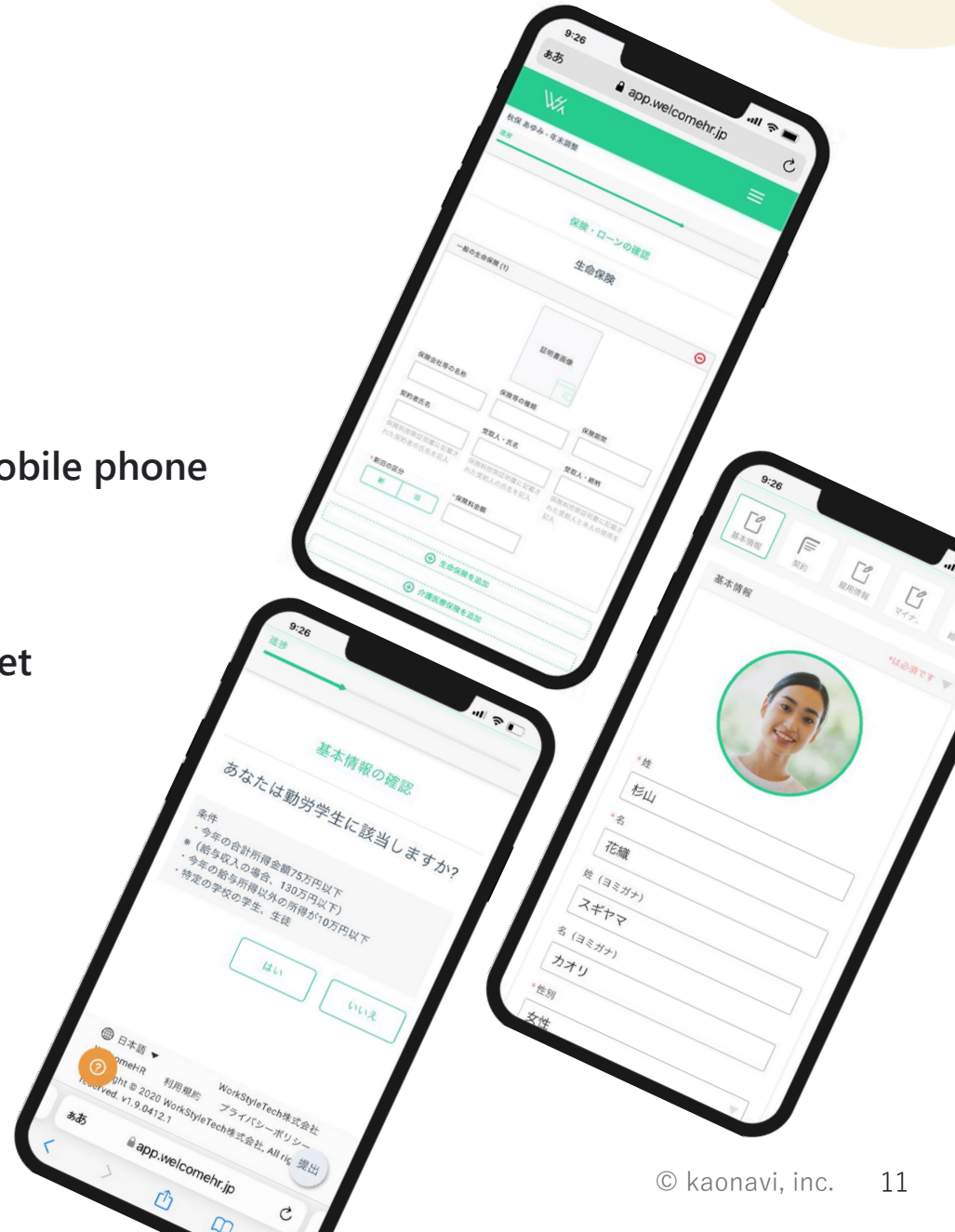
- Acquire/Manage employee information
- Electronic signature of guarantor/guardian
- Procedures for employment
- Individual number management
- Manage visa/license information
- English/Portuguese available

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Strengths of WelcomeHR

1. Simple UI/UX design that delivers convenient experiences on a mobile phone

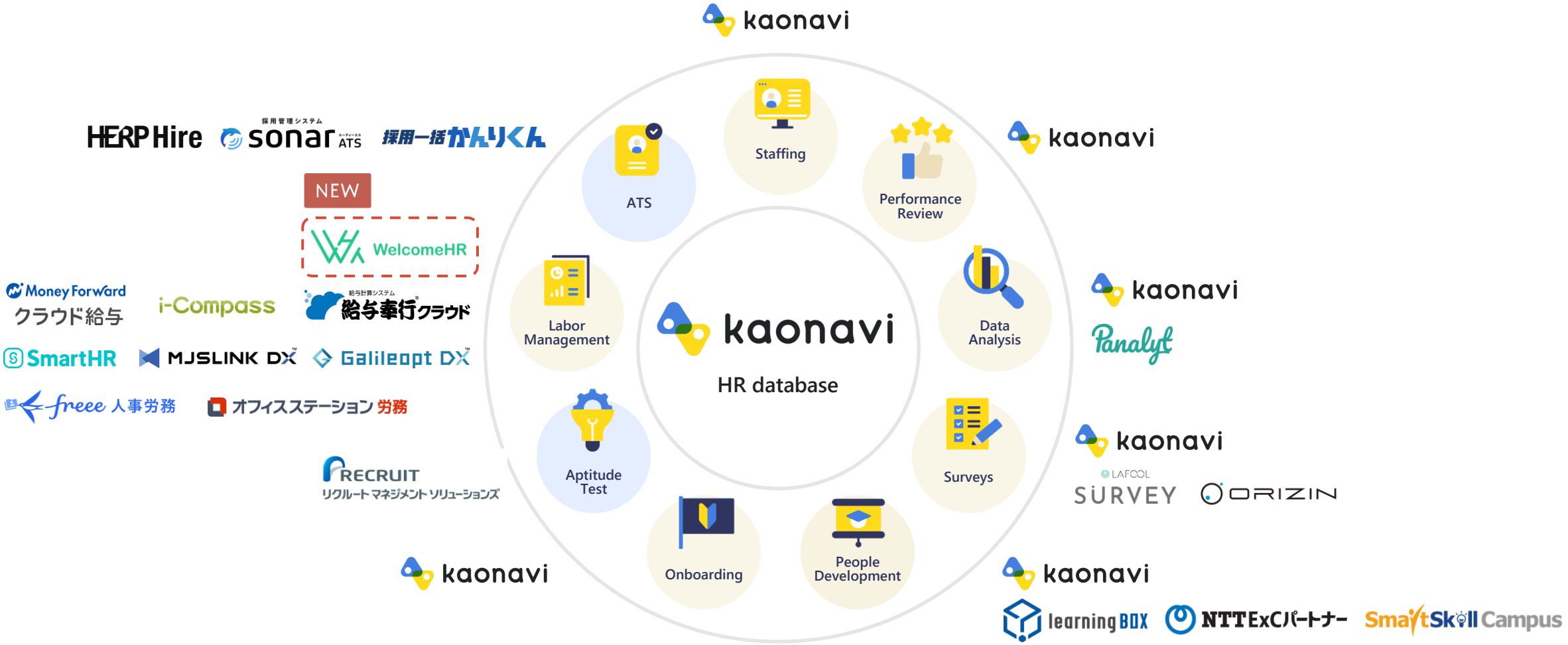
2. Service design fit for the contingent/part-time employment market



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Expansion of HR Data Platform

Integrating labor management into the HR data platform as a new capability offered by kaonavi group



* Connect Partners that can use API integration with kaonavi (as of September 2023)

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Highlights

- 3Q results show solid progress

  Net sales were **JPY 1,933MM (+26.6% YoY)**

  Gross profit was **JPY 1,516MM (+34.1% YoY)**, and its margin improved to **78.5%**

  Adjusted operating profit was **JPY 234MM (+31.9% YoY)**

- **Revised full-year forecast** based on results through the third quarter and other factors

- ARR reached **JPY 7,624MM (+28.6% YoY)**

  Newly acquired MRR hit **a record-high for 3Q**

  Churn rate (last 12-month average) was **0.46%**, remaining at a **low level**

- Orders from support services posted **a new record high**

- The number of employees at the end of December 2023 was **295**, and behind the plan

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PL Summary

JPY MM	FY23/3 3Q Same period last year	FY24/3 2Q Previous quarter	FY24/3 3Q Current quarter	YoY	QoQ
Net Sales	1,526	1,844	**1,933**	+26.6%	+4.8%
Gross Profit	1,131	1,422	**1,516**	+34.1%	+6.7%
Margin	74.1%	77.1%	78.5%	+4.3pt	+1.4pt
Adjusted Operating Profit *1	178	246	**234**	+31.9%	-4.6%
Margin	11.6%	13.3%	12.1%	+0.5pt	-1.2pt
Operating Profit	118	211	**228**	+93.1%	+7.6%
Margin	7.7%	11.5%	11.8%	+4.1pt	+0.3pt
Ordinary Profit	117	210	**227**	+94.6%	+7.9%
Net Profit	78	99	**156**	+98.9%	+57.5%

*1：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

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Revision of Financial Forecast

Despite the update of net sales and gross profit reflecting the strong business performance, adjusted operating profit is expected to remain within the range of the initial forecast after reviewing the investment plans for growth in the next fiscal year and beyond

JPY MM	FY23/3 Actual	FY24/3 Old Forecast	FY24/3 New Forecast	YoY	vs. Old Forecast
Net Sales	5,990	7,390 ~ 7,510	**7,600**	+26.9%	+1.2% ~ +2.8%
Subscription Revenue	5,156	6,550 ~ 6,650	6,715	+30.2%	+1.0% ~ +2.5%
Support Revenue	834	840 ~ 860	885	+6.1%	+2.9% ~ +5.4%
Gross Profit	4,420	5,410 ~ 5,530	**5,875**	+32.9%	+6.2% ~ +8.6%
Margin	73.8%	73.2% ~ 73.6%	77.3%	+3.5pt	+3.7pt ~ +4.1pt
Adjusted Operating Profit	474	720 ~ 960	**765**	+61.4%	-20.3% ~ +6.3%
Margin	7.9%	9.7% ~ 12.8%	10.1%	+2.2pt	-2.7pt ~ +0.3pt

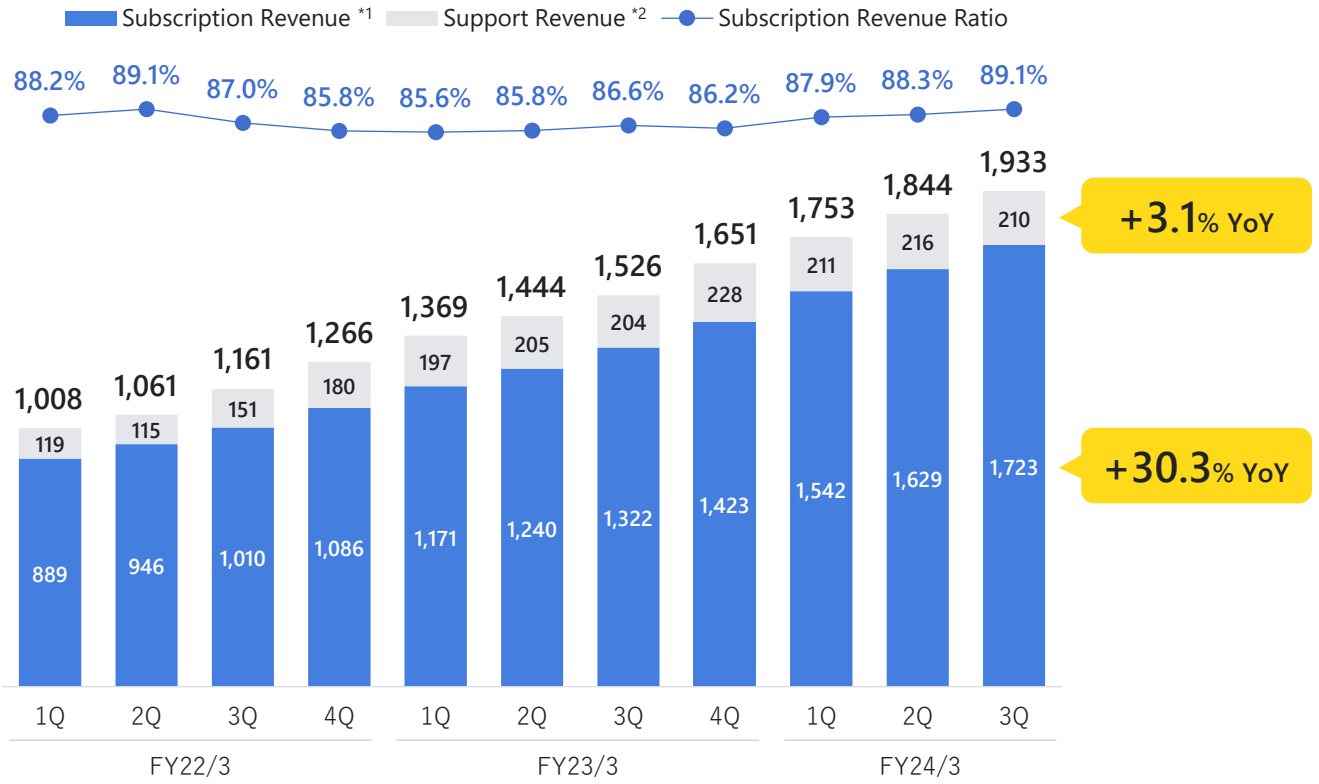
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Net Sales

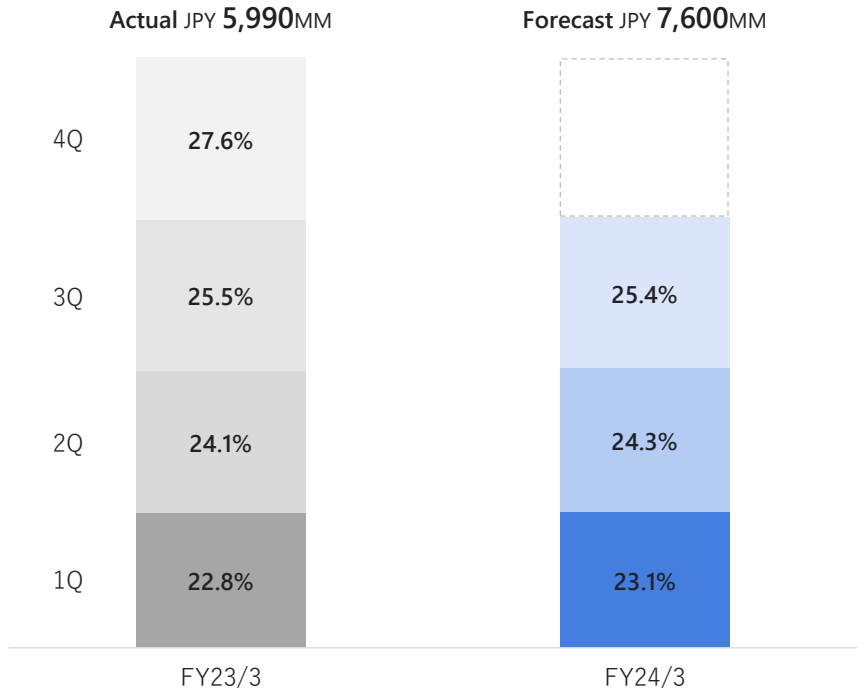
Subscription revenue and support revenue increased by 30.3% and 3.1% YoY, respectively

Net Sales

JPY MM



Progress Against Full-year Forecast



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

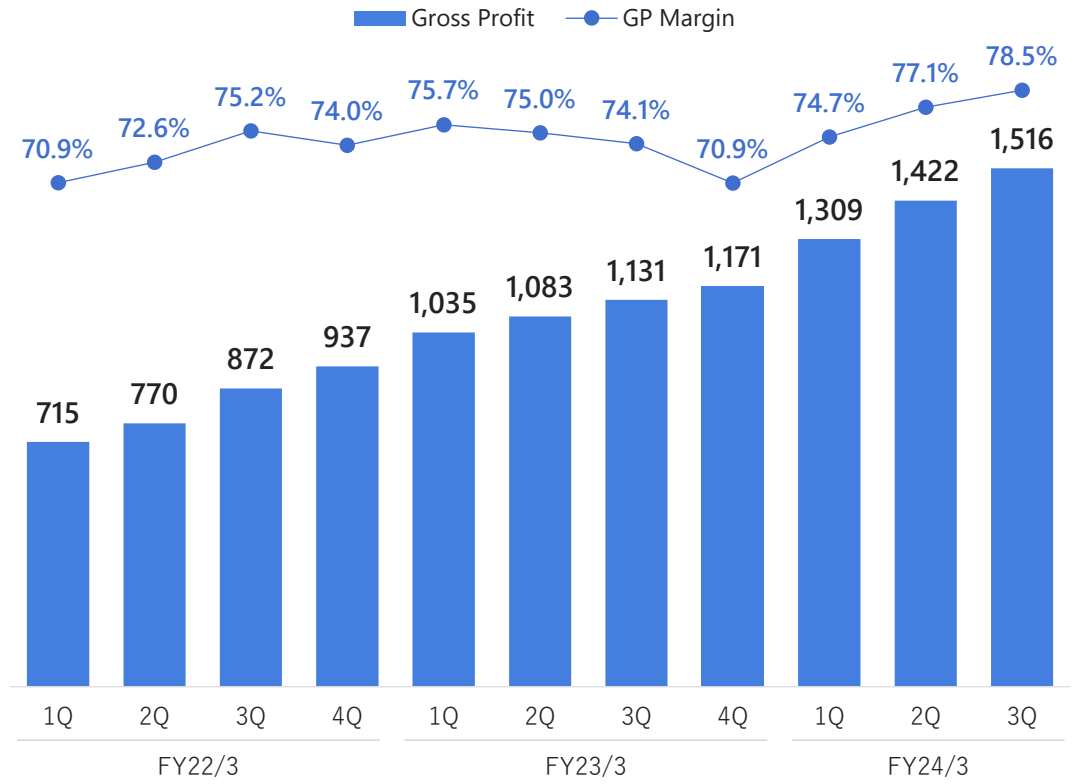
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Gross Profit and Cost of Sales

Executed the development plans persistently, including functional improvements. Gross profit continued to grow and its profit margin rose to 78.5%

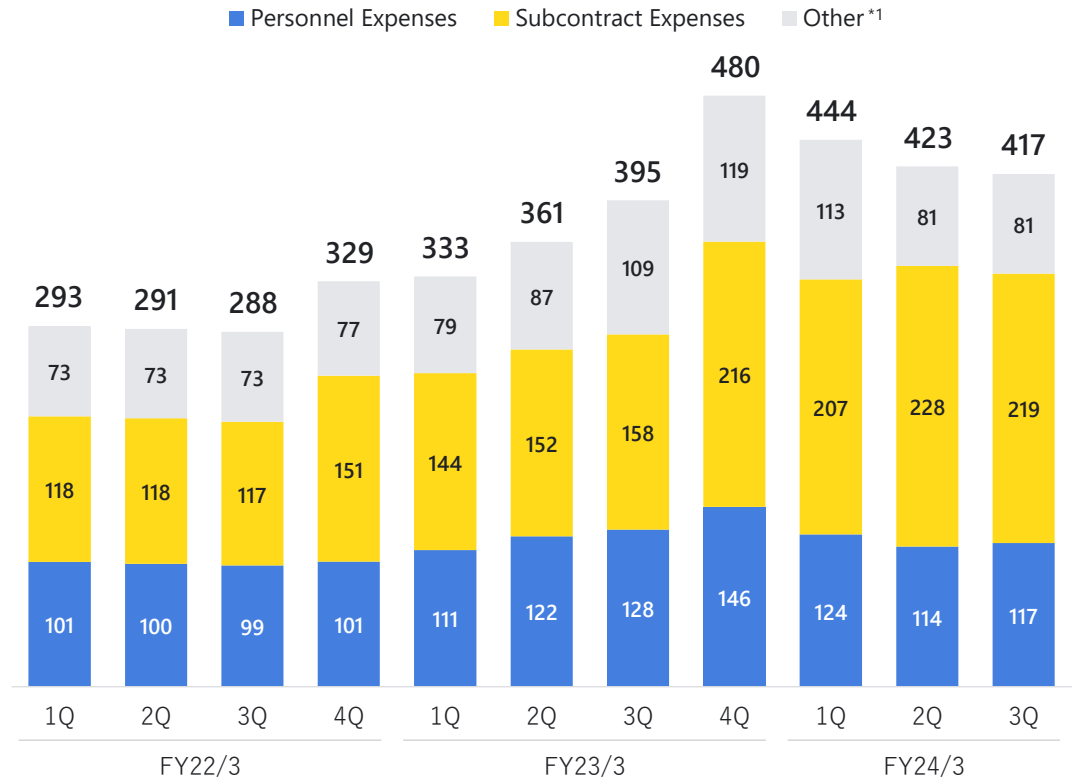
Gross Profit

JPY MM



Cost of Sales

JPY MM



*1：”Other” in this quarter mainly includes Rents of JPY 16MM and Server costs of JPY 58MM

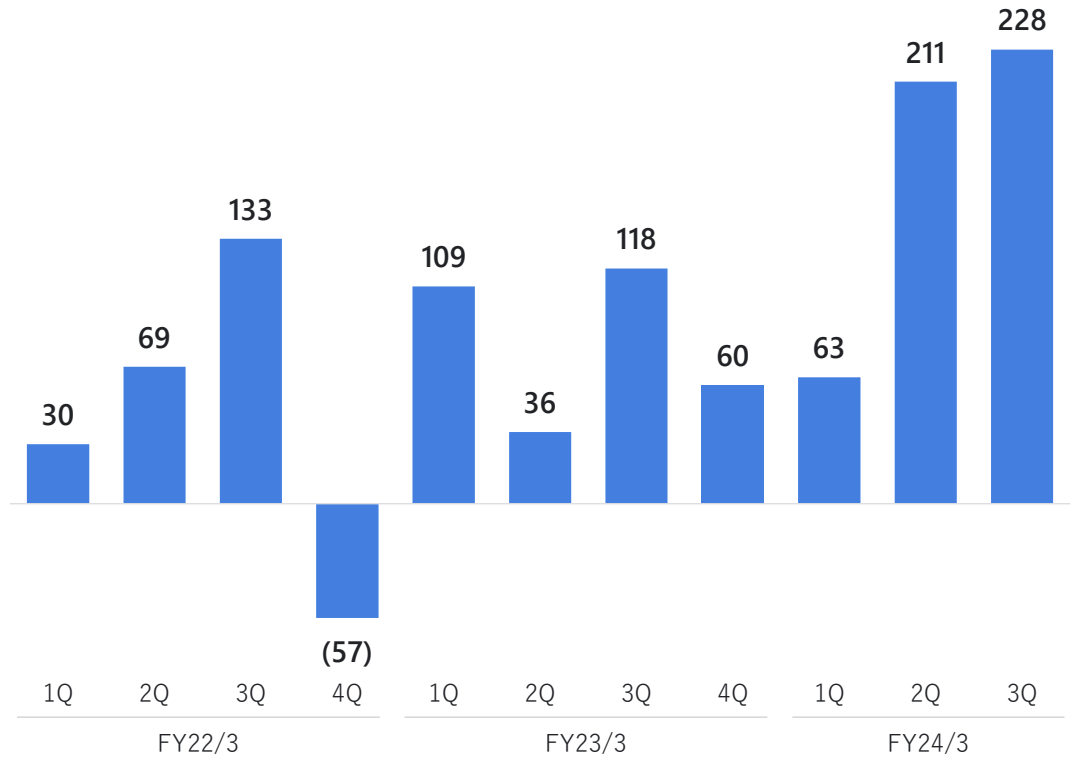
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Operating Profit and SG&A

Operating profit reached a record-high on a quarterly basis driven by consistent gross profit growth

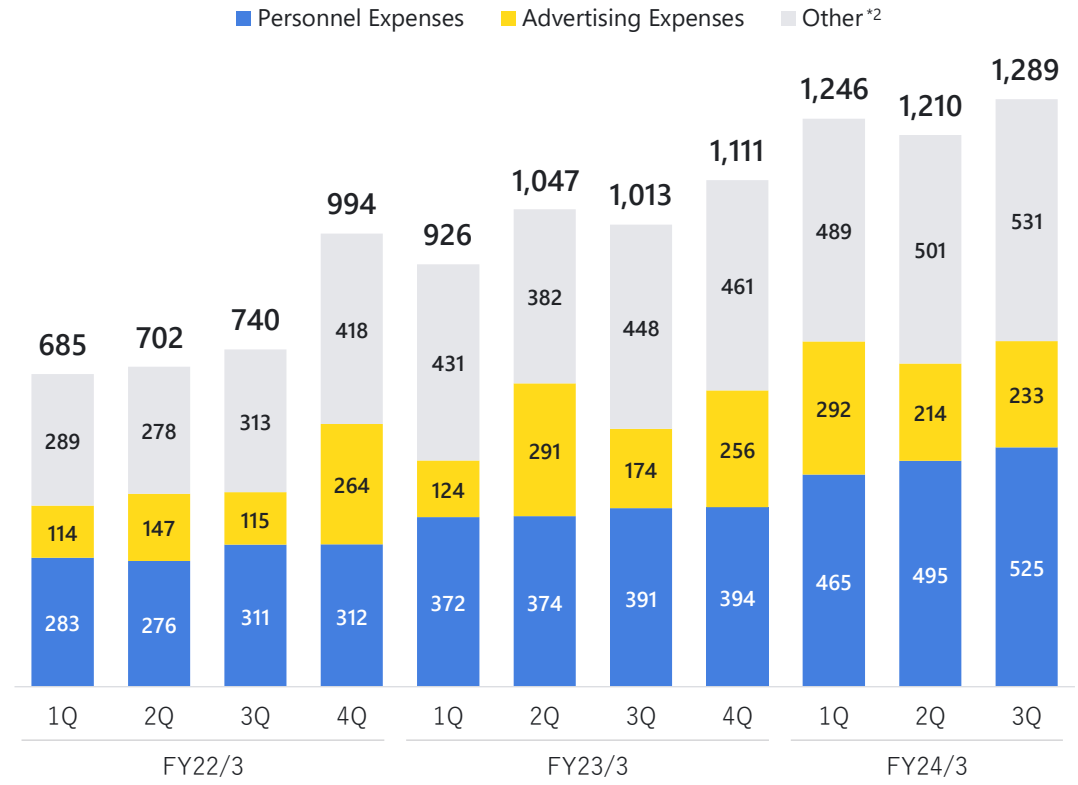
Operating Profit

JPY MM



SG&A*1

JPY MM



*1：Ratio of S&M, R&D and G&A to net sales in this quarter were 38.2%, 12.1% and 16.4%, respectively. Please see page 62 for definitions of each expense

*2："Other" in this quarter mainly includes Rents of JPY 36MM, Outsourcing expenses of JPY 134MM, Sales promotion expenses of JPY 153MM, Recruiting expenses of JPY 53MM and Communication expenses of JPY 51MM

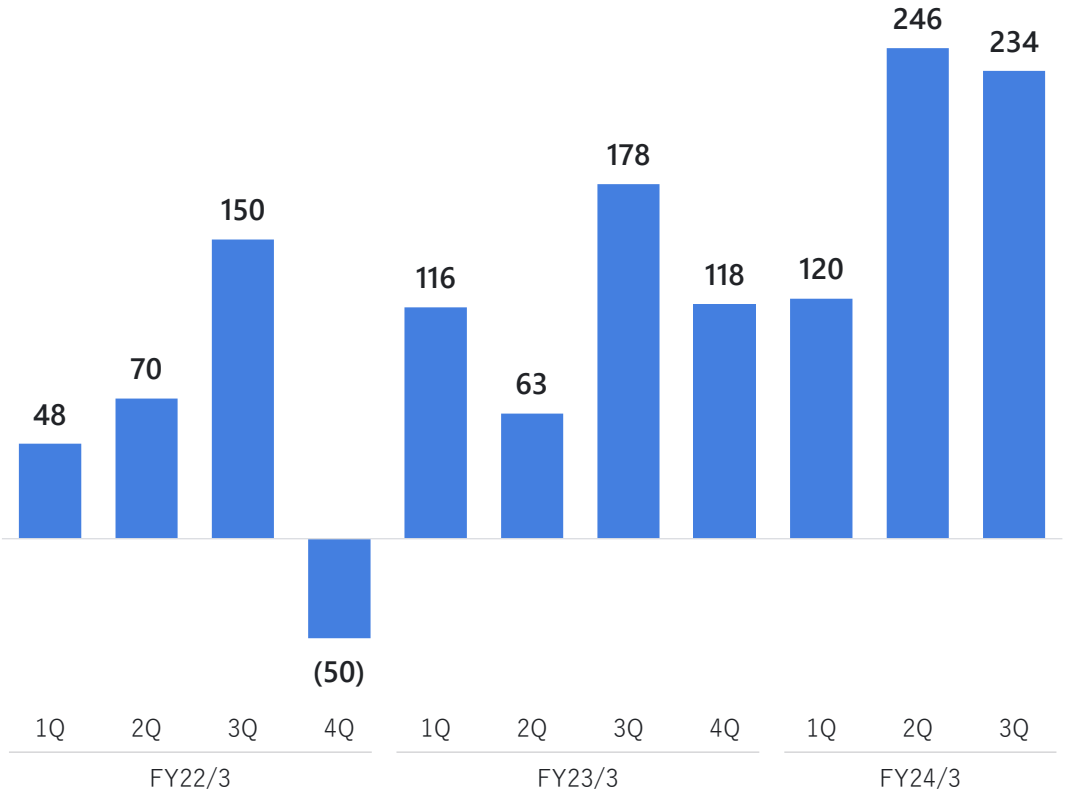
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Adjusted Operating Profit

Adjusted operating profit also increased steadily by 31.9% YoY

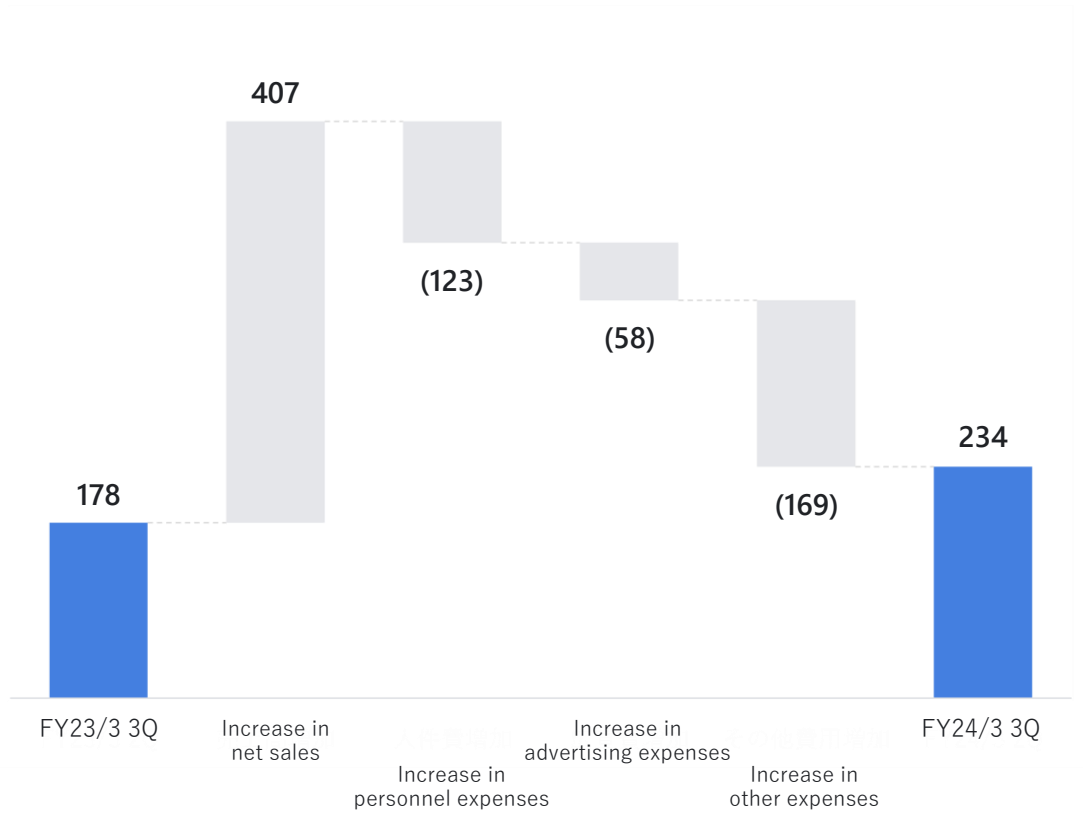
Adjusted Operating Profit

JPY MM



YoY Change Analysis

JPY MM



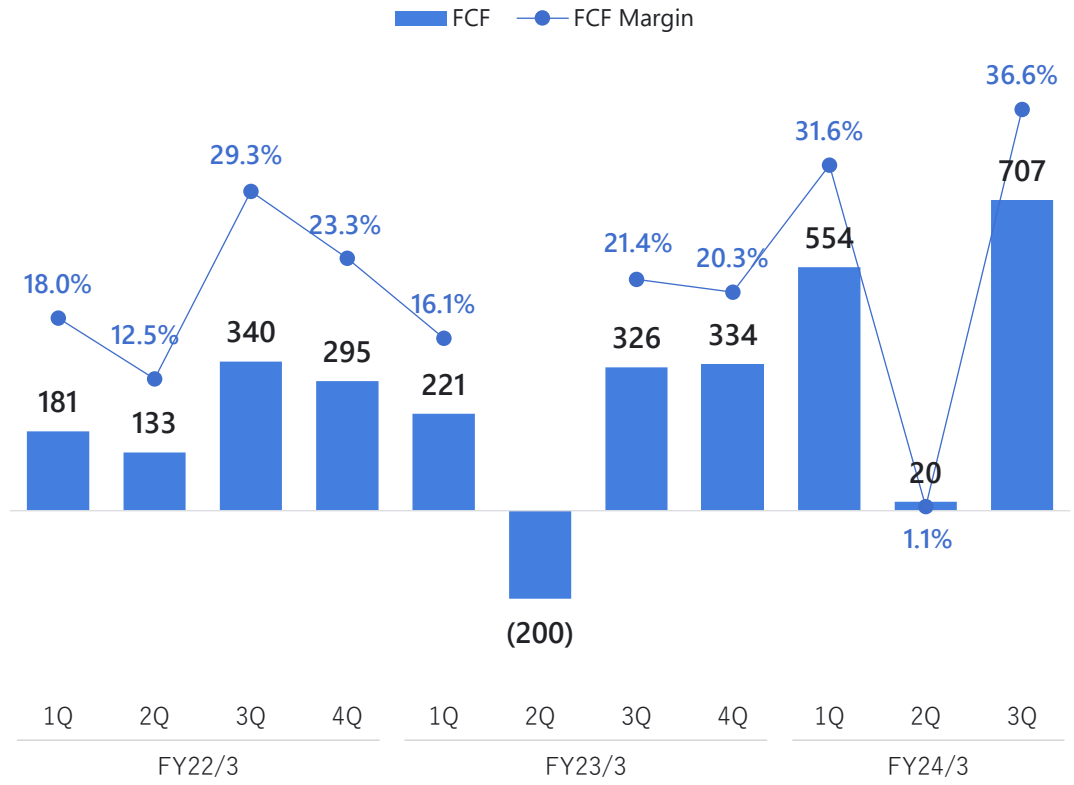
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Free Cash Flow and Balance Sheet

Stable cash flow generation has led to a +40.7% YoY increase in cash and deposits

FCF

JPY MM



B/S

JPY MM

	FY23/3		FY24/3		
	3Q	4Q	1Q	2Q	3Q
Cash and deposits	3,095	3,400	3,922	3,912	4,355
Other current assets	487	483	495	555	506
Property, plant and equipment	134	89	58	38	41
Intangible assets	7	6	5	4	2
Investments and other assets	664	646	622	617	339
Total assets	**4,387**	**4,623**	**5,102**	**5,125**	**5,243**
Loans payable	359	327	296	264	—
Deferred revenue	1,961	2,073	2,490	2,410	2,620
Other liabilities	655	732	795	825	836
Total liabilities	**2,975**	**3,132**	**3,580**	**3,499**	**3,456**
Total net assets	**1,412**	**1,491**	**1,522**	**1,627**	**1,787**
Total liabilities and net assets	**4,387**	**4,623**	**5,102**	**5,125**	**5,243**

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KPI Summary

ARR[*1]

7,624 JPY MM

(+28.6% YoY)

Active Users[*2]

3,492 Companies

(+21.3% YoY)

ARPU[*3]

182 JPY Thou.

(+6.0% YoY)

Churn Rate[*4]

0.46 %

LTV/CAC[*5]

10.1 X

Number of Employees[*6]

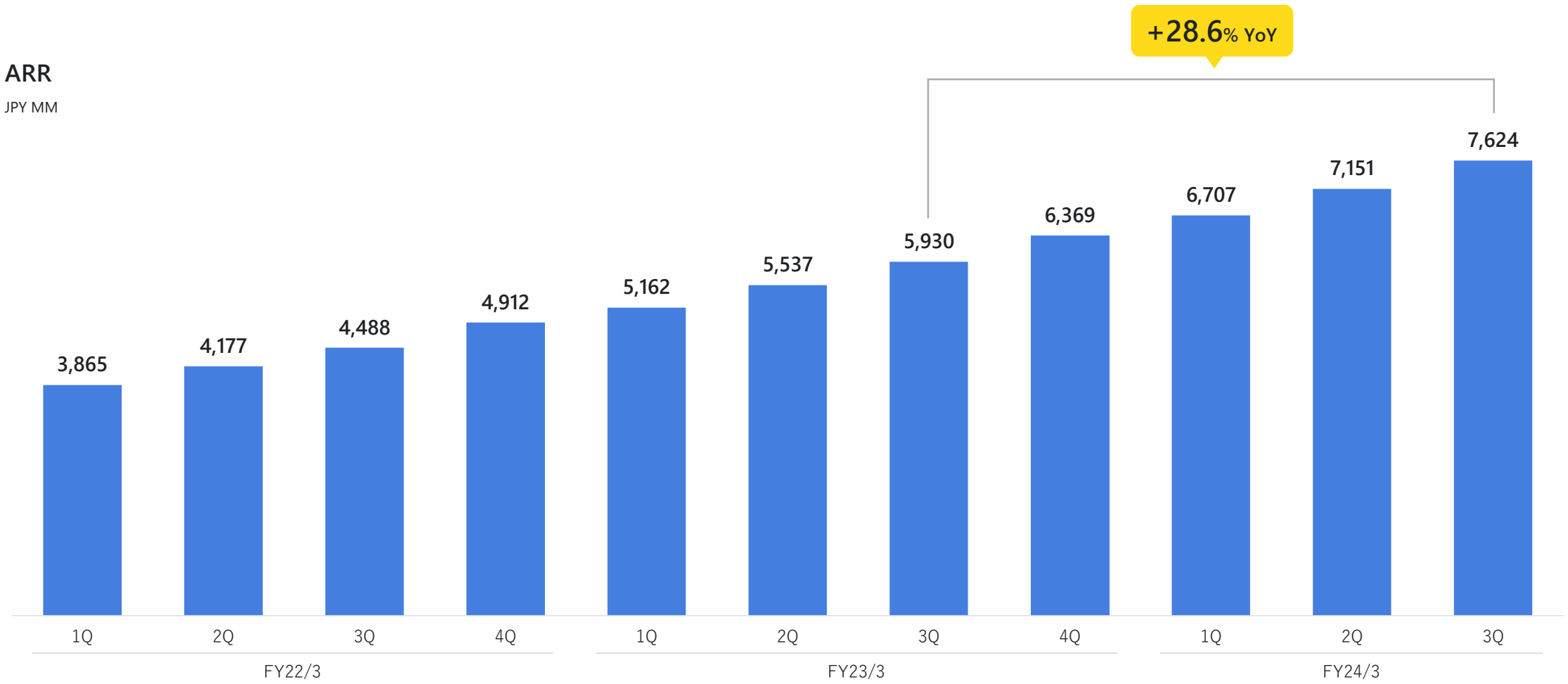
295 People

*1：MRR (Monthly Recurring Revenue) at the end of the quarter multiplied by 12
MRR is a monthly subscription fee based on the contract value that does not reflect the new revenue recognition standard or prorated free-month (one of the 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)
*6：The number of full-time employees at the end of the quarter

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ARR

ARR increased by 28.6% YoY, achieving durable growth

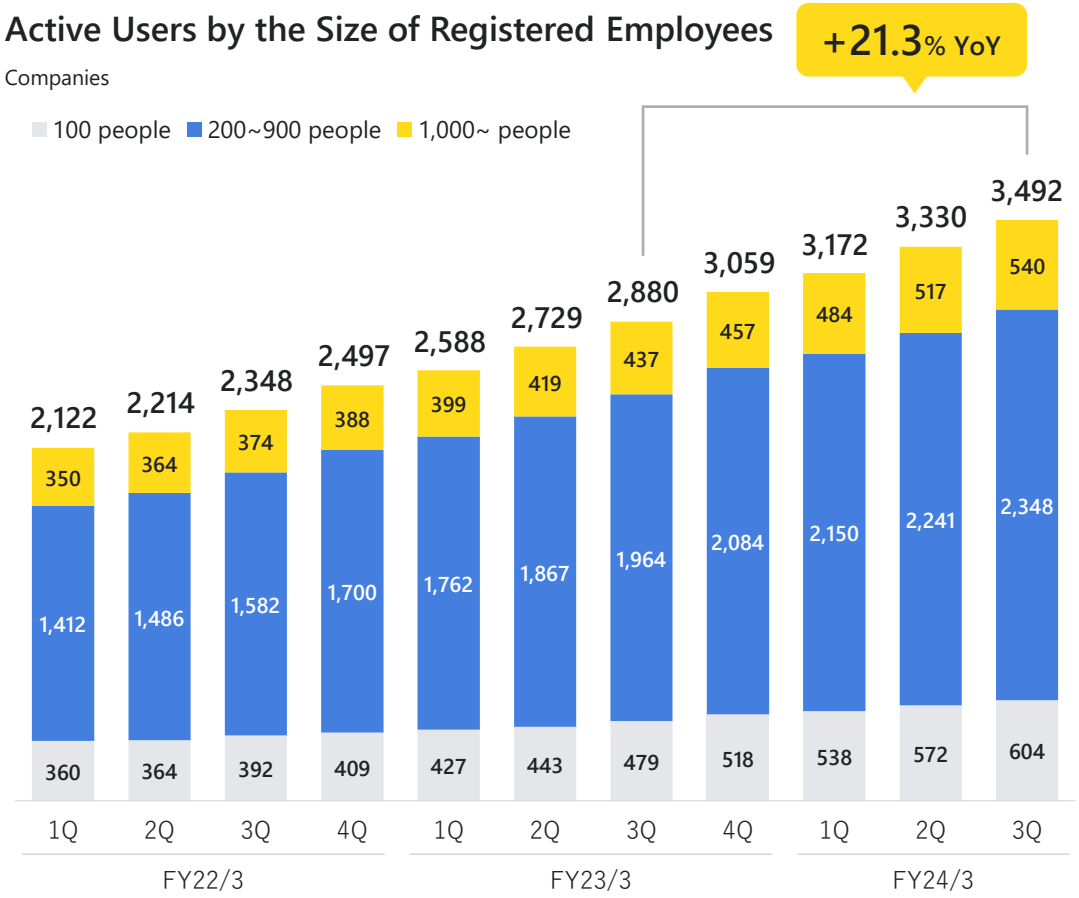


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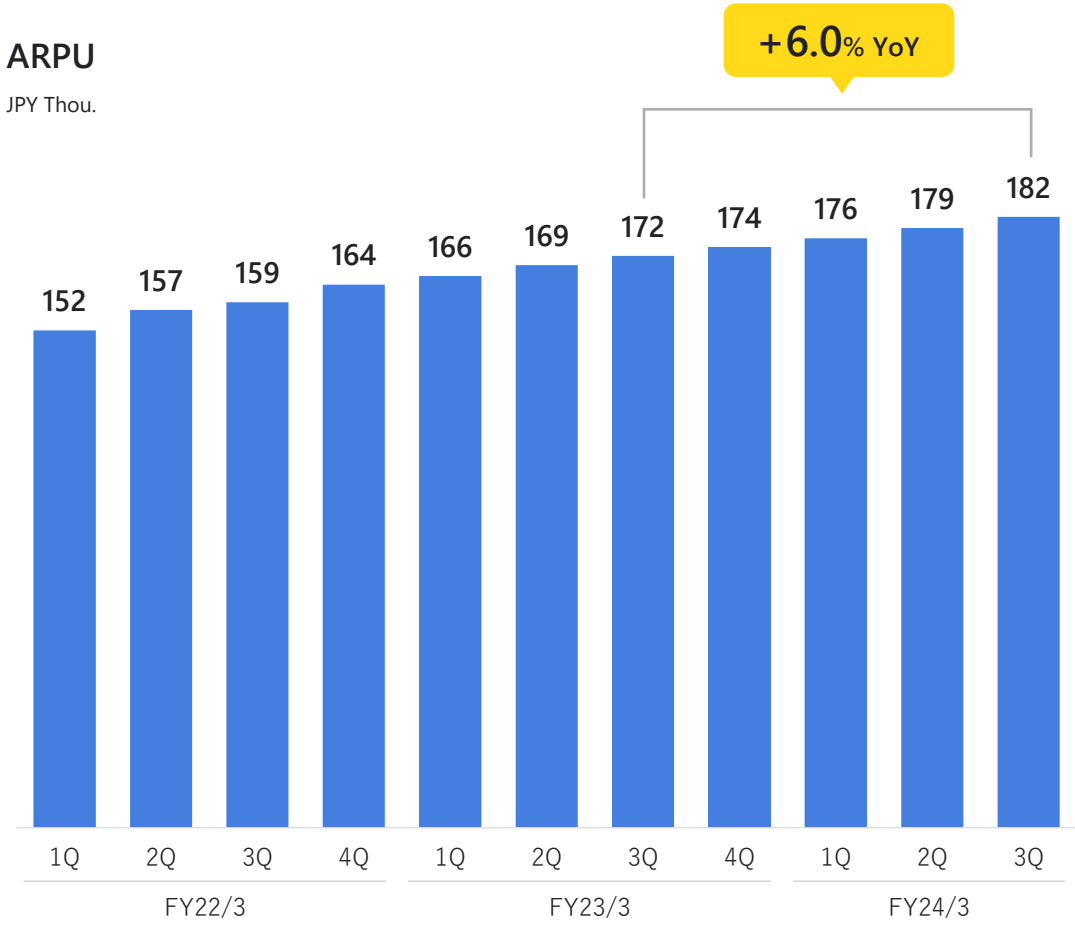
Active Users and ARPU

The number of active users has grown to 3,492 adding 162 after the previous quarter. ARPU increased steadily to JPY 182 thousand

Active Users by the Size of Registered Employees



ARPU

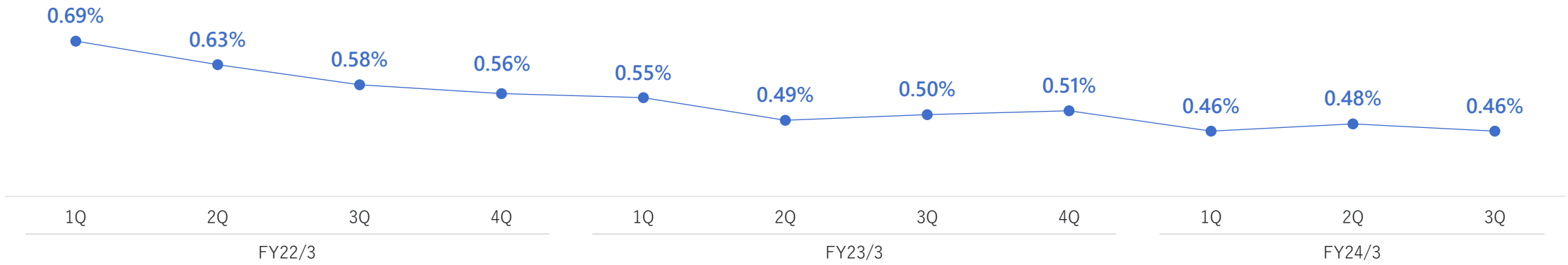


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Churn Rate

Maintaining a low churn rate due to product enhancement and customer success initiative

Last 12-Month Average of MRR Churn Rate*1



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

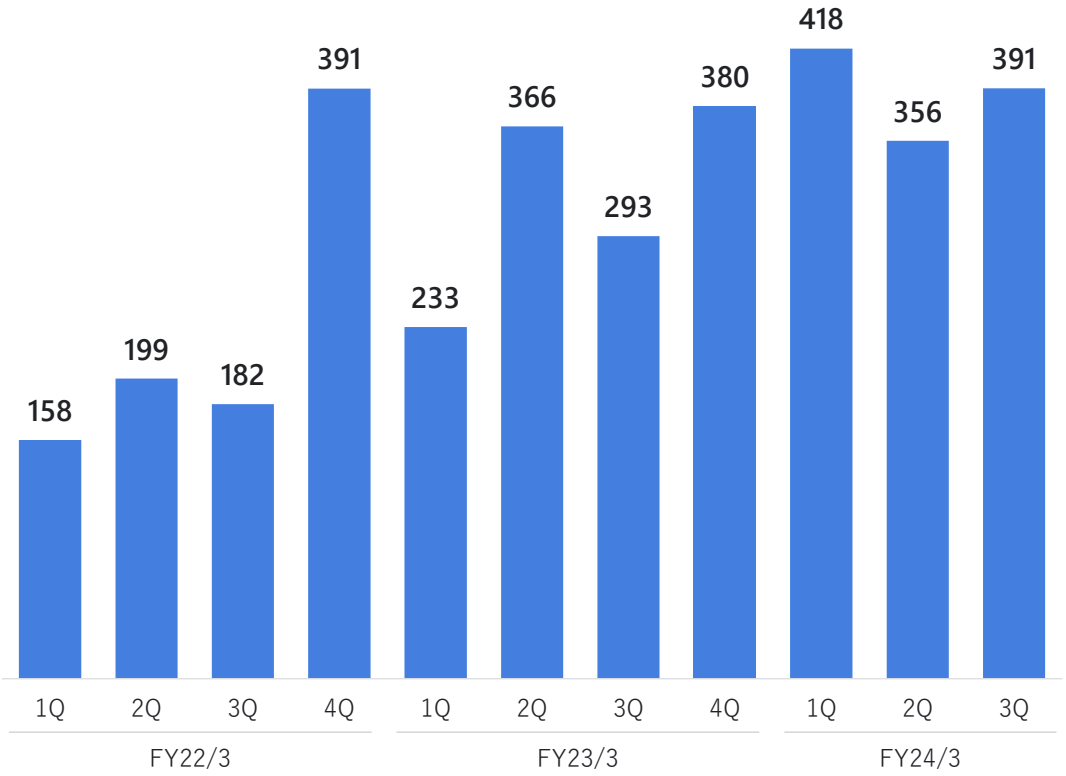
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Unit Economics

Maintaining healthy unit economics

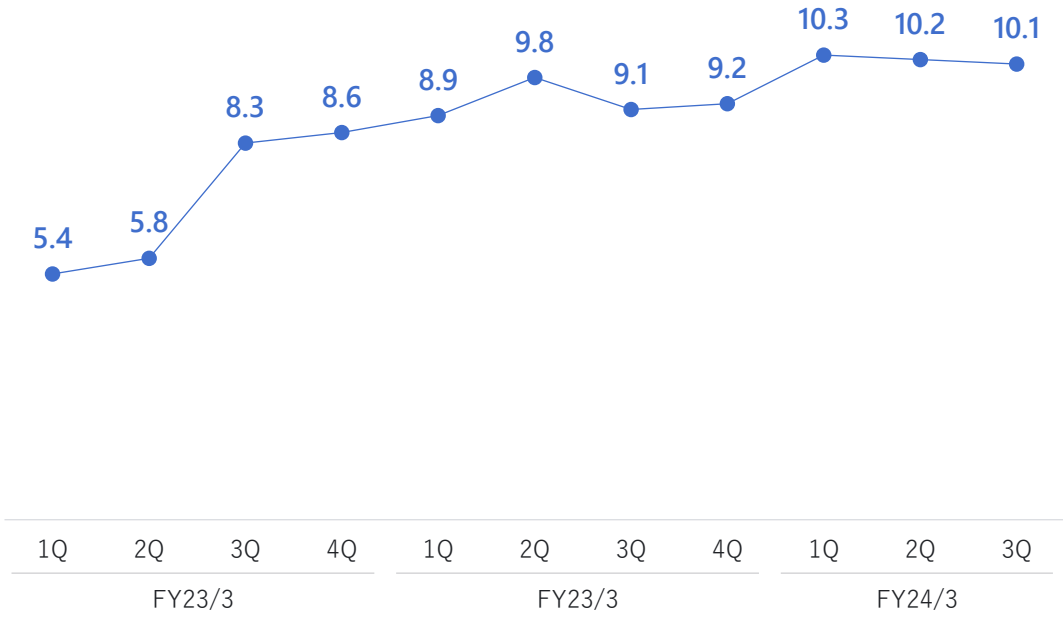
Marketing-related Expenses[*1]

JPY MM



Last 12-Month Average of LTV/CAC[*2]

X



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

*2：LTV = (ARPU of the end of the month / MRR churn rate of the month) x Gross profit margin of the month
CAC = Sales & Marketing expenses of the month / # of new customers acquired in the month

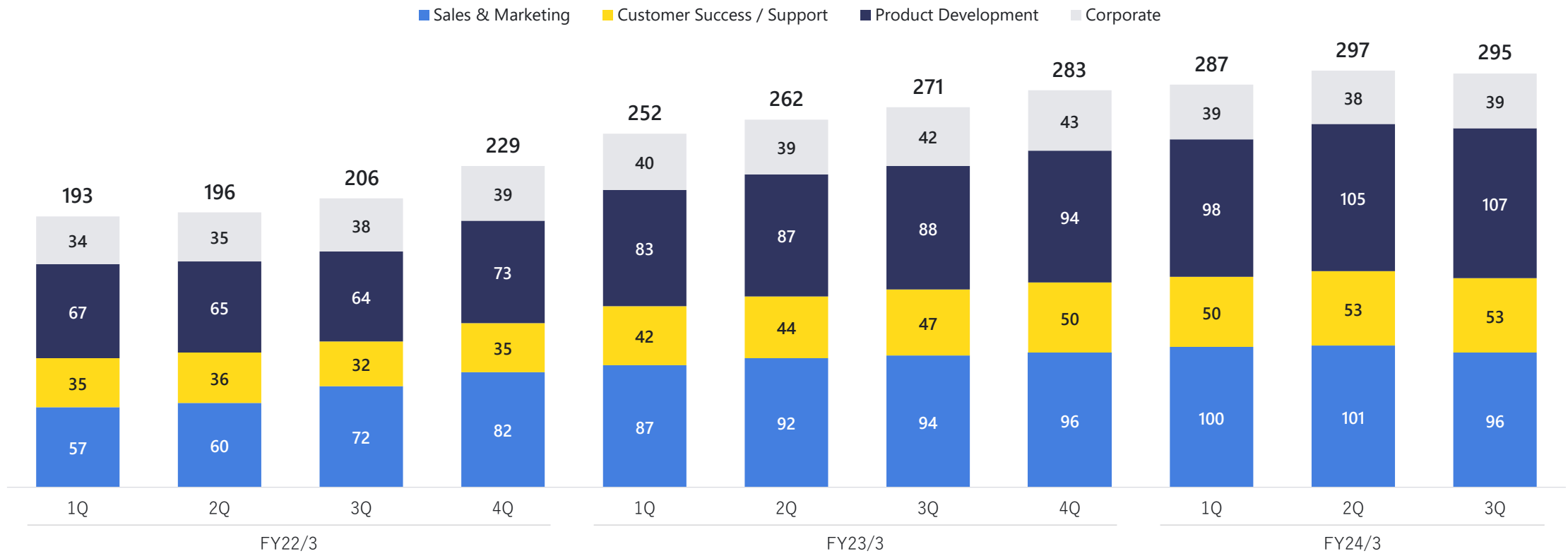
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Number of Employees

The number of employees at the end of the third quarter was lower than planned

Number of Employees*1

People



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

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FY24/3 Forecast

Revised the full-year forecast to include performance until the end of the third quarter and other factors

JPY MM	FY23/3 Actual	FY24/3 New Forecast	YoY	FY24/3 3Q YTD Actual	vs. New Forecast
Net Sales	5,990	**7,600**	+26.9%	**5,531**	72.8%
Subscription Revenue	5,156	6,715	+30.2%	4,893	72.9%
Support Revenue	834	885	+6.1%	637	72.0%
Gross Profit	4,420	**5,875**	+32.9%	**4,247**	72.3%
Margin	73.8%	77.3%	+3.5pt	76.8%	—
Adjusted Operating Profit *1	474	**765**	+61.4%	**600**	78.5%
Margin	7.9%	10.1%	+2.2pt	10.9%	—

*1：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

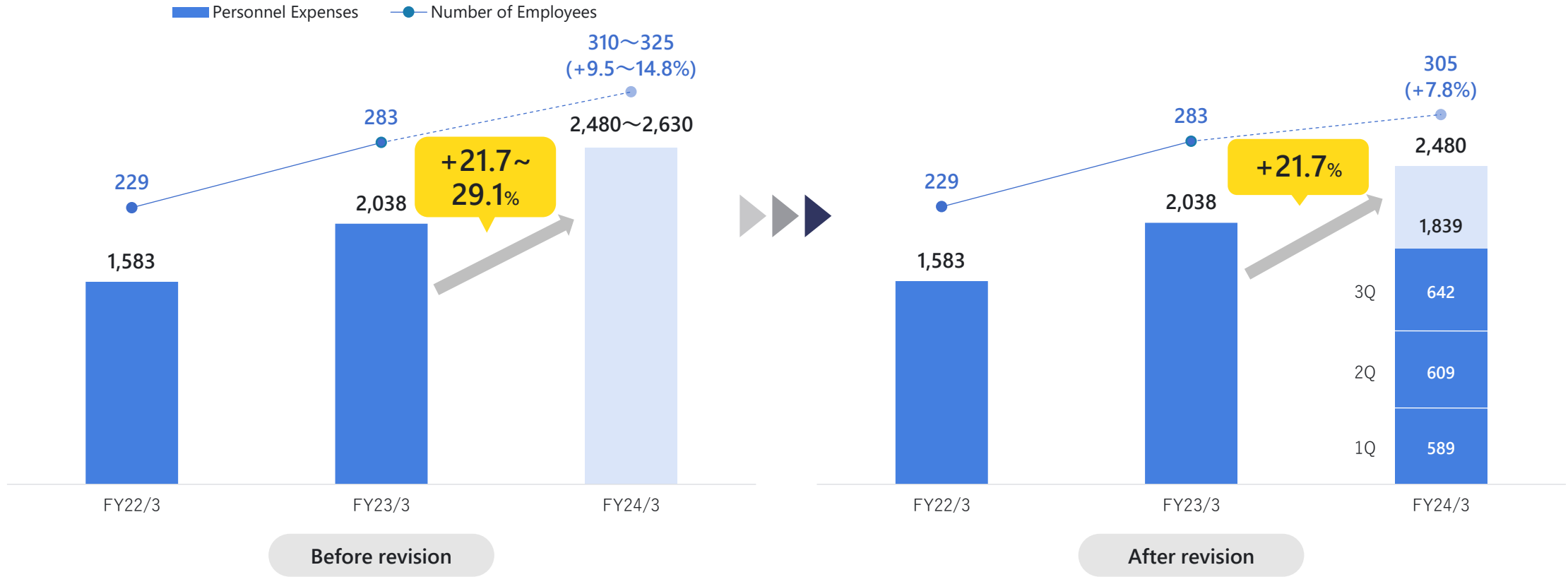
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Major Cost Assumptions

Increase the accuracy of personnel expenses estimate from the initial plan in light of the recent headcount trend and other factors in the current fiscal year

Staffing Plan and Personnel Expenses (CoS+SG&A) Forecast

Personnel Expenses: JPY MM, Number of Employees: People



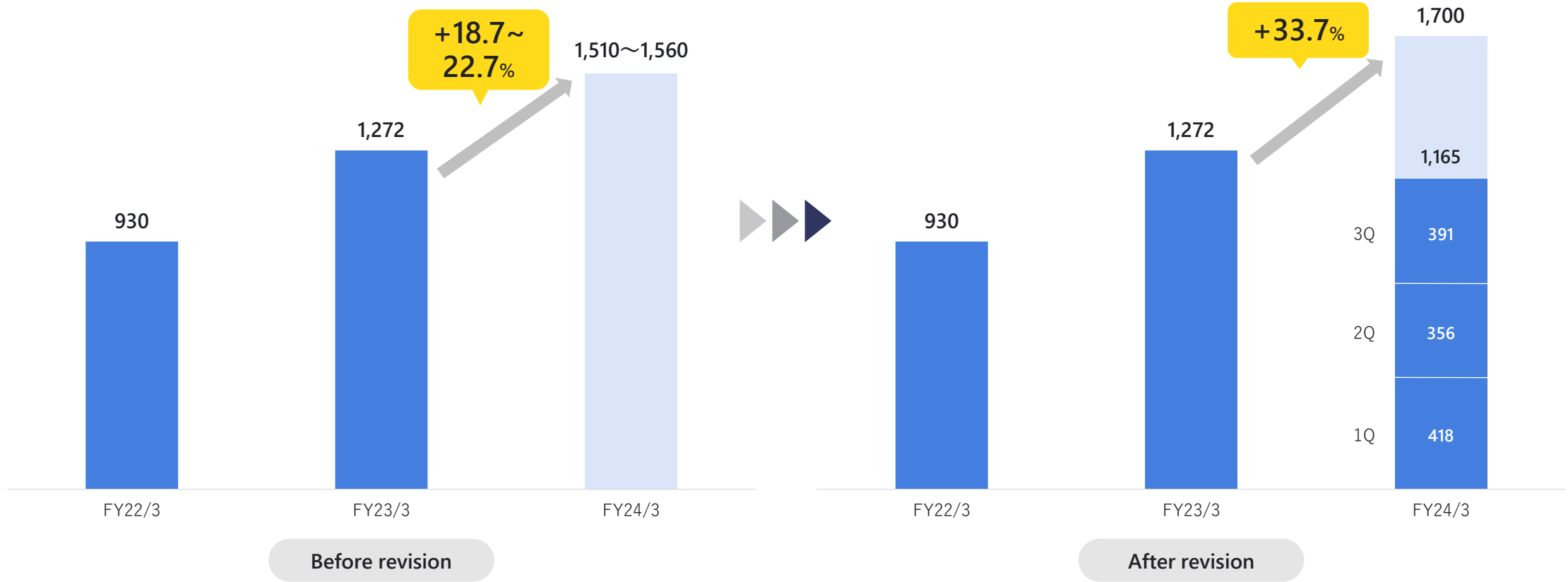
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Major Cost Assumptions

Expand marketing investment to scale future growth considering the well-performing LTV/CAC ratio and other relevant KPIs

Marketing-related Expenses Forecast

JPY MM



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Company Overview

Name	kaonavi, inc.
Offices	Tokyo, Osaka, Nagoya, Fukuoka
Established	May 27, 2008 (Commencement of business: April 2012)
Representative	Hiroyuki Sato (Representative Director, President & Co-CEO) Hiroki Yanagihashi (Representative Director & Co-CEO)
# of Employees	283 (March 2023)
Business	Providing a cloud-based talent management system “kaonavi”



Materiality

Aim to contribute to the development of a sustainable society and realize our purpose by addressing these material issues

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

Contribution to society through our business

Realization of a society that respects the individual

Employees

- Fundamental rights of employees
- Diversity and inclusion
- Workplace health and safety
- Employee training and development

Society

- Respect for human rights across the value chain
- Community engagement and development
- Stakeholder communication

Transition to a decarbonized society

- Actions for climate change
- Energy use

Business foundation

Secure and user-friendly platform

- Customer responsibility
- Data security and privacy

Transparent and fair business

- Corporate governance
- Anti-corruption

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Values

Our common principles and ethics for realizing the Purpose



Values

1 Value Integrity

Integrity comes first when doing business
Drive results on that basis

2 Think from the User's Perspective

Always think through from the user's perspective
And go beyond their expectations

3 Persist with Systemization

Simplify what you can do to make it reproducible for others

4 Take Ownership

Own your work and career
Always set one-step-ahead goals and keep challenging

5 Do Not Fear Conflicts

Create new value as a team after an in-depth discussion without fear of conflicting interests

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Empowering Employees

With an aim of productivity boost, every single employee can choose his/her optimal work style

Super Flextime

Allows employees to decide their work hours and clock-in/out time freely



Switch-work

Flexibly combining work hours and rest breaks enable individualized work style



Work from Anywhere

Allows employees to choose where to work, such as office or home



Second Job Encouragement

Supports self-development through experiences outside of work at kaonavi



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Activities to Spread the Purpose

KAONAVI TOWN PROJECT

**Building a diorama of “kaonavi Town”,
a town of the future that embodies people’s living
and working underpinned by individuality**



Our employees evolved an idea arising from our Purpose and put it into the form of a diorama together with a professional LEGO® builder Mr. Mitsui



Invited our partners and family members to the unveiling event to foster lively communication



Our employees and their families



LEGO® Certified Professional
Jumpei Mitsui













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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



気になる！人事のヨコガオ



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Information Security, Protection of Personal Data and Privacy

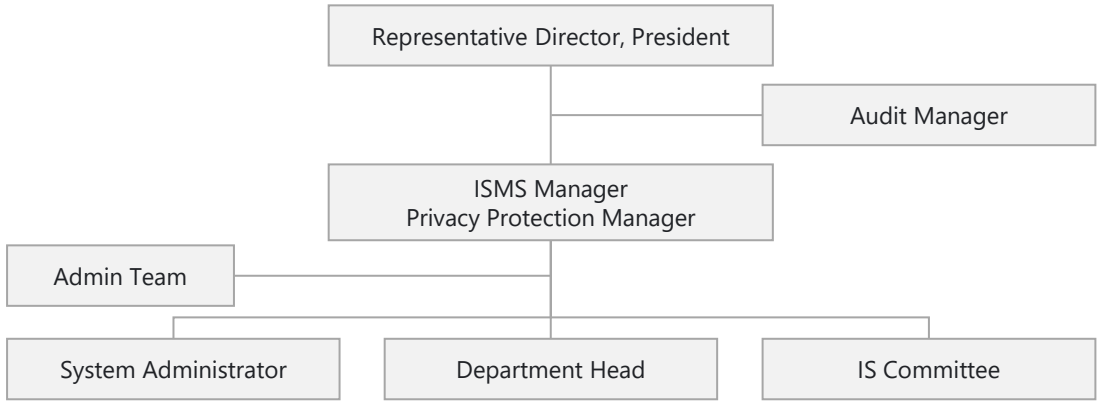
Committed to protecting, managing and handling information assets properly and responsibly

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 ISMS certification and 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

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 control measures are thoroughly implemented to safeguard personal data

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Philanthropic Initiatives

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

kaonavi Academy Cloud

Applicable	School corporations and other academic institutions
Price	Special price

kaonavi Medical Cloud

Applicable	Medical corporations and other medical institutions
Price	Special price

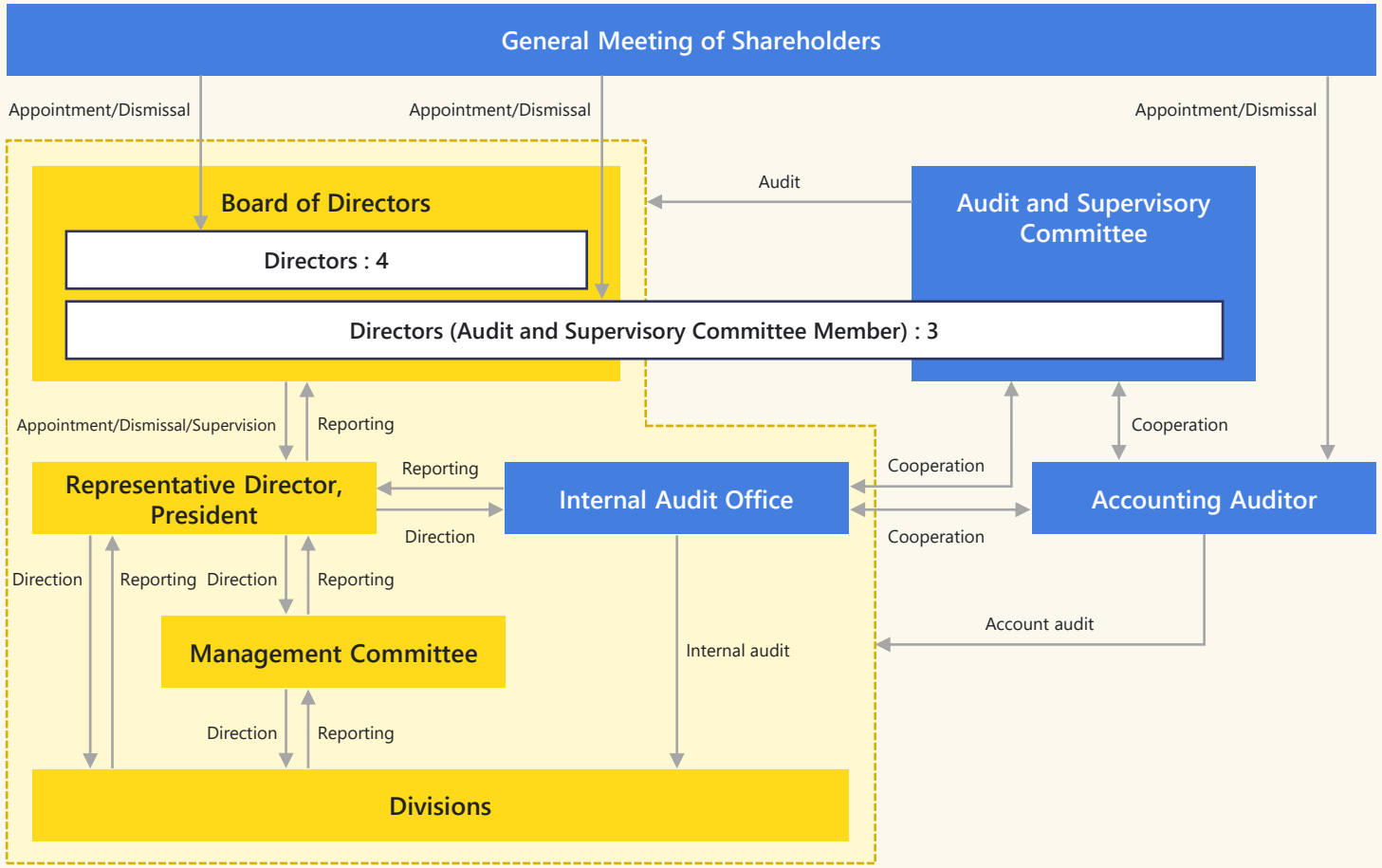
kaonavi Government Cloud

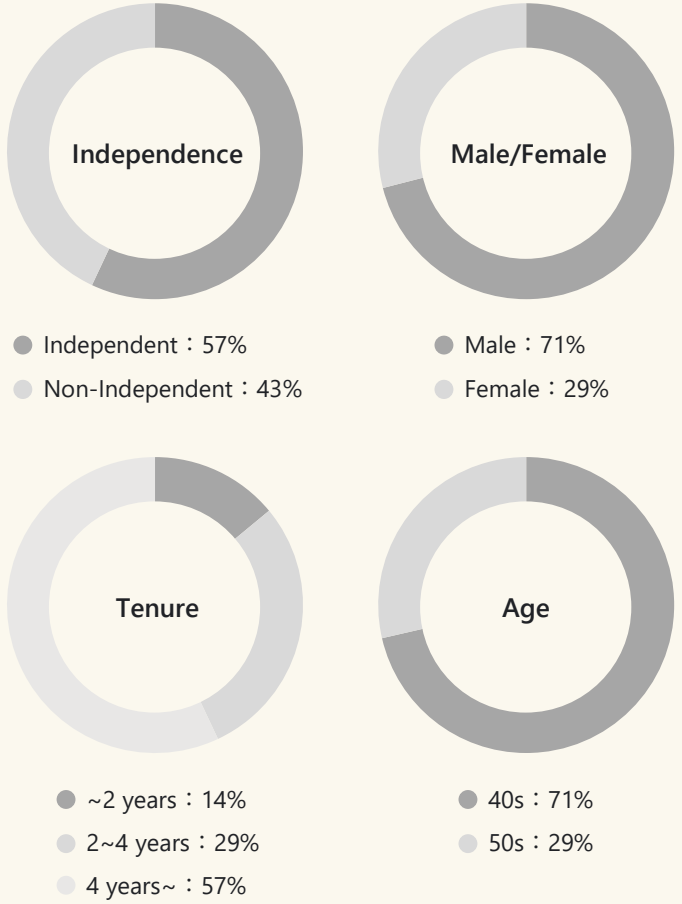
Applicable	Government offices, municipal governments, independent administrative agencies
Price	Special price

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Corporate Governance (June 2023)

Corporate Governance Structure and Board Attributes

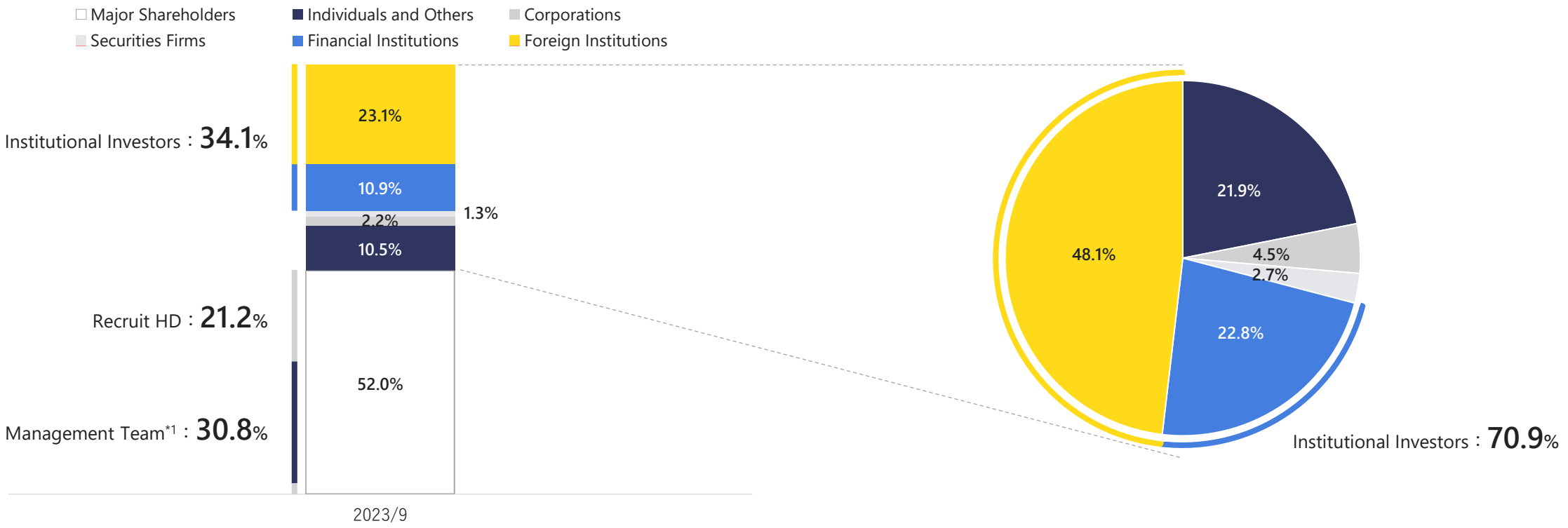




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Ownership Structure (September 2023)

Ownership and Distribution of Shares



*1 : Includes ownership of the three directors, as well as the asset management company

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Financial Highlight

JPY MM	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3
Net Sales	**1,690**	**2,625**	**3,402**	**4,496**	**5,990**
Subscription Revenue	1,284	2,102	2,991	3,931	5,156
Support Revenue	407	523	411	565	834
Gross Profit	**1,108**	**1,972**	**2,461**	**3,295**	**4,420**
GP Margin	65.6%	75.1%	72.3%	73.3%	73.8%
Adjusted Operating Profit *1	**(68)**	**(278)**	**86**	**217**	**474**
Adjusted OP Margin	—	—	2.5%	4.8%	7.9%
Operating Profit	**(73)**	**(278)**	**(11)**	**174**	**322**
OP Margin	—	—	—	3.9%	5.4%
Net Profit	**(96)**	**(357)**	**(131)**	**210**	**246**
Free Cash Flow	**130**	**(482)**	**147**	**948**	**682**
FCF Margin	7.7%	—	4.3%	21.1%	11.4%
Cash and Deposits	1,786	1,635	1,955	2,835	3,400
Total Assets	2,146	2,398	3,014	3,993	4,623
Total Net Assets	1,347	995	961	1,208	1,491
Equity Ratio	62.8%	41.5%	31.9%	30.3%	32.3%

*1：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

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1. Topics

2. FY24/3 3Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

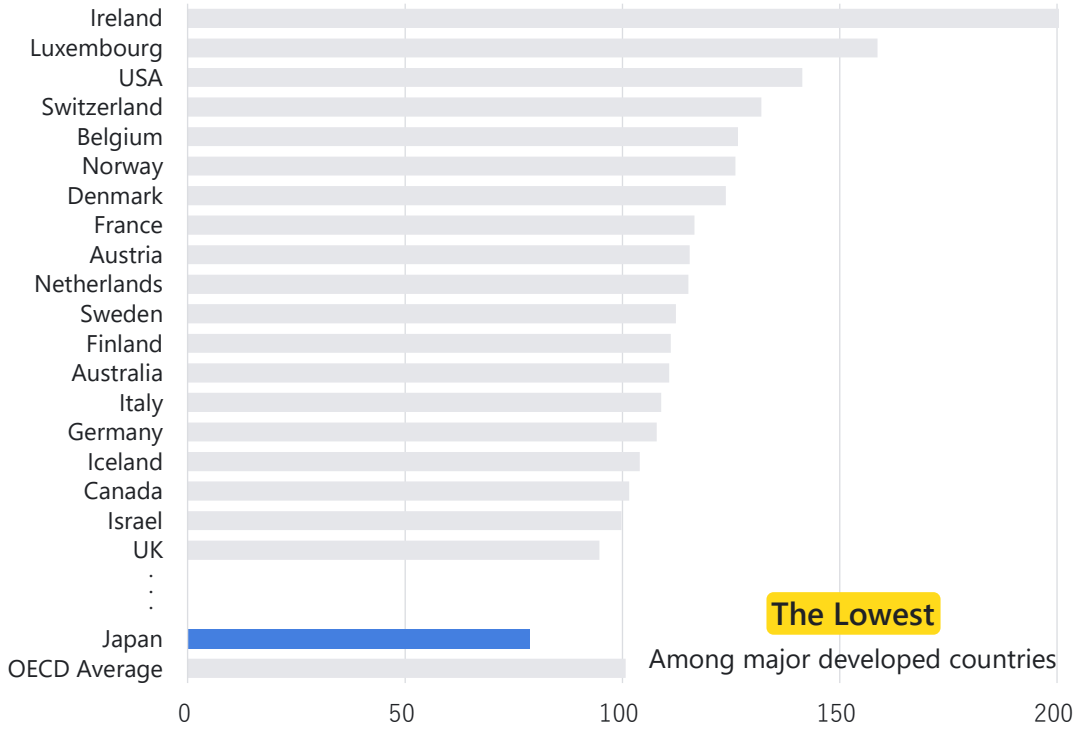
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Japan's Labor Market Challenges

Raising labor productivity and promoting diverse work styles are some of the urgent issues in the face of a declining working-age population

OECD Countries' Labor Productivity (2020, per workers)

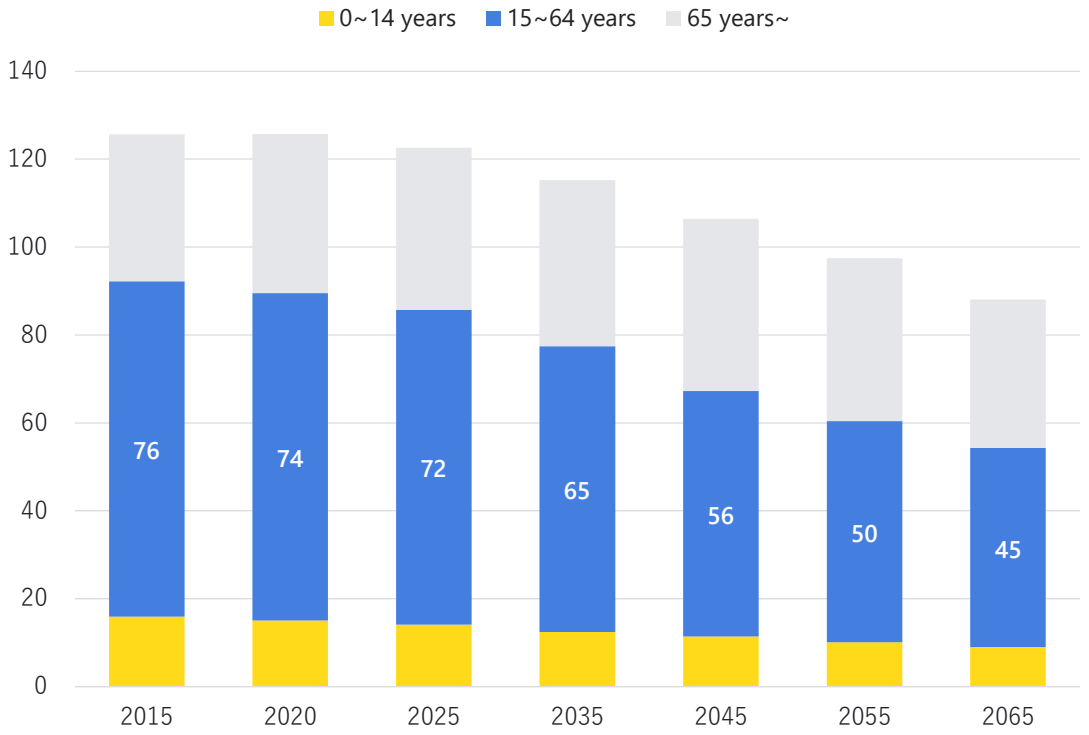
PPP Conversion : US$ 1,000



Source：Japan Productivity Center "International Comparison of Labor Productivity 2021"

Japan's Population Projections by Age

Million people



Source：Cabinet Office "White Paper on Aging Society 2021"

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Rising Demand for Talent Management

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



Talent Management



It intends to help organizations maximize their employee performance to drive business results through purposeful recruitment, placement and development by making use of information on employees' skills and abilities

© 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

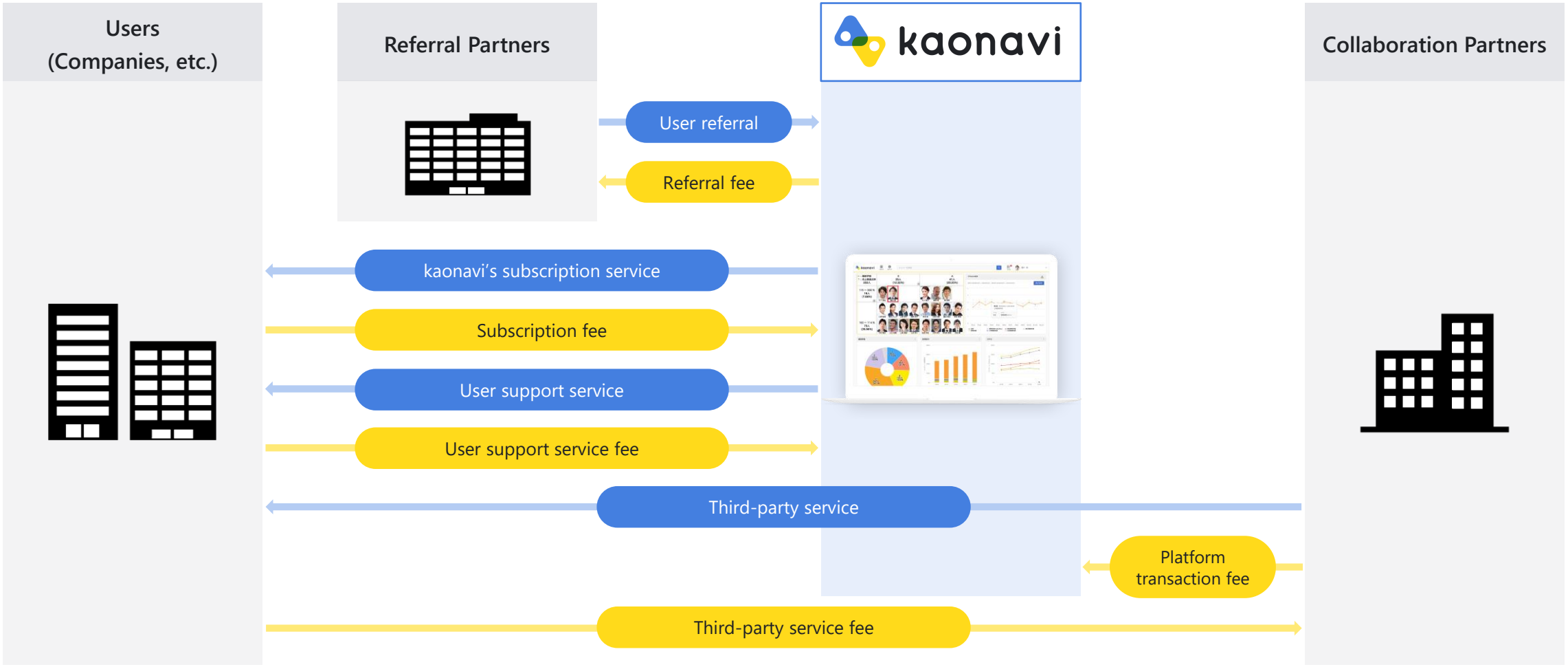


- Information on paper
- Data on spreadsheet
- Data depending on specific personnel
- Data residing in other systems

© kaonavi, inc.

Business Model*1

Subscription model for BtoB cloud services

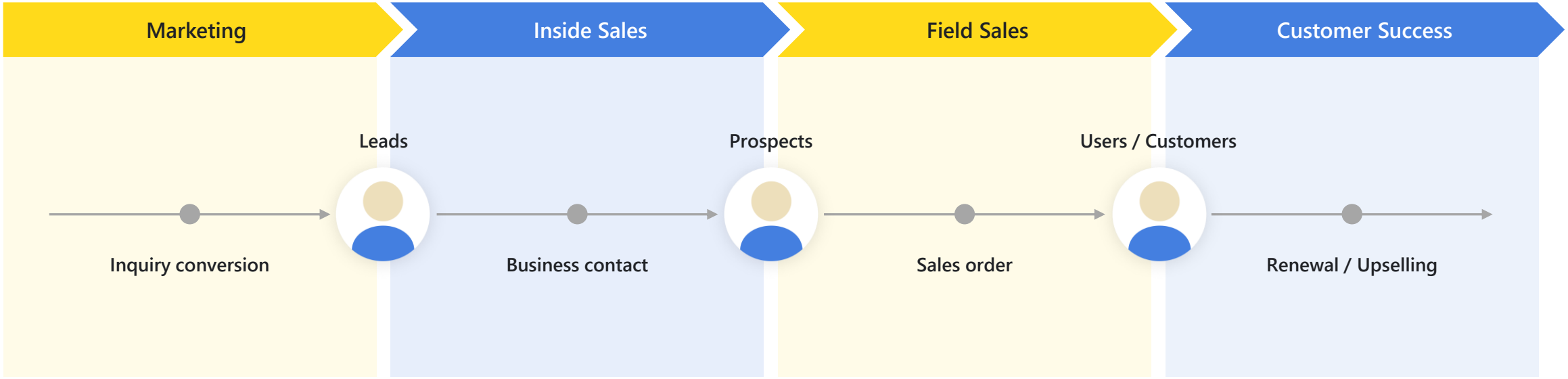


*1：In addition to direct sales, we also sell through sales partners, which is omitted here because of its small amount

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Business Process

Aiming to streamline sales & marketing activities and maximize LTV*1 by structuring our end-to-end processes



*1：Lifetime Value

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Fee Structure

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

# of Registered Employees	Subscription Plan	DATABASE PLAN Consolidate all personnel data	PERFORMANCE PLAN Efficient review operation	STRATEGY PLAN Strategic HR management
~ 100 people	HR Database	✓	✓	✓
~ 200 people	Pickup List	✓	✓	✓
~ 300 people	Organization Chart	✓	✓	✓
~ 400 people	Performance Review		✓	✓
~ 500 people	Employee Survey		✓	✓
~ 600 people	Matrix Chart			✓
~ 700 people	Employee Data Graph			✓
~ 800 people	Dash Board			✓
・ ・ ・	Option Services*1	✓	✓	✓

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

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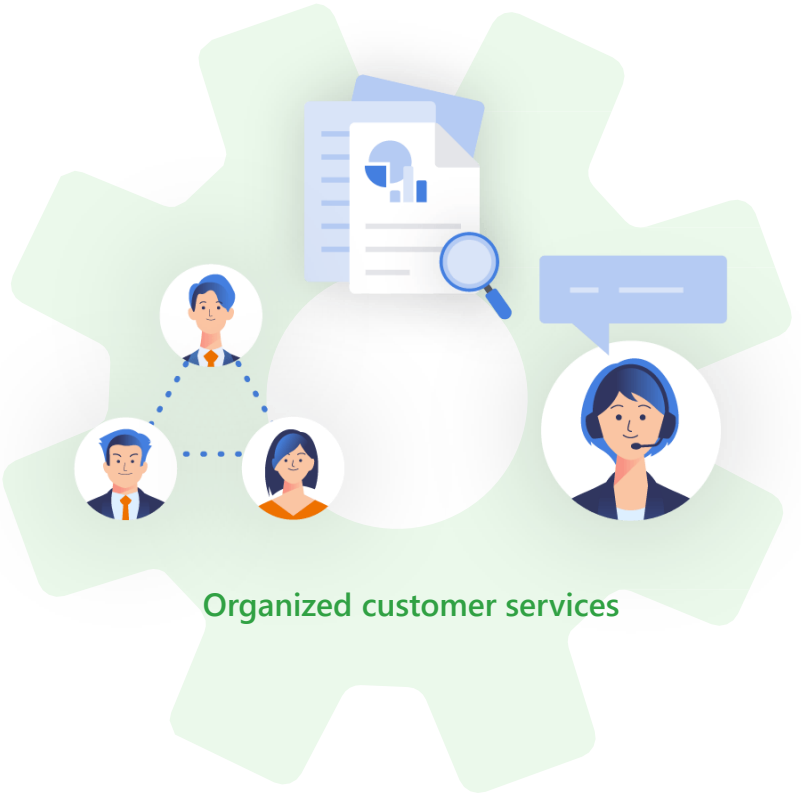
Our Strengths

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

System



Organized customer services

Customer Service

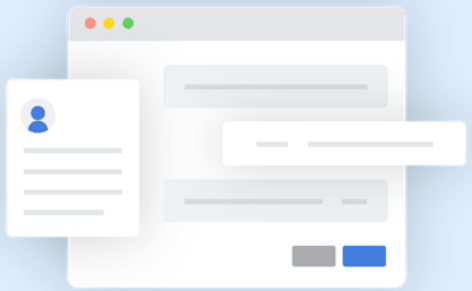
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Our Strengths

System

System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Customer Service

Making success of users' talent management efforts more plausible

User Community



Networking with other users to exchange day-to-day use cases

Library



Overwhelming amount of contents across industries, business types and scale

Support



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

© kaonavi, inc.

Why Customers Choose kaonavi?

*The biggest contributor to our choice was **the flexibility and versatility of the system**. Also, the adaptability to future systematic revision is our priority. Another decision factor was **the quality of the customer service**.*

J-LEASE ジェイリース

*There is no point in introducing these types of tools unless even senior employees can use them easily. Because **kaonavi is by far simple and easy to use**, I felt that it could engage our employees with a certain degree of satisfaction.*

The Nishinippon Shimbun 西日本新聞

*We decided to choose kaonavi because of **its pages for employees being simple and user-friendly.***

RICOH LEASING RICOH リコーリース株式会社

*The deciding factors were mainly **the system's flexibility and user-friendliness**. Not to mention the operability for employees, it was a key that **our HR team can maintain the administrative settings on their own** by simple drag-and-drop steps.*

Sompo Himawari Life Insurance SOMPO ひまわり生命

***The Customizability** is a must considering that the assessment system requires continuous improvements during operation. Another deciding point was the fact that **there is an abundance of support sites and seminars where the know-how can be acquired,** accompanied by a support staff through initial and operational phases.*

Shiojiri City shiojiri

*Top priority was to see if **our employees can use it easily and intuitively**, not to mention HR team. In addition, it is a pro that **kaonavi has the flexibility to be operable in case of complicated system revision in the future**.*

*And **the depth of their customer service team is so extraordinary** as to wow us every time. Their responses to our inquiries have been quick and helpful after the implementation, which makes us feel **in good hands**.*

PONY CANYON

* Excerpt from our website

Customer Base

The market leader in talent management system supporting more than 3,000 customers

Used by various companies and organizations **regardless of industry or business size**

LIXIL Link to Good Living
MITSUBISHI ELECTRIC Changes for the Better
TOYOTA
TOPPAN
森永乳業
味ひとすじ 永谷園
Wacoal
日本キャタピラー CAT
IRIS アイリスオーヤマ株式会社
SATUDORA HOLDINGS
CAINZ
NIKKEI
TV TOKYO
MIZUHO みずほフィナンシャルグループ
JCB
阪急阪神不動産
NANKAI
一休.com
Money Forward
楽! ラクス

kaonavi Academy Cloud

RITSUMEIKAN
学校法人 立教学院
東北大学
東北大学 TOHOKU UNIVERSITY

kaonavi Government Cloud

魚沼市 Uonuma City
渋谷区 Shibuya City
韮崎市 NIRASAKI CITY

* As of March 2023

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1. Topics

2. FY24/3 3Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

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Mid-term Management Policy

Purpose

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

Vision

Create a HR data-centric platform

Mid-term Management Policy

1. Continuous ARR Growth
2. Profitability Improvement
3. Promotion of Non-financial Activities

Materiality

E S G

Realization of a society that respects the individual	Employees	Fundamental rights of employees Diversity and inclusion Workplace health and safety Employee training and development
	Society	Respect for human rights across the value chain Community engagement and development Stakeholder communication
Transition to a decarbonized society		Actions for climate change Energy use
Secure and user-friendly platform		Customer responsibility Data security and privacy
Transparent and fair business		Corporate governance Anti-corruption

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1 Continuous ARR Growth



Expand Customer Base

Strengthening Organizational Structure

Raising Visibility

Leveraging Partner Network

×



Increase ARPU

Additional Enterprise Users

Upselling Promotion

Building HR Data Platform

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1 Continuous ARR Growth：Expand Customer Base

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

Measures to Expand Customer Base

Strengthening Organizational Structure

- Invest in human capital (hire/develop talents)
  - Sales: Acquire new customers
  - Customer Support and Success: Streamline operations, reduce churn
  - Engineers: Develop functions, improve UI/UX
  - Corporate: Enhance security and governance
- Penetration of Purpose, Vison and Values

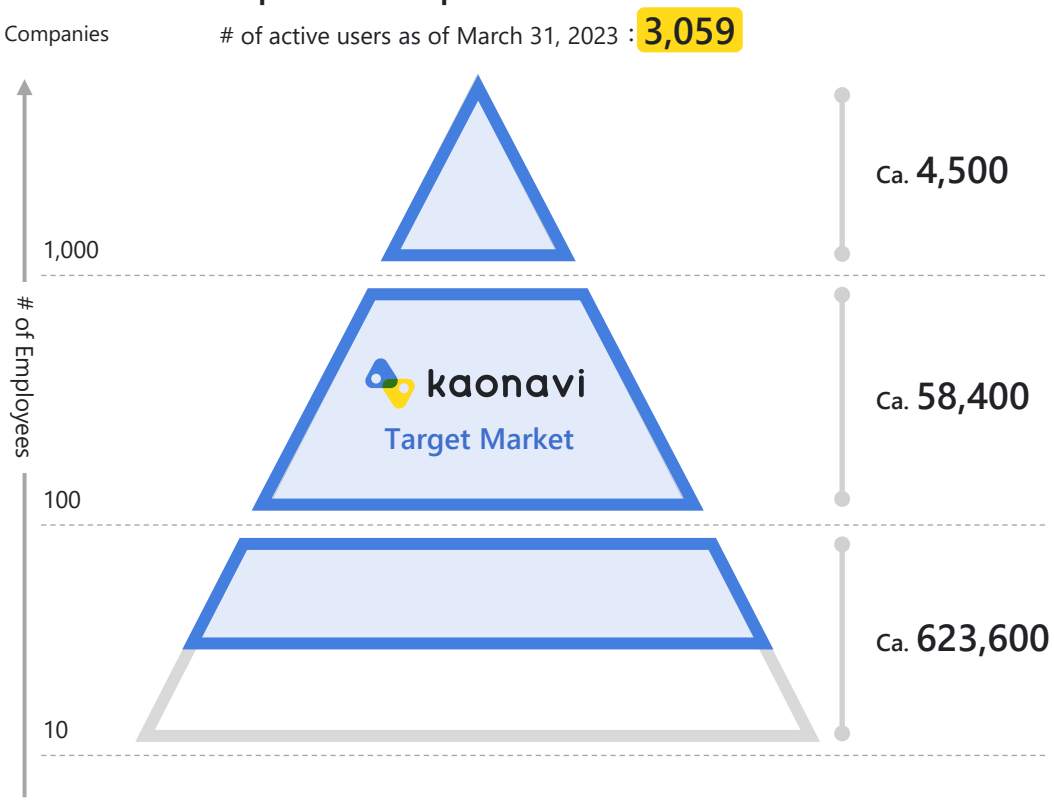
Raising Visibility

- Ongoing advertising to gain more recognition
- Area expansions to regional cities

Leveraging Partner Network

- Expansion of referral partners
- Increase sales via sales partners

Number of Companies in Japan



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

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1 Continuous ARR Growth：Increase ARPU

Broaden and evolve the HR data platform by focusing on the development of new functions and services

Measures to Increase ARPU

Additional Enterprise Users

- Functional enhancements to meet the needs of enterprise companies
  - Analysis functions
  - Skills management (re-skilling) functions, etc.
- Provide quality onboarding content

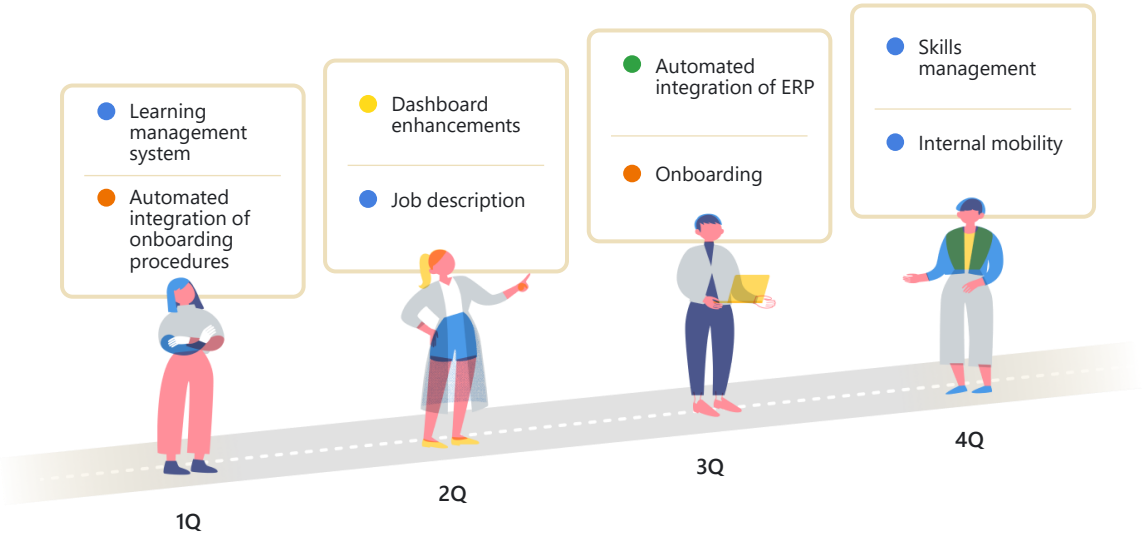
Upselling Promotion

- Increase customer loyalty
  - Shifting to company-wide implementation from departmental use
  - Broader use of optional functions
- Expansion of functions and application of a pay-per-use model

Building HR Data Platform

- Expand services into new business areas leveraging the HR database
  - In-house service delivery, business alliances and M&As

Major Development Roadmap*1*2 (FY24/3)

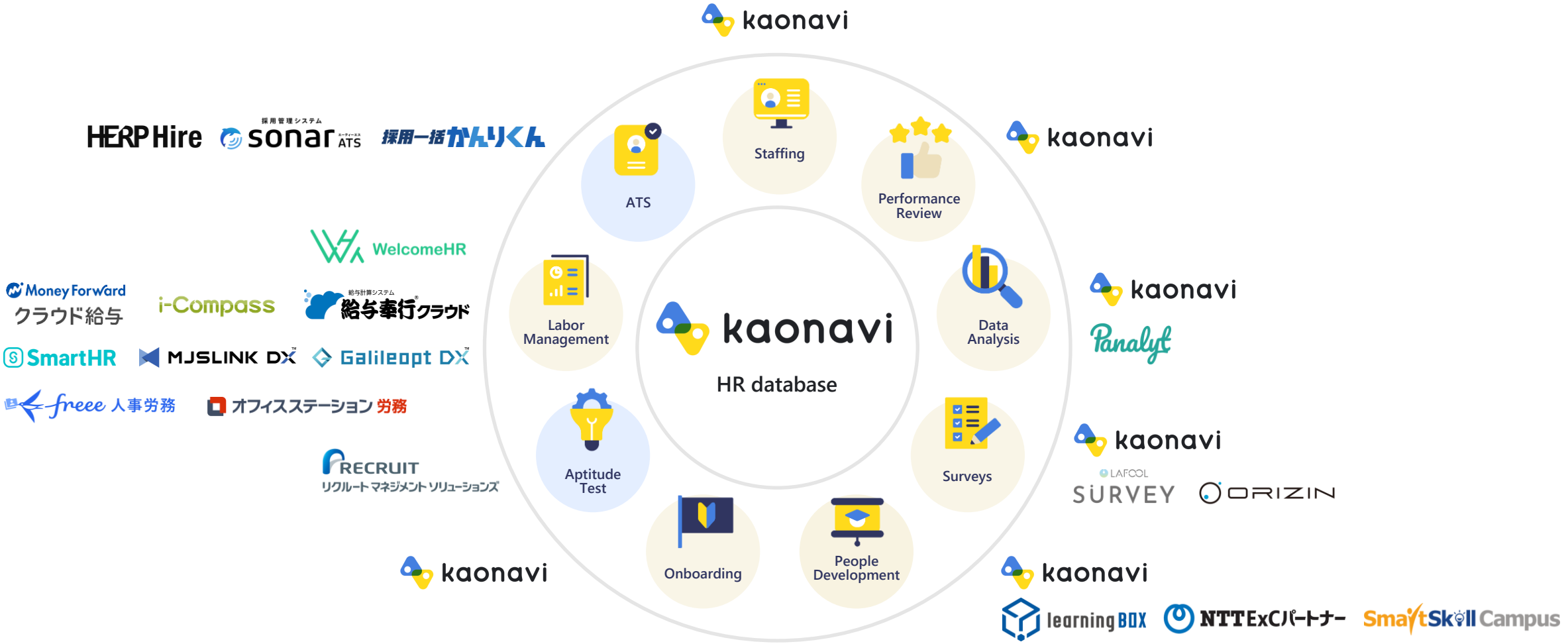


*1：Revised from the development roadmap announced in May 2023 due to development priority update
*2：This is a scheduled roadmap from which the actual release timing of each feature might differ

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HR Data Platform

Build a platform that delivers the best UX to customers by adding value through various integrated services centered around the HR database



* Connect Partners that can use API integration with kaonavi (as of September 2023)

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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 our fee structure 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 Resources 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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2 Profitability Improvement

Achieve sustainable growth through appropriate investment allocation and aim for mid-to-long term profit increase

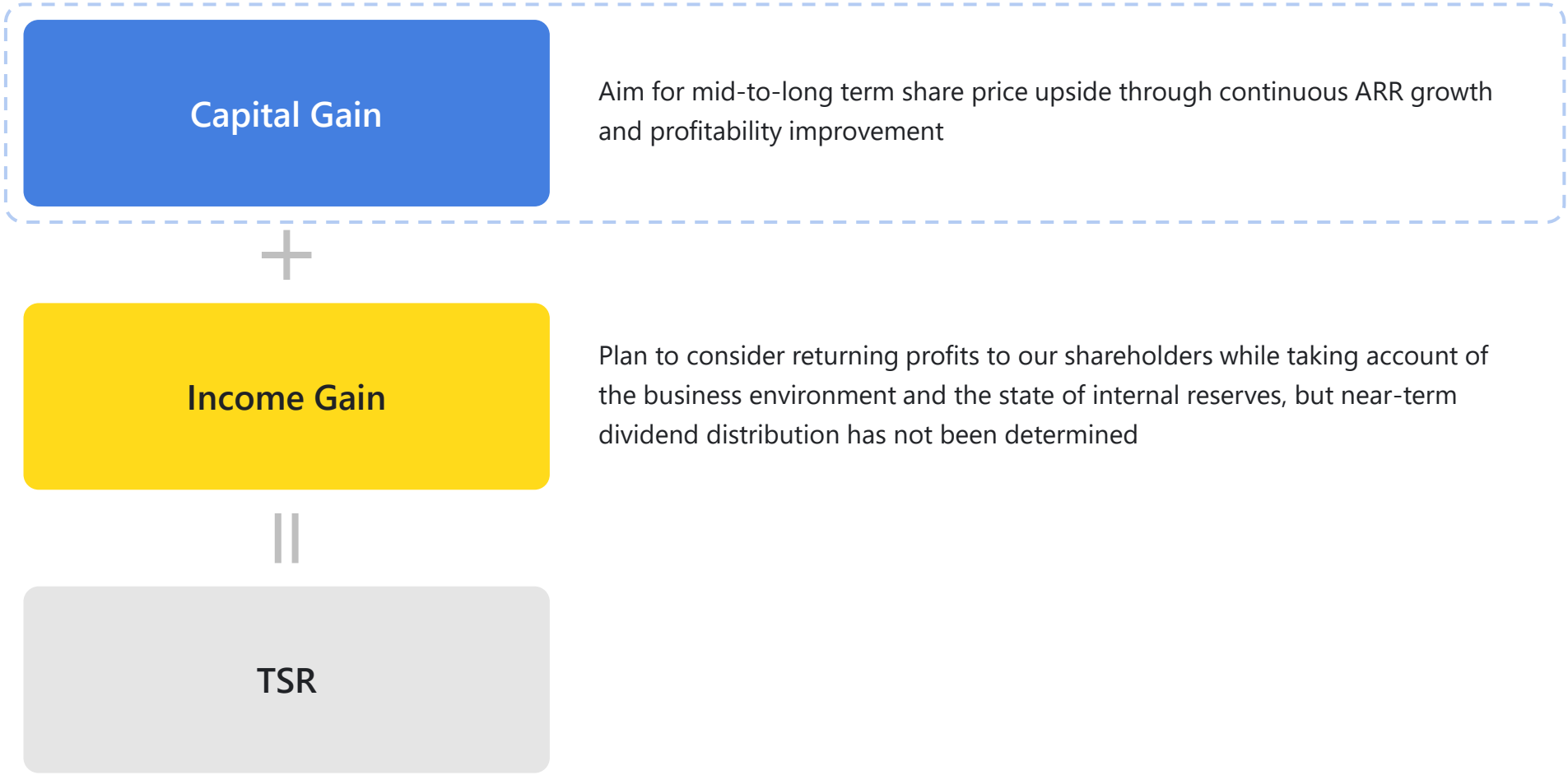
	FY21/3	FY22/3	FY23/3	Mid-Long Term Financial Model
GP Margin	72.3%	73.3%	73.8%	80%
S&M *1 (Ratio to net sales)	40.6%	40.3%	40.8%	30-35%
R&D *2 (Ratio to net sales)	5.1%	5.6%	7.2%	10-15%
G&A *3 (Ratio to net sales)	26.9%	23.6%	20.4%	10%
OP Margin	—	3.9%	5.4%	20-30%
Adjusted OP Margin *4	2.5%	4.8%	7.9%	

*1：Sales and Marketing. Total of personnel expenses of Sales, Marketing and Customer Success, and marketing-related expenses, as well as allocated common expenses, etc.
*2：Research and Development. Total of personnel expenses of engineers involved in R&D, as well as common expenses, etc.
*3：General and Administrative. Total of personnel expenses of corporate division, as well as common expenses, etc.
*4：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

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Shareholder Return Policy

Prioritize enhancement of internal reserves in order to flexibly invest in alignment with growth strategies towards maximizing enterprise value



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Mid-term Financial Targets

Continuous ARR Growth Rate

20-30%

Adjusted OPM*1 (by FY28/3)

20%+

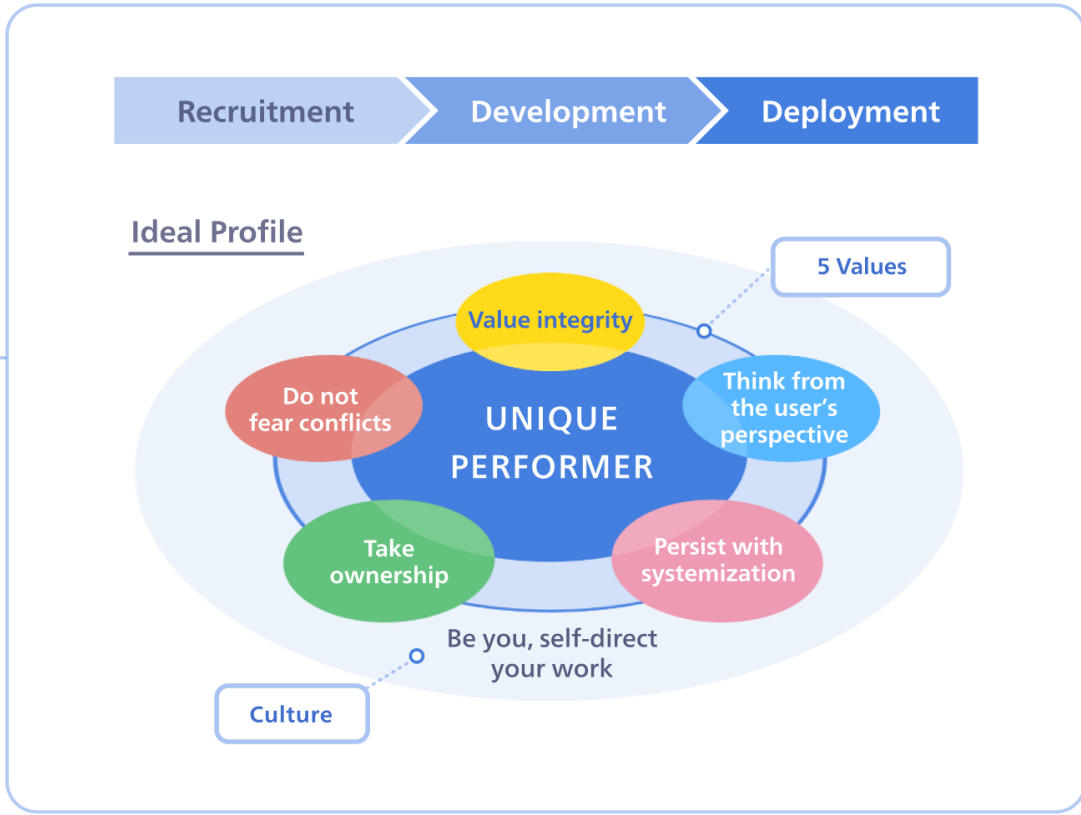
*1：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

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3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Aim to enhance corporate value through strategic recruitment, development and deployment of human capital by defining the talent requirements to achieve our business goals





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3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Will strive to develop our employees and create an environment in which each and every employee can demonstrate his/her individuality and talents



Ensuring Diversity to Create New Values

Improve gender equality
- Analyze causes of gender imparity, and consider measures to address them

Promote women's empowerment
- Provide an environment that enables women to continue working as their life stages change, including infertility treatment, childbirth and childcare

Support for sexual minorities
- Recognize same-sex partners as "spouses" and eliminate gaps in leave and payments for congratulation/condolence

Support for non-Japanese employees
- Provide a working environment for non-Japanese employees by supporting the acquisition of working visas, translation of internal documents, etc.



Supporting Self-directed Career Development

Improve targeted employee development
- Provide training for manager candidates and various training programs
- Provide training for managers and women employees

Pay for performance
- Operate a fair evaluation and promotion system based on performance



Improving Well-being

Promote paternity leave
- Provide an environment that encourages employees to take paternity leave and share their experiences

Create a workplace where everyone can work comfortably
- Promote flexible work style through our MY Work Style system to balance work with childcare and to improve productivity
- Revise the system to reflect the voices of employees with disabilities

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3 Promotion of Non-financial Activities (Realization of a society that respects the individual)



Ensuring Diversity to Create New Values

Ratio of Women in Managerial Positions
(As of March 2023)

24.4 % Government's goal：**30%** (2030)

Gender Wage Gap[*1]
(FY23/3)

86.4 %

Ratio of Non-Japanese Employees
(As of March 2023)

0.4 %



Supporting Self-directed Career Development

Annual Training Hours per Person[*2]
(FY23/3)

12.7 h

Ratio of Employees with Second Jobs
(As of March 2023)

23.0 %

Employee Turnover Rate
(FY23/3)

14.2 %



Improving Well-being

Paternity Leave Rate
(FY23/3)

0.0 % Government's goal：**50%** (2025)
85% (2030)

Ratio of Returning from Parental Leave
(FY23/3)

100 %

Telework Implementation Rate
(FY23/3)

82.0 %

*1：Gender Wage Gap = Average annual wage of female full-time employees / Average annual wage of male full-time employees
*2：The tally covers internal training only and does not include external training

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3 Promotion of Non-financial Activities (Transition to a decarbonized society)

Endorse the Japanese government's policy of carbon neutrality by 2050 and aim to achieve net zero CO_2 emissions*1



2035 CO_2 Emissions

NET ZERO

Scope 1,2 — By 2028

Net Zero CO_2 Emissions

Reducing Measures

- Energy savings in offices and equipment and facilities
- Utilization of renewable energy

Scope 3 — By 2035

Net Zero CO_2 Emissions

Reducing Measures

- Calculate CO_2 emissions and identify reduction targets
- Request suppliers to cut CO_2 emissions

*1：Please refer to our web page for actual CO_2 emissions (https://corp.kaonavi.jp/en/sustainability-e/esg_data-e/)

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1. Topics

2. FY24/3 3Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

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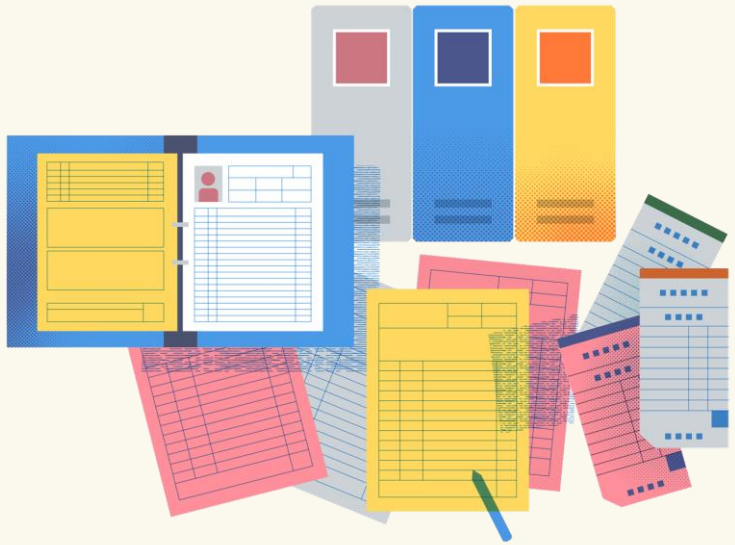
Changes in HR Information Management and Work Styles - Past

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

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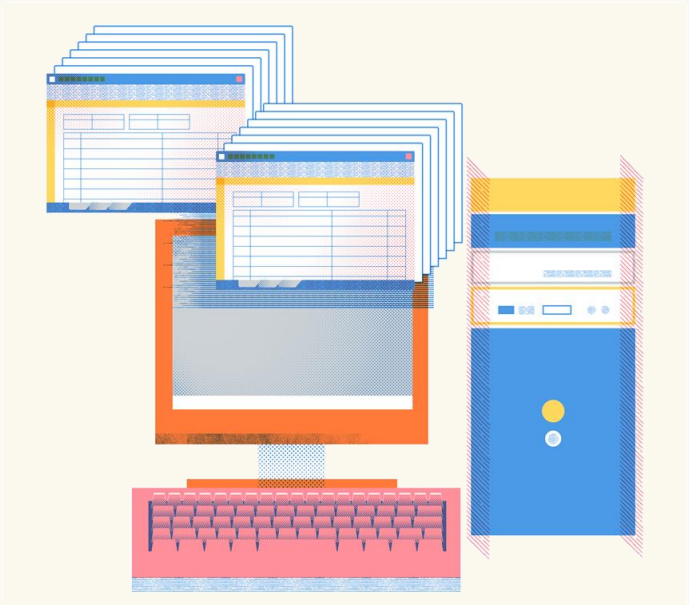
Changes in HR Information Management and Work Styles - Past

1980 1990 2000 2010 2020 2030

Employers manage employee information

Workers own their information

Data



Employers manage HR information digitally



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

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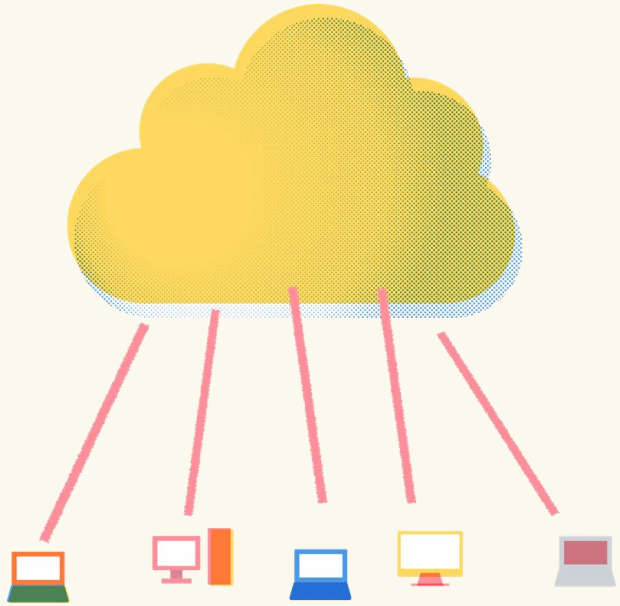
Changes in HR Information Management and Work Styles - Present

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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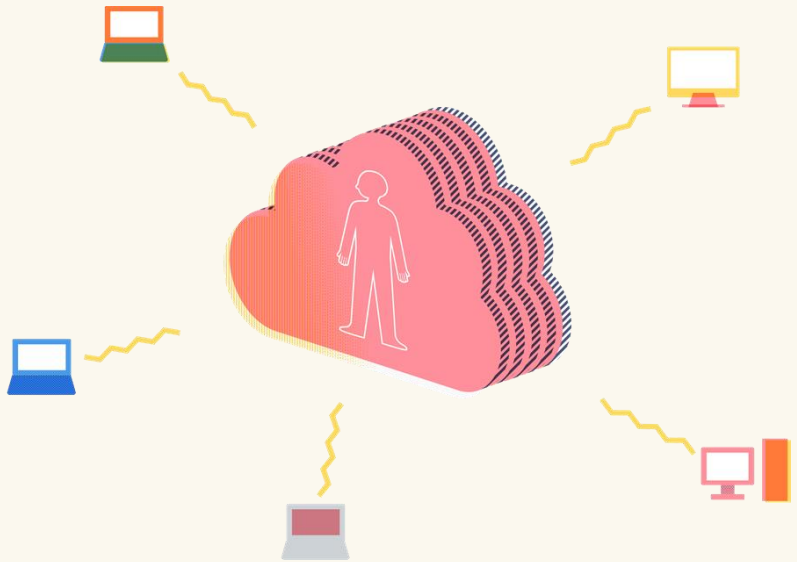
Changes in HR Information Management and Work Styles - Future

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

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

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Thoughts on Revising the Company Logo

Our new logo embodies the world that kaonavi shapes

kaonavi



Exhibiting the importance of mutual understanding by the shape of two people

"○" represents people, and "△" represents their span of vision/view. It builds on our belief that the new space in the center, which emerges only when people try to get to know each other (= by overlapping their vision span), is **the world where people can unlock their potential**. And kaonavi's goal is bringing it to life.

Product for a New Era

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



© kaonavi, inc.

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





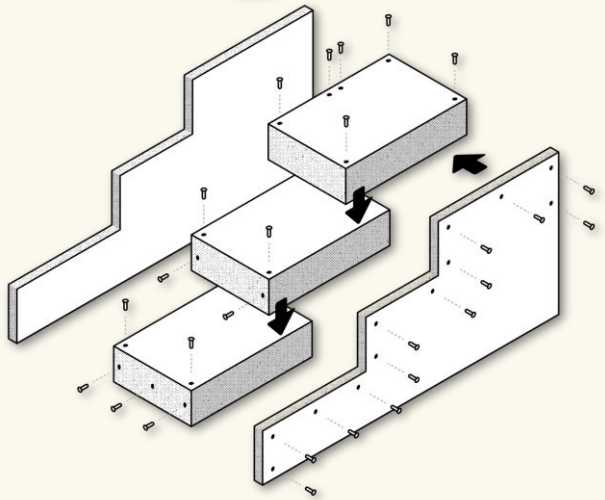
Flexibility-rich System

Adaptability to meet various needs of users instead of predefined 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 the user's guide.

Trying to realize that simple design which is extremely easy for any user 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 them.

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