kaonavi

FY24/3 Financial Results

(Our Business Plans and Growth Potential)

May 13, 2024 | kaonavi, inc. (TSE Growth : 4435)

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Incident by Work Style Tech Ltd. (WST)

- As disclosed on March 29, 2024, our subsidiary, WST has discovered that the personal information of its customers was accessible from the outside under certain limited conditions and some of this information had been leaked. We sincerely apologize to all our customers and all relevant parties for any inconvenience or concern this may have caused.

- We are currently determining to what extent personal data has been leaked and are notifying all individuals whose information has been affected.

- On March 29, 2024, we filed a notice of incident to the Personal Information Protection Commission and has been updating since as requested. We will continue our investigation for final confirmation of the facts and submit a final report to the Personal Information Protection Commission, including measures to prevent any recurrence (by the end of May 2024).

- The impact of this matter on our business results is still under scrutiny. Should there be any facts to be disclosed in the future, we will disclose them in a timely manner.

- Toward the expansion of our HR data platform as stated in our mid-term management policy, we will work to build the capability for delivery and operation of the labor management system by our company in the fiscal year ending March 31, 2025. We would like to ask for the continued support of our shareholders.

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1. Topics

2. Progress of Mid-term Management Policy

3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

5. Appendix

5-1. Company Overview

5-2. Our Services

5-3. Mid-term Management Policy

5-4. 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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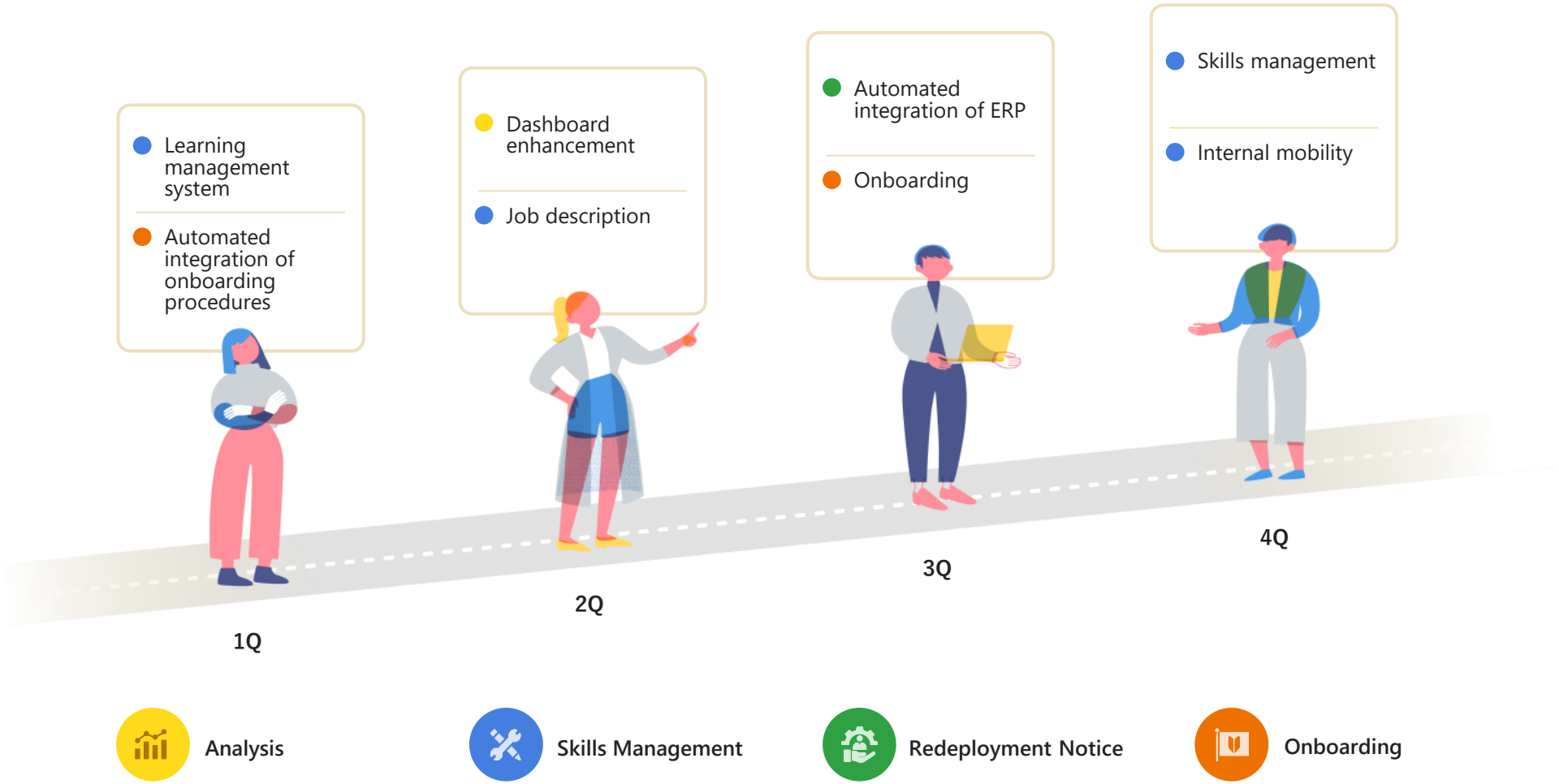
Major Product Development Roadmap (FY24/3)

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



Launching a New Feature

Released “Ability Manager” as a skills management capability

kaonavi

New

Ability Manager

One-stop service from defining to visualizing skills



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Launching a New Feature

Added an internal mobility function to “Position Matching”. Promote optimized placement and employee career autonomy by matching open job posts to candidates internally

1

Defining position requirements





2

Candidate extraction





3

Internal recruitment





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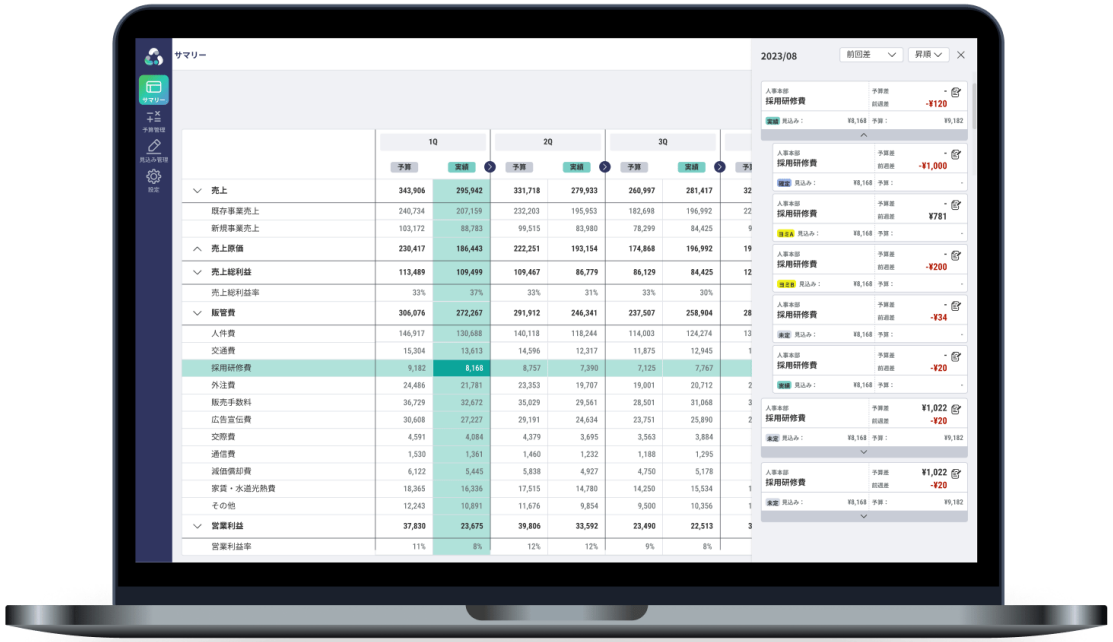
Launching a New Service

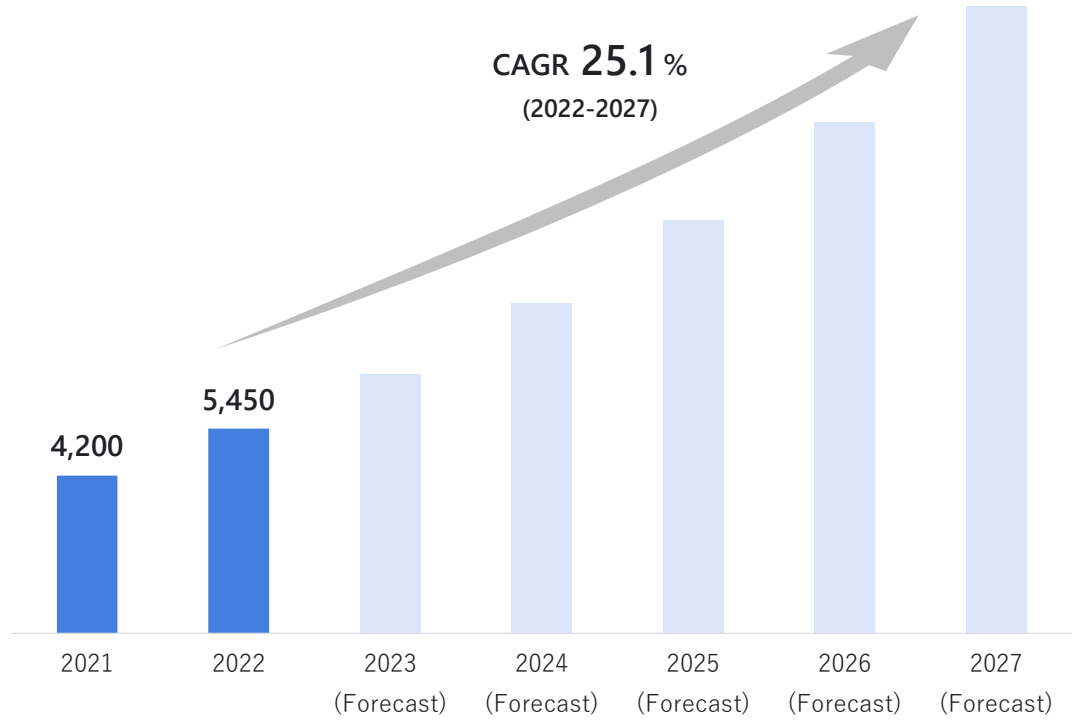
Released “Yojitsutics” to help our customers create and manage budgets. Workforce management function linked to the HR database will be integrated in the near future

ヨジツティクス



Market Size of Budget Control (SaaS)

JPY MM



Source：ITR “ITR Market View：Budget, Expense and Subscription Management Market 2024”

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Launching a New Service (Planned)

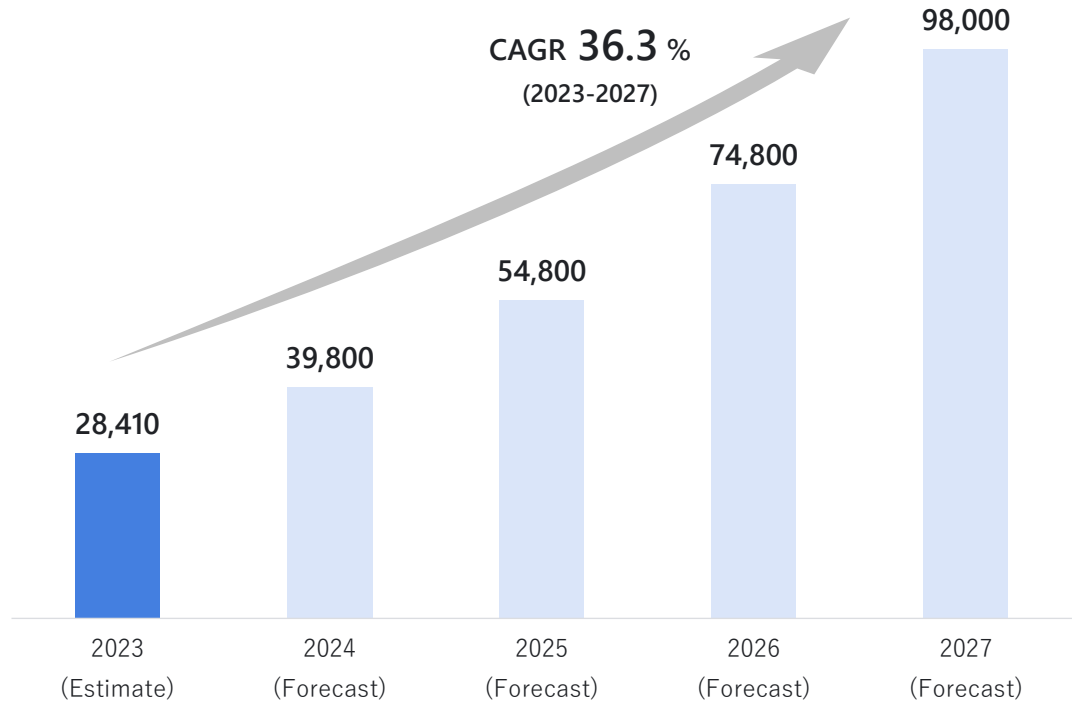
Although the launch of “kaonavi Roumu (tentative name)”, which enables paperless labor management, has been rescheduled from the original plan, its development is actively underway to be available in this summer

kaonavi Roumu (tentative name)



Market Size of Labor Management Cloud (Forecast to 2027)

JPY MM



Source：Deloitte Tohmatsu MIC Research Institute “HR Tech Cloud Market 2023”

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3. FY24/3 4Q Financial Highlights

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Mid-term Management Policy : Continuous ARR Growth



Expand Customer Base

Strengthening Organizational Structure

Raising Visibility

Leveraging Partner Network

×



Increase ARPU

Additional Enterprise Users

Upselling Promotion

Expanding HR Data Platform

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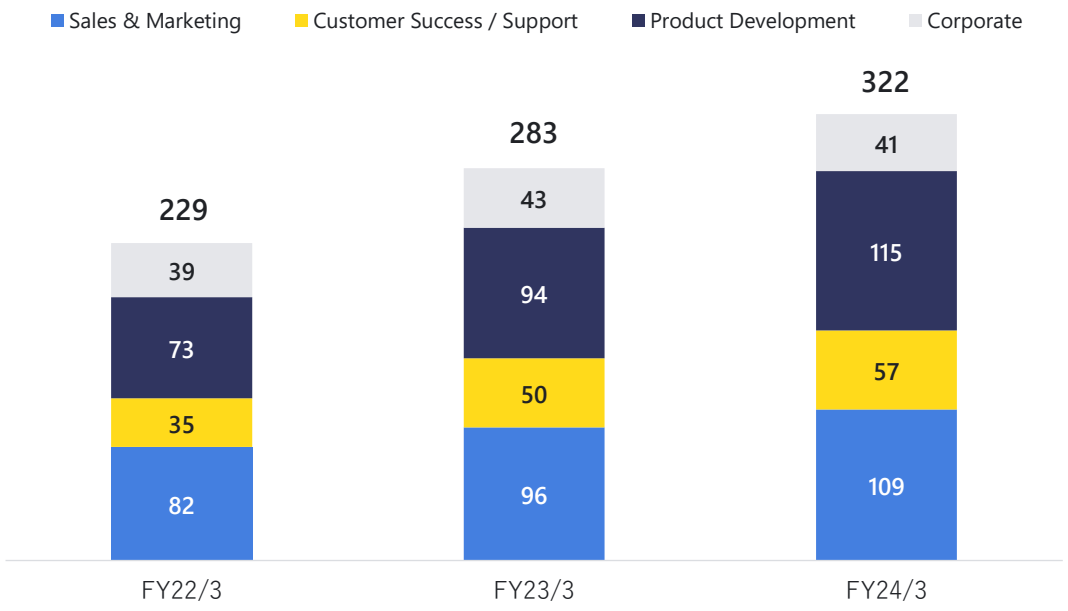
Implementation Status of Mid-term Management Policy

Strengthen the organizational structure and raise visibility to expand customer base

Strengthening Organizational Structure

Continuously bolster the organizational structure by additional headcount in sales & marketing and product development

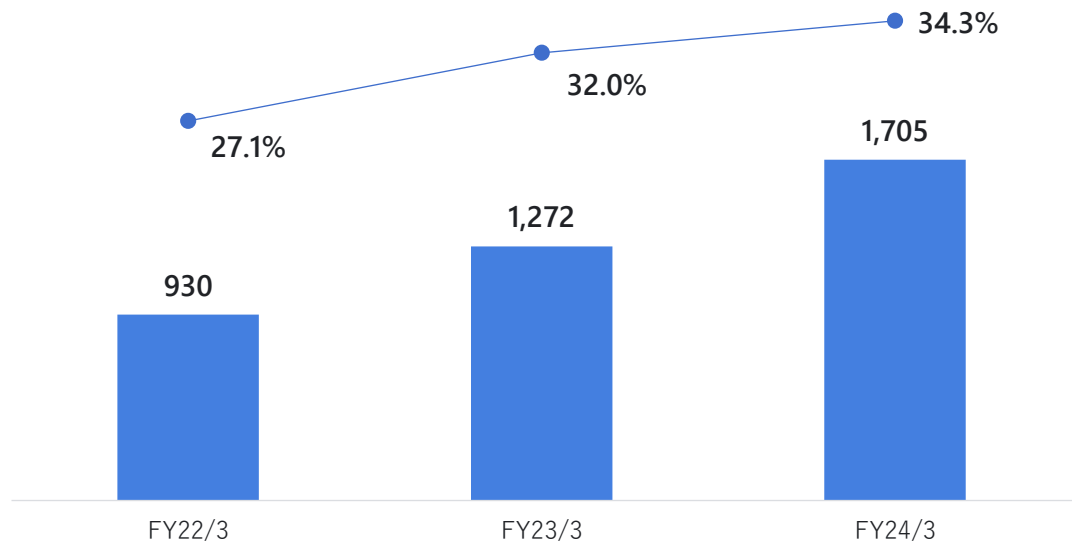
Number of Employees[*1] (people)



Raising Visibility

Ongoing marketing activities to further increase awareness

Marketing-related Expenses and Recognition Rate (JPY MM)



Survey conducted by Macromill
Respondents: 330 men and women aged 20-69 in human resources positions
Survey period: FY22/3: April 1-5, 2022, FY23/3: March 24-28, 2023, FY24/3: March 22-25, 2024

*1：Consolidated figures are shown starting from FY24/3, any figures before that are non-consolidated

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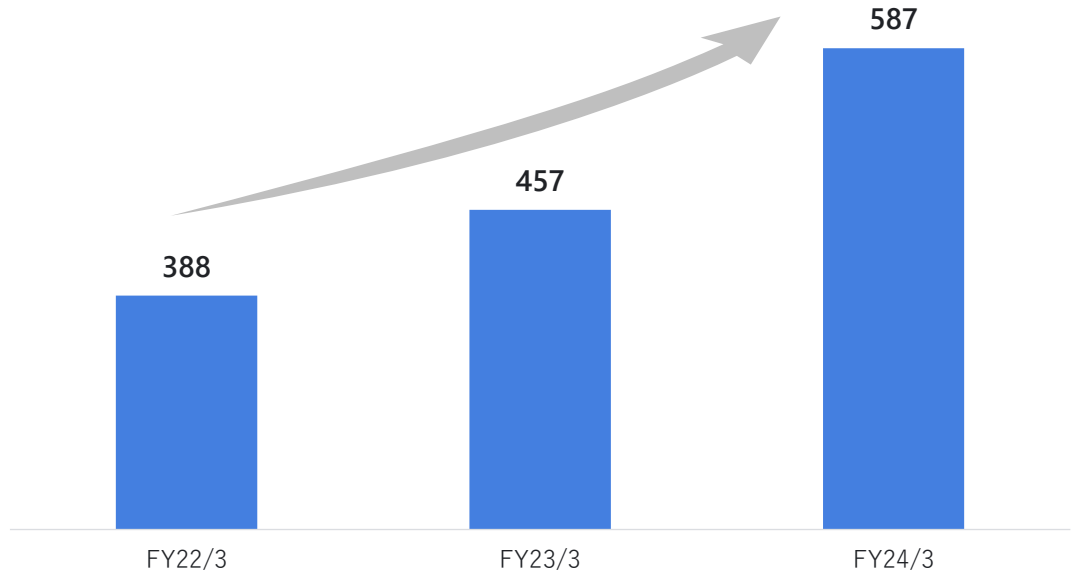
Implementation Status of Mid-term Management Policy

Promote functionality enhancements and increase the number of enterprise users for ARPU improvement

Additional Enterprise Users

The pace of net increase in enterprise companies accelerates along with functionality enhancement

Active Users (Registered Employees 1,000+) (Companies)



Our Customers (Excerpt)

TOYOTA
MITSUBISHI ELECTRIC Changes for the Better
LIXIL Link to Good Living
HONDA
NISSHINBO
WACOAL
SUNTORY
NISSIN GROUP
森永乳業
吉野家 YOSHINOYA
KADOKAWA
TOHO
TOPPAN
清水建設
JR九州
東急
KINTETSU GROUP HOLDINGS
三菱商事
SOMPOひまわり生命
JCB

* As of March 31, 2024

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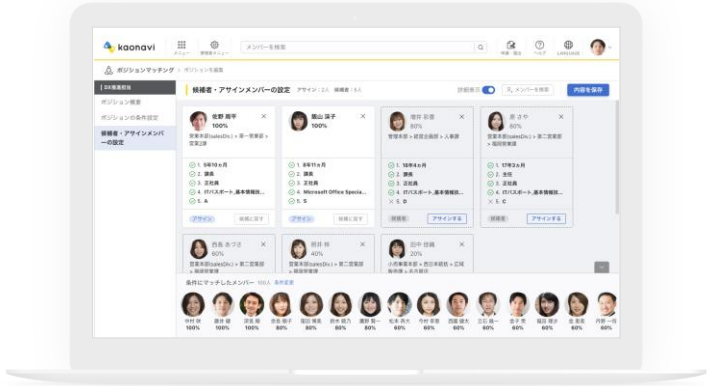
Implementation Status of Mid-term Management Policy

Focus on elevating the value proposition of our HR data platform through new offering development

Learning Library



Position Matching



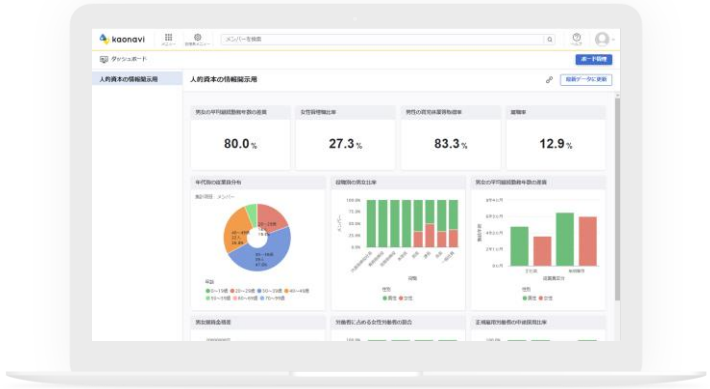
Human Capital Data navi



My Board



Human Capital Template



KAOPASS



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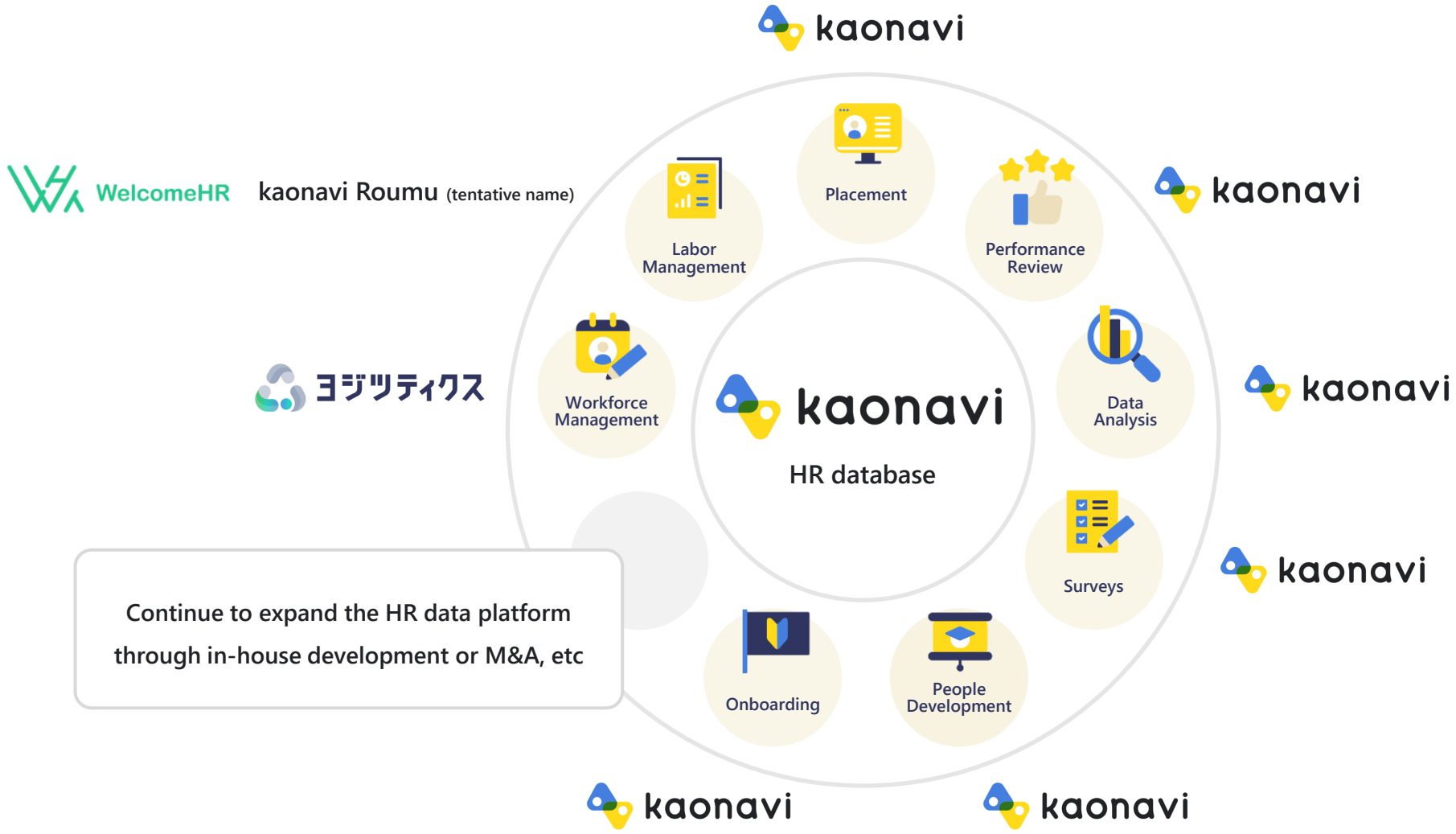
Implementation Status of Mid-term Management Policy

Expand our HR data platform by introducing new solutions including the acquisition of WST



Continue to expand the HR data platform through in-house development or M&A, etc

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Enhancement of HR Data Platform

Aim to add more value to the HR data platform by delivering the following themes in FY25/3

Utilization of human capital information	• Continuous expansion of the data charting and aggregating capabilities • Graphical display of employee history information • AI-based text analysis
Individual empowerment	• Management of cohort training • Collection and analysis of skills structure
Process automation from placement to notice of transfer	• Streamlining operations associated with placement review • Internal role change announcement
Digitalization of employer-employee relationship	• Improving workflow functionality • Development of additional labor management functions

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Highlights

- **Transitioned to consolidated settlement of accounts by the acquisition of WST**

  Deemed acquisition date : March 31, 2024

- **Net sales and adjusted operating profit exceeded the full-year forecast**

  Strong performance in 4Q with net sales growth of 26.9% YoY and adjusted operating profit increase of 81.5% YoY

- **Recorded extraordinary loss and deferred tax assets**

  Posted an extraordinary loss of JPY 27MM in relation to the revalued amount of investment securities

  Recorded deferred tax assets and posted deferred income taxes of JPY 290MM as profit

- **ARR continued to grow steadily**

  ARR of talent management system (TMS) grew steadily to JPY 8,112MM (+27.4% YoY)

  Churn rate of TMS (last 12-month average) was 0.42%, remaining at a low level

  Functional improvements and new feature development have accelerated the adoption by enterprise users over the past year

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PL Summary*1 (FY24/3 4Q)

JPY MM	FY23/3 4Q Same period last year	FY24/3 3Q Previous quarter	FY24/3 4Q Current quarter	YoY	QoQ
Net Sales	1,651	1,933	**2,095**	+26.9%	+8.4%
Gross Profit	1,171	1,516	**1,656**	+41.4%	+9.2%
Margin	70.9%	78.5%	79.0%	+8.1pt	+0.6pt
Adjusted Operating Profit *2	118	234	**214**	+81.5%	-8.9%
Margin	7.1%	12.1%	10.2%	+3.1pt	-1.9pt
Operating Profit	60	228	**177**	+196.9%	-22.3%
Margin	3.6%	11.8%	8.4%	+4.8pt	-3.3pt
Ordinary Profit	59	227	**175**	+199.0%	-22.7%
Profit attributable to owners of parent	74	156	**417**	+463.0%	+167.6%

*1：Consolidated financial results are shown starting from FY24/3 4Q, any results before that are non-consolidated
*2：Adjusted operating profit = Operating profit＋Stock-based compensation expenses＋Amortization of goodwill by acquisition＋Other one-time costs

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PL Summary[*1] (FY24/3 Full-year)

JPY MM	FY23/3 Actual	FY24/3 Actual	FY24/3 Forecast [*3]	YoY	vs. Forecast
Net Sales	5,990	**7,625**	7,600	+27.3%	+0.3%
Gross Profit	4,420	**5,903**	5,875	+33.5%	+0.5%
Margin	73.8%	77.4%	77.3%	+3.6pt	+0.1pt
Adjusted Operating Profit [*2]	474	**814**	765	+71.7%	+6.4%
Margin	7.9%	10.7%	10.1%	+2.8pt	+0.6pt
Operating Profit	322	**679**	—	+110.7%	—
Margin	5.4%	8.9%	—	+3.5pt	—
Ordinary Profit	317	**675**	—	+112.9%	—
Profit attributable to owners of parent	246	**699**	—	+183.5%	—

*1：Results are consolidated for FY24/3, and non-consolidated for FY23/3
*2：Adjusted operating profit = Operating profit＋Stock-based compensation expenses＋Amortization of goodwill by acquisition＋Other one-time costs
*3：Revised financial forecast as of February 14, 2024

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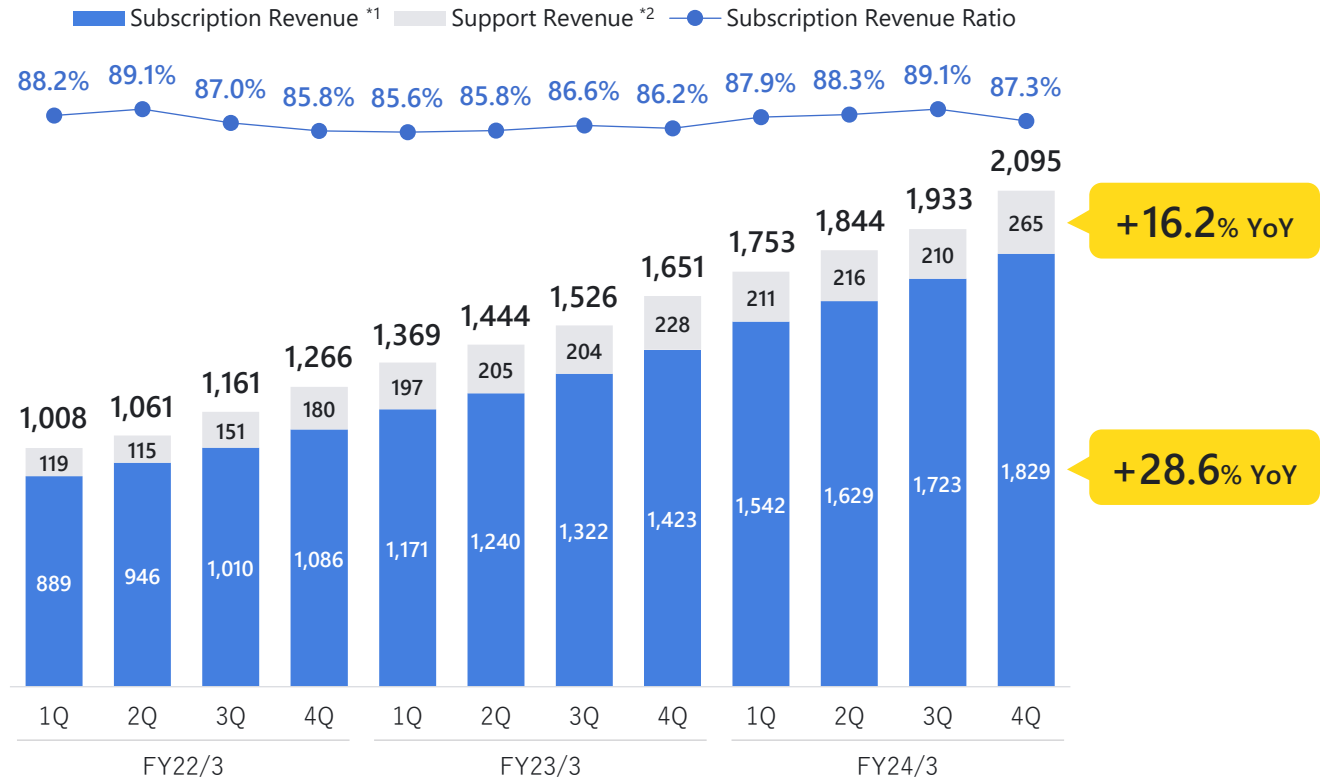
Net Sales

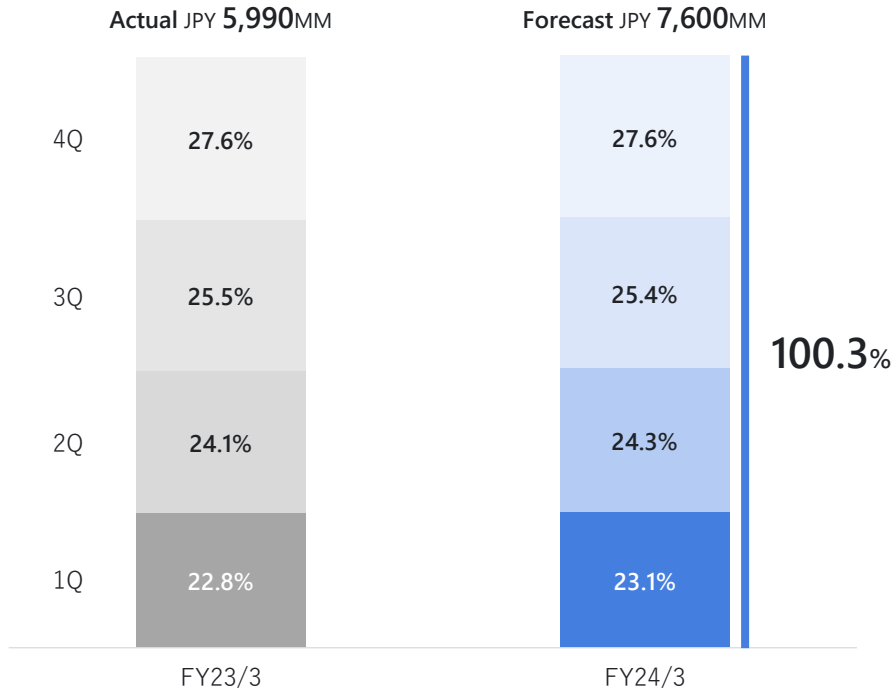
Subscription revenue and support revenue increased by 28.6% and 16.2% YoY, respectively

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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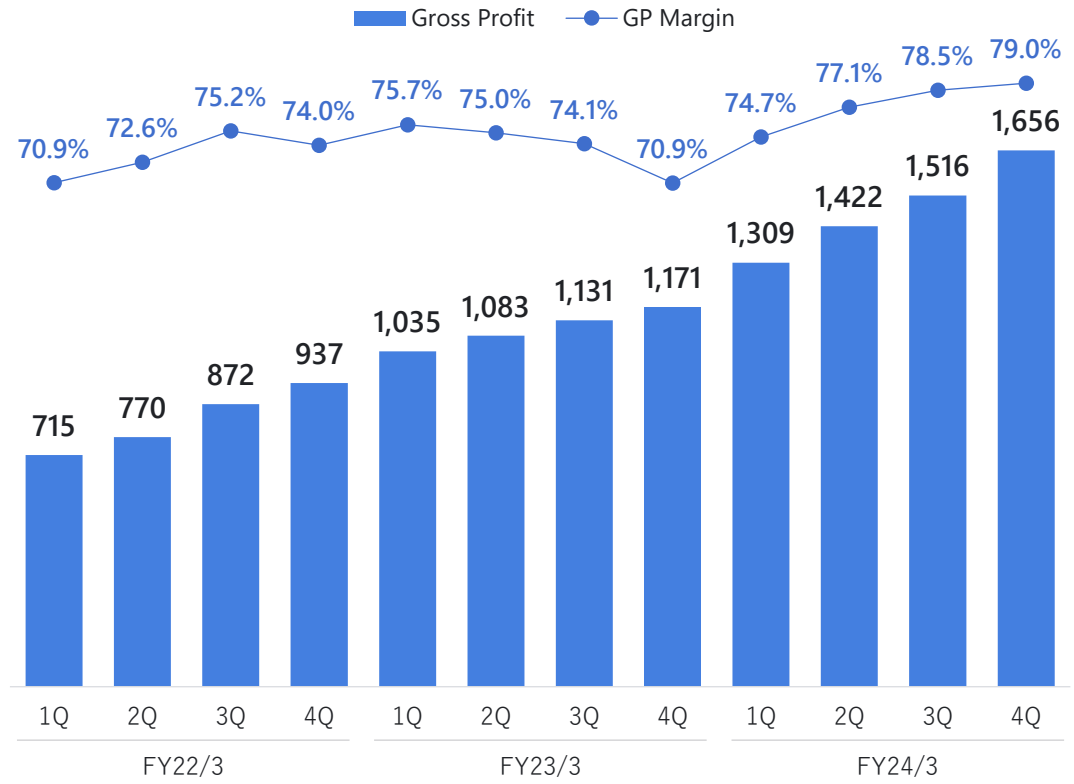
Gross Profit and Cost of Sales

Executed the development plans persistently, including functional improvements. Gross profit continued to grow and its profit margin rose to 79.0%

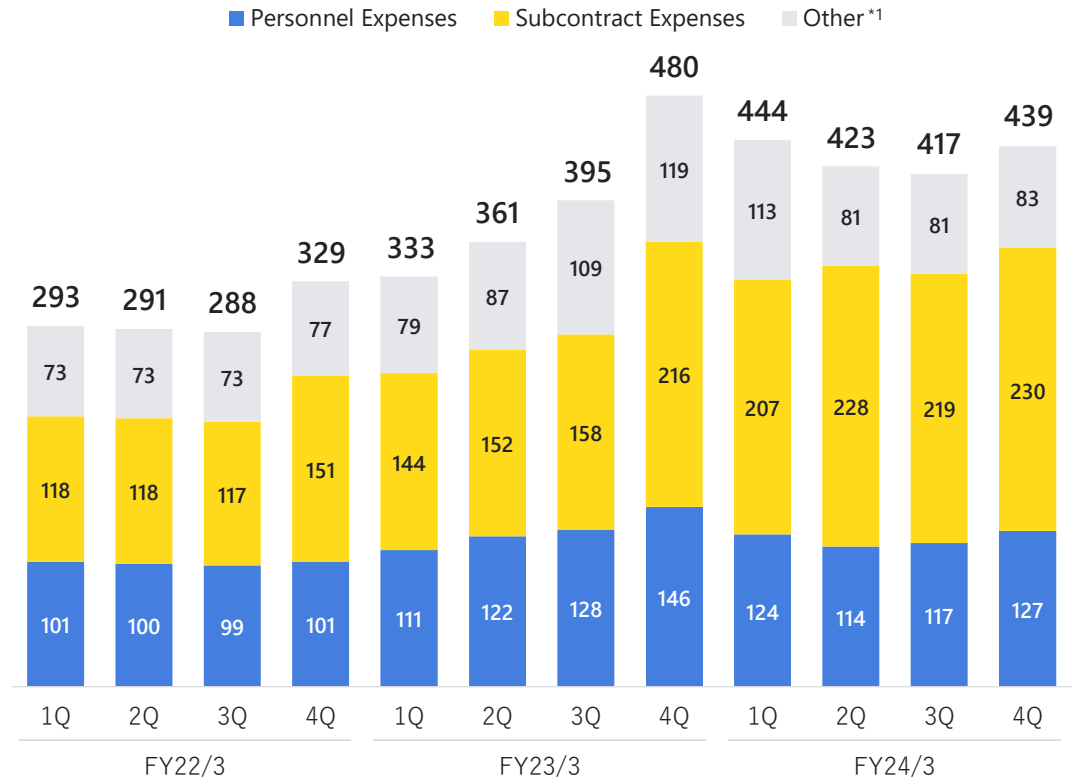
Gross Profit

JPY MM



Cost of Sales

JPY MM



*1：”Other” in this quarter mainly includes Rents of JPY 18MM and Server costs of JPY 58MM

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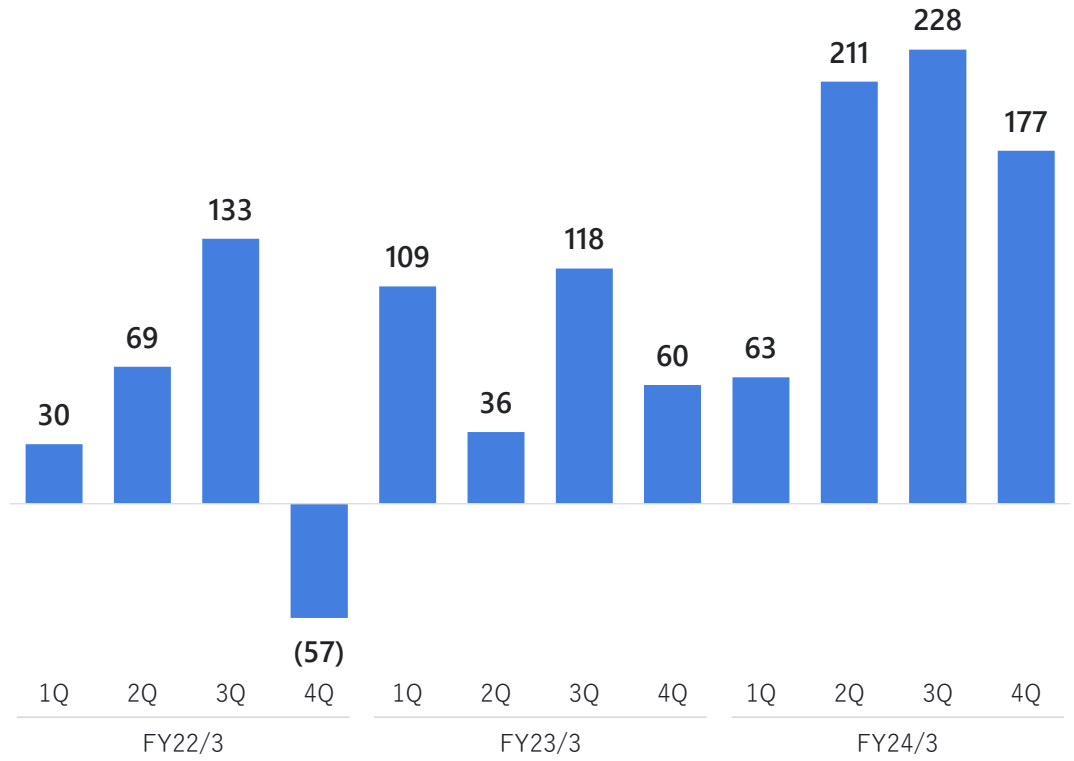
Operating Profit and SG&A

Advertising expenses went up due to increased marketing investments in response to well-performing KPI trends

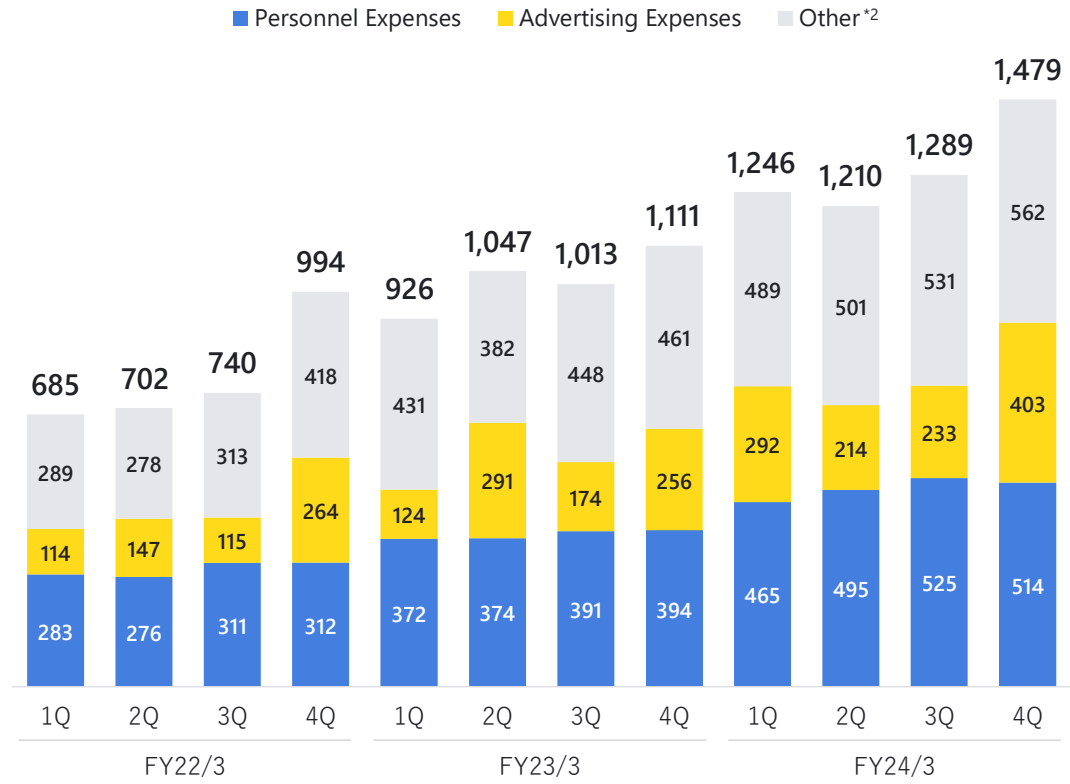
Operating Profit

JPY MM



SG&A*1

JPY MM



*1：Ratio of S&M, R&D and G&A to net sales in this quarter were 42.2%, 11.1% and 17.3%, respectively. Please see page 65 for definitions of each expense

*2："Other" in this quarter mainly includes Rents of JPY 38MM, Outsourcing expenses of JPY 171MM, Sales promotion expenses of JPY 122MM, Recruiting expenses of JPY 53MM and Communication expenses of JPY 52MM

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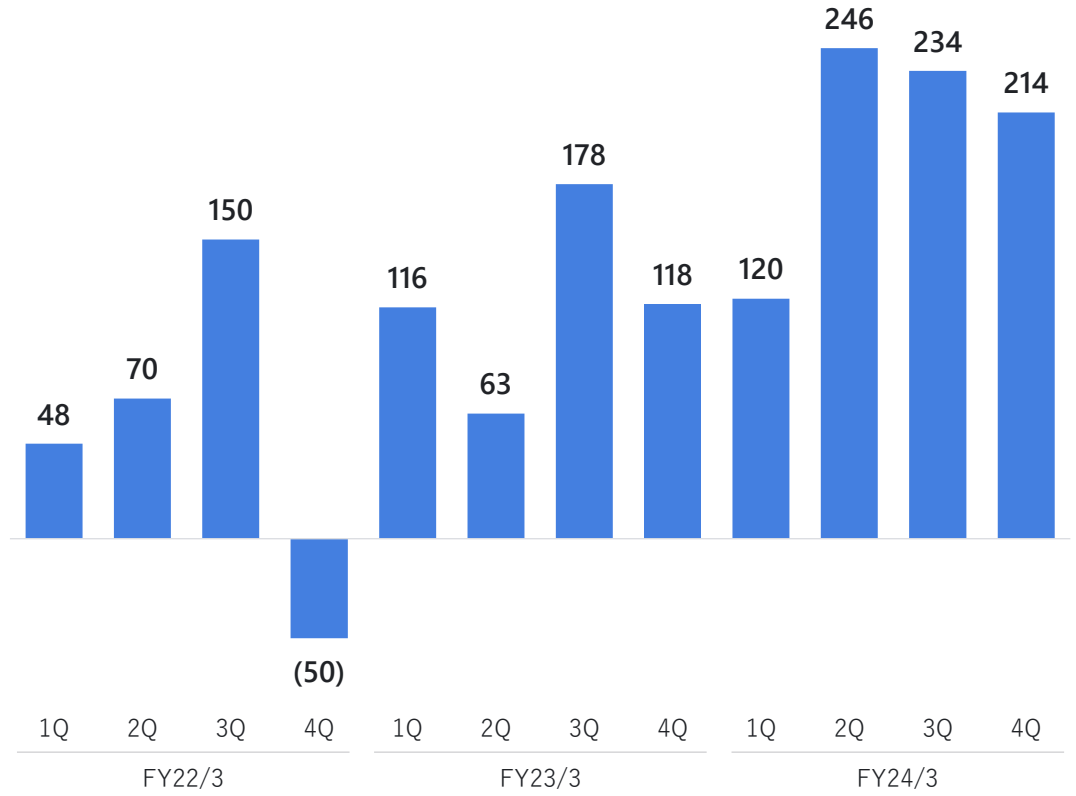
Adjusted Operating Profit

Adjusted operating profit also increased steadily by 81.5% YoY

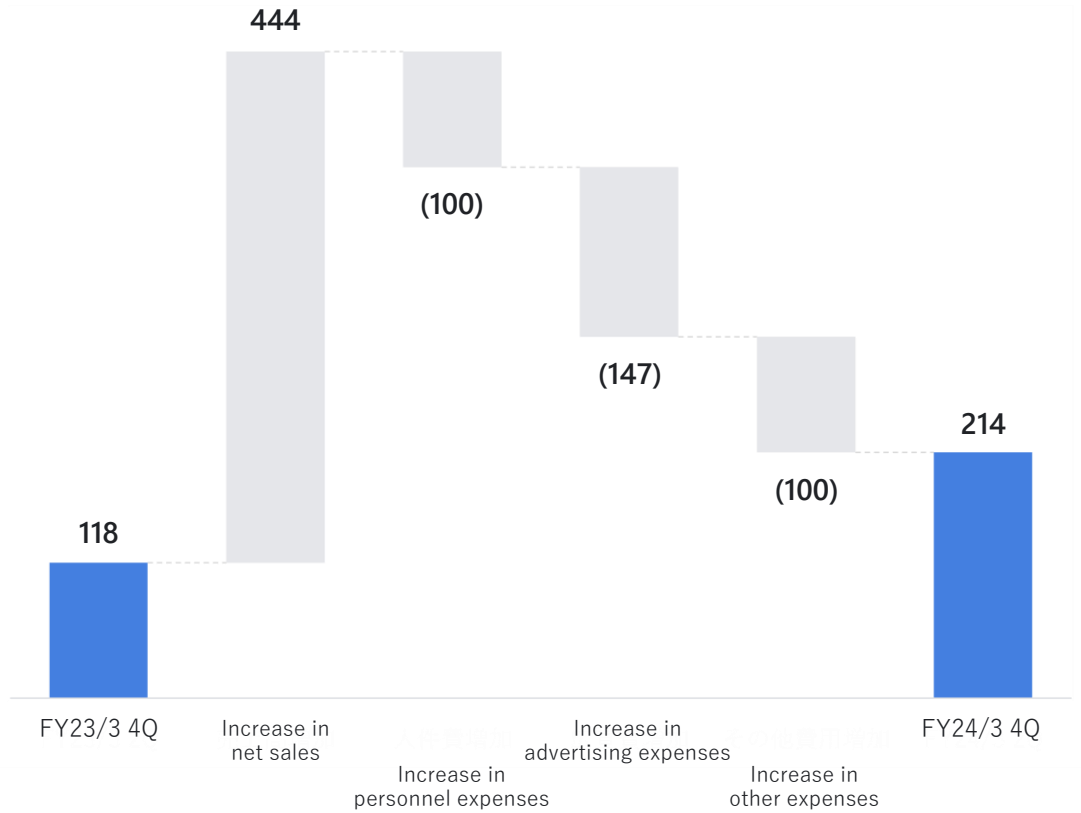
Adjusted Operating Profit*1

JPY MM



YoY Change Analysis

JPY MM



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

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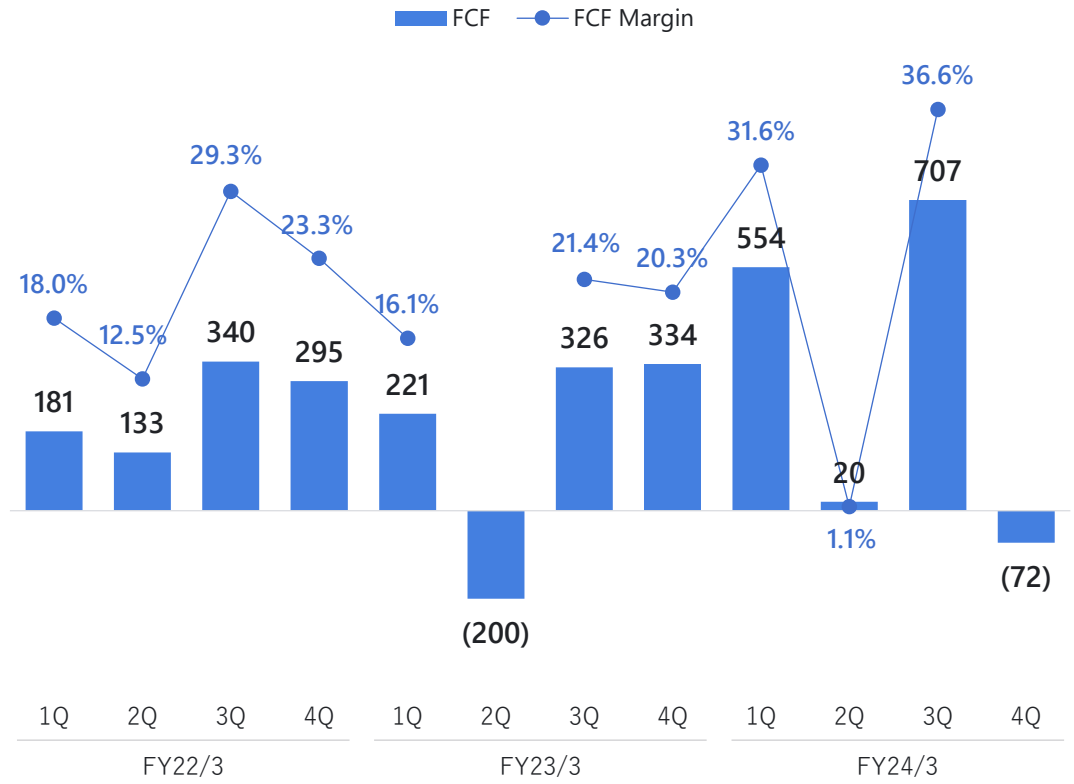
Free Cash Flow and Balance Sheet*1

With an increase in Investment cash outflow, goodwill of JPY 615MM was recorded in the balance sheet due to the acquisition of WST

FCF

JPY MM



B/S

JPY MM

	FY23/3	FY24/3			
	4Q	1Q	2Q	3Q	4Q
Cash and deposits	3,400	3,922	3,912	4,355	4,688
Other current assets	483	495	555	506	582
Property, plant and equipment	89	58	38	41	42
Intangible assets	6	5	4	2	630
Investments and other assets	646	622	617	339	601
Total assets	**4,623**	**5,102**	**5,125**	**5,243**	**6,544**
Loans payable	327	296	264	—	418
Deferred revenue	2,073	2,490	2,410	2,620	2,693
Other liabilities	732	795	825	836	1,121
Total liabilities	**3,132**	**3,580**	**3,499**	**3,456**	**4,232**
Total net assets	**1,491**	**1,522**	**1,627**	**1,787**	**2,312**
Total liabilities and net assets	**4,623**	**5,102**	**5,125**	**5,243**	**6,544**

*1：Consolidated financial results are shown starting from FY24/3 4Q, any results before that are non-consolidated

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KPI Summary

Consolidated

ARR*1

8,288 JPY MM

(+30.1% YoY)

* Comparison with the same period last year (non-consolidated)

Number of Employees*2

322 People

(+39people YoY)

* Comparison with the same period last year (non-consolidated)

Non-consolidated

ARR of TMS*3

8,112 JPY MM

(+27.4% YoY)

Active Users of TMS*4

3,677 Companies

(+20.2% YoY)

ARPU of TMS*5

184 JPY Thou.

(+6.0% YoY)

Churn Rate of TMS*6

0.42 %

(－0.09pt YoY)

LTV/CAC*7

10.4 x

(+1.2pt YoY)

*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：The number of full-time employees at the end of the quarter
*3：Monthly subscription revenue from all the subscriptions of the talent management system "kaonavi" at the end of the quarter (MRR of TMS) multiplied by 12
*4：Number of companies and organizations implementing the talent management system "kaonavi" at the end of the quarter
*5：Average monthly subscription fee per user is calculated by dividing the MRR of TMS by the active users of TMS at the end of the quarter
*6：Last 12-month average MRR churn rate of TMS
*7：Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

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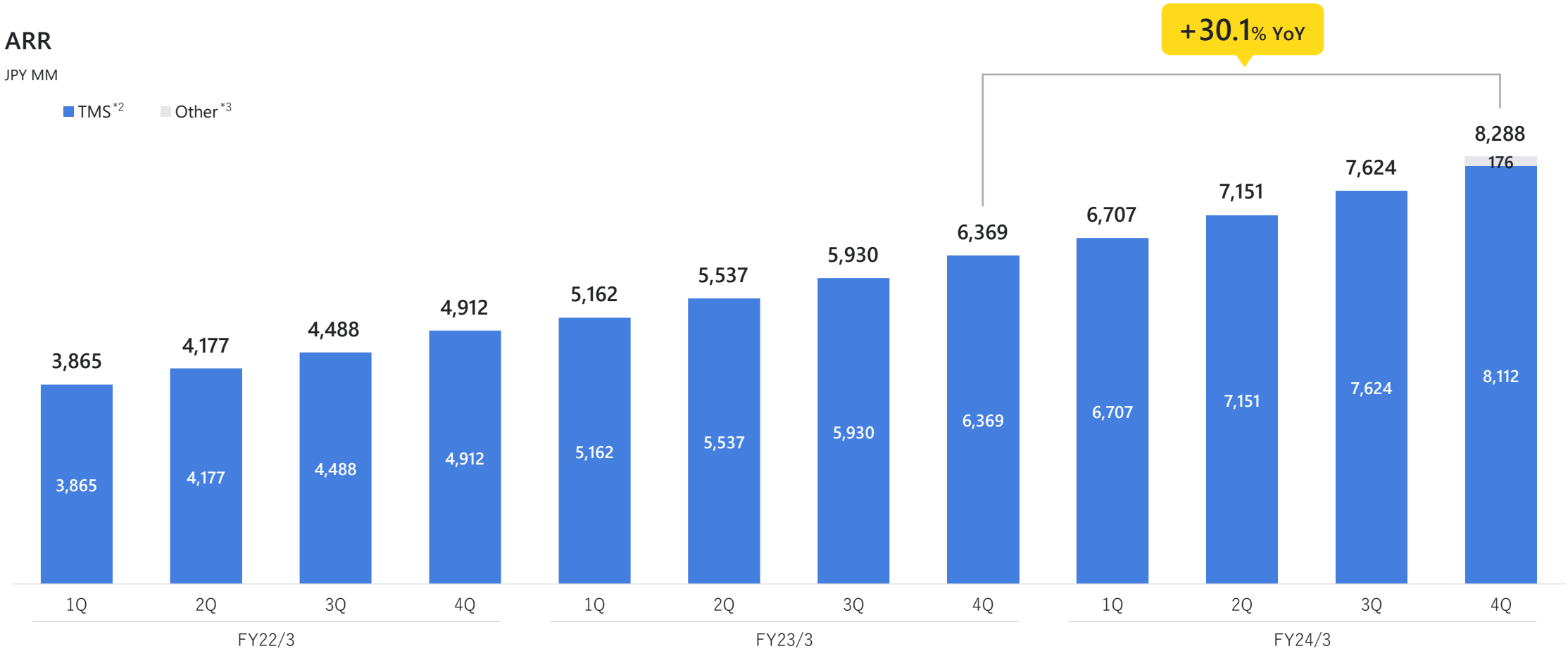
ARR*1

ARR increased by 30.1% YoY, achieving durable growth



*1：Consolidated figures are shown starting from FY24/3 4Q, any figures before that are non-consolidated
*2：ARR of the talent management system “kaonavi”
*3：ARR of other subscription services except TMS

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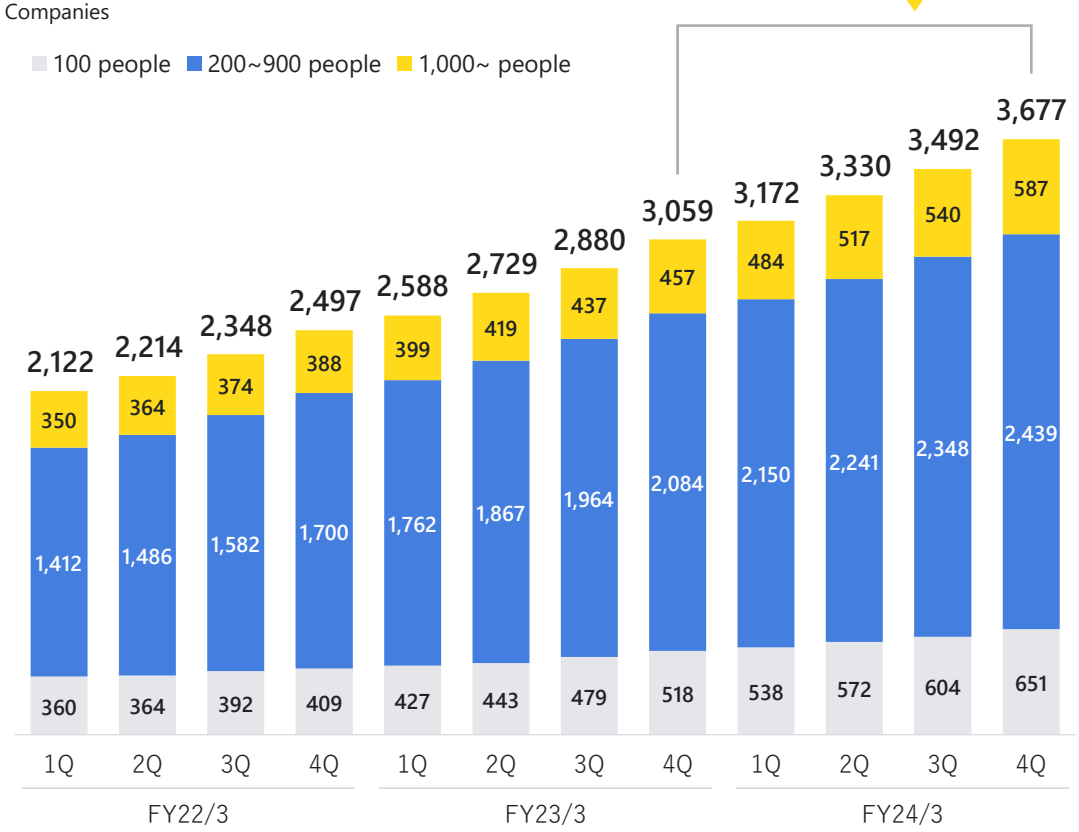
Active Users and ARPU of TMS

The number of active users has grown to 3,677 adding 185 after the previous quarter. ARPU increased steadily to JPY 184 thousand

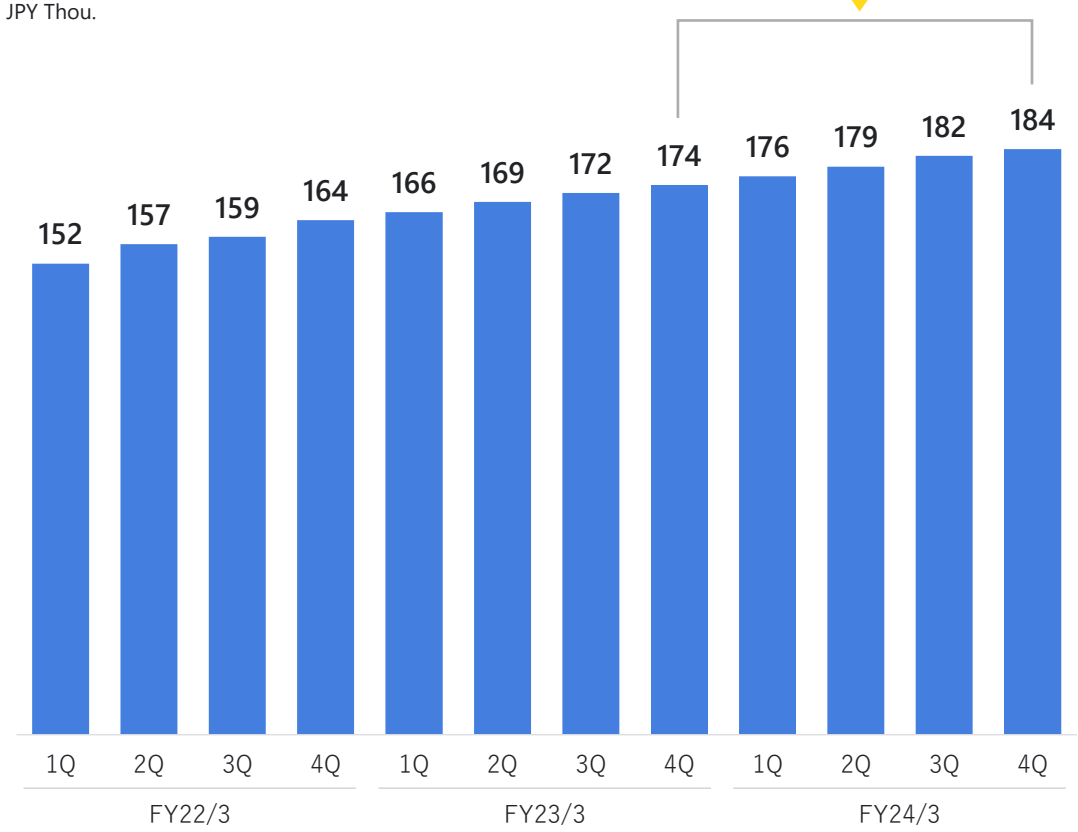
Active Users by the Size of Registered Employees

+20.2% YoY



ARPU

+6.0% YoY



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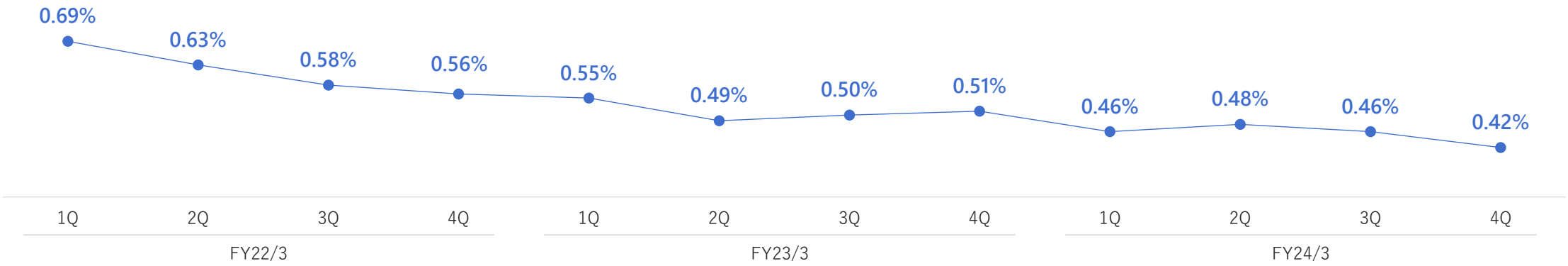
Churn Rate of TMS

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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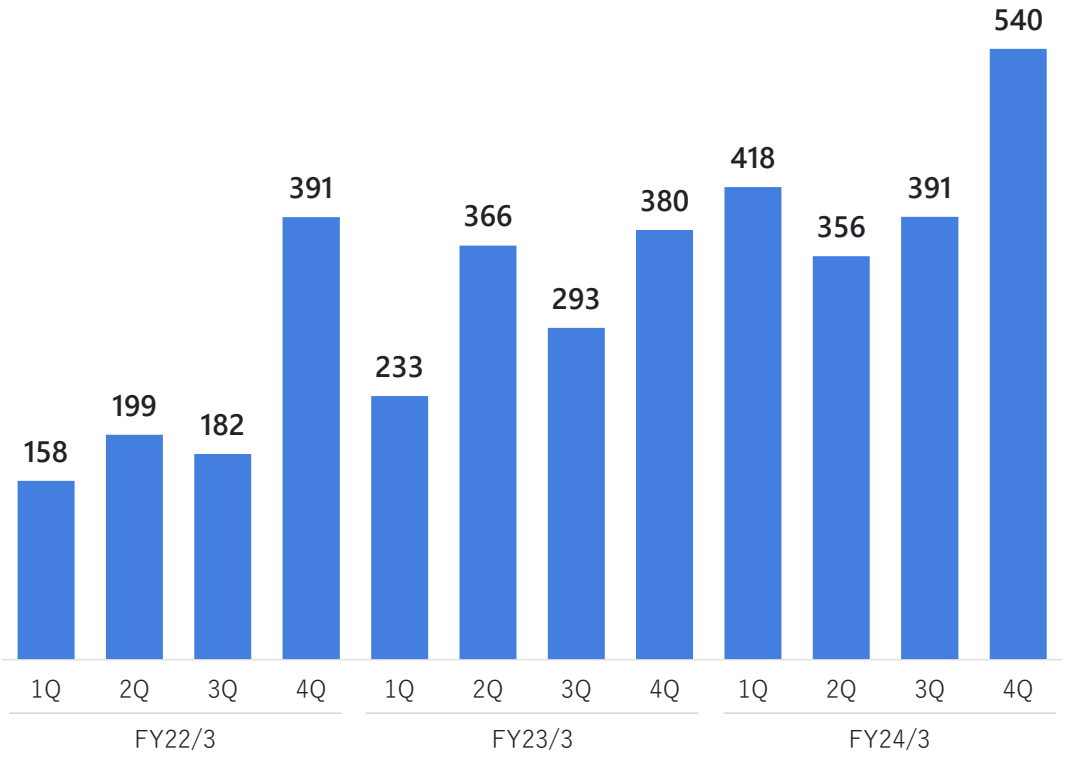
Unit Economics

Aggressive marketing investment in 4Q, including mass advertising such as TV ad campaigns

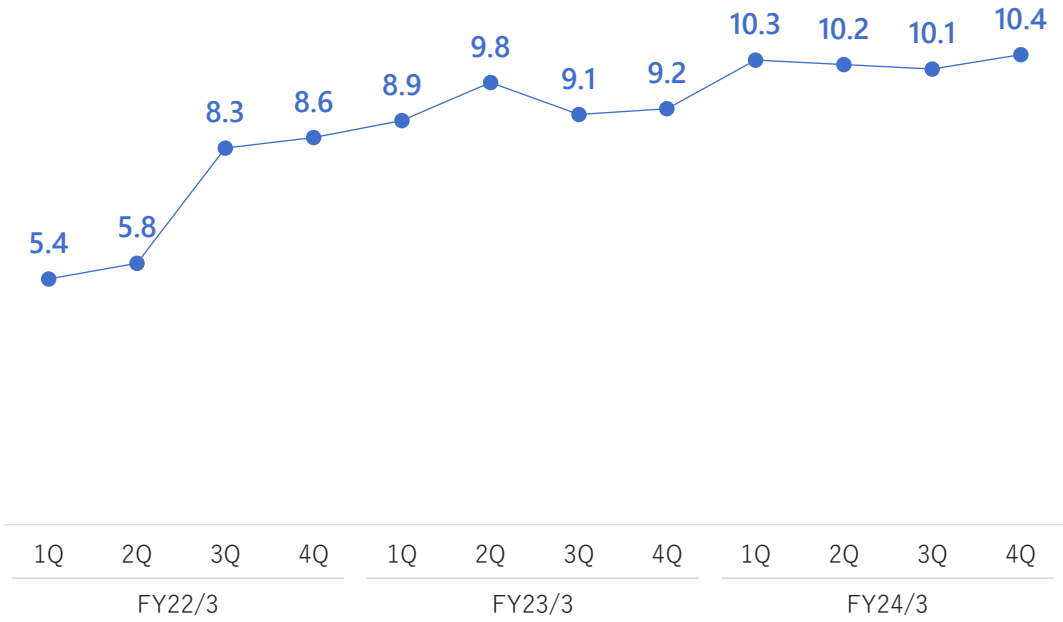
Marketing-related Expenses*1

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 (Please see page 65 for definitions of expense) of the month / # of new customers acquired in the month

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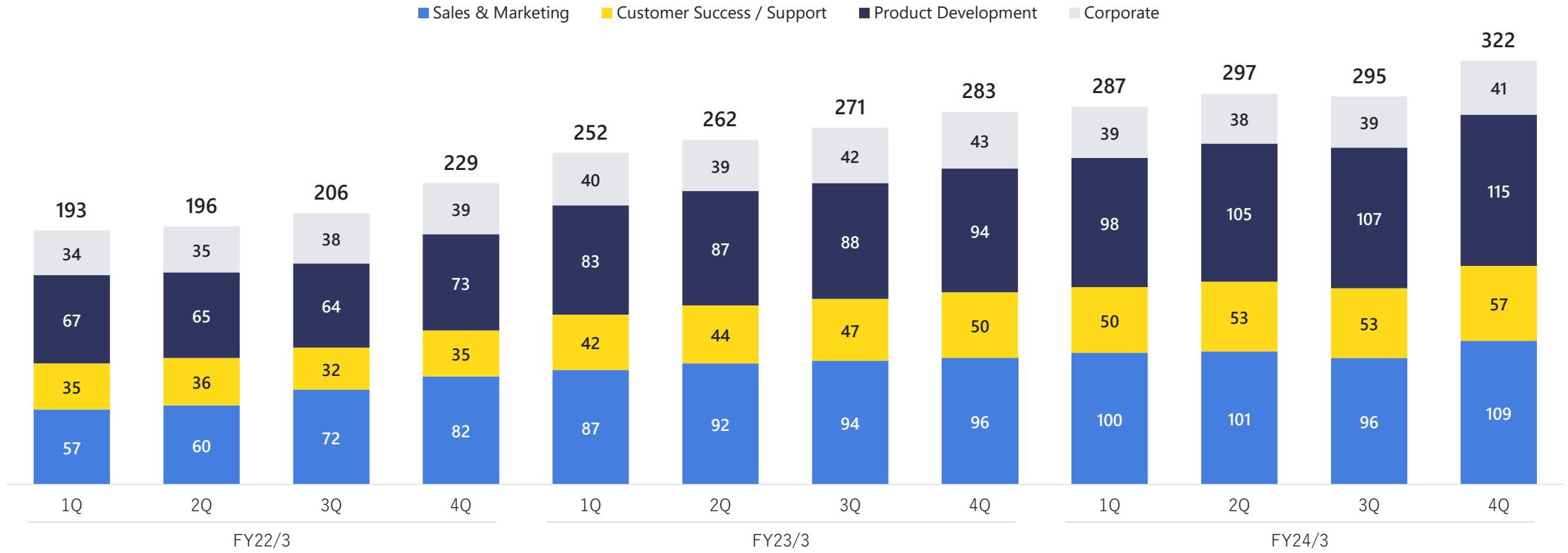
Number of Employees*1

Total headcount grew by 39 YoY with new joined 18 employees from WST at the end of March 2024, and we plan to hire more in FY25/3 to reinforce the organizational structure

Number of Employees*1

People



*1：Consolidated figures are shown starting from FY24/3 4Q, any figures before that are non-consolidated
*2：The number of full-time employees at the end of the quarter

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3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

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FY25/3 Focus

Accelerate Mid-term ARR Growth

Expand existing business (TMS)

- Toward maximizing the number of active users and ARPU, we execute on our business strategies under the mid-term management policy

Cultivate new businesses

Launch of new services (Labor management, Budget control)

- Enhance product value through functional development
- Build organizational structure to provide services (hiring)
- Marketing activities to raise recognition

Others

- In addition, sow the seeds for future business including but not limited to other service development and potential M&A deals

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FY25/3 Forecast

Net sales are expected to be +23.5~25.4% YoY, projecting continued growth in existing business. We intend not to disclose a forecast for adjusted operating profit as we need to navigate adaptable investments depending on the initial state of our new businesses

JPY MM	FY24/3 Actual	FY25/3 Forecast	Change Amount	YoY
Net Sales	7,625	**9,420 ~ 9,560**	+1,795 ~ +1,935	+23.5% ~ +25.4%
Subscription Revenue	6,723	8,465 ~ 8,565	+1,742 ~ +1,842	+25.9% ~ +27.4%
Support Revenue	903	955 ~ 995	+52 ~ +92	+5.8% ~ +10.2%
Adjusted Operating Profit *1	814	Not disclosed	—	—
Margin	10.7%		—	—

*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. Progress of Mid-term Management Policy

3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

5. Appendix

5-1. Company Overview

5-2. Our Services

5-3. Mid-term Management Policy

5-4. The Future of “WORK” and kaonavi

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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	322 (Consolidated, March 2024)
Business	Development, sales and support of HR tech services, etc.



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













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



Information Security, Protection of Personal Data and Privacy

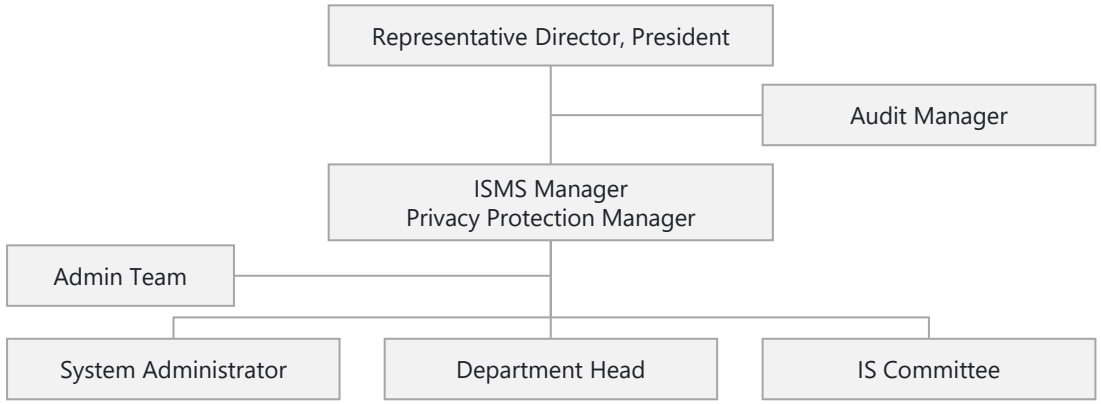
Committed to protecting, managing and handling information assets properly and responsibly

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 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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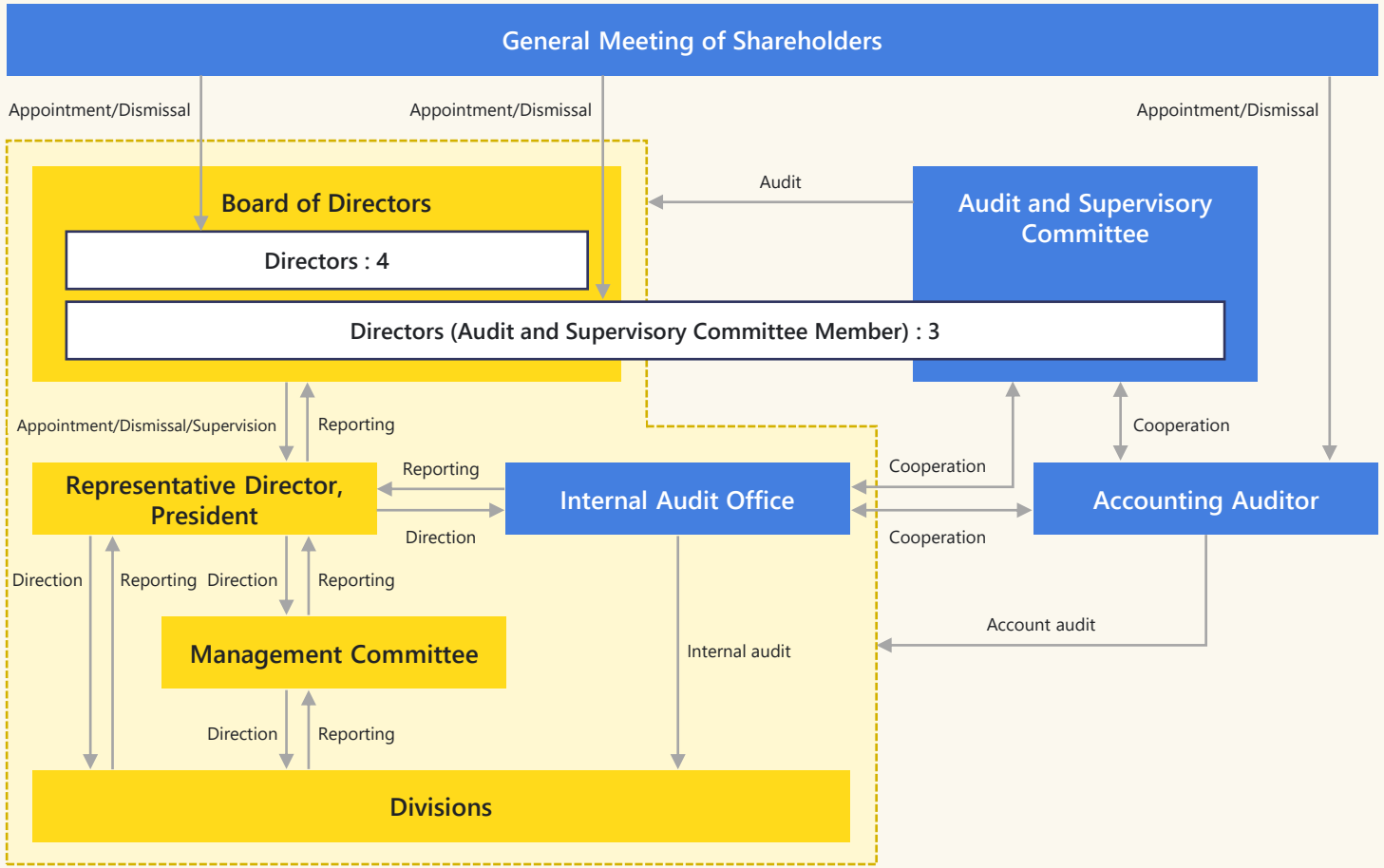
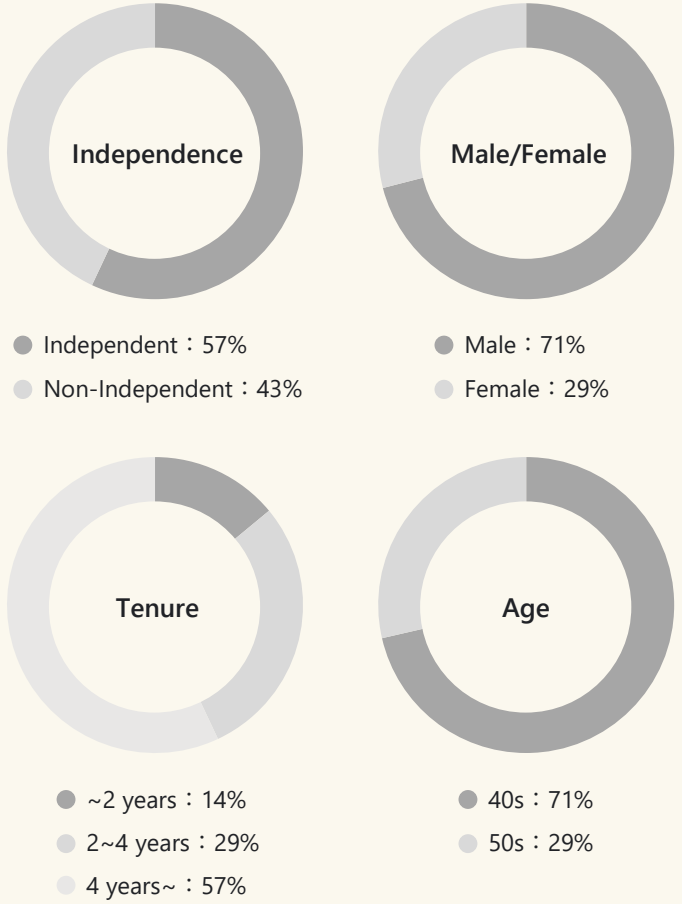
Corporate Governance (June 2023)

Corporate Governance Structure and Board Attributes





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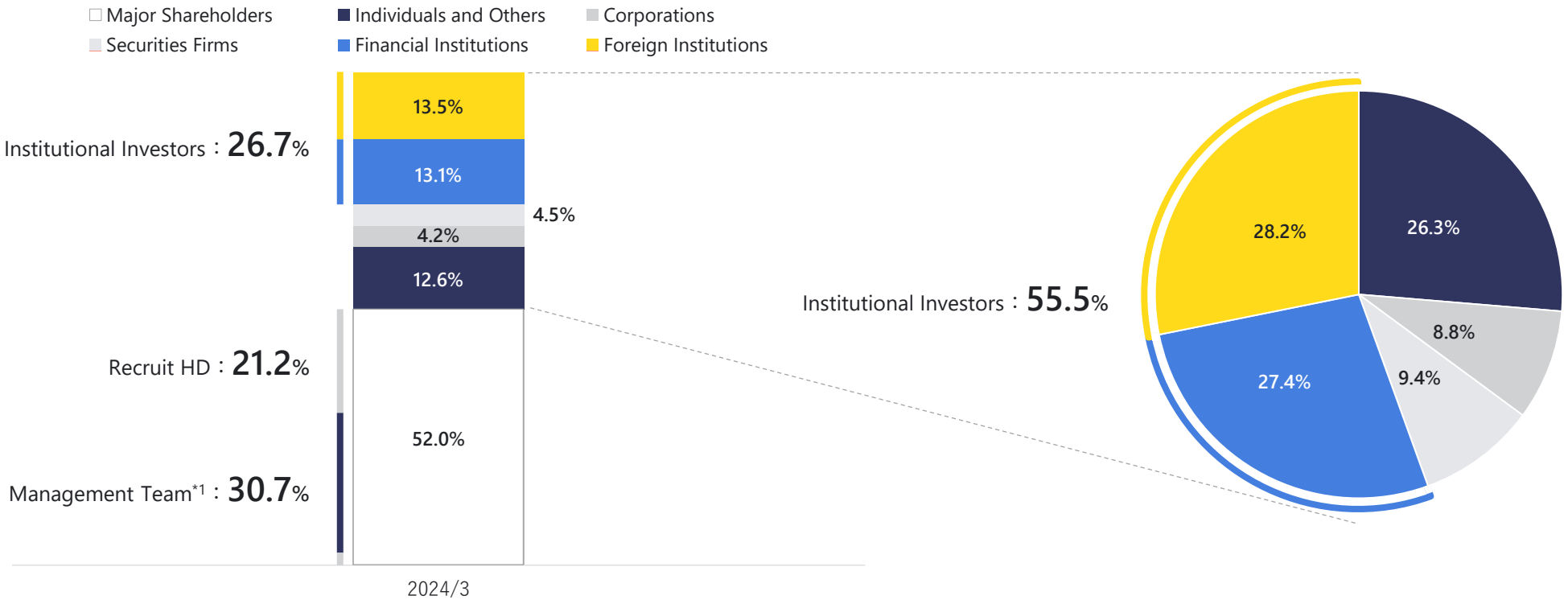
Ownership Structure (March 2024)

Ownership and Distribution of Shares



*1：Includes ownership of internal executive directors, as well as their asset management companies

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Financial Highlight*1

JPY MM	FY20/3	FY21/3	FY22/3	FY23/3	FY24/3
Net Sales	**2,625**	**3,402**	**4,496**	**5,990**	**7,625**
Subscription Revenue	2,102	2,991	3,931	5,156	6,723
Support Revenue	523	411	565	834	903
Gross Profit	**1,972**	**2,461**	**3,295**	**4,420**	**5,903**
GP Margin	75.1%	72.3%	73.3%	73.8%	77.4%
Adjusted Operating Profit *2	**(278)**	**86**	**218**	**474**	**814**
Adjusted OP Margin	—	2.5%	4.8%	7.9%	10.7%
Operating Profit	**(278)**	**(11)**	**174**	**322**	**679**
OP Margin	—	—	3.9%	5.4%	8.9%
Profit attributable to owners of parent	**(357)**	**(131)**	**210**	**246**	**699**
Free Cash Flow	**(482)**	**147**	**948**	**682**	**1,209**
FCF Margin	—	4.3%	21.1%	11.4%	15.9%
Cash and Deposits	1,635	1,955	2,835	3,400	4,688
Total Assets	2,398	3,014	3,993	4,623	6,544
Shareholders' Equity	995	961	1,208	1,491	2,208
Equity Ratio	41.5%	31.9%	30.3%	32.3%	33.7%

*1：Consolidated financial results are shown starting from FY24/3, any results before that are non-consolidated

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

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Risk Information

Major Risks[*1]			Countermeasures
Competition	Possibility: M	Severity: H	In addition to continuing to provide products and services that fulfill customers' needs, we will work to differentiate ourselves from our competitors by further enhancing the value of customer experience and our customer success capability.
There are competing companies in the talent management system field in which we do business. Additionally, it is a growth market and the barrier to entry is not especially high, so there is a chance that more companies will enter the business, making competition fiercer. It is possible that factors such as the business policies, price setting, and products and services of competing companies will have an effect on the markets that we participate in. Therefore, if we are unable to effectively differentiate from these competitors and achieve the business development that we envision, it may have an impact on our business results and financial standing.			
System Issues	Possibility: L	Severity: H	In order to operate stable services, we have taken thorough precautions against systems failures including enhancing server equipment, strengthening security, and building a systems management framework.
We provide our services through the internet. However, in the event that a large-scale program defect, natural disaster, accident, unauthorized access incident, or other cause results in an unexpected issue such as a systems failure or network disconnection, the resulting effects, such as damage to social credibility, may have an impact on our business results and financial standing.			
Personal Information Protection	Possibility: L	Severity: H	We are proactively working to protect personal information. In order to prevent external leaks of personal information, as well as to prevent incidents such as inappropriate usage and falsification, we have positioned the management of personal information as an important business matter and limited the employees who are able to access such information. We also ensure compliance with the Act on the Protection of Personal Information, other relevant laws and regulations, and relevant guidelines applied to the Company through means such as formulating rules including Personal Information Protection Regulations. In addition, we have renewed the Privacy Mark obtained in July 2012, and are actively working to protect personal information, strictly manage it internally, and prevent leaks. Furthermore, the Company will establish the necessary systems to promote security, including the implementation of ongoing audits by the Internal Audit Office on the effectiveness and implementation of security measures.
As we handle personal information related to the services we provide, we must fulfill the obligations required of a Personal Information Handling Business Operator under the Act on the Protection of Personal Information. We cannot fully eliminate the possibility of leaks, falsification, unauthorized use, or other incidents concerning the personal information we possess. Therefore, should such an incident occur, factors such as the incurring of considerable costs to carry out an appropriate response, claims for damages or restitution from the Company, or a loss of trust in the Company may have an impact on our business results and financial standing. In addition, regarding the leakage of personal information by our subsidiary Work Style Tech Ltd. (WST) disclosed on March 29, 2024, there is a risk that WST may receive compensation claims from parties concerned in future.			
Talent Acquisition and Development	Possibility: M	Severity: M	We will strive to establish work environments and human resources systems that better fit our employees, and fully enhance training and education programs.
We recognize that in order to continuously expand our business, it is most important that we secure, develop and retain exceptional talent. However, in the event we are unable to sufficiently secure or cultivate the exceptional talent we require when it is needed, or in the event of an outflow of talent, it could result in obstructions to ordinary business operations and business expansion, personnel expenses and recruitment costs deviating from planned budgets, and other issues that may have an impact on our business results and financial standing.			

*1：The legend of "Possibility" and "Severity" is as follows: H: High, M: Medium, L: Low

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1. Topics

2. Progress of Mid-term Management Policy

3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

5. Appendix

5-1. Company Overview

5-2. Our Services

5-3. Mid-term Management Policy

5-4. The Future of “WORK” and kaonavi

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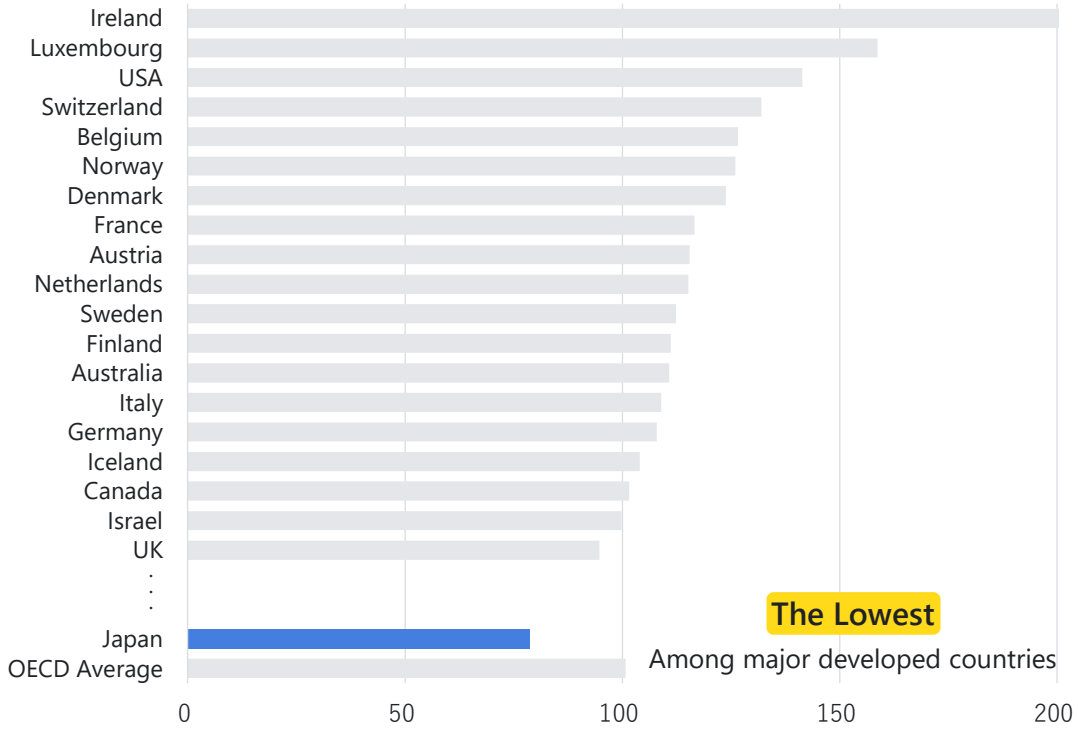
Japan's Labor Market Challenges

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)

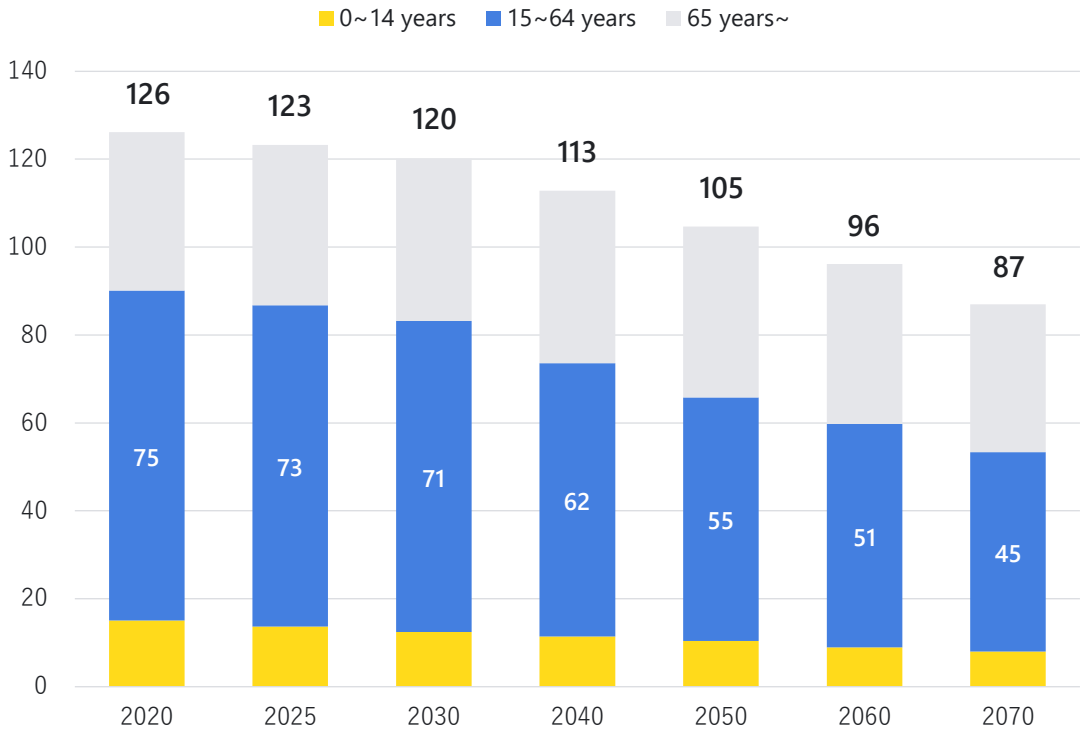
PPP Conversion : US$ 1,000



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 2023"

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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

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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

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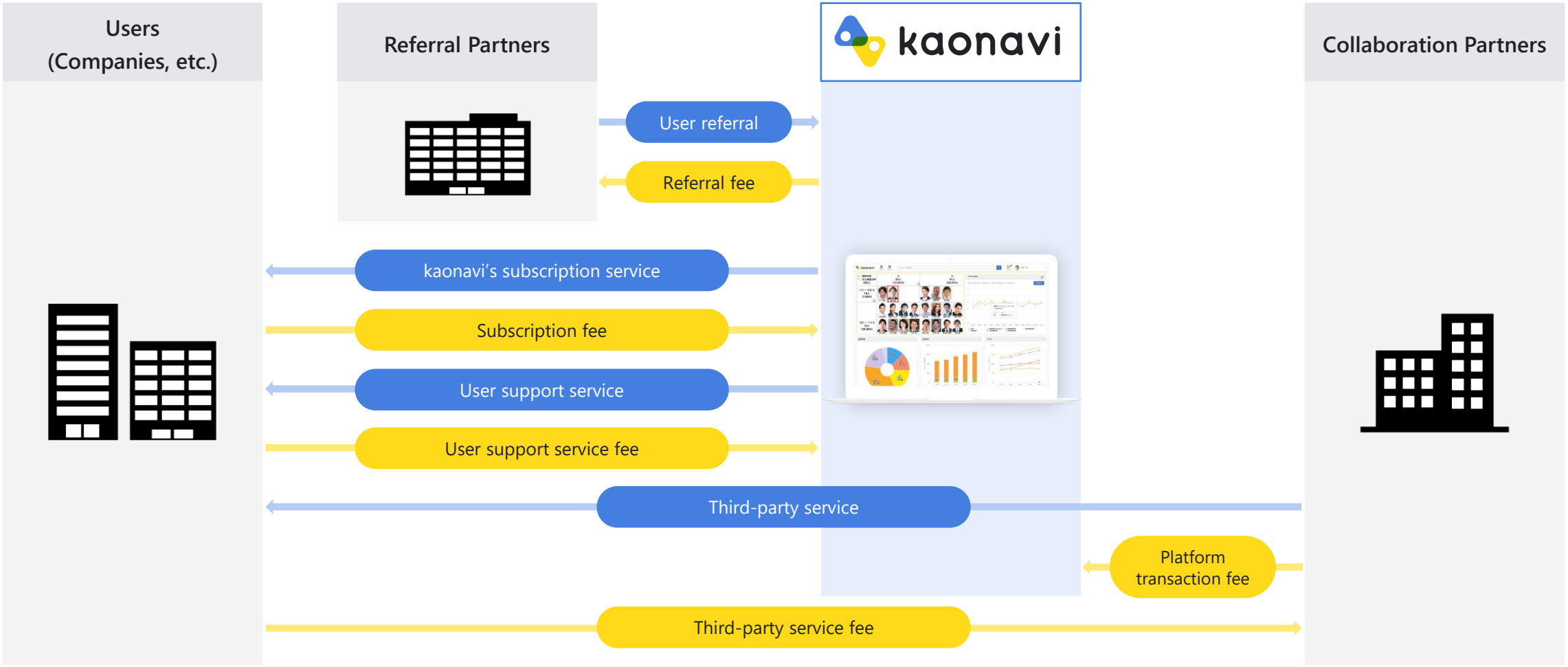
Business Model*1

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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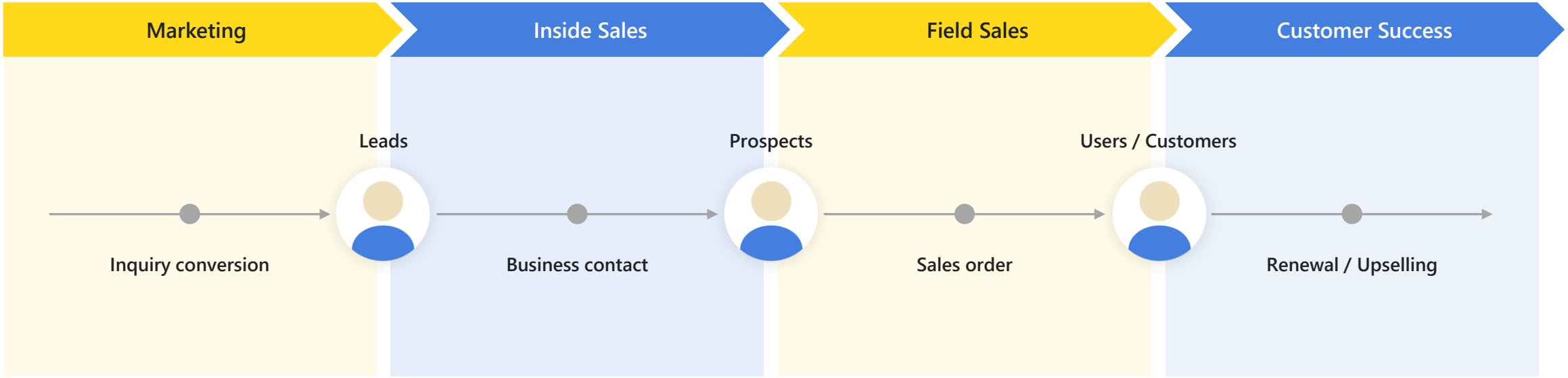
Business Process

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

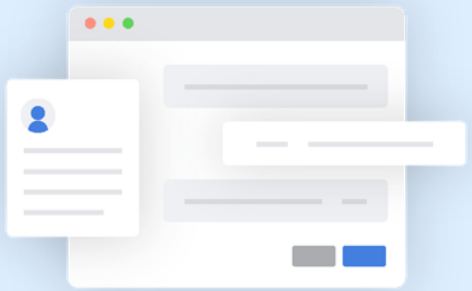
Customer Service

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

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Customer Base

The market leader in talent management system supporting more than 3,600 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
NISSHINBO
HONDA
IRIS アイリスオーヤマ株式会社
SUNTORY
味ひとすじ 永谷園
morinaga 森永乳業
NISSIN GROUP
湖 KOIKEYA
WACOAL
ダイヤモンド社
東宝 TOHO
KADOKAWA
SATUDORA HOLDINGS
吉野家 YOSHINOYA
CAINZ
FUJITA KANKO
帝国ホテル
ZENRIN
サカイ引越センター
OGFA 株式会社大阪ガスファシリティーズ
ハウステンボス
東急
JR JR九州
KINTETSU GROUP HOLDINGS
NANKAI
SHIMIZU CORPORATION 清水建設
阪急阪神不動産
三菱商事
JCB
SOMPOひまわり生命
Money Forward

kaonavi Academy Cloud

RITSUMEIKAN
学校法人 立教学院
関西大学 KANSAI UNIVERSITY

kaonavi Government Cloud

韮崎市 NIRASAKI CITY
奥尻町 Okushiri Town
NISEKO

kaonavi Medical Cloud

社会医療法人 ピエタ会 石狩病院
医療・介護・福祉 辰川会グループ
医療法人 神甲会 隈病院

* As of March 2024

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1. Topics

2. Progress of Mid-term Management Policy

3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

5. Appendix

5-1. Company Overview

5-2. Our Services

5-3. Mid-term Management Policy

5-4. 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

Expanding 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

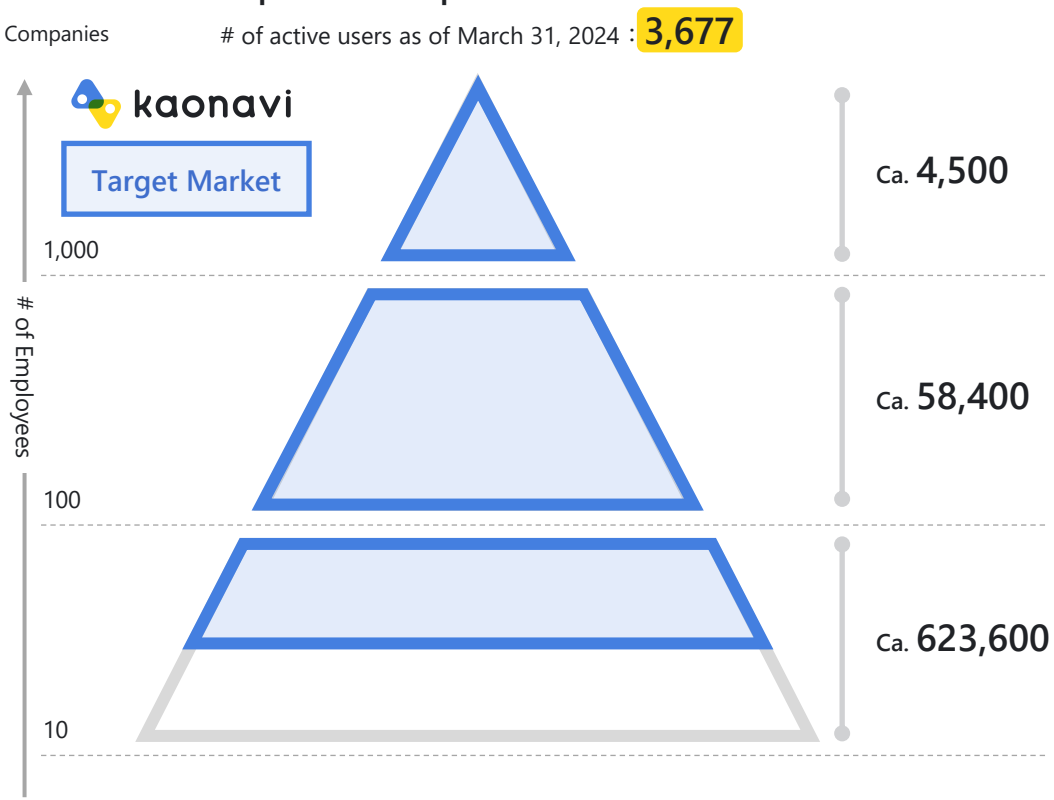
Raising Visibility

- 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"

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
  - Utilization of human capital information
  - Individual empowerment, 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

Expanding HR Data Platform

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

Major Development Items (FY25/3)

Utilization of human capital information	• Continuous expansion of the data charting and aggregating capabilities • Graphical display of employee history information • AI-based text analysis
Individual empowerment	• Management of cohort training • Collection and analysis of skills structure
Process automating from placement to notice of transfer	• Streamlining operations associated with placement review • Internal role change announcement
Digitalization of employer-employee relationship	• Improving workflow functionality • Development of additional labor management functions

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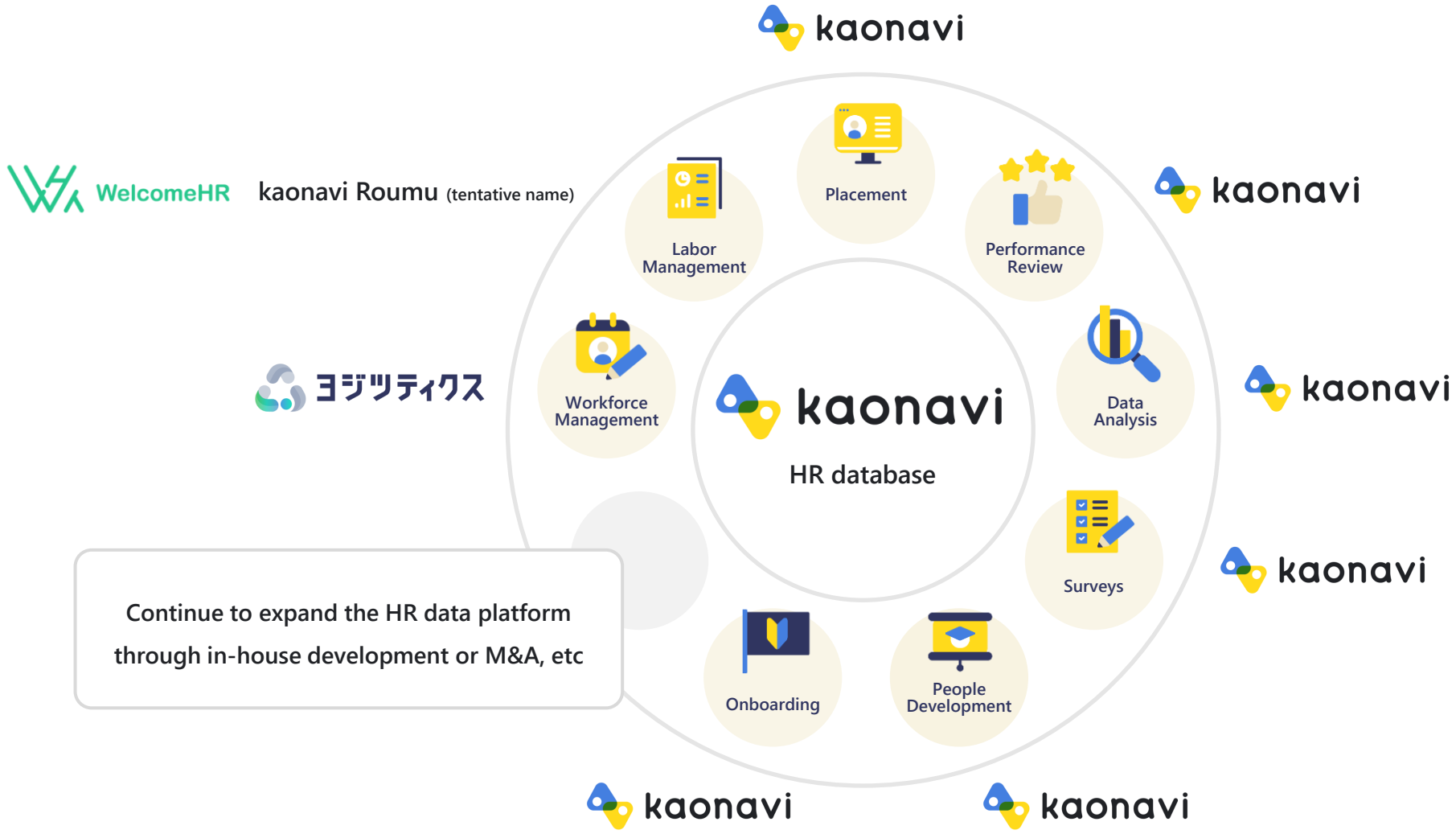
HR Data Platform

Expand our HR data platform by introducing new solutions including the acquisition of WST



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TAM Expansion Opportunities with HR Data Platform*1



*1：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*1

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

	FY22/3	FY23/3	FY24/3	Mid-Long Term Financial Model
GP Margin	73.3%	73.8%	77.4%	80%
S&M*2 (Ratio to net sales)	40.3%	40.8%	40.2%	30-35%
R&D*3 (Ratio to net sales)	5.6%	7.2%	11.3%	10-15%
G&A*4 (Ratio to net sales)	23.6%	20.4%	17.0%	10%
OP Margin	3.9%	5.4%	8.9%	20-30%
Adjusted OP Margin*5	4.8%	7.9%	10.7%	

*1：Consolidated financial results are shown starting from FY24/3, any results before that are non-consolidated
*2：Sales and Marketing. Total of personnel expenses of Sales, Marketing and Customer Success, and marketing-related expenses, as well as allocated common expenses, etc.
*3：Research and Development. Total of personnel expenses of engineers involved in R&D, as well as common expenses, etc.
*4：General and Administrative. Total of personnel expenses of corporate division, as well as common expenses, etc.
*5：Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

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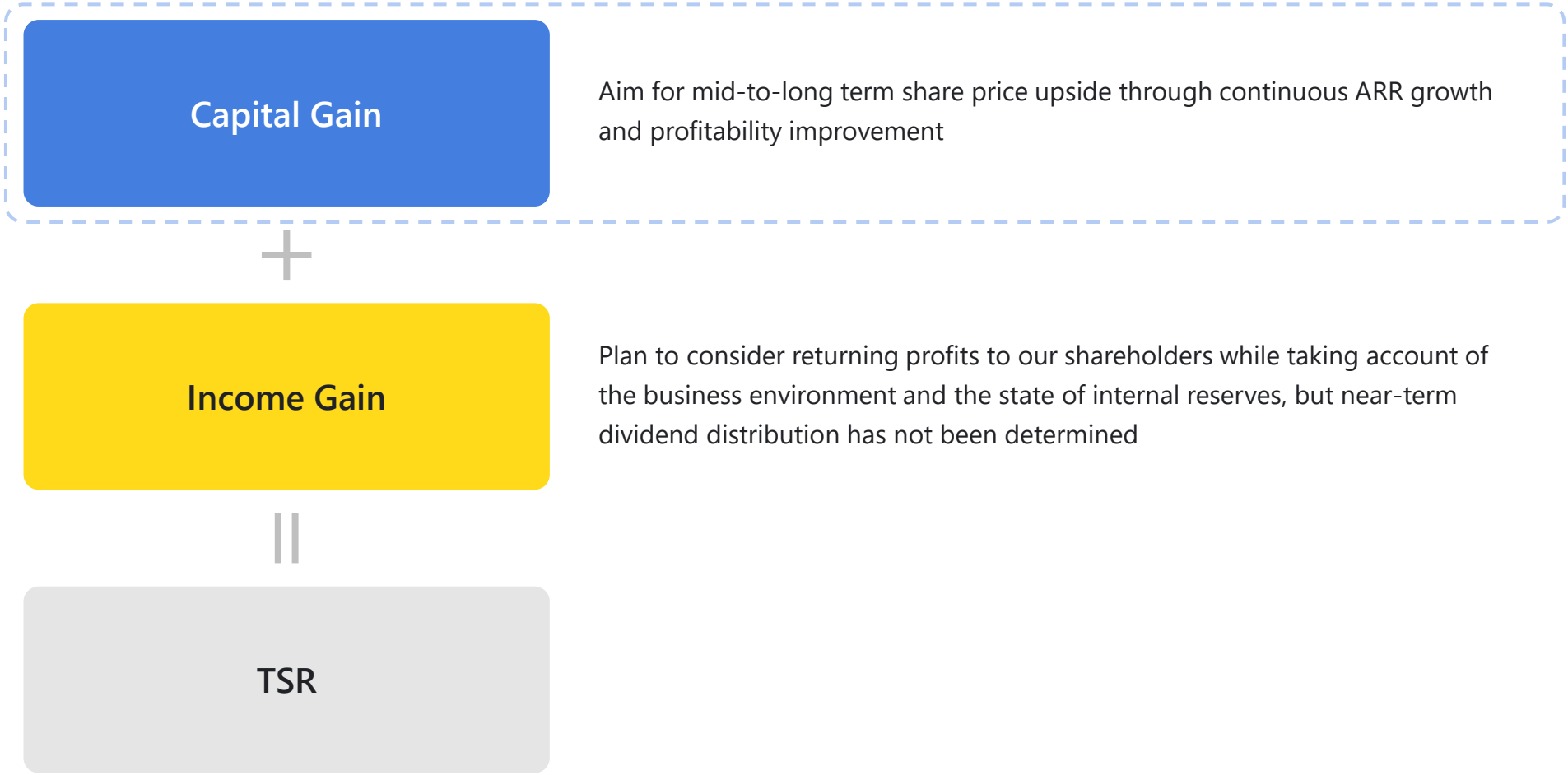
Shareholder Return Policy

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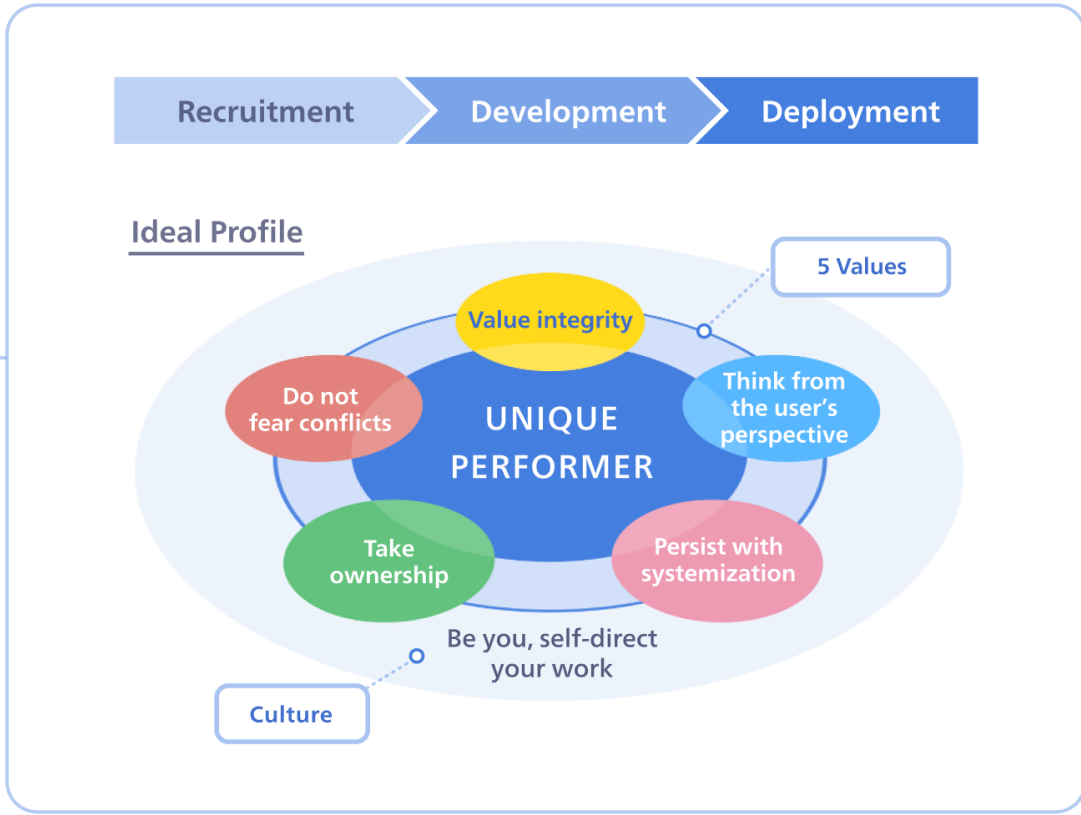
3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

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 2024)

22.9 % Government's goal：**30%** (2030)

Gender Wage Gap[*1]
(FY24/3)

84.5 %

Ratio of Non-Japanese Employees
(As of March 2024)

0.7 %



Supporting Self-directed Career Development

Annual Training Hours per Person[*2]
(FY24/3)

9.8 h

Ratio of Employees with Second Jobs
(As of March 2024)

18.1 %

Employee Turnover Rate
(FY24/3)

17.6 %



Improving Well-being

Paternity Leave Rate
(FY24/3)

88.2 % Government's goal：**50%** (2025)
85% (2030)

Ratio of Returning from Parental Leave
(FY24/3)

100 %

Telework Implementation Rate
(FY24/3)

80.3 %

*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. Progress of Mid-term Management Policy

3. FY24/3 4Q Financial Highlights

4. FY25/3 Forecast

5. Appendix

5-1. Company Overview

5-2. Our Services

5-3. Mid-term Management Policy

5-4. The Future of “WORK” and kaonavi

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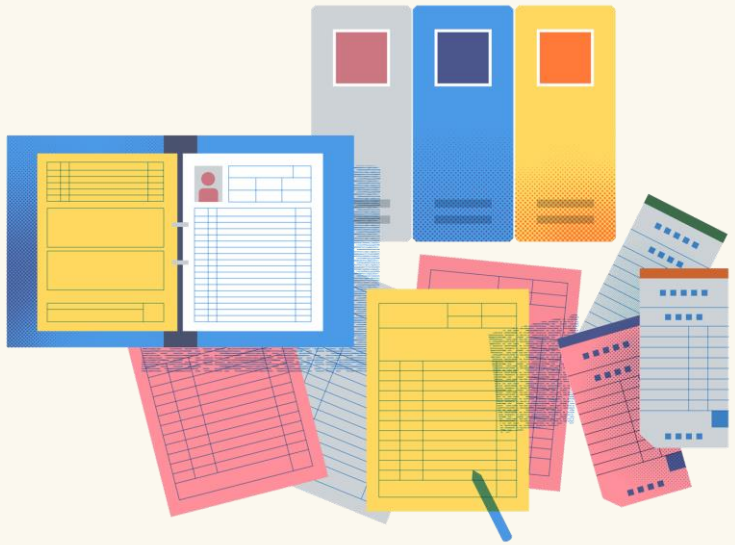
Changes in HR Information Management and Work Styles - Past

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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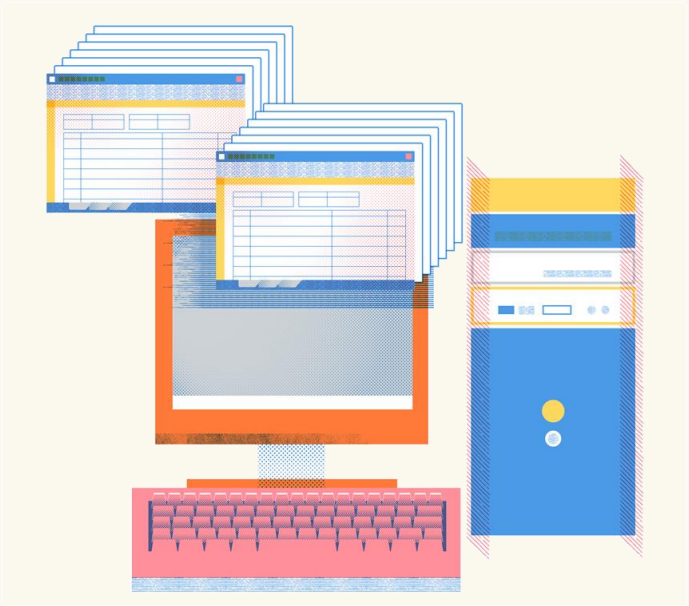
Changes in HR Information Management and Work Styles - Past

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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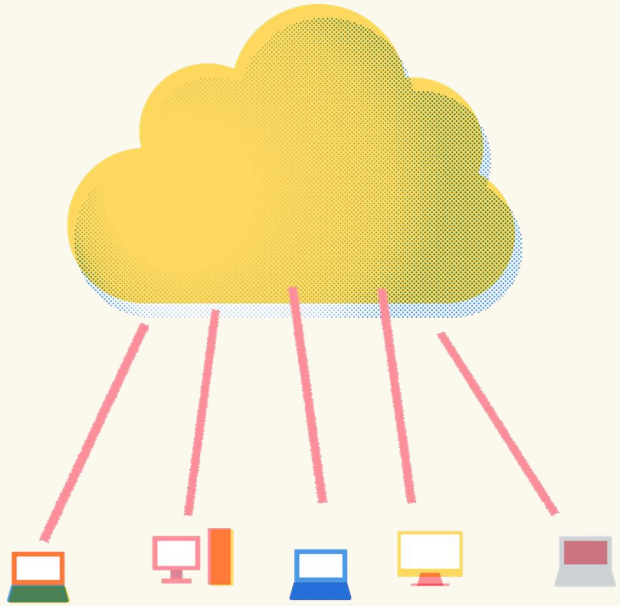
Changes in HR Information Management and Work Styles - Present

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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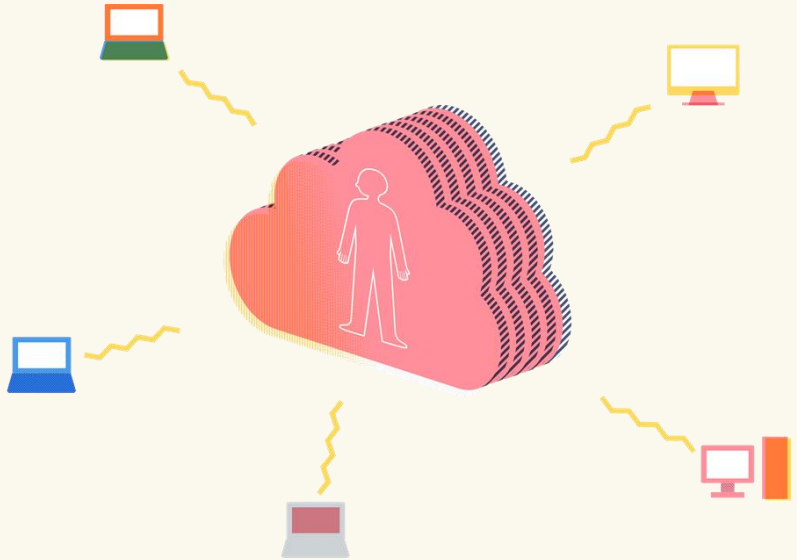
Changes in HR Information Management and Work Styles - Future

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



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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





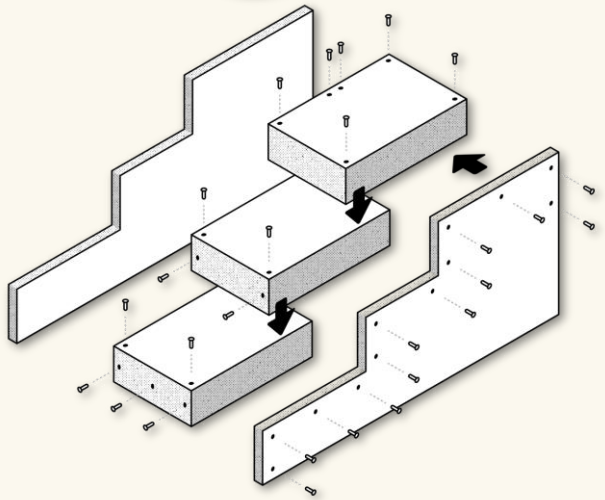
Flexibility-rich System

Adaptability to meet various needs of users instead of 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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Disclaimer

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

This material is an excerpt translation of the original Japanese material and is only for reference purposes. In the event of any discrepancy between this translated material and the original Japanese material, the later shall prevail.

The update of “Our Business Plans and Growth Potential” will be disclosed after every announcement of full year financial results from now onward. However, financial figures and KPIs will be updated on a quarterly basis.

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