

# Financial Results Briefing Materials for the Fiscal Year Ended December 31, 2020



NittsuSystem Co., Ltd.  
(TSE Mothers: 4013)

STRICTLY PRIVATE AND CONFIDENTIAL

February 10, 2021



We plan to change our company name to Kinjiro Co., Ltd. from March 27. Our prototype for the new company logo is shown above.



1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (FY2020)
2. Plan for the Fiscal Year Ending December 31, 2021 (FY2021)
3. Management Policy and Other Matters

# 1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2020 (FY2020)



## Summary of Consolidated Financial Results for FY2020



- Net sales were 3,432 million yen, partly due to the impact of the COVID-19 pandemic on the on-premises business.
- Share capital increased substantially as a result of public listing, while factor based tax, registration and license tax, and other fees exceeded initial plan by approximately 57 million yen, bringing profit to 329 million yen.

### Consolidated statement of income (Unit: Million yen)

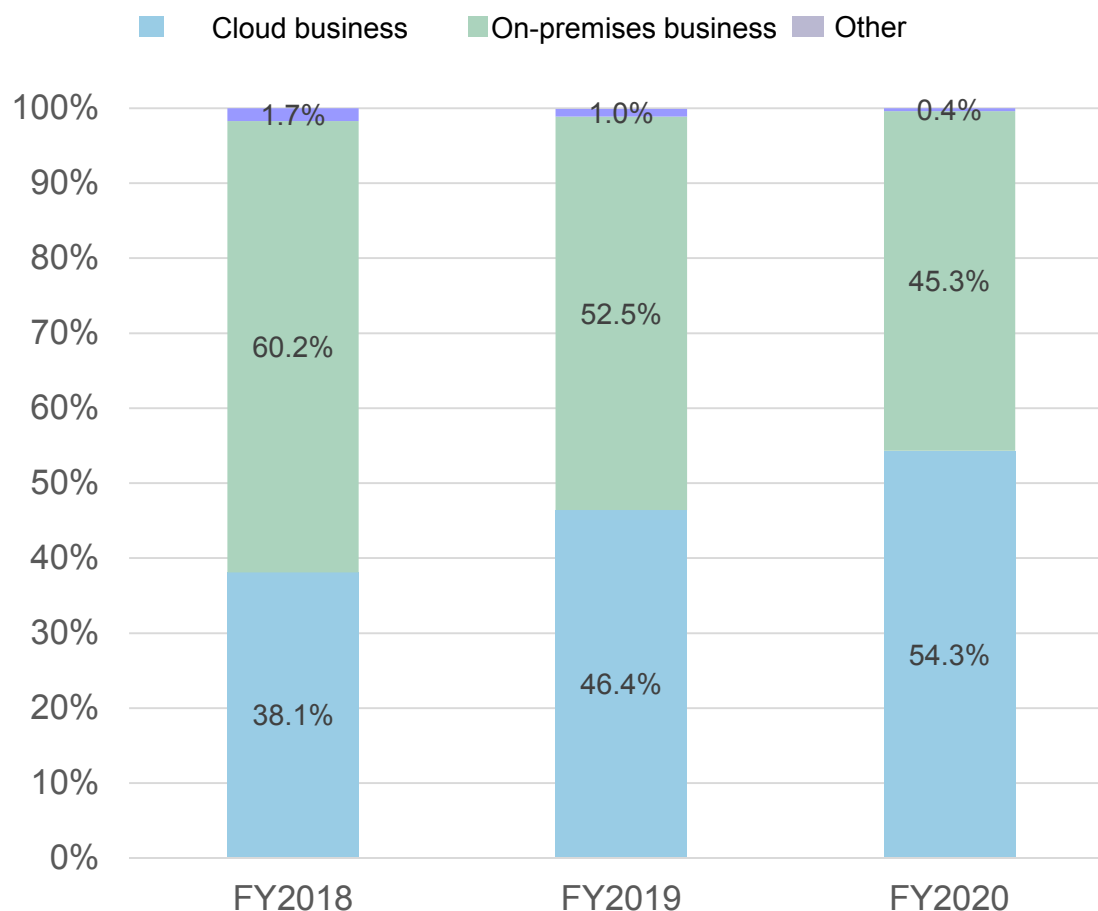
	FY2019 results	FY2020 plan	FY2020 results	YoY change	Vs. plan
Net sales	3,188	3,747	3,432	+8%	-8%
Operating profit	459	632	562	+22%	-11%
Ordinary profit	459	623	511	+11%	-18%
Profit	332	426	329	-1%	-23%

# Net Sales Trend by Business Segment



- Shift in revenue structure from the on-premises business<sup>\*1</sup> to the cloud business<sup>\*2</sup>

Trend in structure of net sales by business segment



1. “On-premises” refers to cases where the user retains the information system equipment (hardware), and operations are carried out at the location of the user’s premises. Our *on-premises business* sells software that is installed on users’ equipment, and provides ancillary services.
2. “Cloud” refers to cloud computing. Our *cloud business* provides users with the software and data that were previously installed on local computers, or the core technologies needed to provide them (such as servers), as services through the Internet and other networks.

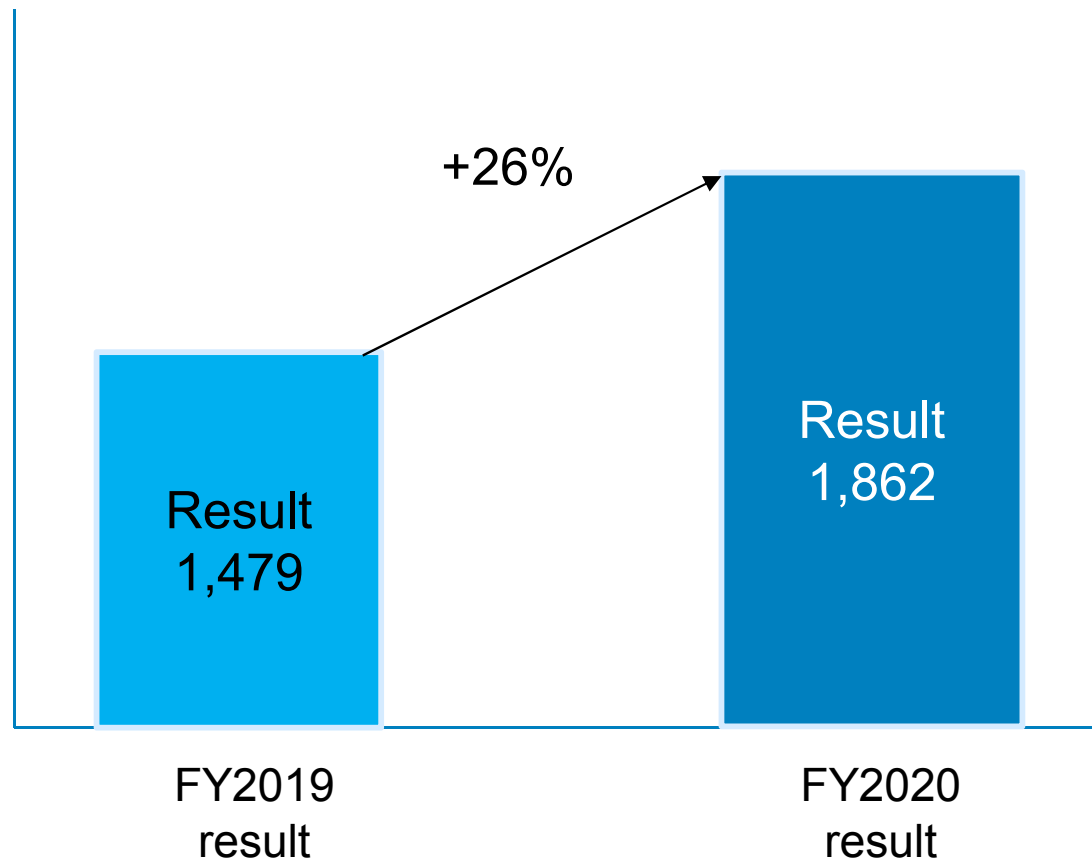
## Sales in Cloud Business for FY2020



- Steady growth of 26% year-on-year, with no significant impact from the COVID-19 pandemic.

Comparison with the previous year's result (Unit: Million yen)

Net sales



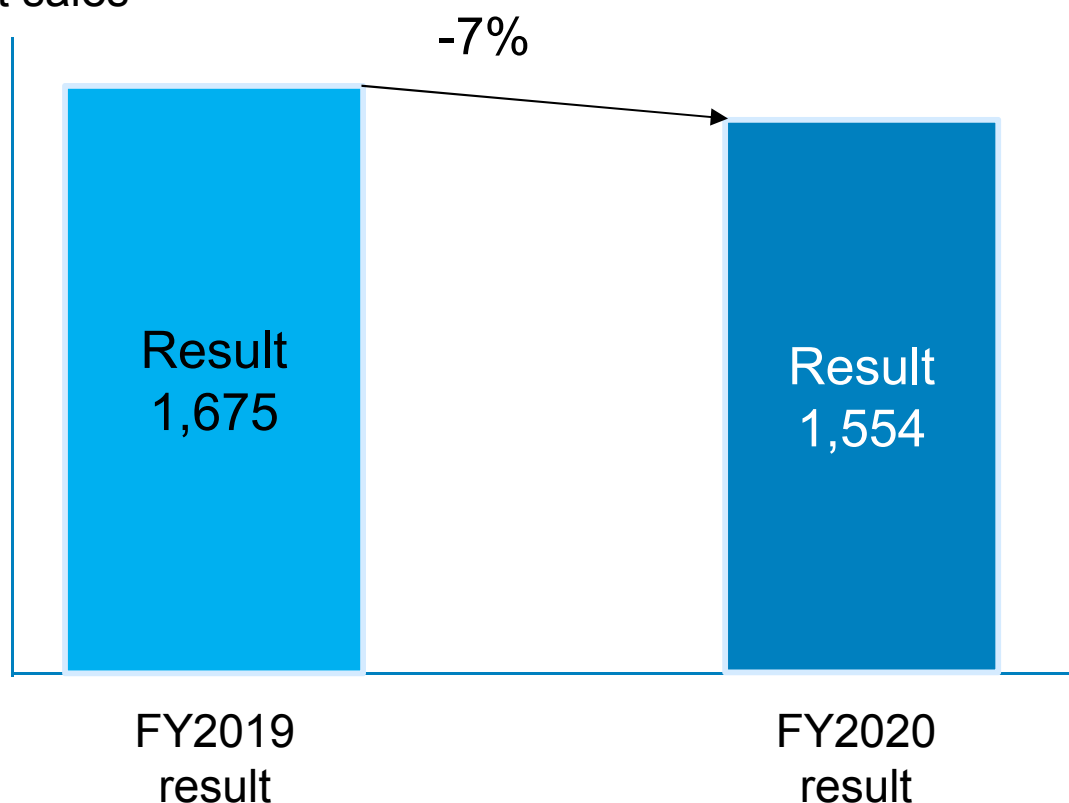
## Sales in On-premises Business for FY2020



- Down 7% year-on-year, due to factors including the postponement of orders, mainly by corporate clients that remained affected by the pandemic even after the state of emergency was lifted, as well as the shift to cloud-based contracts.

Comparison with the previous year's result (Unit: Million yen)

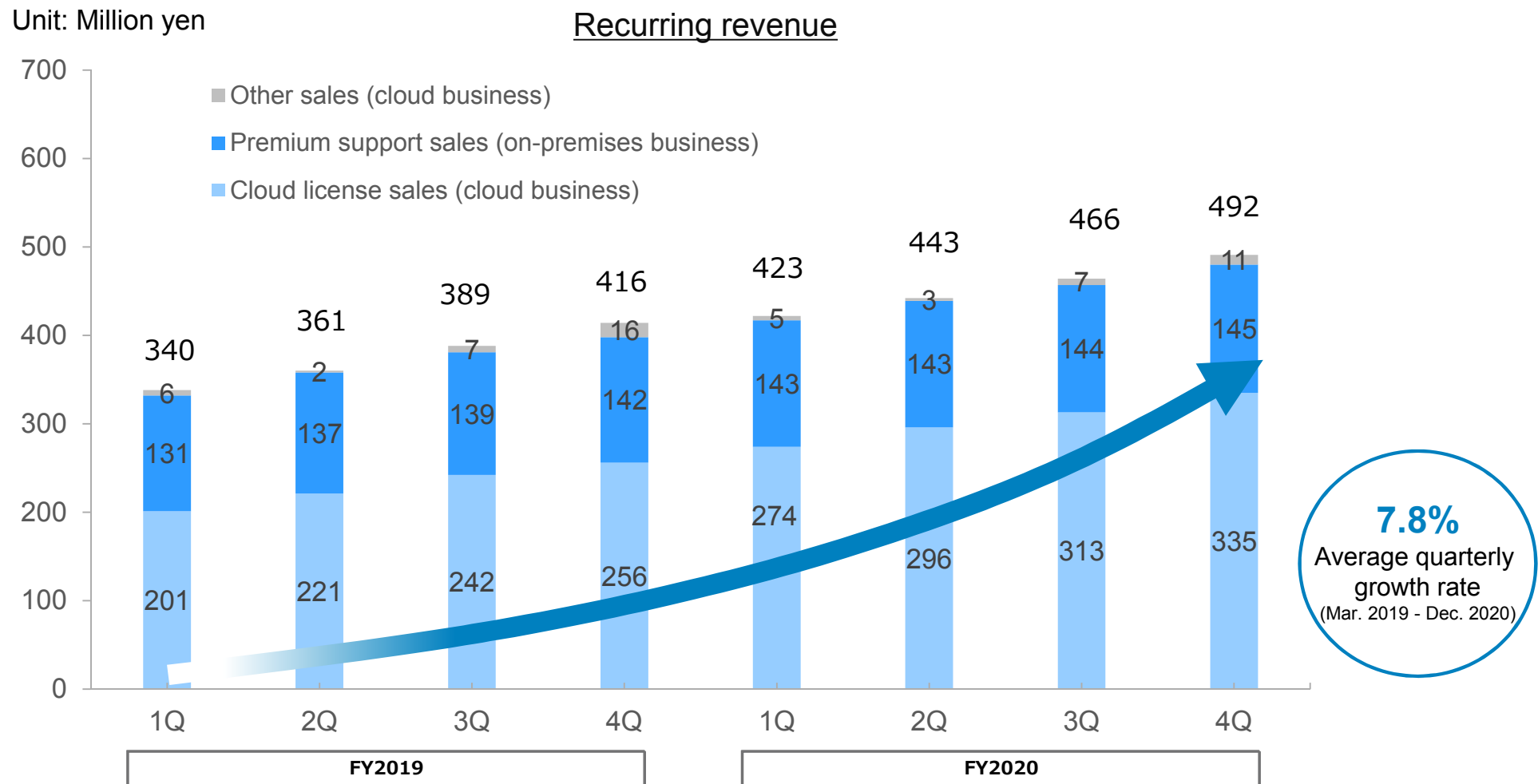
Net sales



## Quarterly Trend in Recurring Revenue



- Recurring revenue, primarily composed of cloud license sales and premium support sales, is also growing on a quarter-by-quarter basis. Cloud license sales in particular display an average quarterly growth rate of 7.8%.



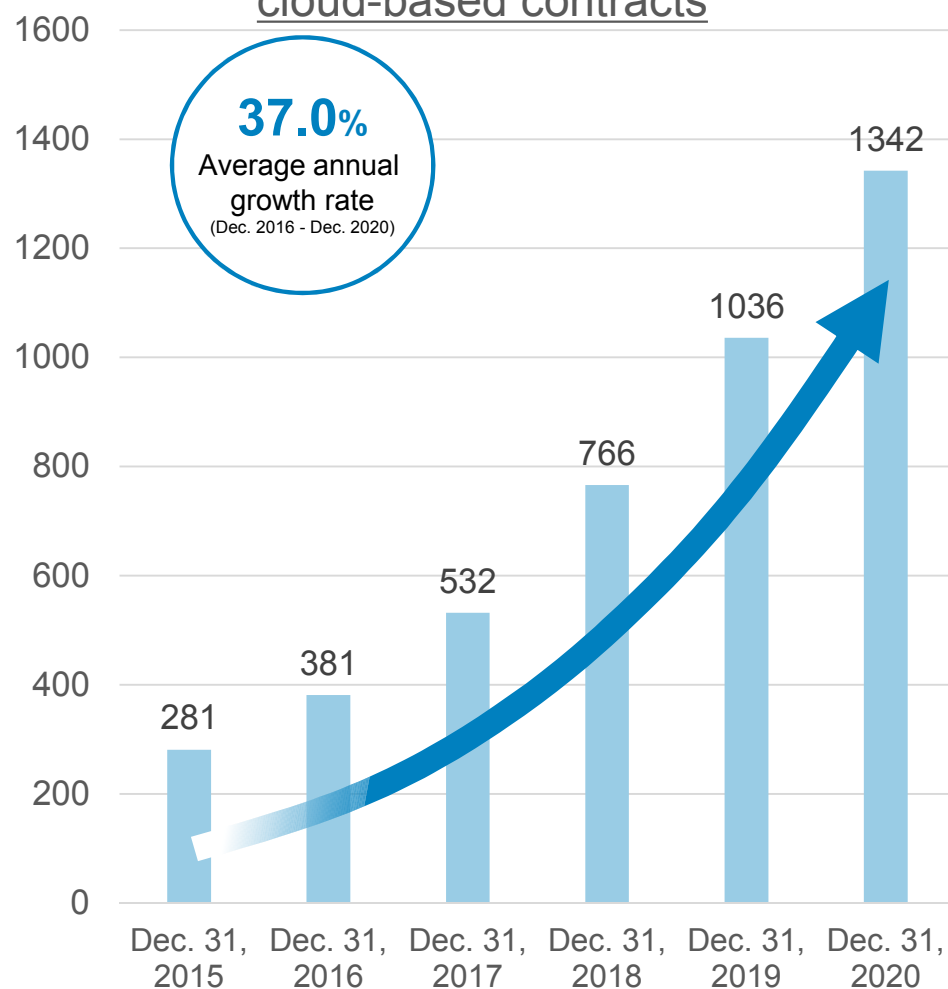


# Number of Corporate Clients on Contract and Number of Licenses\*<sup>1</sup>

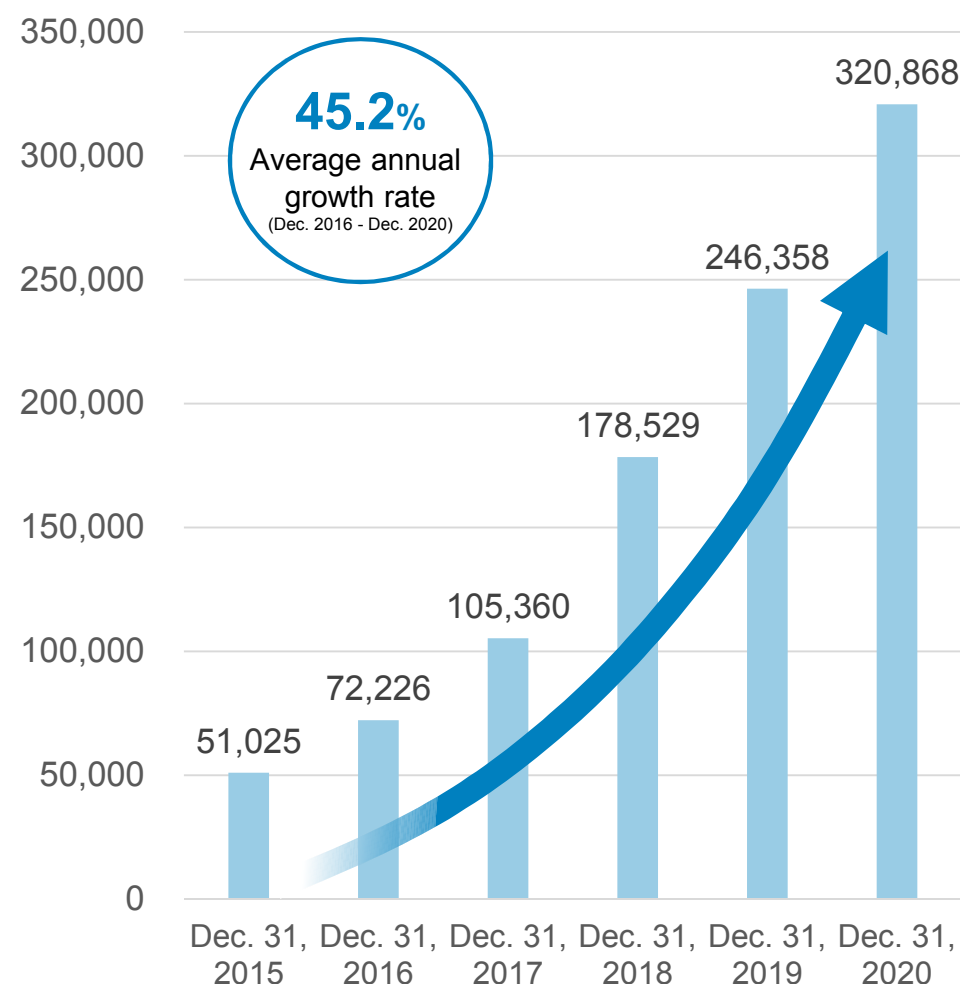


- High growth continues in the number of licenses, with an average annual growth rate of 45.2%

Number of corporate clients on cloud-based contracts



Number of cloud-based licenses

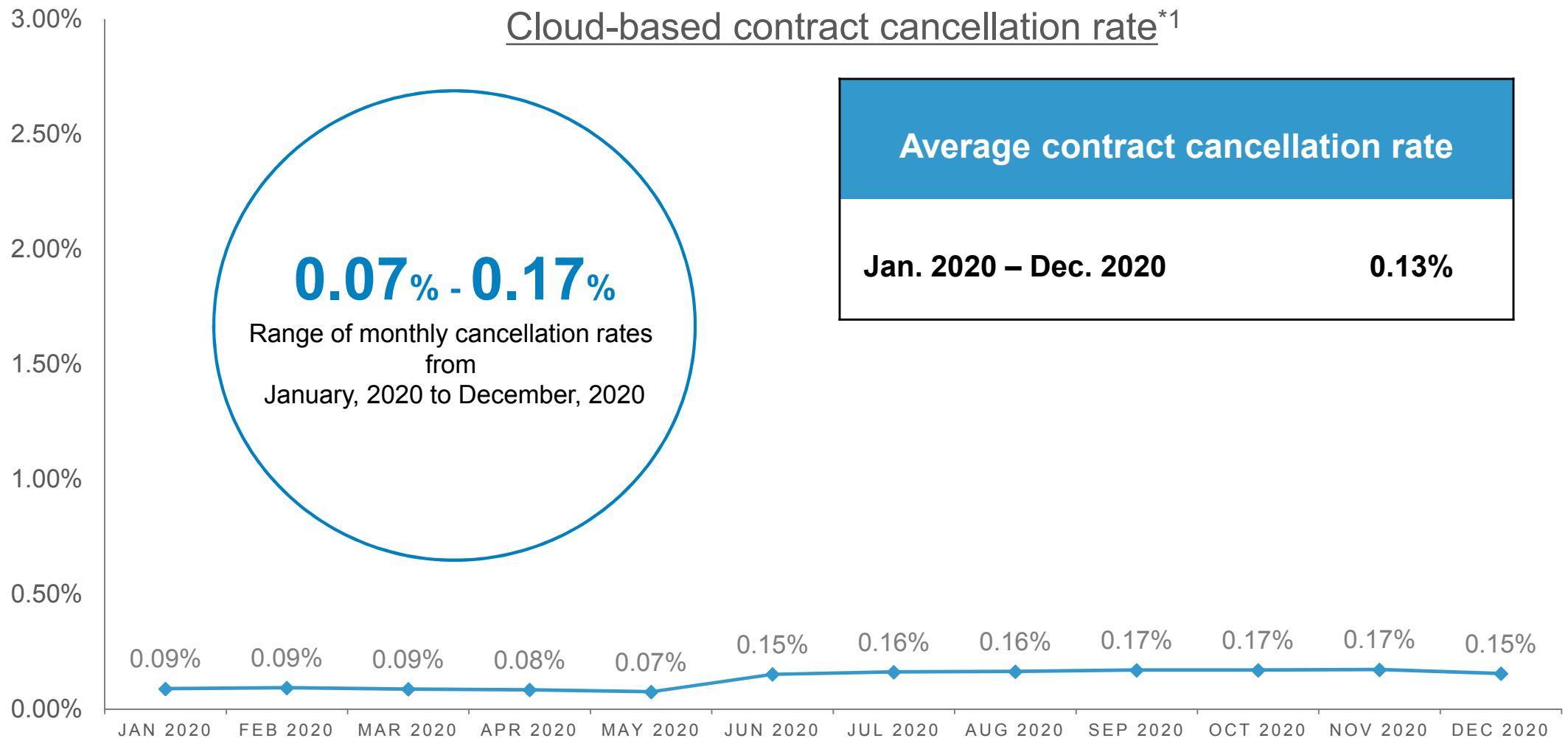


1. The number of licenses for each employee at a corporate client is counted as one, even where the employee uses multiple services (Recruitment, HR, Salary, Health x Life).

# Cloud-based Contract Cancellation Rate



- The average number of cloud-based contracts cancelled per month remains stable at a low rate of 0.13%.



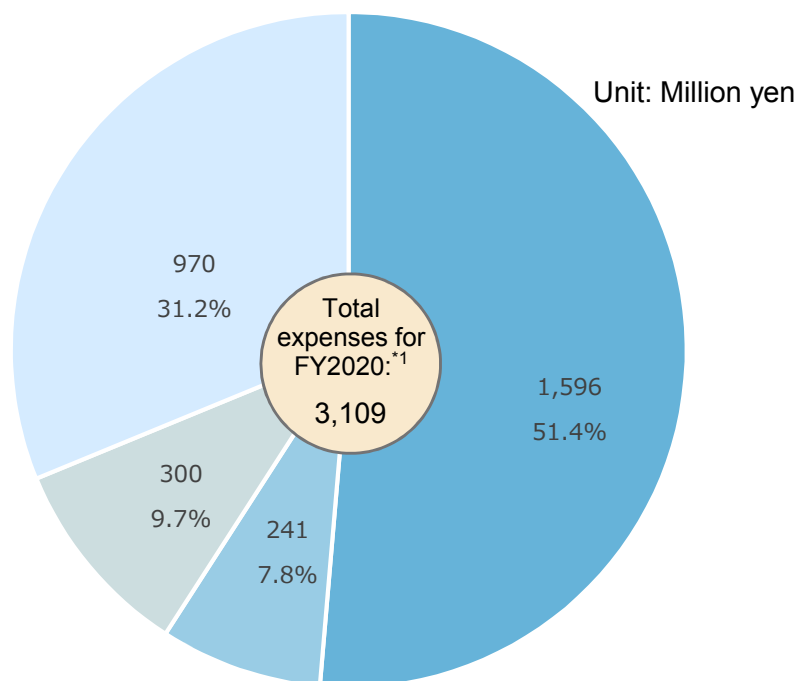
1. Monthly average cancellation rates. Calculated by dividing revenue from customers who cancelled their contracts in that month, by revenue as of the previous month end.

# Cost Structure



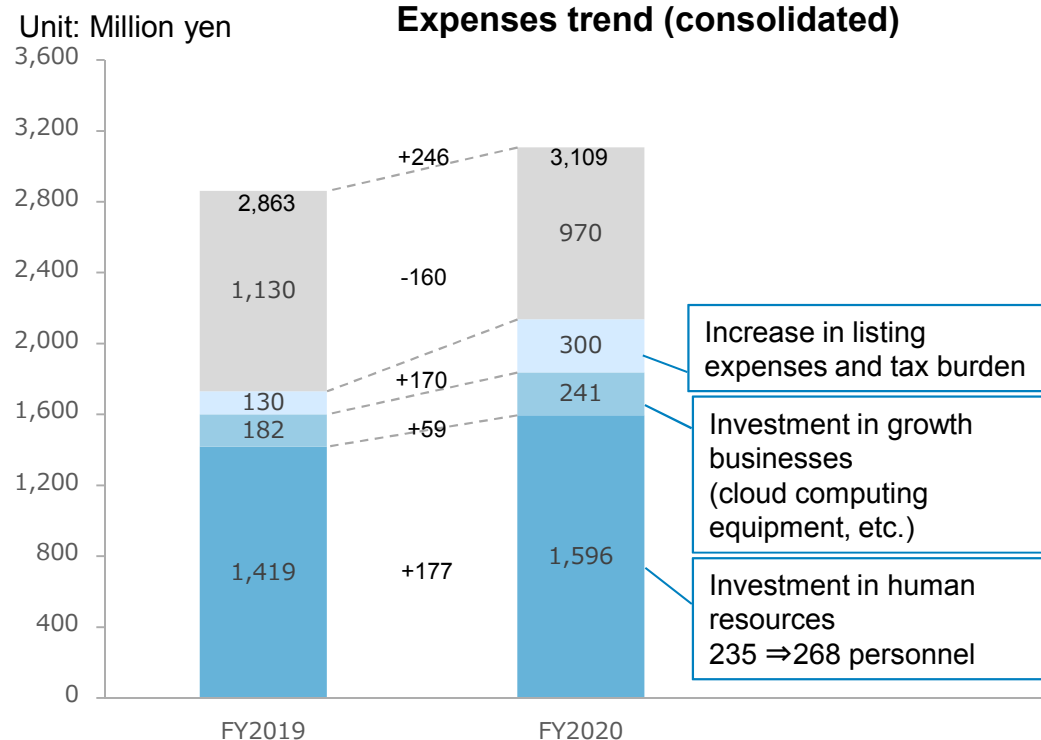
- The cost structure in FY2020 shows listing expenses and tax burden increased by 170 million yen year-on-year.

**Cost structure (consolidated)**



- Personnel expenses
- Commission and depreciation expenses
- Listing expenses and tax burden
- Other

**Expenses trend (consolidated)**



- Personnel expenses
- Commission and depreciation expenses
- Listing expenses and tax burden
- Other

1. Total expenses are the sum of cost of sales, selling, general and administrative expenses, non-operating expenses, and income taxes.

## 2. Plan for the Fiscal Year Ending December 31, 2021 (FY2021)



## FY2021 Financial Results Forecast



- Our financial results forecast for FY2021 has been **formulated under the assumption that the impact of COVID-19 will persist through the first half of FY2021**, reflecting the postponement of contracts with clients in the on-premises business and the shift to cloud-based service contracts that occurred due to the impact of COVID-19 in FY2020.
- It is possible that the performance of our on-premises business may be affected under certain circumstances, such as if the impact of the COVID-19 pandemic becomes substantially more severe than anticipated, or continues beyond the first half of FY2021, but this impact is difficult to quantify reasonably at present, and has therefore not been incorporated into the financial results forecast.



- Expand net sales by 29%, ordinary profit by 62%, and profit by 74%
- Leverage new products (Next-generation Kinjiro) to achieve increased revenue, despite sales for the on-premises business is expected to fall approximately 200 million yen short of initial expectations due to the renewed declaration of a state of emergency
- Promote development through the following initiatives:
  - (1) We are strengthening personnel recruitment and development. As part of this effort, we plan to acquire a training facility to enhance personnel training (planned expenditure of approximately 100 million yen in FY2021)
  - (2) We will utilize and actively promote outsourcing (planned year-on-year increase of around 70 million yen)

## Consolidated statement of income (Unit: Million yen)

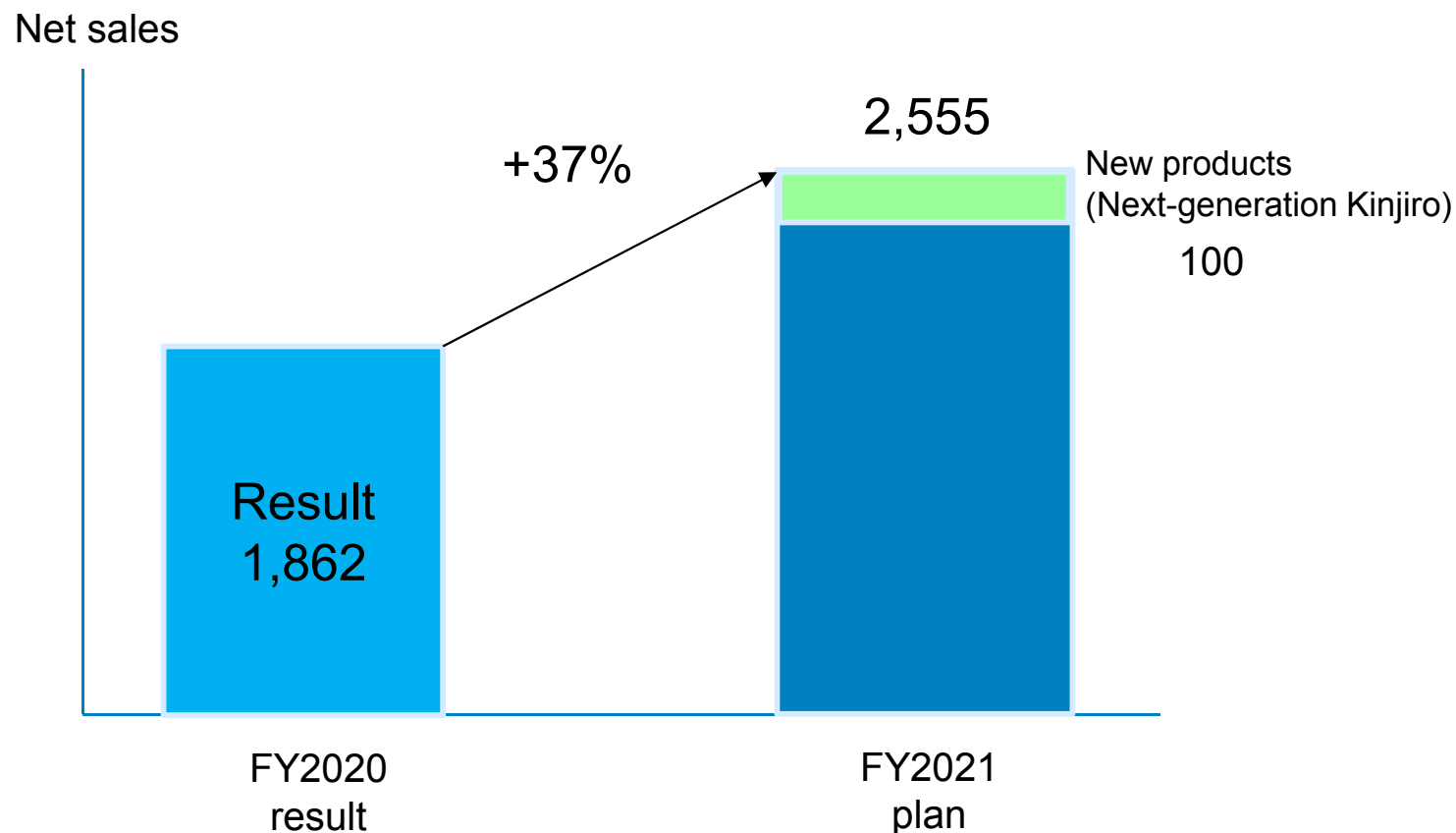
	FY2020 results	FY2021 plan	YoY change	% change
Net sales	3,432	4,415	983	+29%
Operating profit	562	827	265	+47%
Ordinary profit	511	827	313	+62%
Profit	329	574	245	+74%

## FY2021 Plan (Cloud Business)



- Our cloud business has not been affected by the COVID-19 pandemic, and we forecast expanded sales due to an increase in sales and consulting personnel
- We will leverage our new products (Next-generation Kinjiro) to expand sales, and expect a year-on-year increase of 37%

Comparison with FY2020 result (Unit: Million yen)

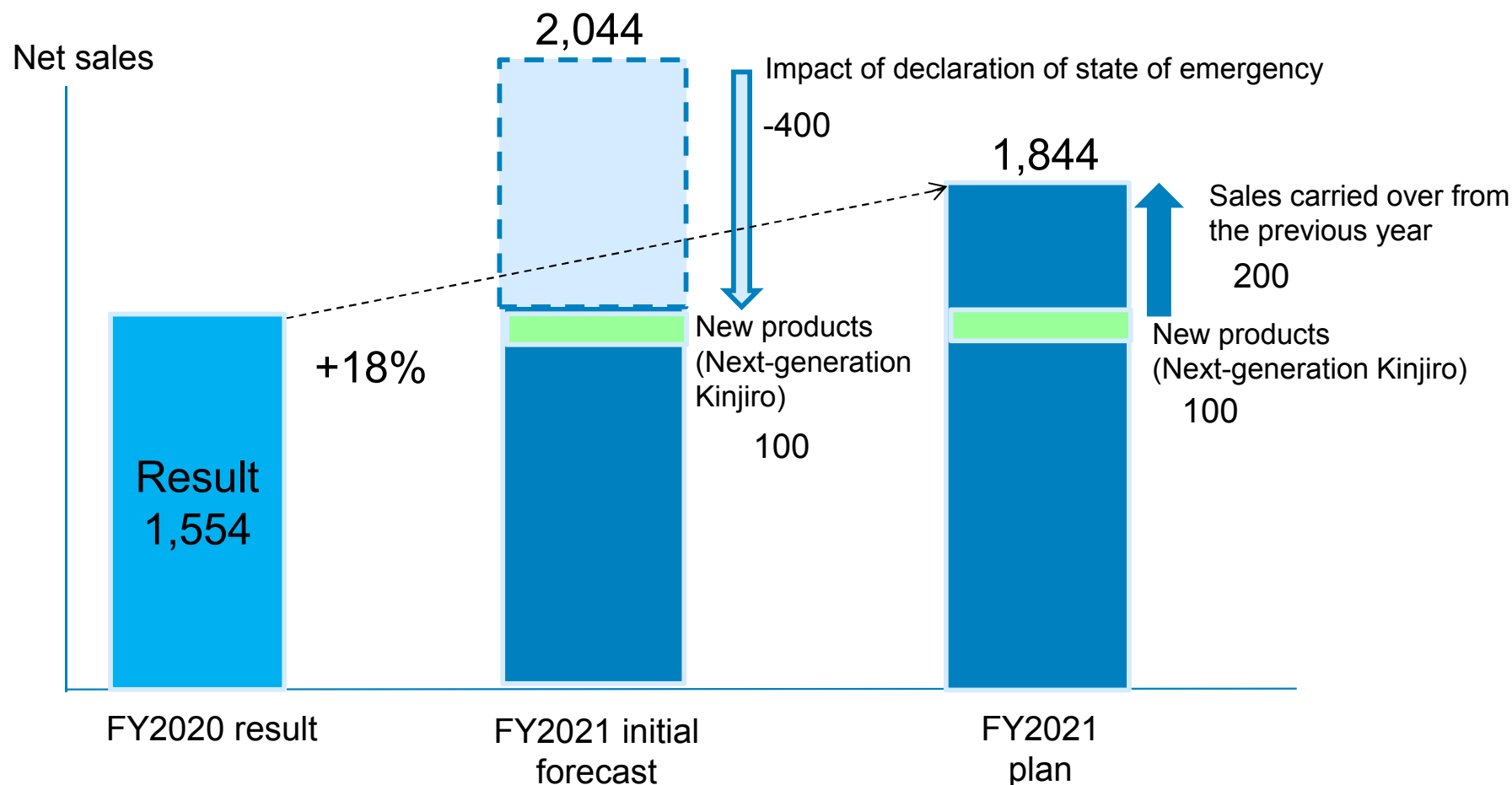


## FY2021 Plan (On-premises Business)



- We anticipate some impact (equivalent to -400 million yen) from the declaration of a state of emergency, but expect an increase in sales of 18% year-on-year, in view of sales carried over from the previous fiscal year (200 million yen) and sales of new products (Next-generation Kinjiro) (100 million yen)

Comparison with FY2020 result (Unit: Million yen)

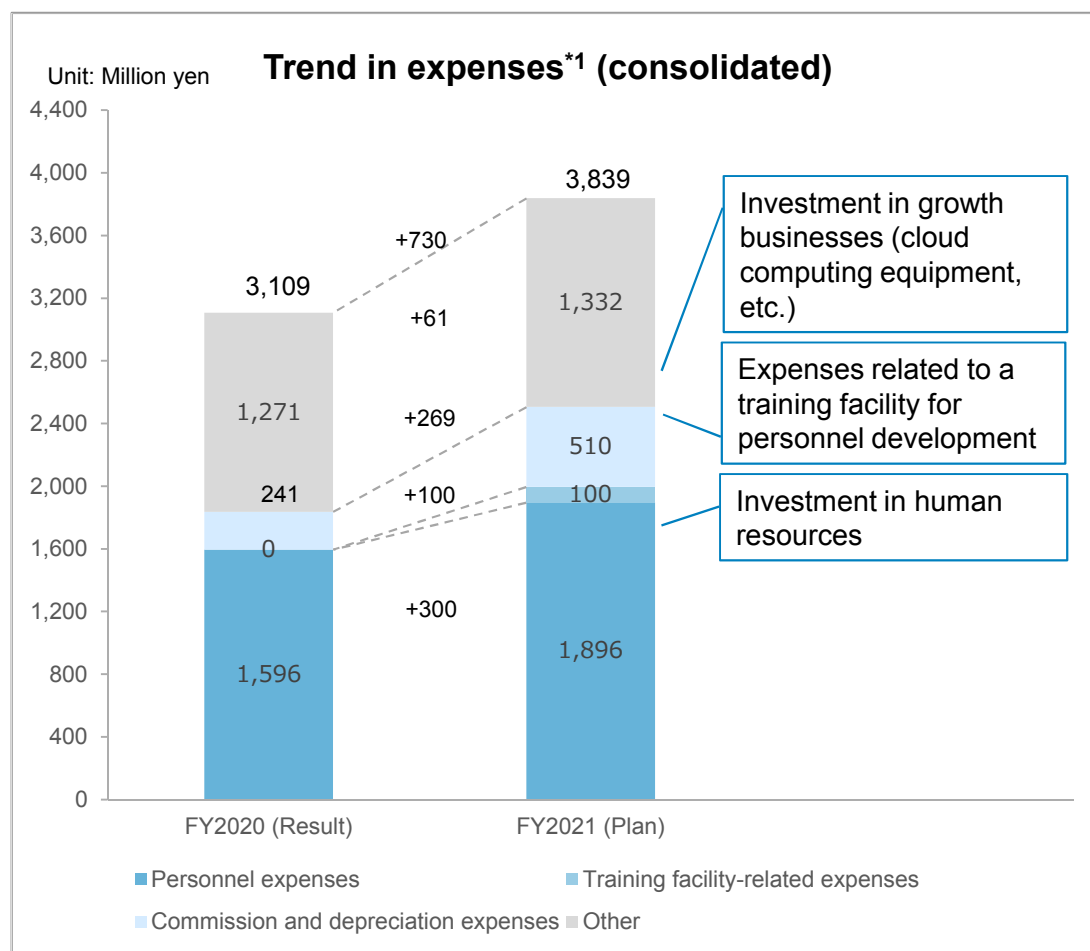




# FY2021 Plan (Cost Structure)



- Expenditure in FY2021 will continue to include ongoing investment in human resources and equipment, etc. for the cloud business.
- We will also acquire a training facility in the Kanto region to promote understanding of our new products (Next-Generation Kinjiro), and enhance off-the-job training amid the expanding scale of our client base.



1. Expenses are the sum of cost of sales, selling, general and administrative expenses, non-operating expenses, and income taxes.

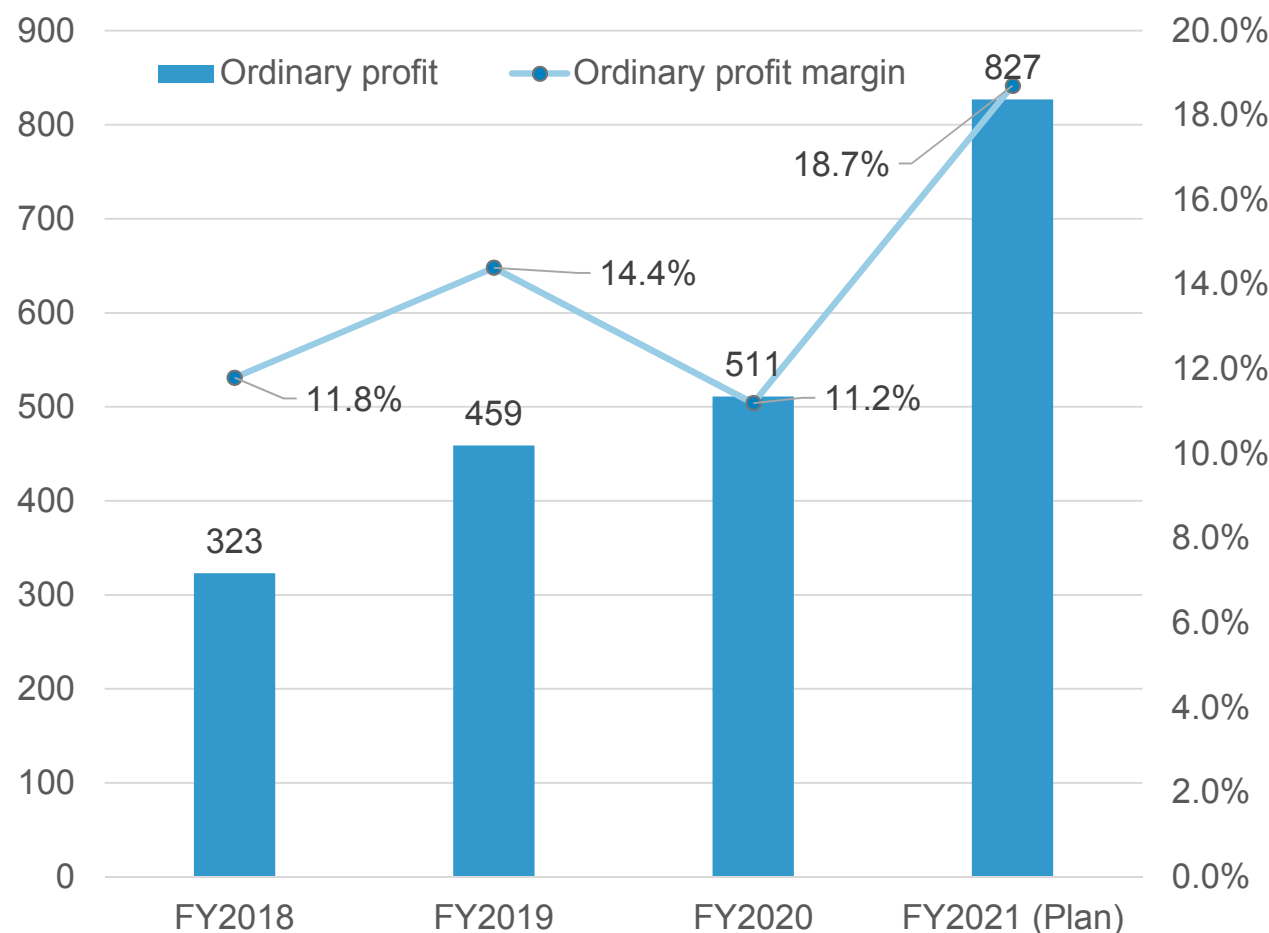


## Trend in Ordinary Profit and Ordinary Profit Margin

- Ordinary profit has continued to increase each fiscal year, and we plan to achieve an ordinary profit margin (ratio of ordinary profit to net sales) of 18.7% in FY2021

### Ordinary profit and ordinary profit margin

Unit: Million yen

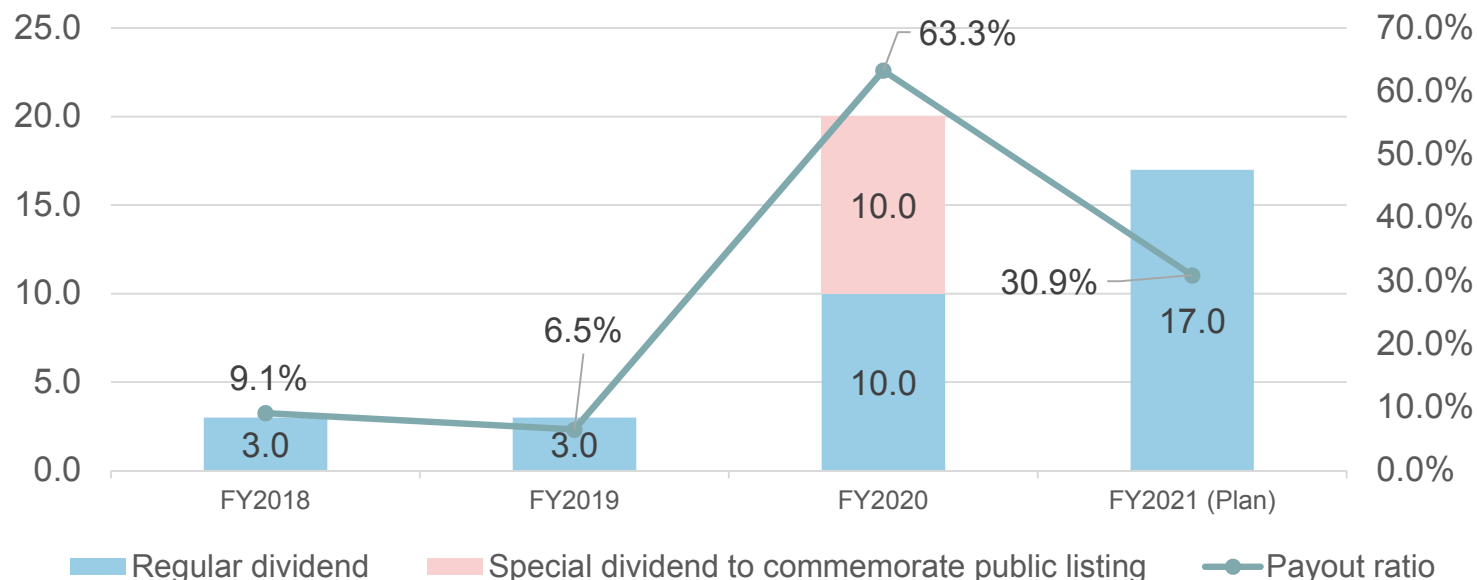


# Shareholder Returns



- Dividend policy: We regard the return of profits to all shareholders as a key management issue. Our basic policy is to provide dividends while taking into consideration the level of internal reserves necessary for future business development and enhanced financial strength.
- Based on this policy, we plan a regular dividend of 10 yen per share in FY2020. In addition, we plan a special dividend of 10 yen per share to commemorate public listing on the TSE Mothers, making a total dividend of 20 yen per share.
- We plan to pay a dividend of 17 yen per share for FY2021.

Dividend per share and dividend payout ratio



## Change of Company Name



**From March 27, 2021, our company name will change from NittsuSystem Co., Ltd. to Kinjiro Co., Ltd.**

Reason for the change: After public listing on the TSE Mothers, we consider it vital to gain greater recognition among all our stakeholders. We have decided to promote our corporate image name *Kinjiro Enterprise*, which is acclaimed for its superior brand loyalty and brand equity, to our new corporate brand name.

New trade name: As the symbol of our product brand, *Kinjiro* has been a familiar name to our employees and customers for over 20 years.

It is named after the historical figure Ninomiya Kinjiro (Sontoku), whose efforts to advocate the ideals of *kinro* (diligence), *bundo* (budgeting within ones means) and *suijo* (giving back) through his own actions have made him well known to many. We think these ideals match our business concept as well.

### 3. Management Policy and Other Matters

We have been designated as a Certified Health & Productivity Management Outstanding Organization *White 500* for three consecutive years.

\*In the top 100 companies out of a total of 2,328

We now have our sights set on achieving 2021 Certified Health & Productivity Management Organization status!



**We will pursue better relationships between people, time and technology through our cloud business and *HRM & HL Platform*, and engage in CSR, contributing to society by supporting *work style reforms and health & productivity management* and *better health for the entire population*.**

**Business models: *B-to-B, B-to-B-to-E, and B-to-C***

HRM: Human Resource Management (refers to strategic engagement in personnel procurement, assignment and development, and personnel management systems, etc. from a medium- to long-term perspective, with the aim of achieving corporate management strategies and business strategies)

HL: Health Life

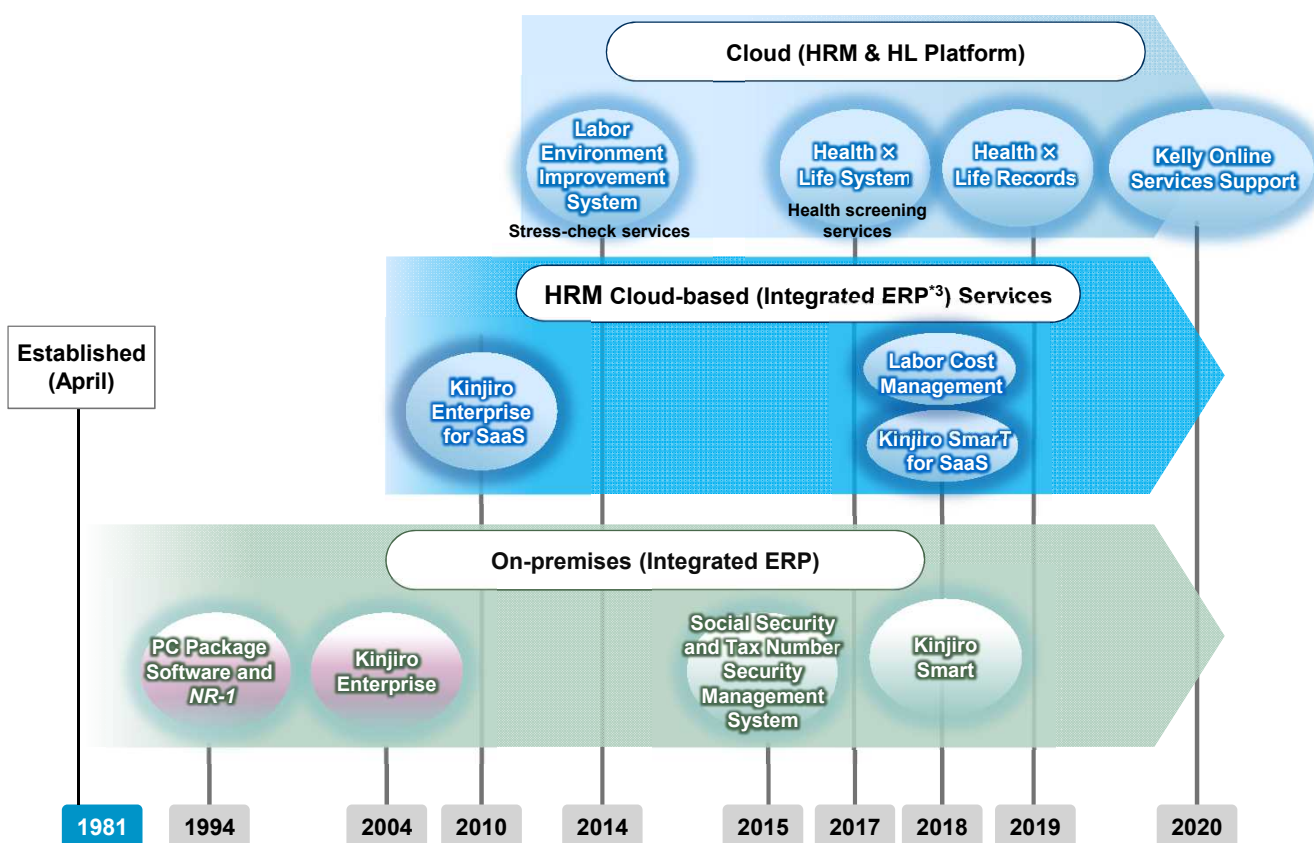
B-to-E: Transactions between businesses (B) and employees (E)

# Evolution of Our Business Model

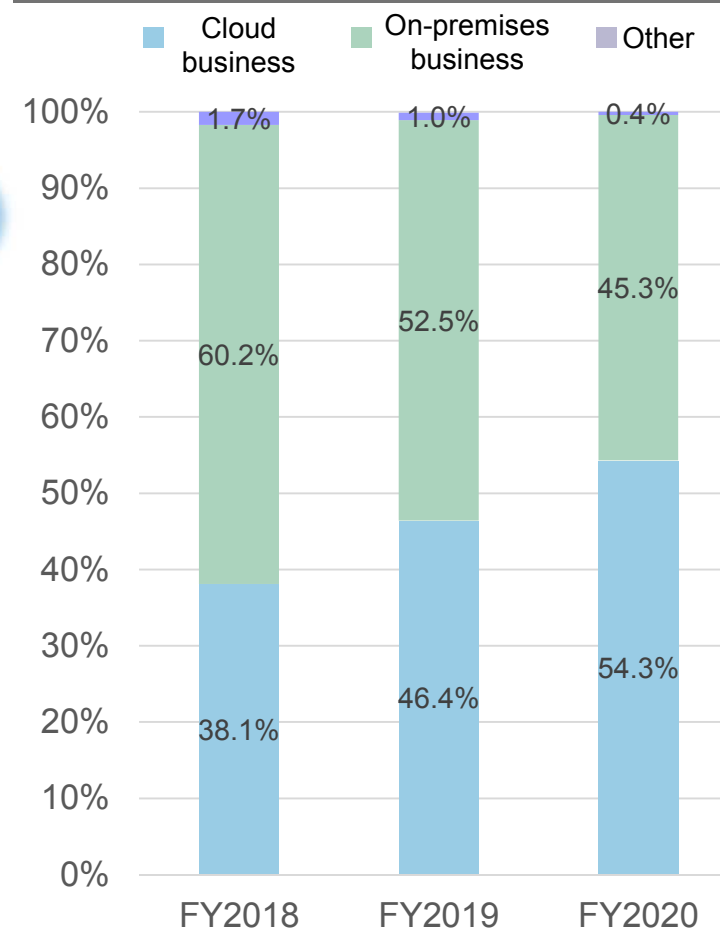


- Our revenue structure has changed from the on-premises business<sup>\*1</sup> to the cloud business<sup>\*2</sup>

## Evolution of the business model



## Trend in structure of net sales by business segment



1. “On-premises” refers to cases where the user retains the information system equipment (hardware), and operations are carried out at the location of the user’s premises. Our *on-premises business* sells software that is installed on users’ equipment, and provides ancillary services.
2. “Cloud” refers to cloud computing. Our *cloud business* provides users with the software and data that were previously installed on local computers, or the core technologies needed to provide them (such as servers), as services through the Internet and other networks.
3. ERP stands for Enterprise Resource Planning, and refers to operations systems designed to increase the efficiency of an enterprise’s core business processes.

# What is *Kinjiro Enterprise*?



- Integrated ERP that realizes *work style reforms and health & productivity management*

## *Kinjiro Enterprise* Integrated ERP System (B-to-B, B-to-B-to-E ⇒ B-to-C)

### Work style reform data

### Health management data

Utilization of employee data by consumers themselves

#### Cloud-based services

#### HRM & HL Platform

#### Integrated data

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

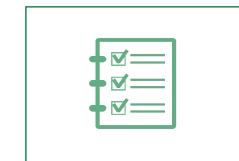
#### Kelly Online Services

#### Integrated Data Analysis Services

#### Labor Cost Management Services

#### Mental health care

#### Planned new function release



Stress checks



Analysis and prediction using AI

#### Physical health care



Health screening results management



Support from public health nurses



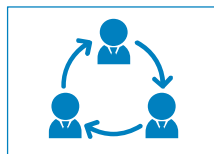
Health screening results diagnosis



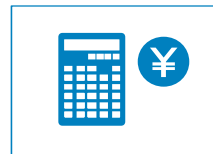
Health improvement lifestyle log



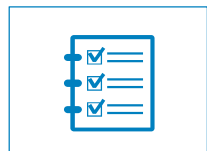
Working hours data



HR data



Salary data



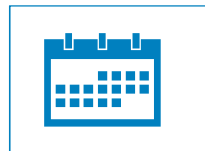
Workload management



Cost analysis data and simulation



Social Security and Tax Number data



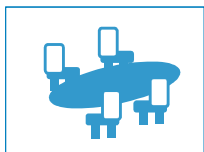
Journal management



Reimbursements



Approval procedure management



Facilities booking management



Entry management

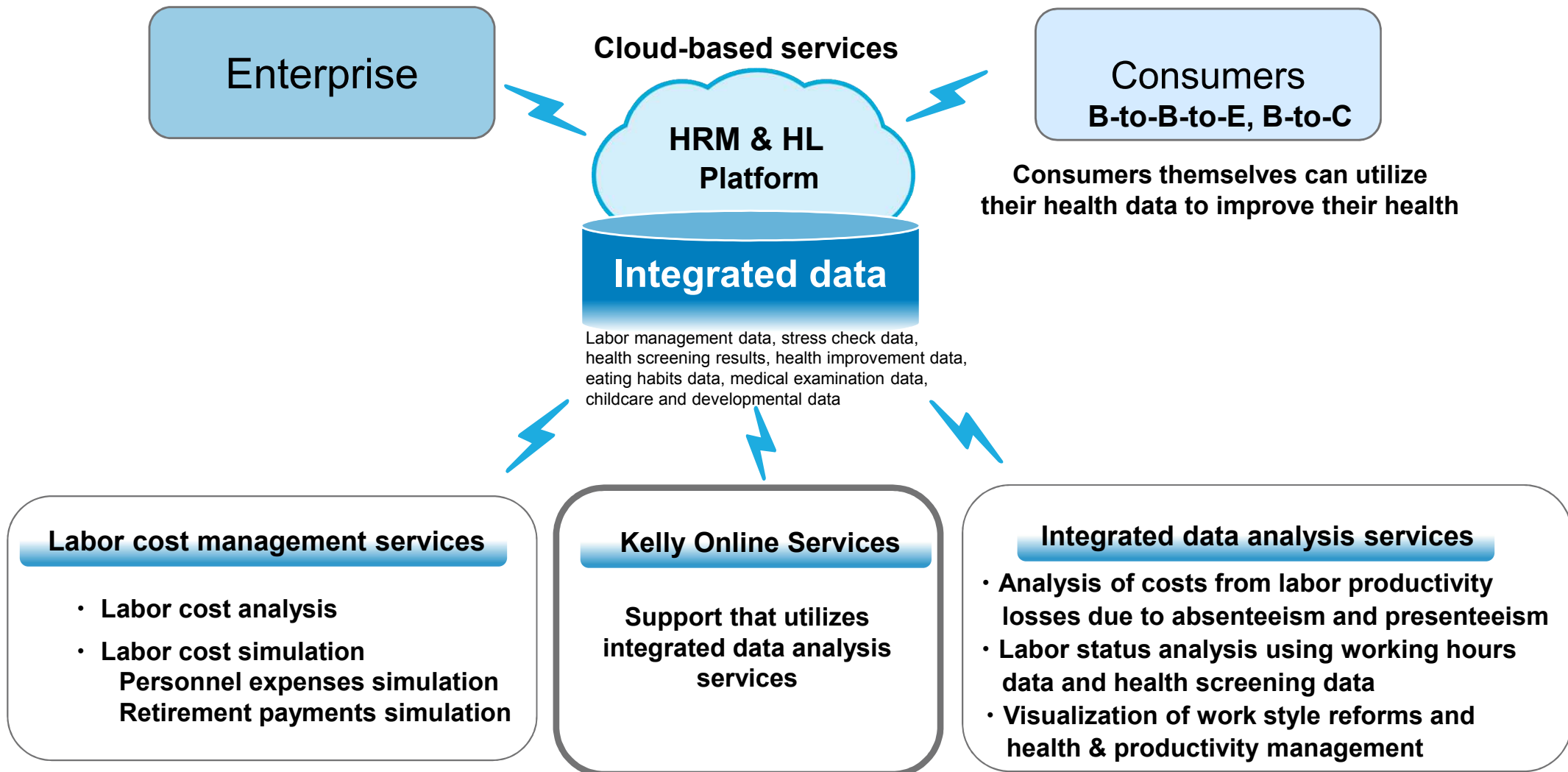


# What is Integrated Data Analysis Utilizing the HRM & HL Platform?



- Integrated ERP that realizes *work style reforms and health & productivity management*

## Integrated data analysis utilizing the HRM & HL Platform



# High Growth Rate in Number of Corporate Clients on Contract and Number of Licenses\*<sup>1</sup>



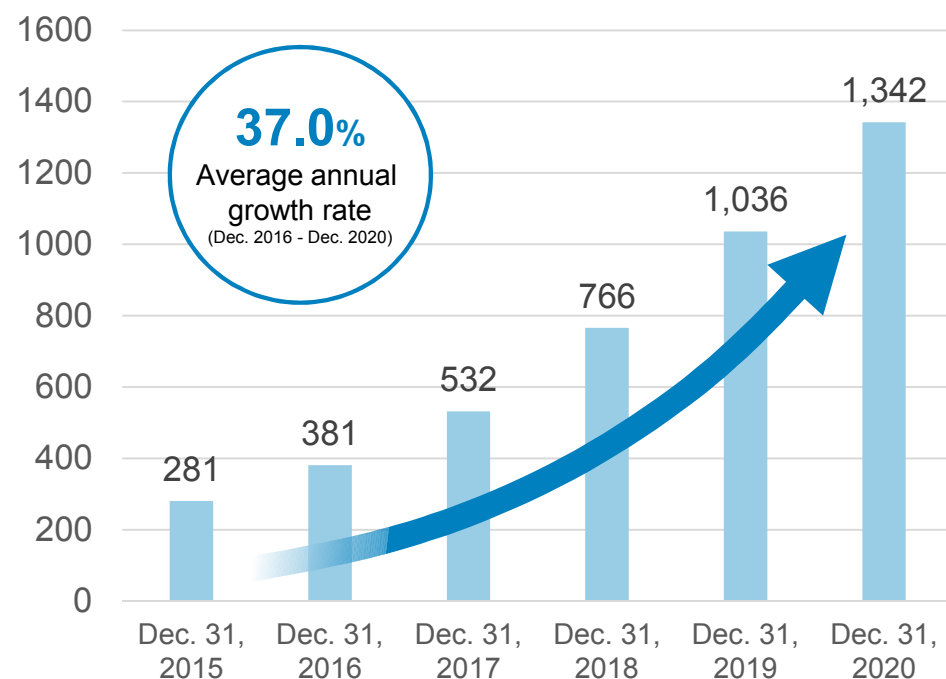
Track record of more than  
**26 Years**  
in operations

Implemented at approximately  
**5,128**  
enterprises and groups  
Cloud-based: approx. 1,310  
On-premises: approx. 3,818  
As of Dec. 31, 2020

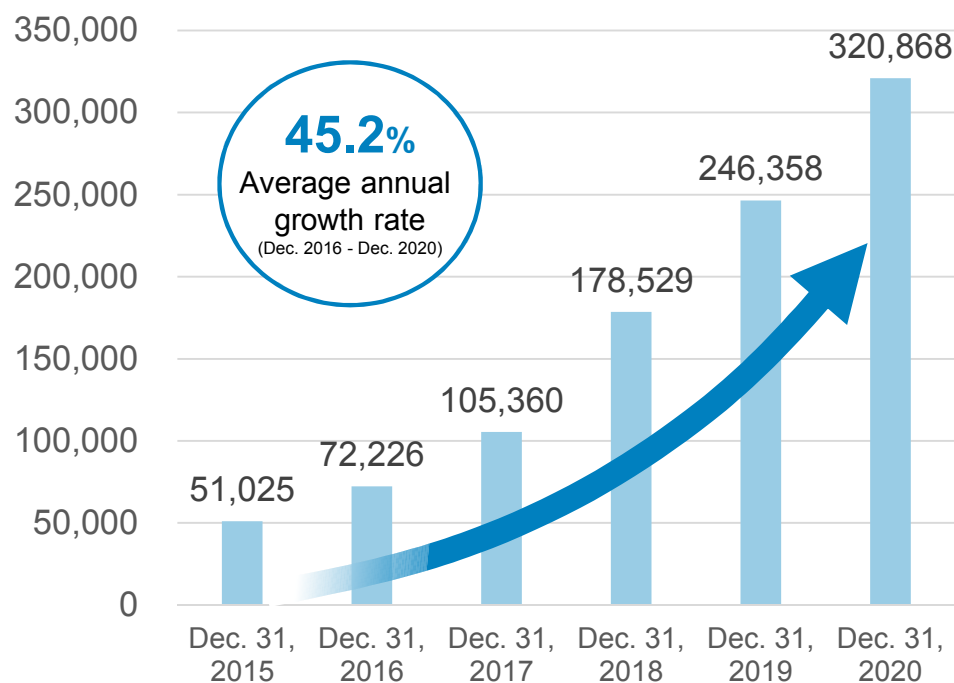
**1.45 million**  
user licenses  
Cloud-based: approx. 0.32 million  
On-premises: approx. 1.13 million  
As of Dec. 31, 2020

**Approx. 53%**  
recurring revenue  
\*Average contract  
cancellation rate 0.13%  
As of Dec. 31, 2020

## Number of corporate clients on cloud-based contracts



## Number of cloud-based licenses



1. The number of licenses for each employee at a corporate client is counted as one, even where the employee uses multiple services (Recruitment, HR, Salary, Health x Life).

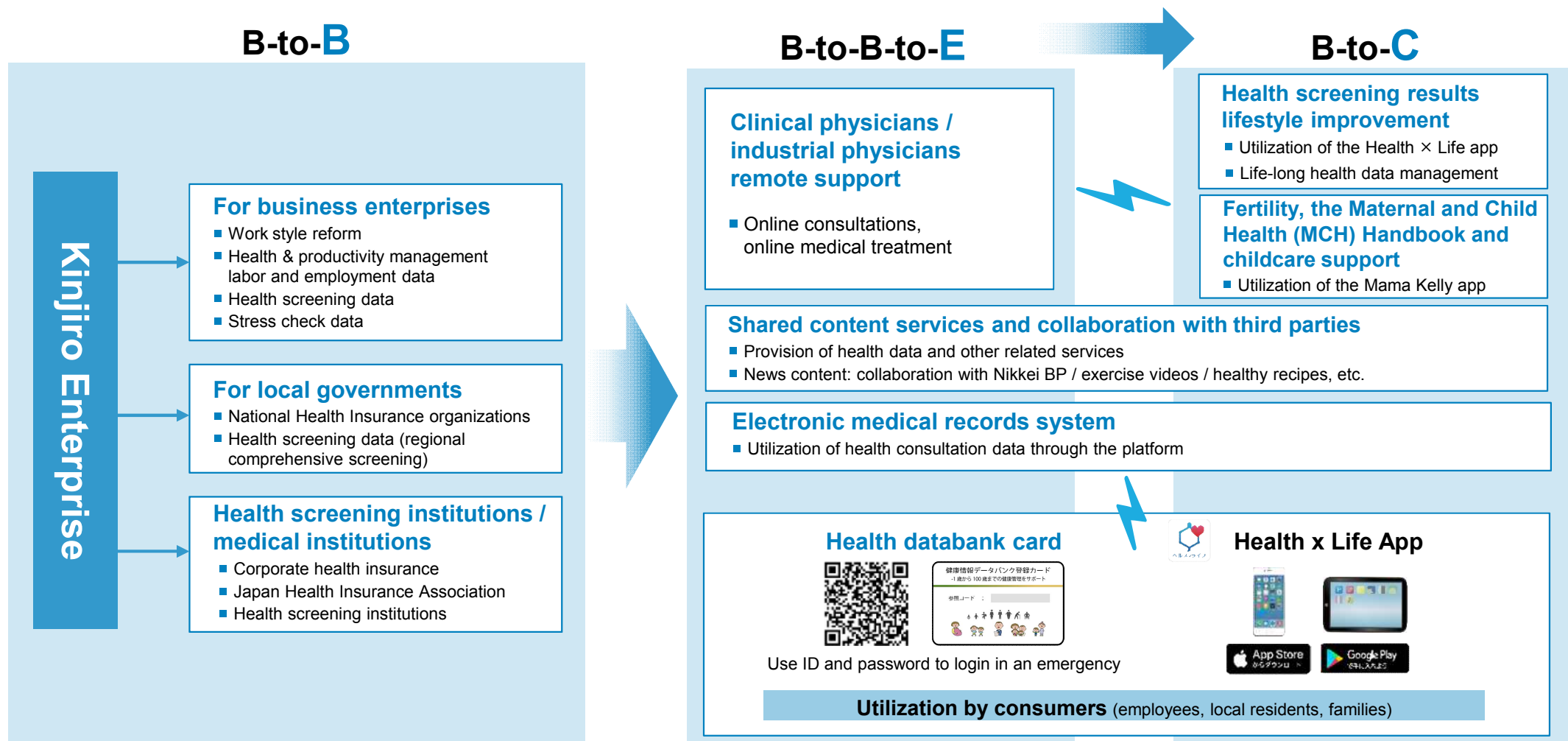
# Overview of the HRM Business

A platform service designed to realize *work style reforms and health & productivity management* for our customers



- We collaborate with local governments, medical institutions, and third parties, in addition to business enterprises, to realize broad *work style reforms and health & productivity management*, by providing health promotion for employees, their families and other local residents through our *HRM & HL Platform*, an integrated database

## HRM & HL Platform Service

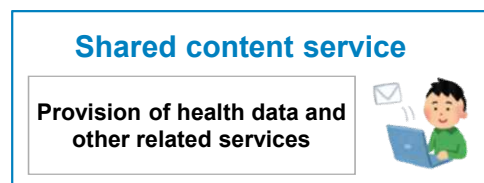
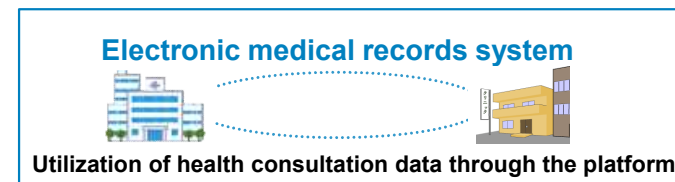
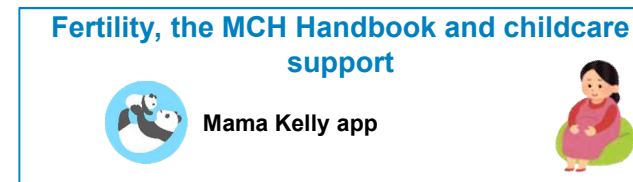
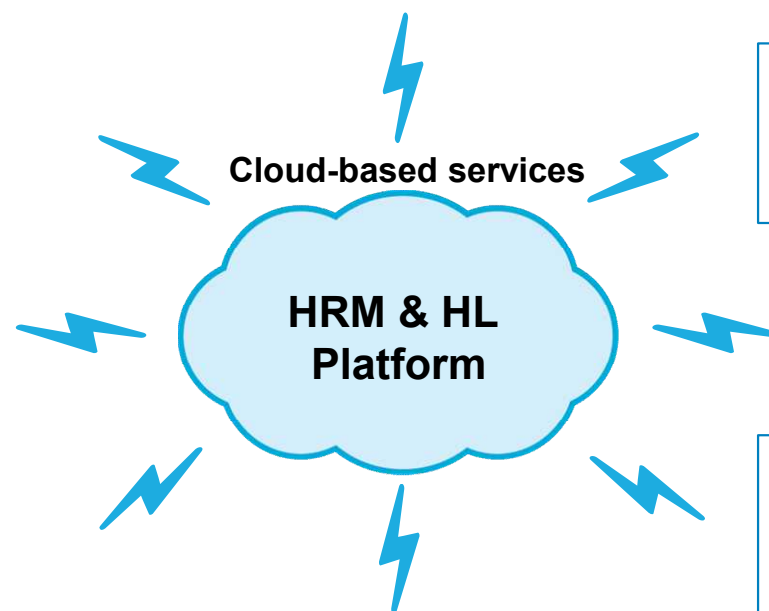
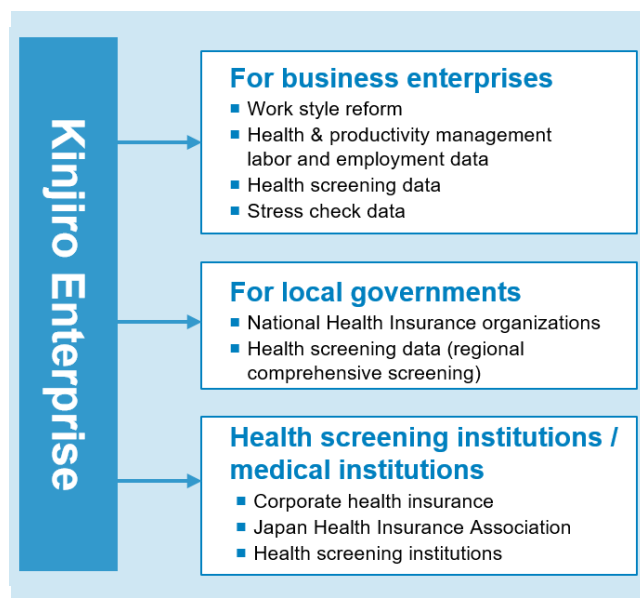
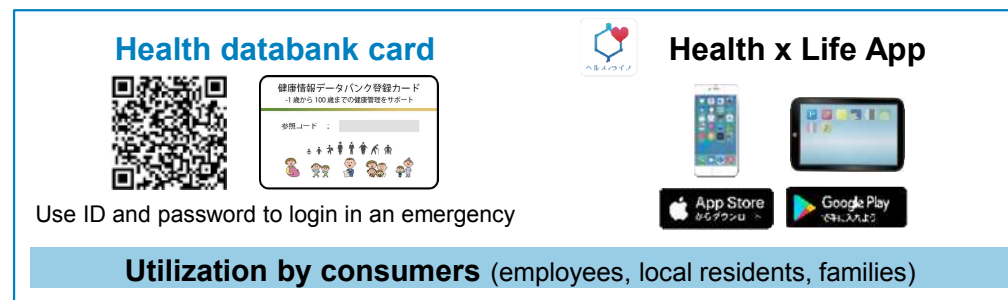


# HRM & HL Platform Service:

Guiding the transition from *B-to-B* and *B-to-B-to-E*<sup>1</sup> to *B-to-C* and expanding the range of target clients



- We aim to realize broad *work style reforms* and *health & productivity management*, by leveraging our *HRM & HL Platform*, an integrated database, to provide services linked to health promotion for **employees, their families** and others



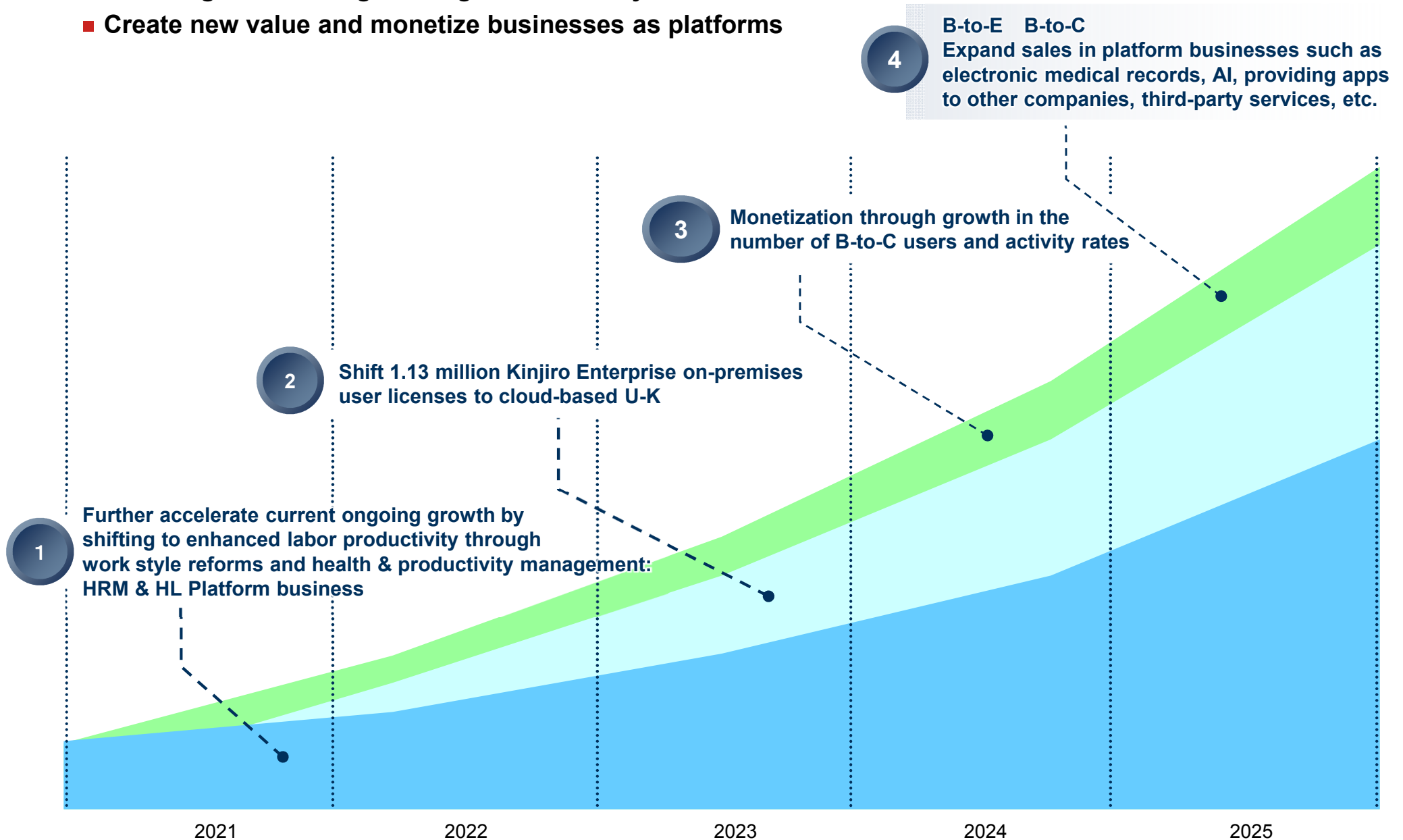
1. E is short for Employee

# Growth Strategy (1)

Realize work style reforms and health & productivity management through *HRM & Health × Life*



- Further growth through *Next-generation Kinjiro*
- Create new value and monetize businesses as platforms

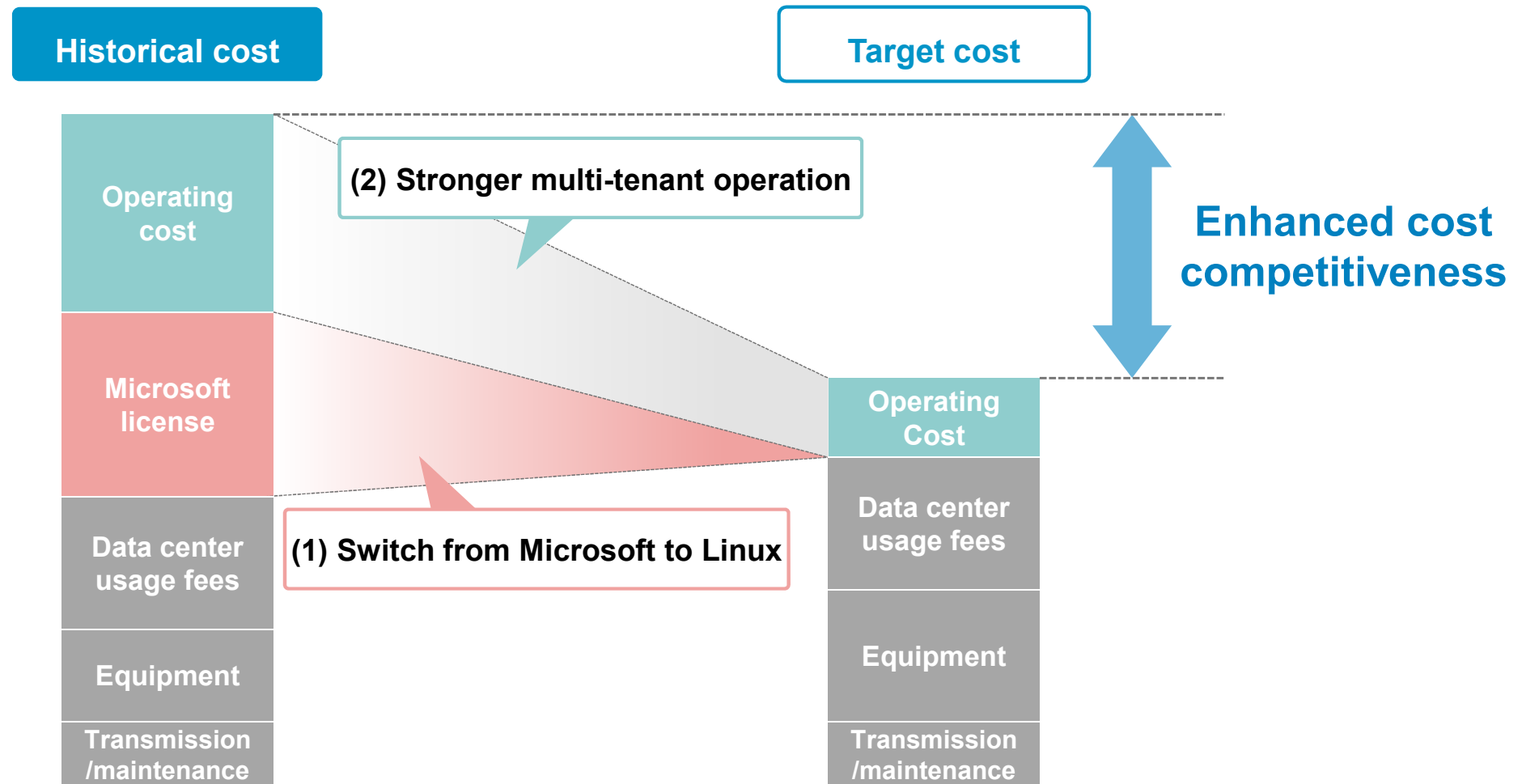


# Growth Strategy (2)

## Enhance cost competitiveness



- Enhance cost competitiveness relative to our competitors through *Next-generation Kinjiro*,<sup>\*1</sup> currently under development, to expand market share
- Specifically, *Next-generation Kinjiro* achieves license cost reductions and operating cost control through (1) switching the OS from Microsoft to Linux, and (2) stronger multi-tenant operation



1. *Next-generation Kinjiro*: the provisional name for *Universal-K* (code name), currently under development as the successor to *Kinjiro Enterprise*

# Growth Strategy (3) - 1

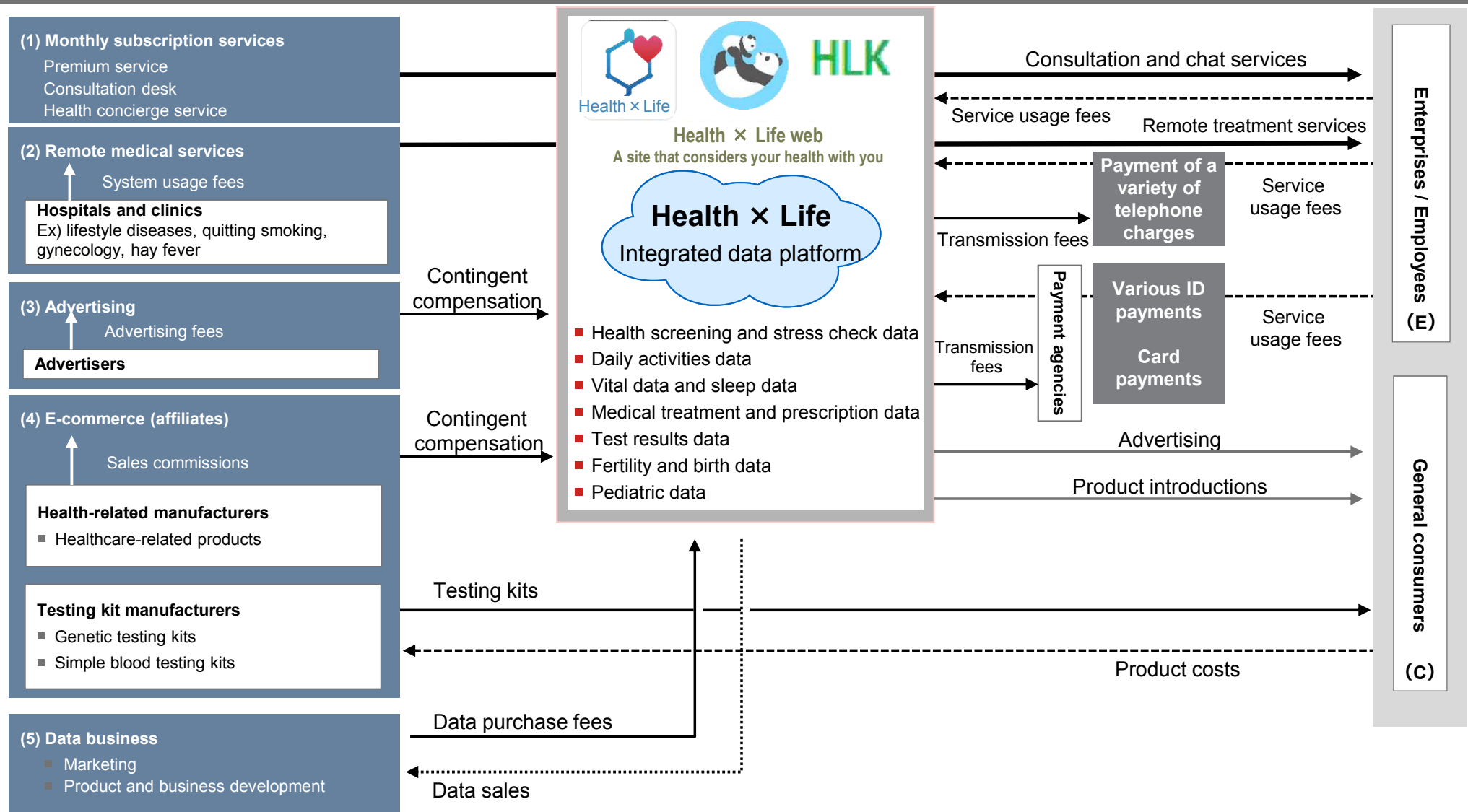
Create new value and monetarize businesses as platforms (B-to-B-to-E, B-to-C)



- While the provision of existing HRM system services enables *B-to-B-to-E* value creation and monetarization, the simultaneous utilization of the *Health × Life Platform* will enable us to create added value and generate monetization from consumers, allowing us to develop a new revenue base

HRM & Health × Life (system diagram of B-to-B-to-E / B-to-C monetization)

\*System: release planned for November 2021





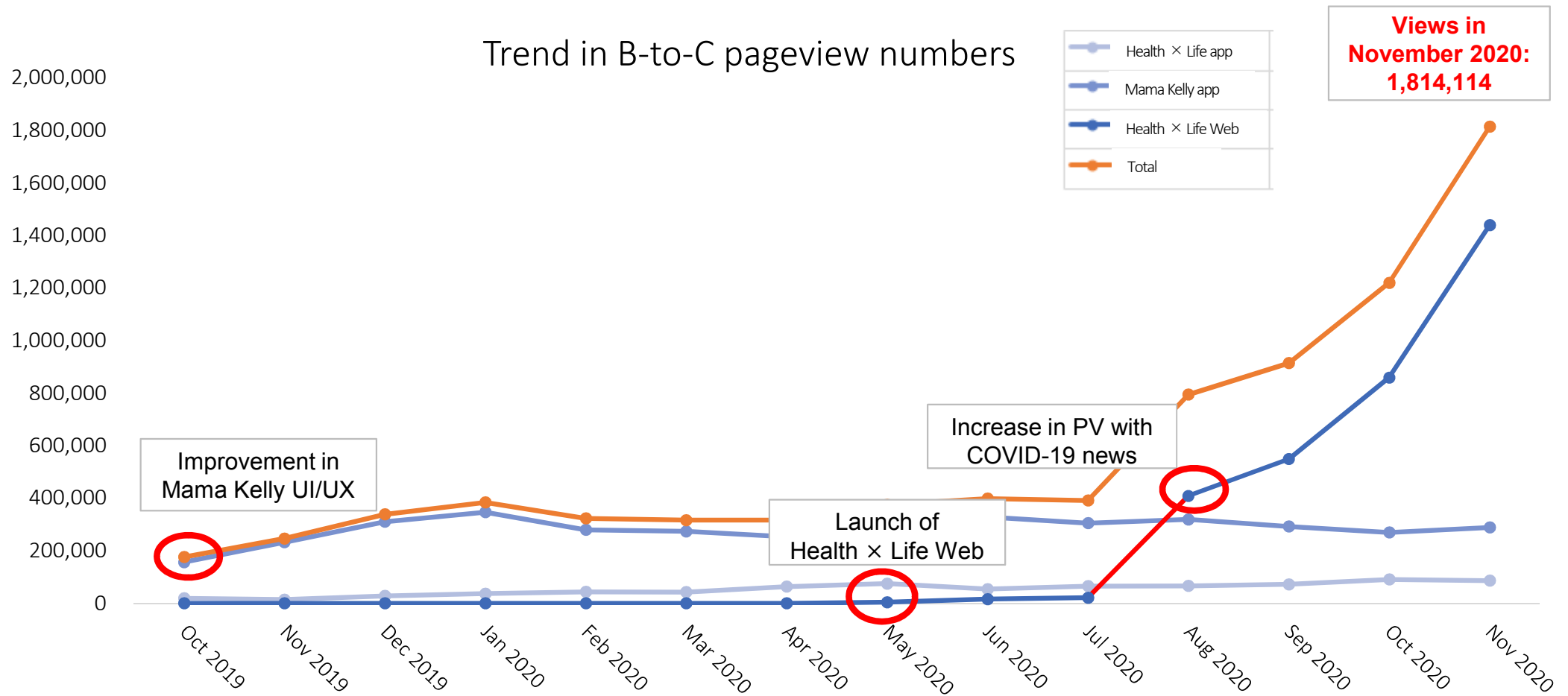
## Growth Strategy (3) - 2

Recent trend in PV numbers (B-to-C) \*Expand the platform business by gaining member PVs



Trend in web pageviews (PV) ■ We aim to promptly acquire 1 million members including from among our 1.42 million existing users

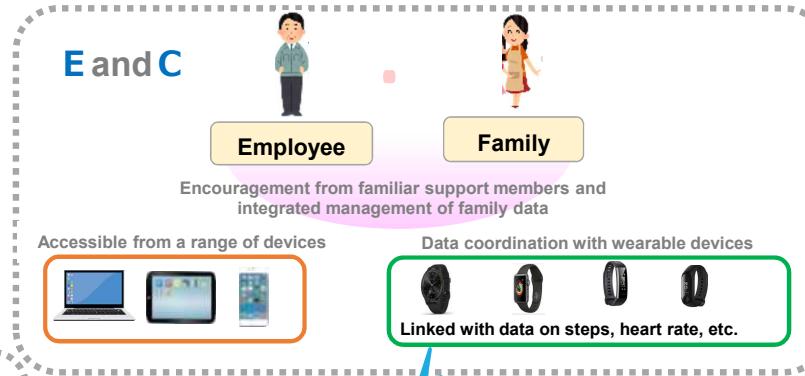
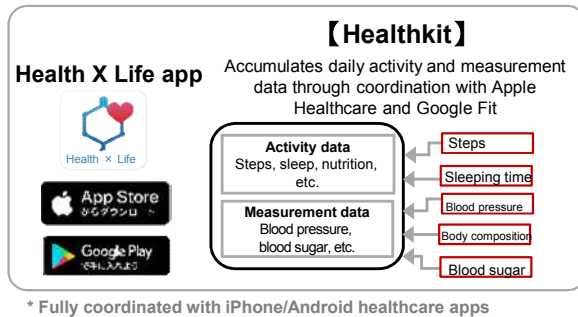
\*Aim to promptly achieve 100 million views





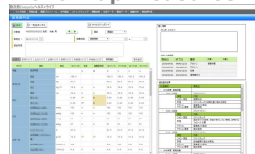
# Growth Strategy (4)

Support for industrial physicians and public health nurses (industrial medicine evaluation function) \*Utilizing Kelly Online Services support



## Industrial physician support function (Industrial medicine diagnosis function)

Health screening results evaluation and support for follow-up measures



## Online clinical physician consultation service

Consultation, pharmaceutical prescriptions, provision of medical certificates



## Online industrial physician consultation service

Various consultations:  
stress checks, health screening and overwork



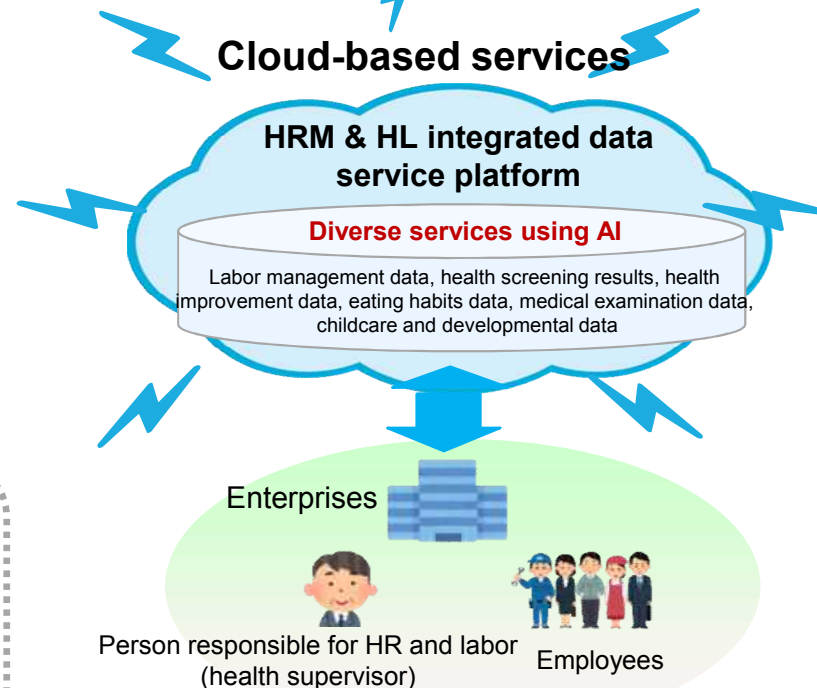
## Online public health nurse service

Operations for:  
safety and health committee,  
stress checks,  
health screening-related  
and overwork-related



## Corporate losses cost analysis services

Absenteeism visualization  
Presenteeism visualization  
Labor productivity losses cost analysis



## Enterprises, local governments, health screening institutions and others

Corporate work reform and health & productivity management initiatives  
Employee health improvement initiatives

- Health screening implementation and regularity management
- Lifestyle improvement and preventative advice

## Using the health databank registration card

Personal health data management



## Support service for health & productivity management initiatives

Support for work style reform and health & productivity management corporate certification  
Advice on formulating, implementing, improving and evaluating measures, and improving corporate health & productivity management



## Health point system operation service

Support for the planning and operation of employee health support systems

- Health point system management
- Health point system operation



# Growth Strategy (5) (B-to-C)

## Vaccination and PCR test results history management

\*Users can check their vaccination and PCR test history any time, anywhere using Health × Life



**Function summary: Vaccination upload** (vaccination certificate upload)

**Vaccination results view** (view individual vaccination certificates or a list)

\*Multi-language (planned)

**New system – uniform nationwide**

A unified system based on the Basic Resident Registration platform



\*Accessible from smartphone or PC

Users can upload *vaccination certificates* issued by hospitals or clinics. Uploaded certificates can be printed using the print function on a smartphone connected to a printer through Bluetooth or other means.

Cloud-based services

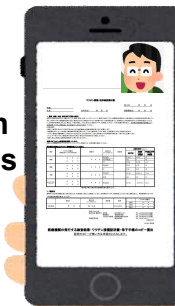
**HRM & HL Platform**



Uploaded vaccination certificates can be viewed and printed from the app

Obtain a *digital vaccination certificate*

Use when:  
Travelling in Japan  
Travelling overseas



The ID and password are printed on the card  
Another person can login in the case of emergency  
The login page is accessible using the QR code



- Users can view the vaccination certificates screen
- The certificates can be printed if necessary

**Note:** Some countries and regions require visitors to show vaccination certificates on entry. Requirements regarding printed certificates and criteria for accepting electronically-displayed certificates differ depending on the destination.



Link to the website of the Quarantine Information Office, Ministry of Health, Labour, and Welfare



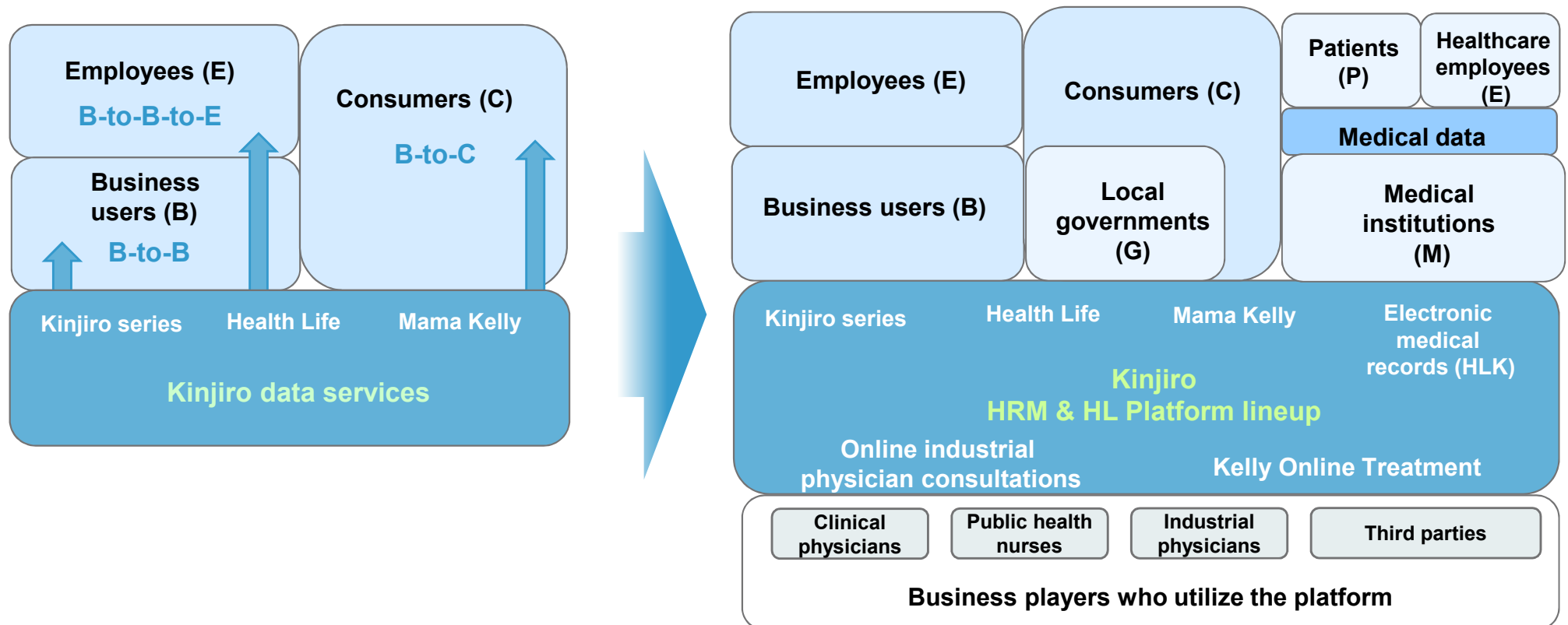
Includes a link to the website of the Ministry of Health, Labour, and Welfare's Quarantine Information Office, where users can view information on vaccinations required for each national and regional destination (enhancements to this function are planned)

# Growth Strategy (6)

## Evolve the Business Model: Platform Business



We have enhanced our health, life and other services for employees (B-to-B-to-E) and expanded our services for consumers (B-to-C), leveraging Kinjiro Enterprise's strong B-to-B client base. With the inclusion of electronic medical records and remote treatment services in our portfolio, we have strengthened our function as a health & productivity management platform that can be used by industrial physicians, public health nurses and others who support health & productivity management for enterprises and their employees.



# Growth Strategy (7) - 1

Provide other companies with apps utilizing our cloud base (release planned in FY2021)

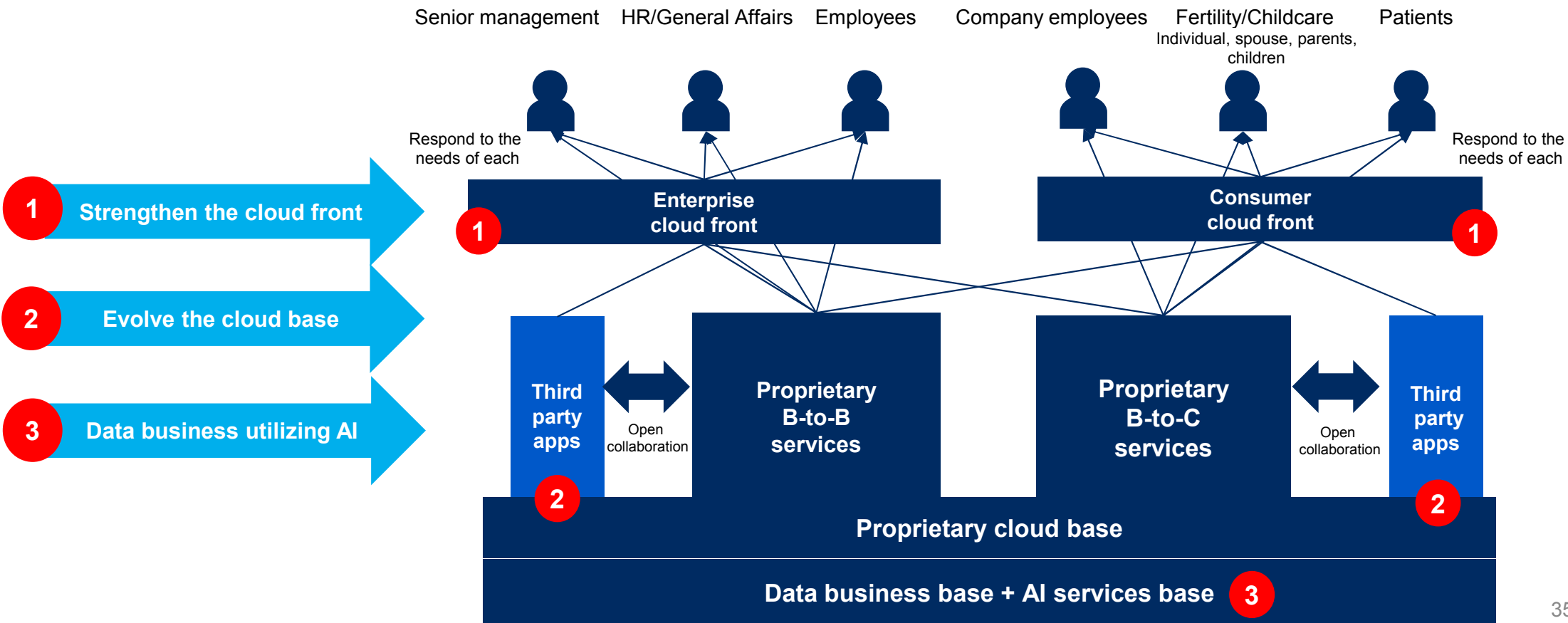


We can provide proprietary cloud-based services to several thousand B-to-B and B-to-B-to-E users, and more than 1.45 million B-to-C users. We will achieve further growth by leveraging this strength to provide a base for other companies seeking to reach these users with their app offerings

**Strengthen cloud front** ⇒ Provide single sign-on (SSO) also for non-proprietary apps as a fully customer-focused service site

**Evolve cloud base** ⇒ Actively utilize the latest cloud-based technologies to evolve into a cloud base that can install third party apps  
Optimize costs by appropriately utilizing proprietary centers and public clouds to respond flexibly to client needs

**Data business utilizing AI** ⇒ Build mechanisms to enable real-time utilization of proprietary service construction data, develop a range of AI services  
Link with other companies' data and develop AI services utilizing open data, as part of the cloud front strategy

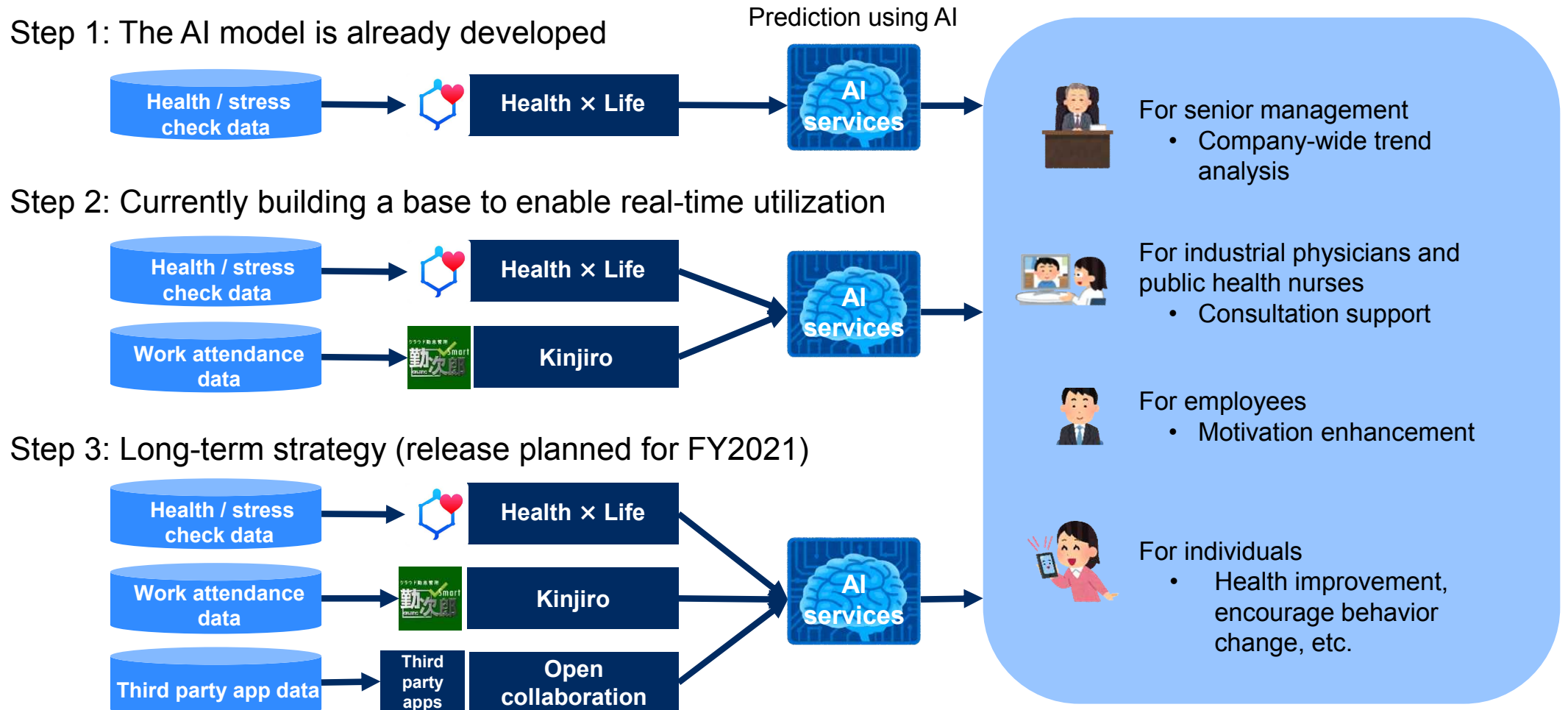


# Growth Strategy (7) - 2

## Develop services utilizing AI, expanding usable data



Expand AI analysis and prediction services based on customer data obtained from our proprietary apps. We will support productivity enhancements, better health and work styles for businesses, their employees, and other individuals, expanding open collaboration with non-proprietary apps, in addition to data from our own services, broadening the range of target data.





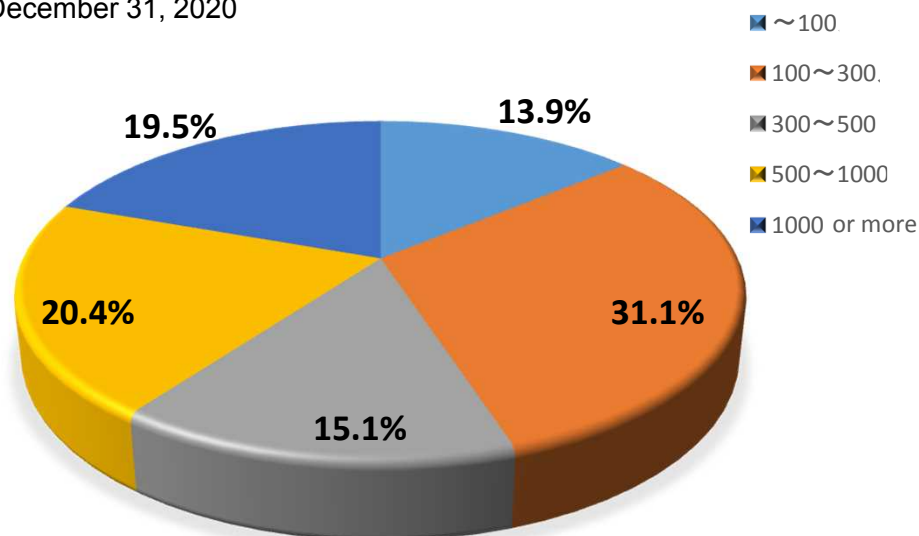
# Kinjiro Enterprise Implementation Results

## Breakdown by Scale and Industry



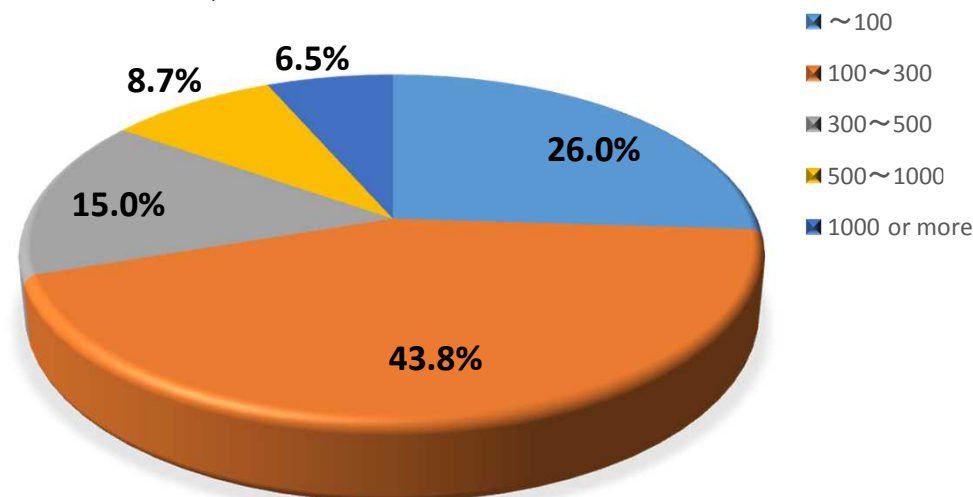
### Breakdown of implementation by number of employees (On-premises) \*1.13 million users

\* As of December 31, 2020



### Breakdown of implementation by number of employees (Cloud) \*0.32 million users

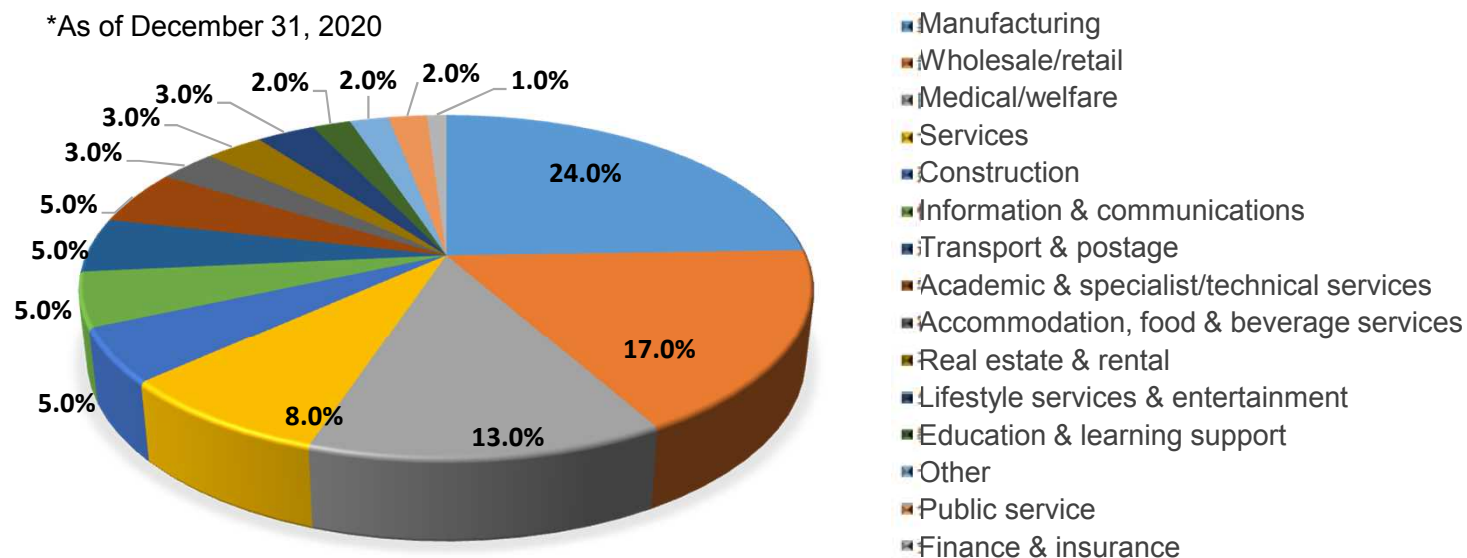
\*As of December 31, 2020



### Breakdown of client numbers by industry

\*Implemented at a diverse range of different enterprises

\*As of December 31, 2020



## Disclaimer



To the extent that statements in this presentation do not relate to historical or current facts, they constitute forward-looking statements. These statements represent the judgement of our senior management, based on the information currently available, and involve risks and uncertainties.

Actual results may differ significantly from the outlook for performance and other matters presented here, due to various factors including economic conditions, the status of competition within the industry, and the success or failure of new services.