

カオナビ

FY2020 4Q Financial Results

May 13, 2021

1. Company Overview

2. FY2020 4Q Financial Highlights

3. FY2021 Financial Forecast

4. Appendix

What Is KAONAVI ?

A database-centered talent management system



Features and Effects

Committed to empowering user companies to promote “Work Style Reform” and “Digital Transformation” by offering capabilities to accelerate talent management

KAONAVI's features and expected effects

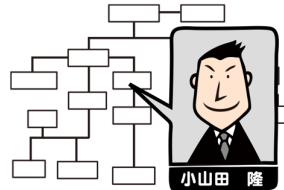
HR Database



Pickup List



Organization Chart



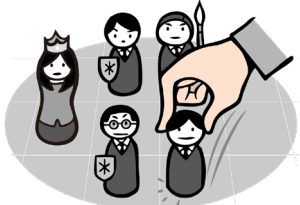
Performance Review



Employee Survey



Matrix Chart



Employee Data Graph



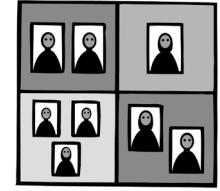
Pulse Survey



Approval Workflow



Aptitude Test (SPI3)



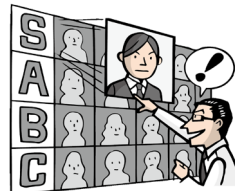
Business Efficiency

Centralize all HR data in the cloud



Productivity Improvement

Right person for the right position
through talent visualization



Talent Development

Transparent evaluation process
set out by workflow



Turnover Prevention

Better communication,
highly engaged



Management Enhancement

Focus on HR strategy
based on visualized HR data



Our Strengths

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



Our Strengths : System

System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Our Strengths : Know-how

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

Community



A place where users can learn directly from other users

Library



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

Dedicated Staff



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

Mission / Vision

Mission

Innovate management to focus on individuality

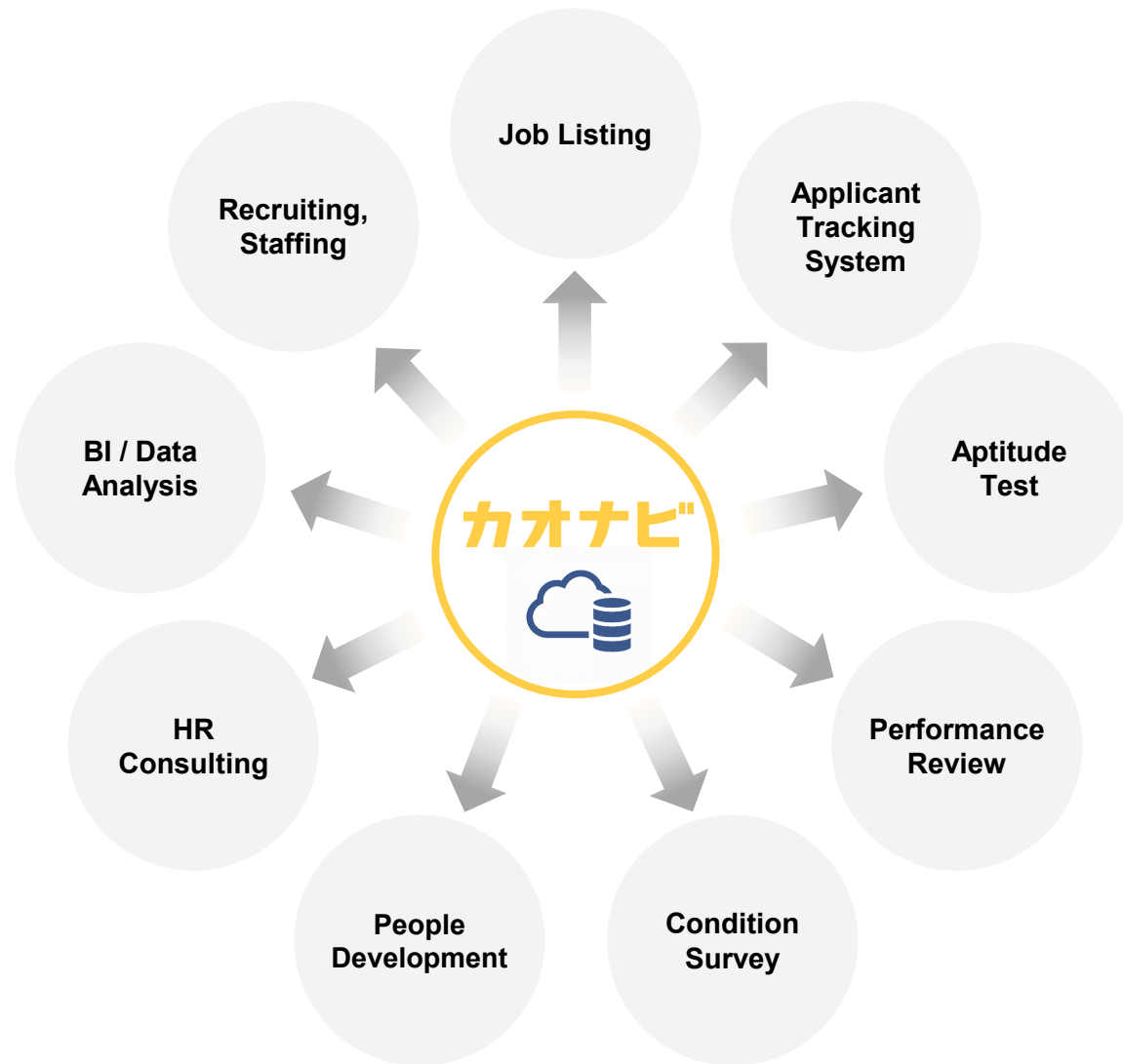
Vision

Create a HR data-centric platform



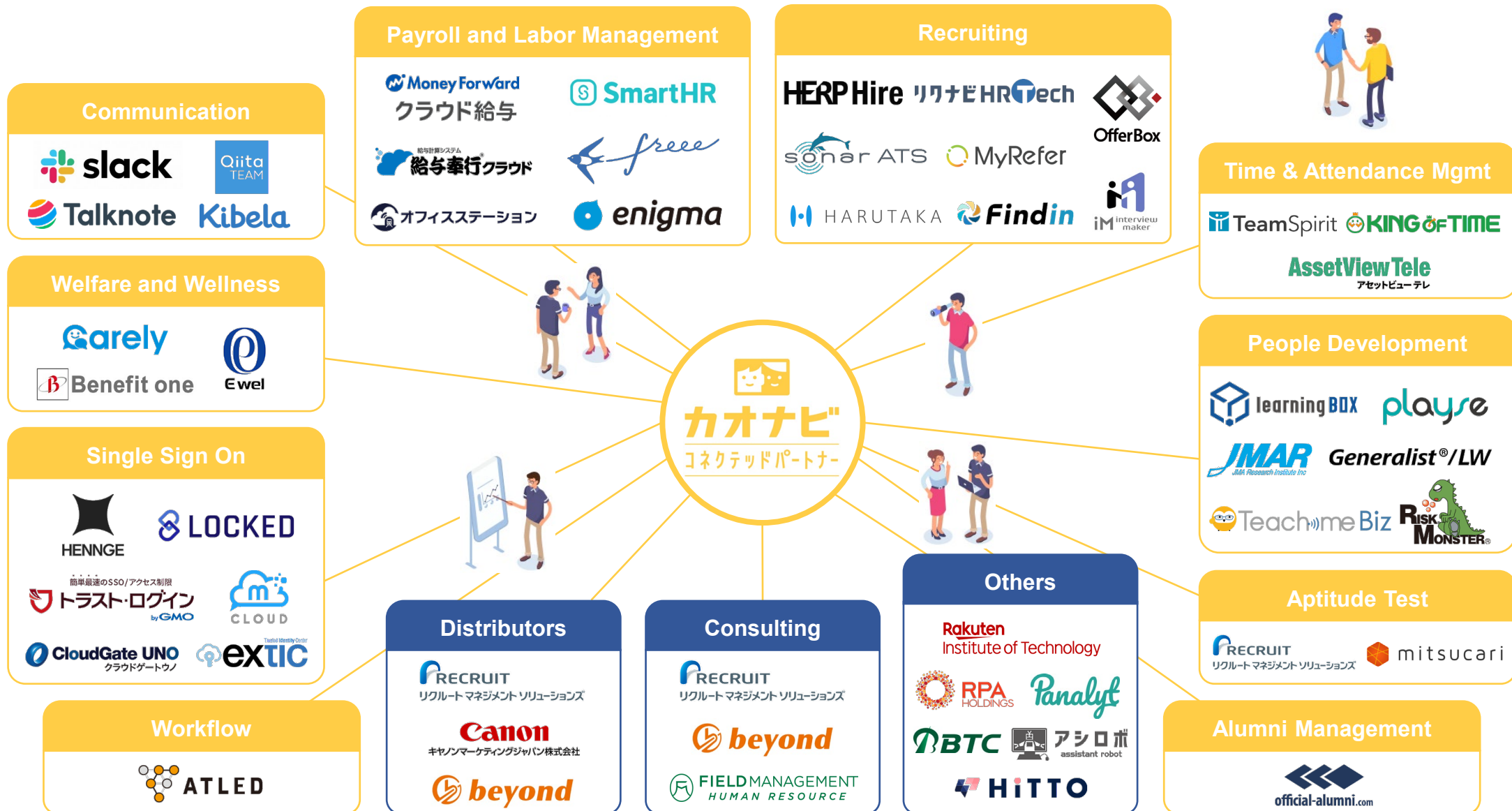
The HR Data Platform Strategy

Paving the way forward for a HR data platform to expand the business into new areas



Connected Partners

Broadening partnerships to improve usability of our customers



Empowering Employees at kaonavi

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



Super Flextime

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



Switch-work

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



Work From Anywhere

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



Second Job Encouragement

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



**Ratio of Employees Who Have
Second Job**
(As of March 2021)

17.9%

Empowering Employees at kaonavi (Cont'd)

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

女性活躍・両立支援に積極的に取り組む企業の事例集

厚生労働省
Ministry of Health, Labour and Welfare

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

株式会社カオナビ（情報通信業）2020年度

男女問わず最高のパフォーマンスを発揮できる革新的な働き方を実践



企業プロフィール

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

取組内容

仕事と育児の両立支援

仕事と介護の両立支援

テレワーク

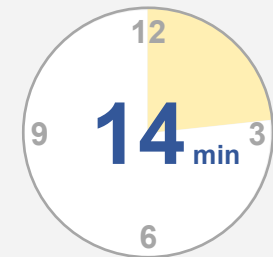
フレックスタイム制

短時間正社員制度

Source : Ministry of Health, Labor and Welfare

Employee Data at kaonavi

Average Daily Overtime
(FY2020)



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

30.0 %

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Business Highlights

Active Users

2,061 Companies

ARPU *1

144 JPY Thou.

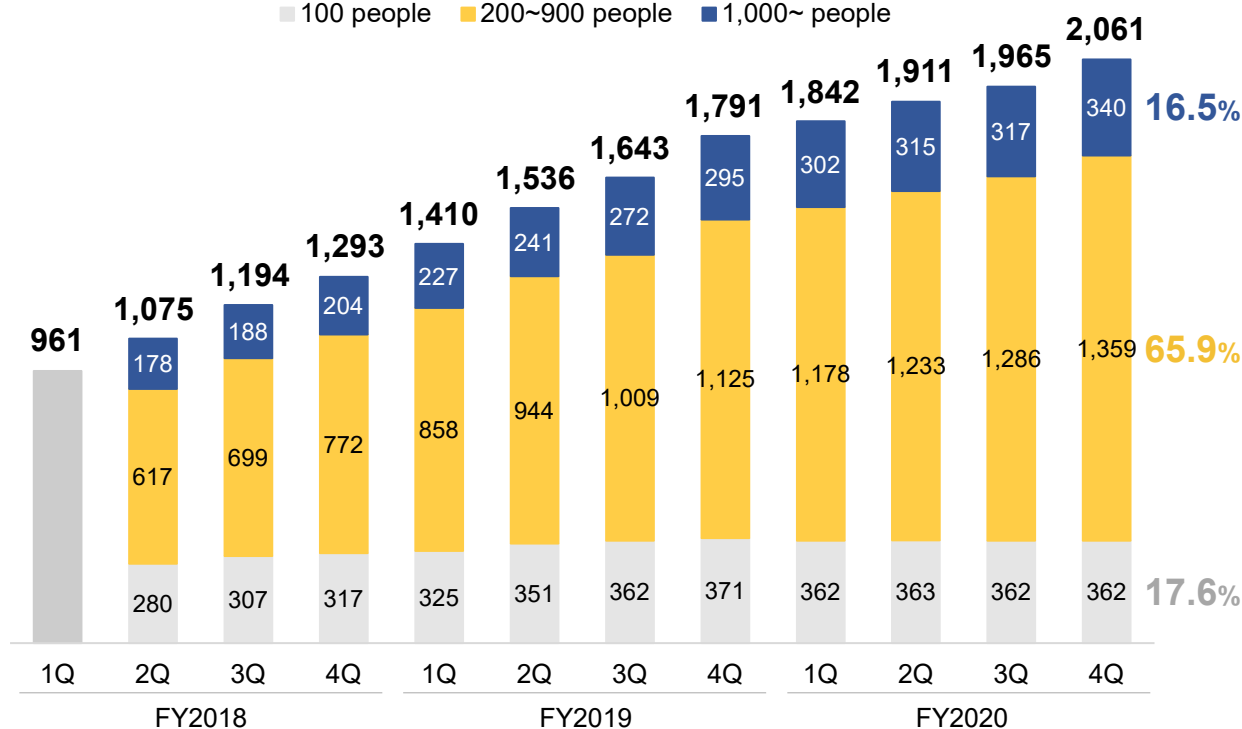
Recurring Revenue Ratio *2

87.9 %

Active Users by the Size of Registered Employees

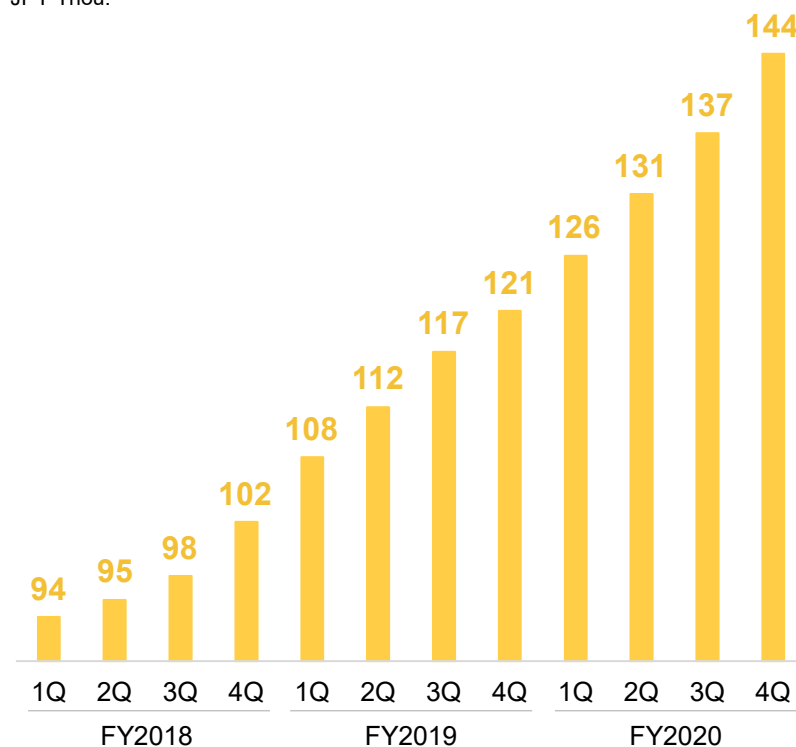
Companies

100 people 200~900 people 1,000~ people



ARPU

JPY Thou.



*1 : Average monthly subscription fee per user company (FY2020Q4)

*2 : The ratio of revenue from subscription services to net sales (FY2020Q4)

Subscription KPIs

Achieved a best-in-class subscription model with high growth and stability

Growth Rate of Recurring Revenue ^{*1}

36.0 %

Growth

LTV/CAC ^{*2}

4.9 x

Profitability

MRR Churn Rate ^{*3}

0.71 %

Retention

^{*1} : Growth rate of quarterly recurring revenue over the same period last year (FY2020Q4). Please refer to page 19 for details

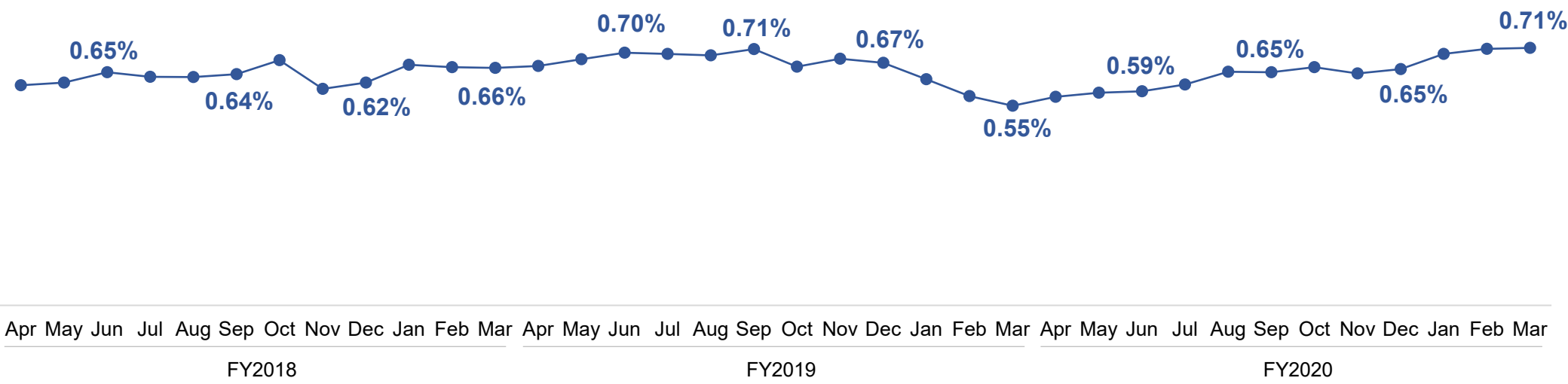
^{*2} : The ratio is calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost) in FY2020Q4. Please refer to page 22 for details

^{*3} : Last 12-month average churn rate based on MRR (March 2021). Please refer to page 16 for details

Churn Rate

Maintaining a low churn rate by focusing on CS and lifting the database value proposition with data accumulation

Last 12-Month Average of MRR Churn Rate ^{*1}



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

Financial Results : 4th Quarter

Net sales increased by 29.1% YoY. Gross profit margin was temporarily below 70% due to an expense increase in subcontract for vulnerability assessments in addition to that of personnel and rent

	FY2019 4Q	FY2020 3Q	FY2020 4Q	YoY	QoQ
JPY MM	Same period last year	Previous quarter	Actual		
Net Sales	731	883	944	+29.1%	+7.0%
Gross Profit	536	635	644	+20.2%	+1.6%
Margin	73.3%	71.9%	68.2%	-5.0pt	-3.6pt
Operating Profit	-200	-58	-114	-	-
Margin	-	-	-	-	-
Ordinary Profit	-202	-60	-116	-	-
Net Profit	-203	-94	-123	-	-

Financial Results : Full-year

Net sales increased by 29.6% YoY, slightly exceeding the forecast. Profits resulted within the range of the forecast

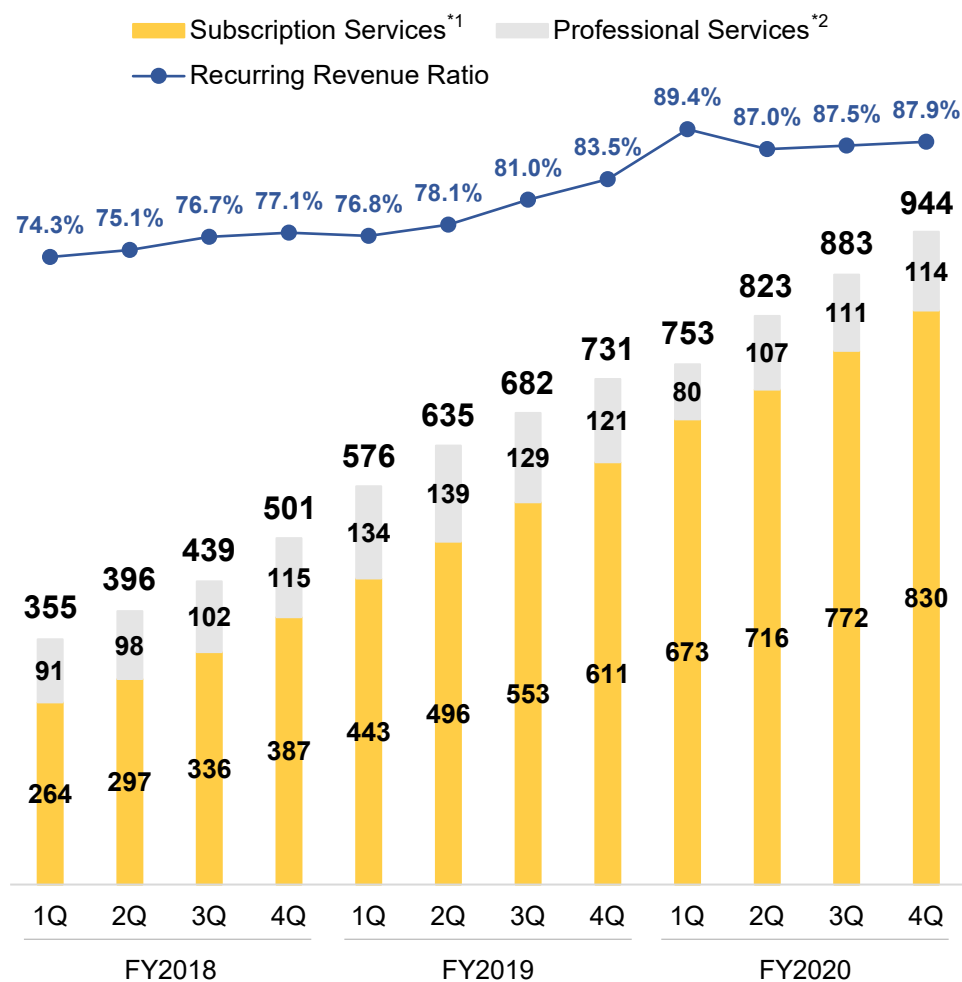
	FY2019 Actual	FY2020 Actual	FY2020 Forecast	YoY	vs. Forecst
JPY MM					
Net Sales	2,625	3,402	3,340 ~ 3,400	+29.6%	+0.1 ~ +1.9%
Gross Profit	1,972	2,461	2,390 ~ 2,490	+24.8%	-1.2 ~ +3.0%
Margin	75.1%	72.3%	71.6% ~ 73.2%	-2.8pt	-0.9 ~ +0.8pt
Operating Profit	-278	-11	-210 ~ 90	-	-
Margin	-	-	-	-	-
Ordinary Profit	-280	-16	-216 ~ 84	-	-
Net Profit	-357	-131	-330 ~ -30	-	-

Net Sales

Recurring revenue increased by 36.0% YoY, and its ratio remains high

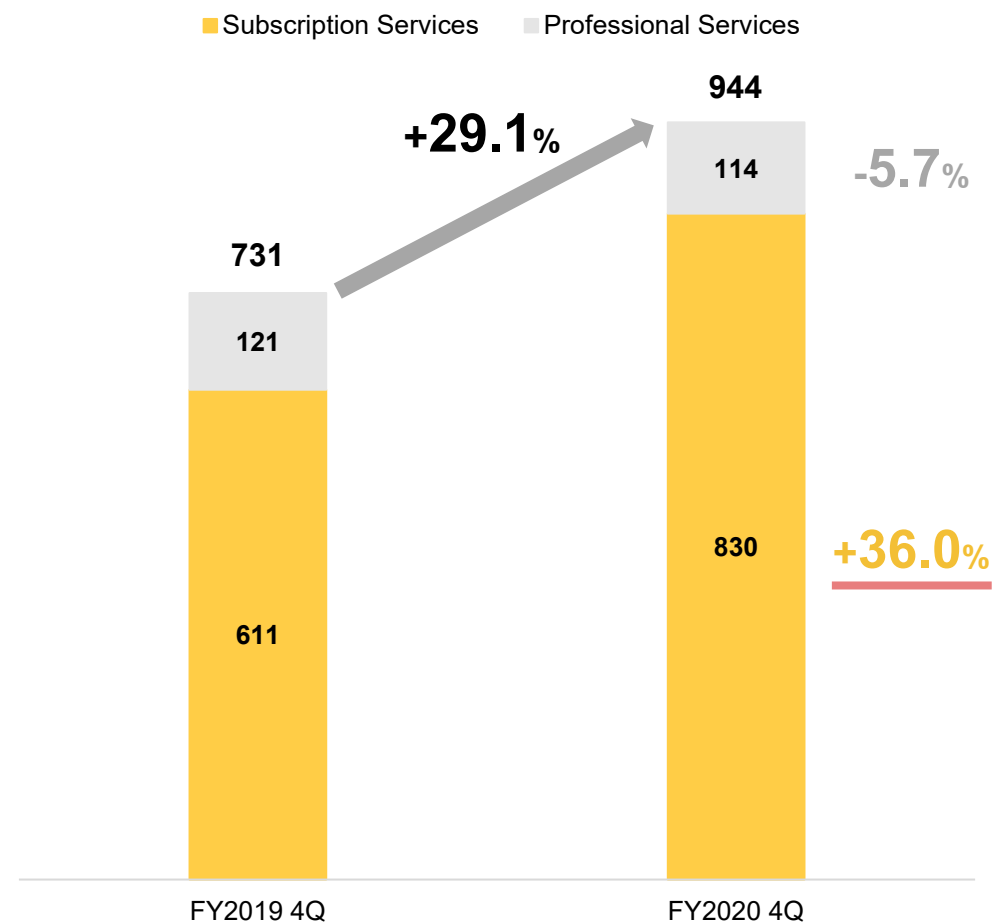
Net Sales (Quarterly basis)

JPY MM



Net Sales (YoY)

JPY MM



*1 : Monthly subscription fee

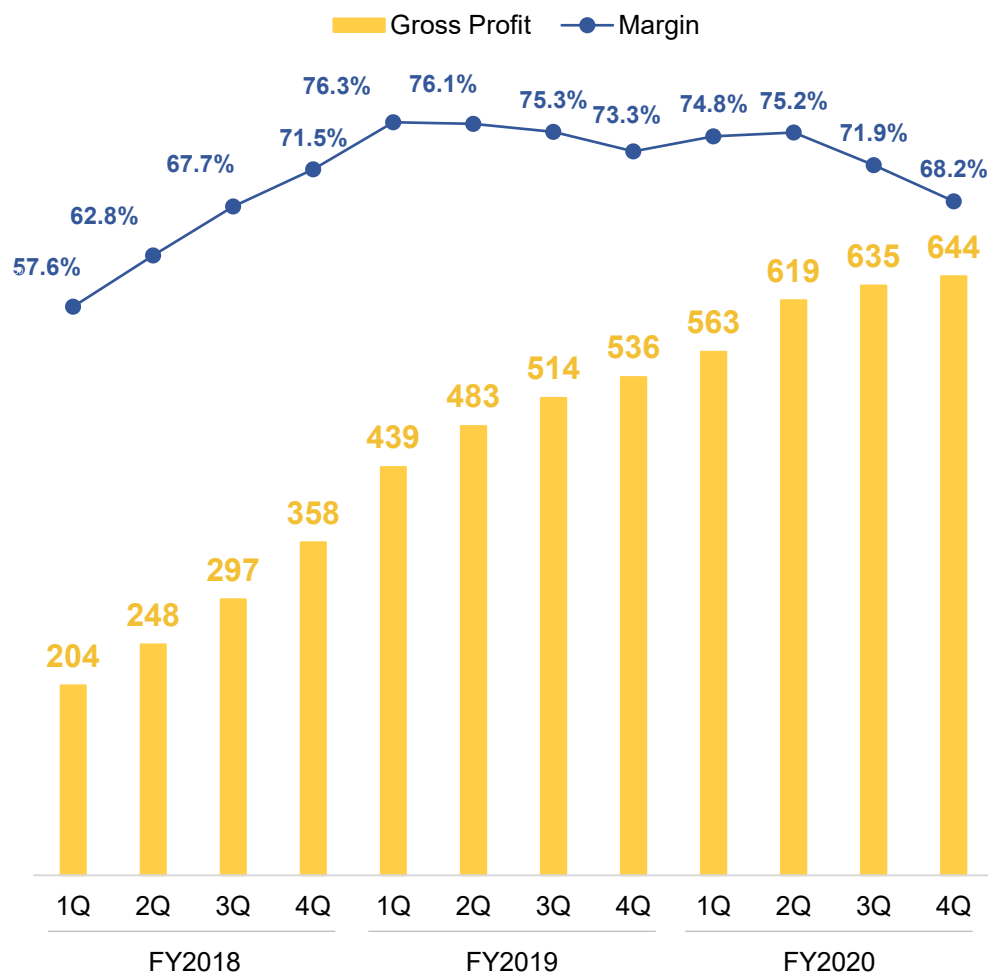
*2 : Initial setting support, paid seminar and option services

Gross Profit and Operating Profit

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

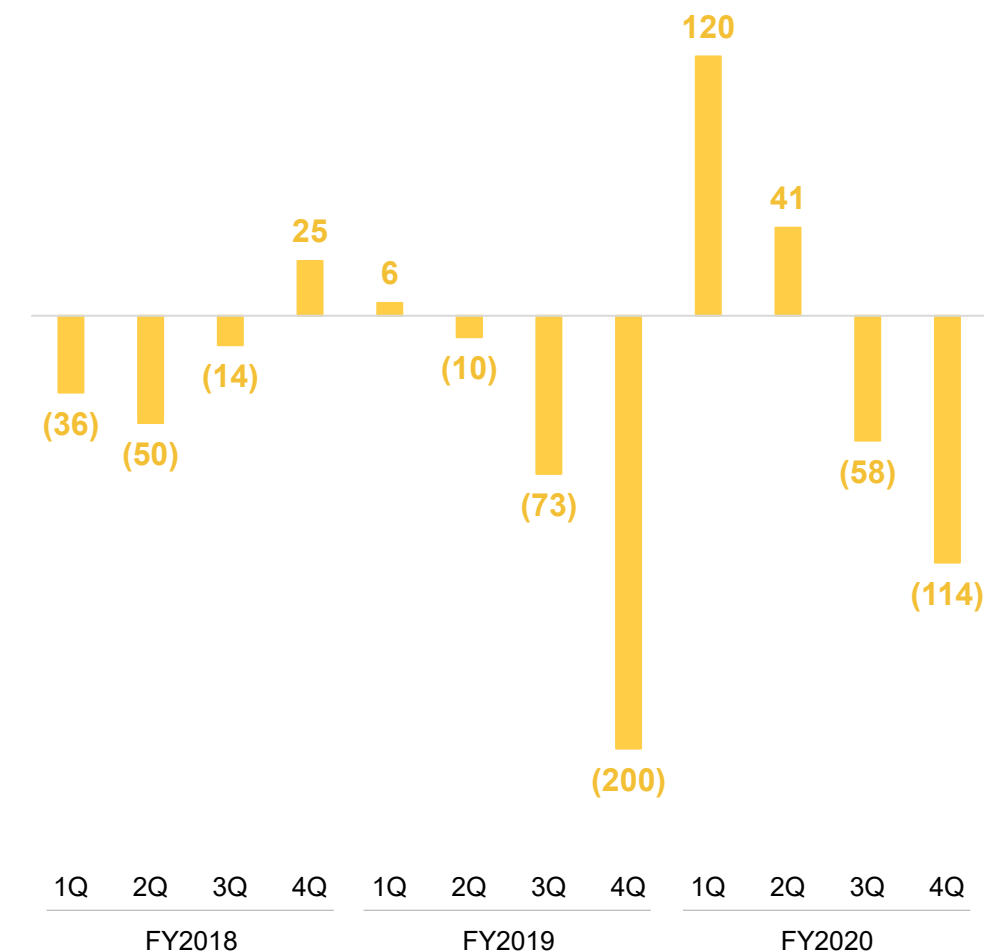
Gross Profit (Quarterly basis)

JPY MM



Operating Profit (Quarterly basis)

JPY MM

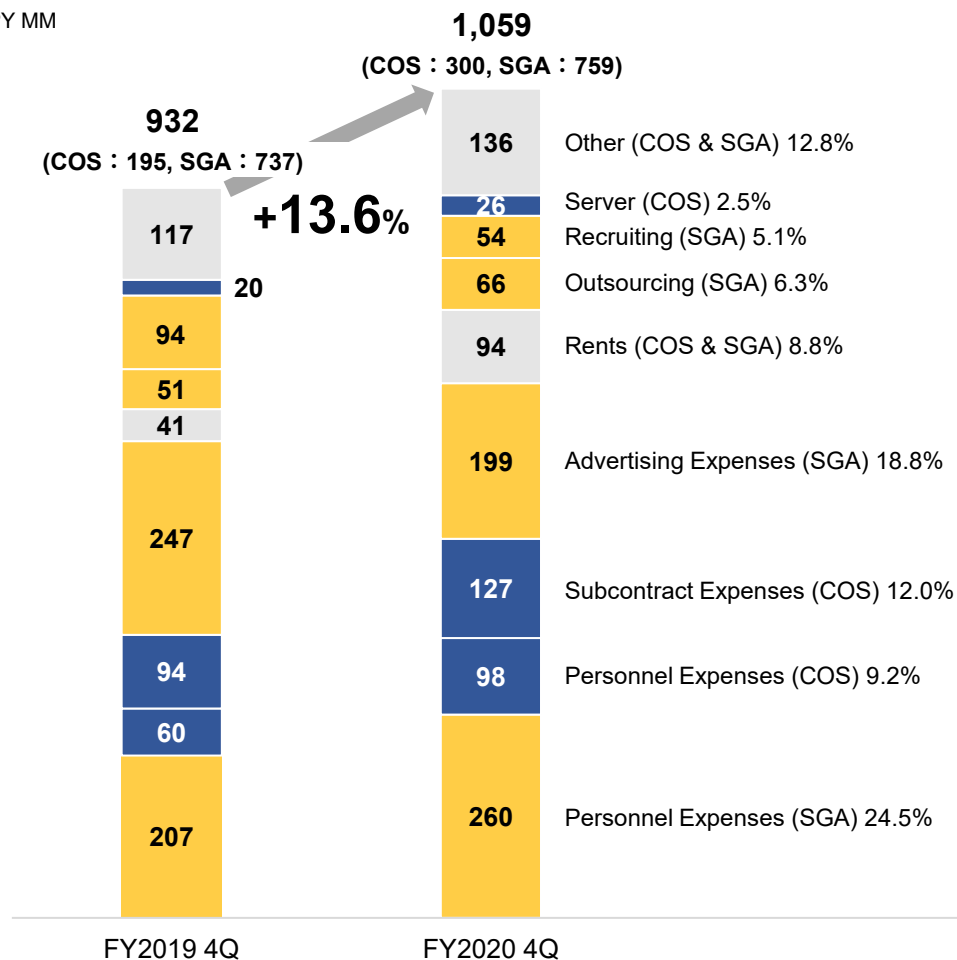


Cost Analysis

Operating expenses increased by 13.6% YoY, primarily due to an increase in personnel expenses, subcontract expenses and rents

Operating Expenses (YoY)

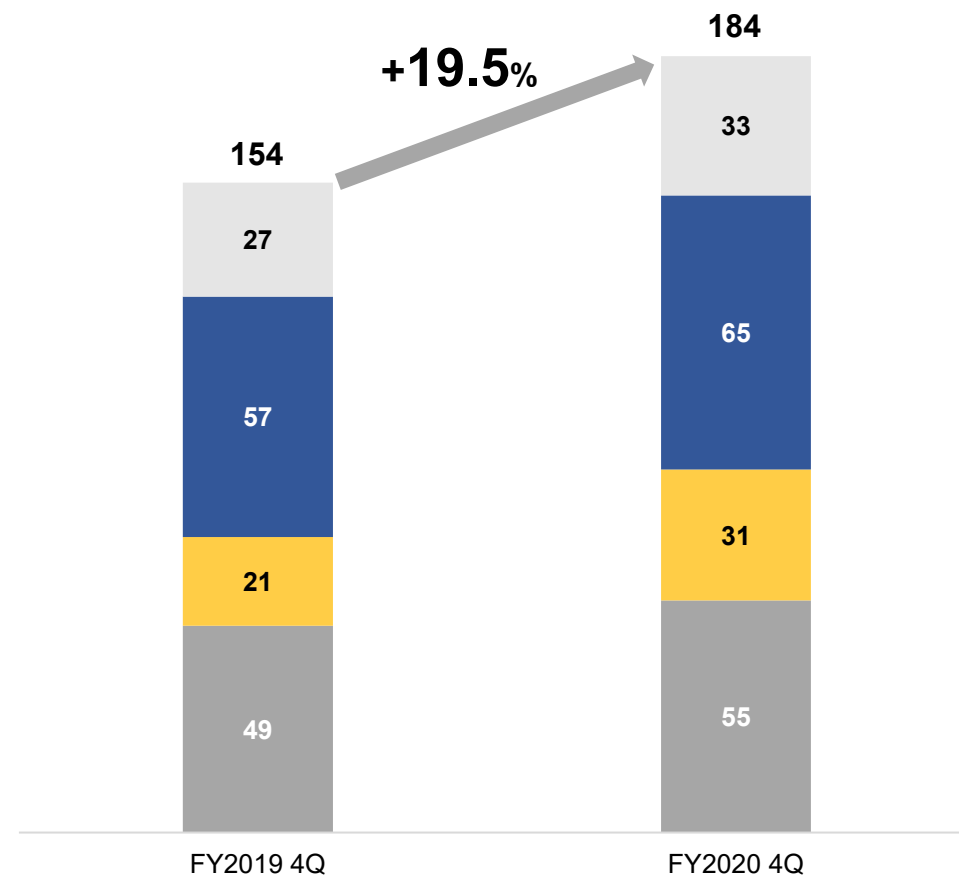
JPY MM



of Employees by Group (YoY) *1

People

■ Sales & Marketing ■ Customer Success / Support ■ Engineer ■ Corporate



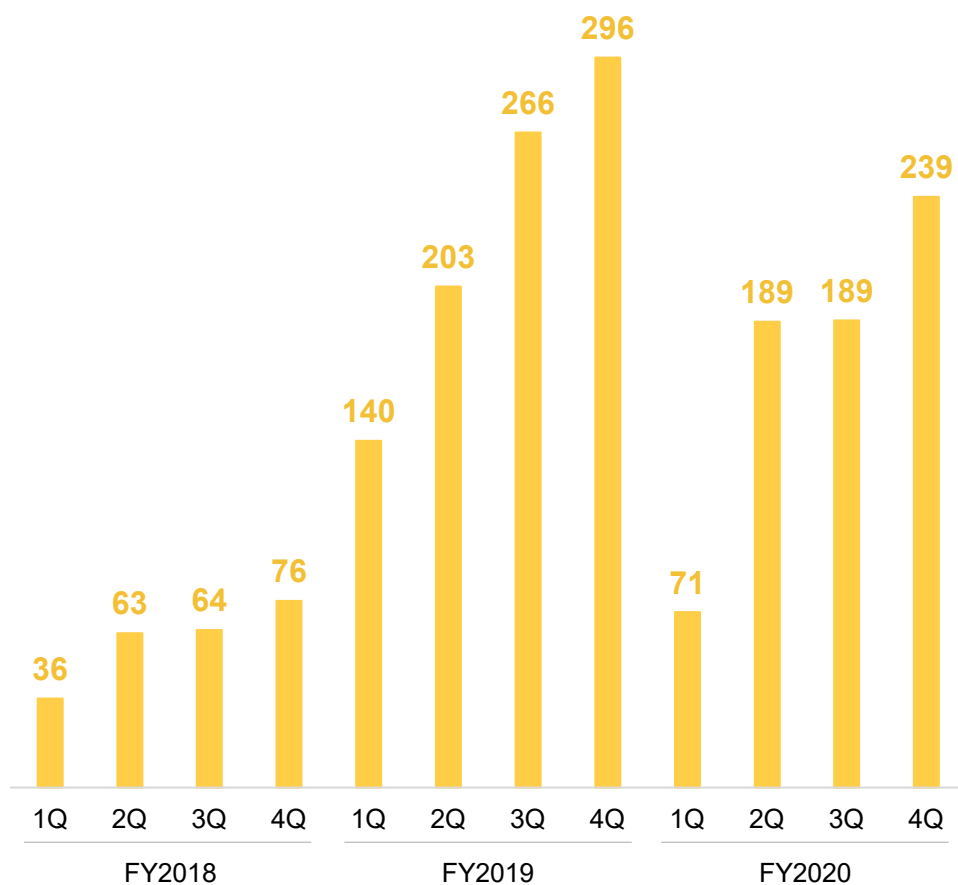
*1 : The number of full-time employees at the end of the quarter

Unit Economics

Maintaining healthy unit economics

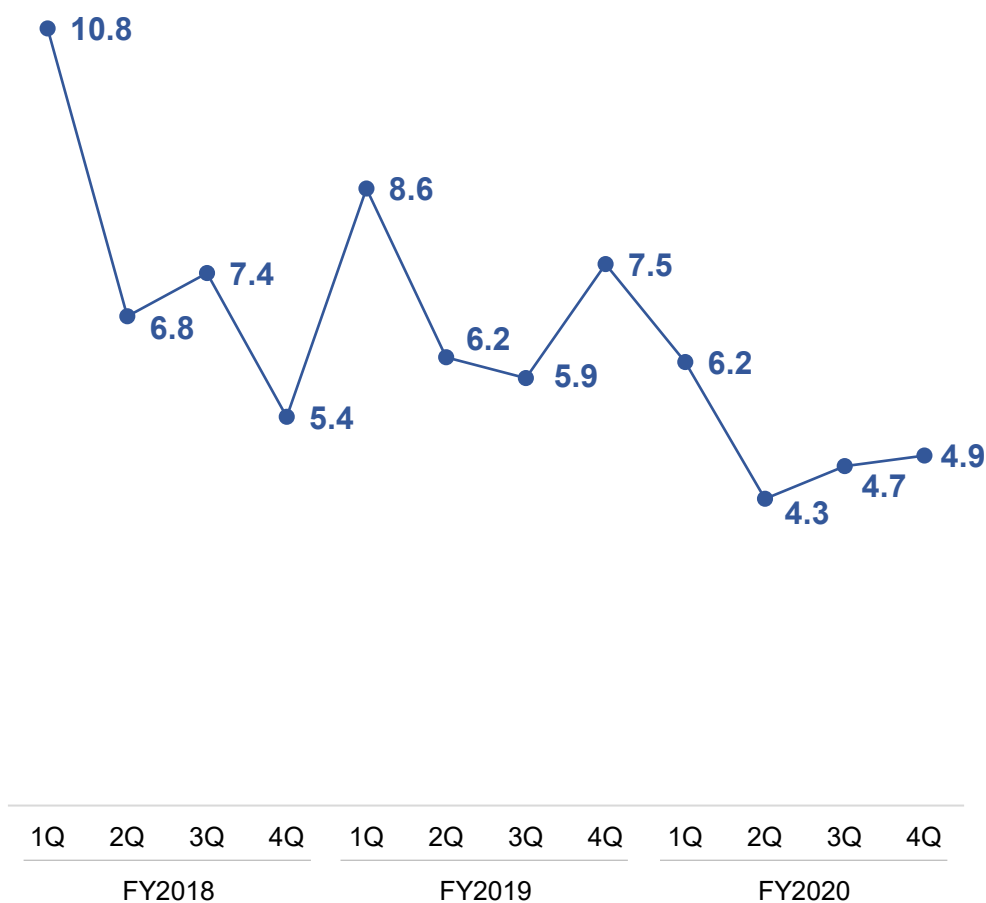
Marketing-related Expenses *1 (Quarterly basis)

JPY MM



LTV/CAC *2 (Quarterly basis)

X



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

*2 : $LTV = (ARPU / \text{Last 3-month average of MRR churn rate}) \times \text{Gross profit margin}$

$CAC = \text{Sales \& Marketing cost (personnel costs for sales \& marketing, customer success and PR, marketing-related expenses, rents, system usage fee, etc.)} / \# \text{ of new customers acquired}$

Free Cash Flow and Deferred Revenue

One-time cash out for headquarters relocation ended, and FCF is normalized

FCF (Quarterly basis)

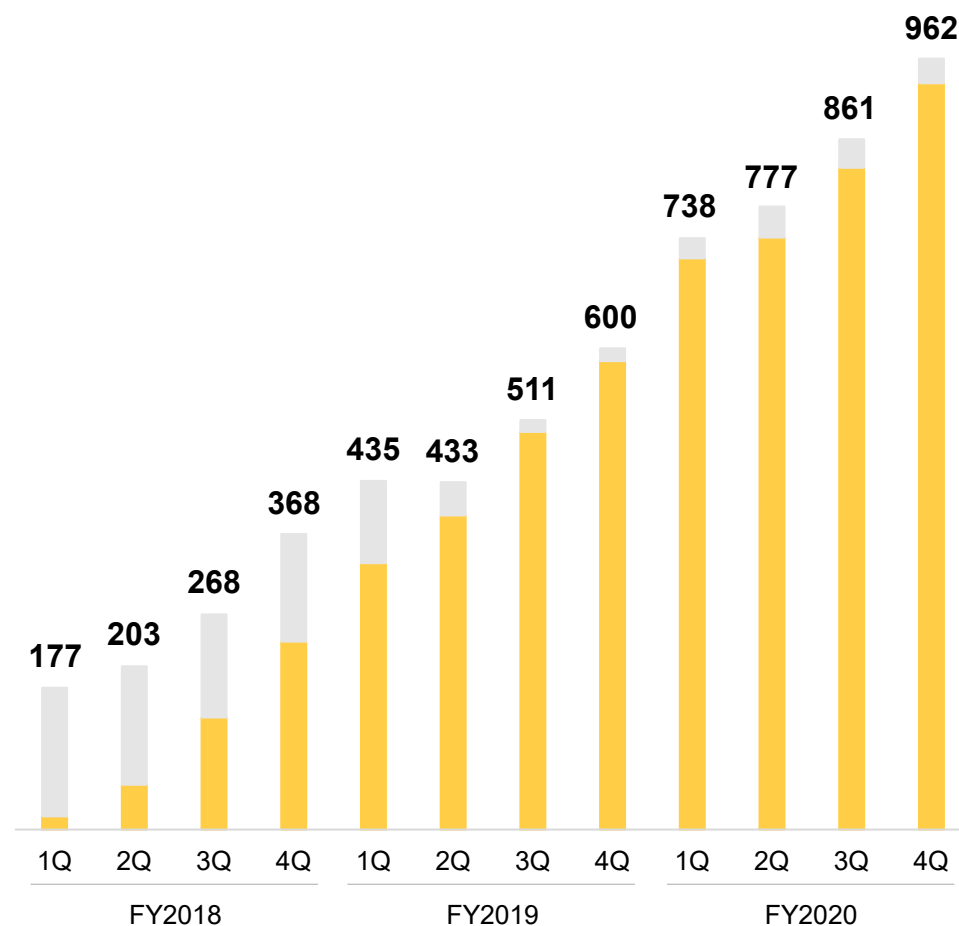
JPY MM



Deferred Revenue (Quarterly basis)

JPY MM

■ Subscription Services *1 ■ Professional Services

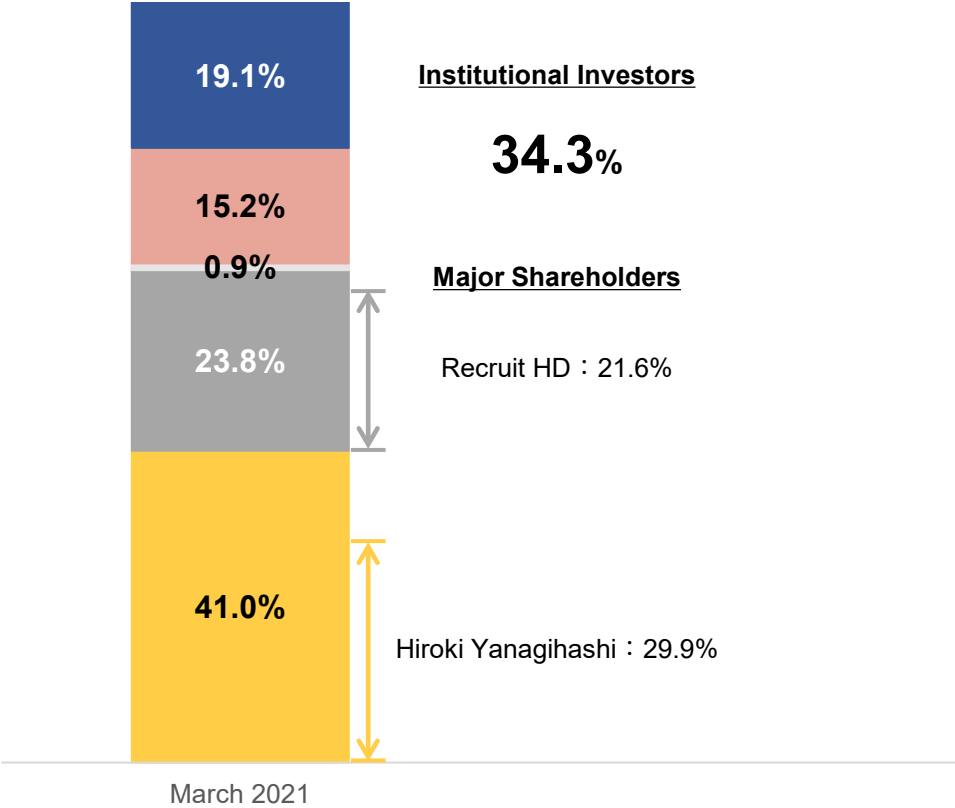


*1 : The ratio of annual payment to MRR in March 2021 was 62.9%

Ownership Structure

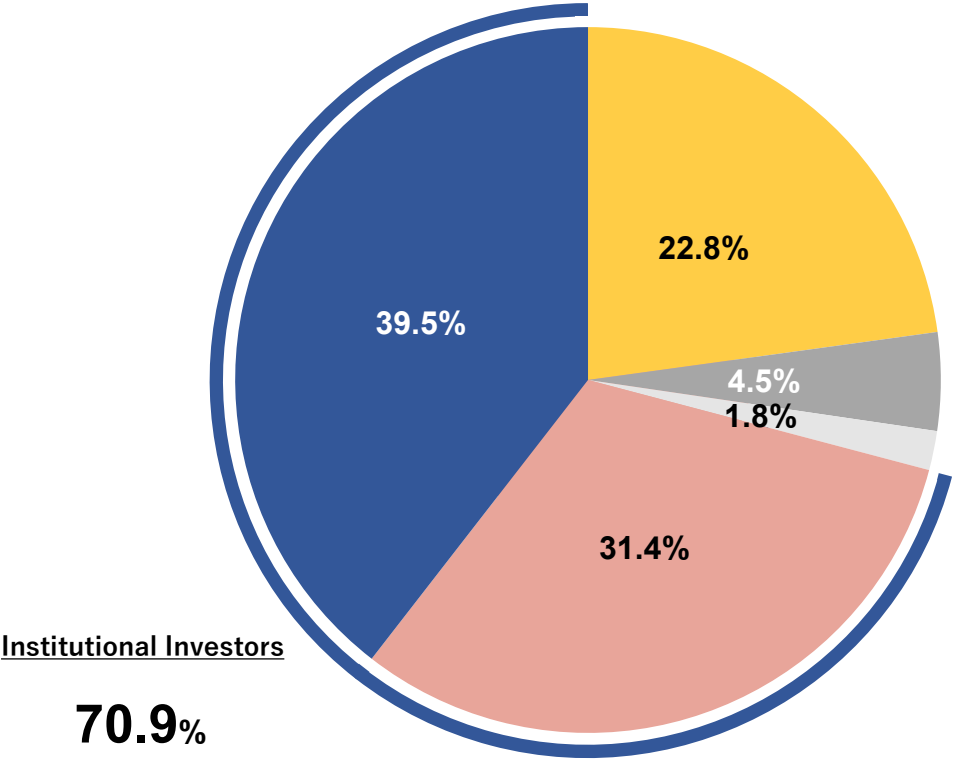
Ownership and Distribution of Shares

■ Individuals and Others ■ Corporations ■ Securities Firms
■ Financial Institutions ■ Foreign Institutions



Ownership and Distribution of Shares Excluding Major Shareholders

■ Individuals and Others ■ Corporations ■ Securities Firms
■ Financial Institutions ■ Foreign Institutions



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FY2021 Financial Forecast ^{*1}

Net sales are expected to grow by 33.4% YoY. Gross profit margin is expected to be 72.2%, at the same level as the previous fiscal year, based on the assumption that we will actively invest in product development

JPY MM	FY2020 Actual	FY2021 Forecast	Change Amount	YoY
Net Sales	3,402	4,540	+1,138	<u>+33.4%</u>
Gross Profit	2,461	3,280	+819	+33.3%
Margin	72.3%	<u>72.2%</u>	-	-0.1pt
Operating Profit	-11	100	+111	-
Margin	-	2.2%	-	-
Ordinary Profit	-16	93	+109	-
Net Profit	-131	26	+157	-

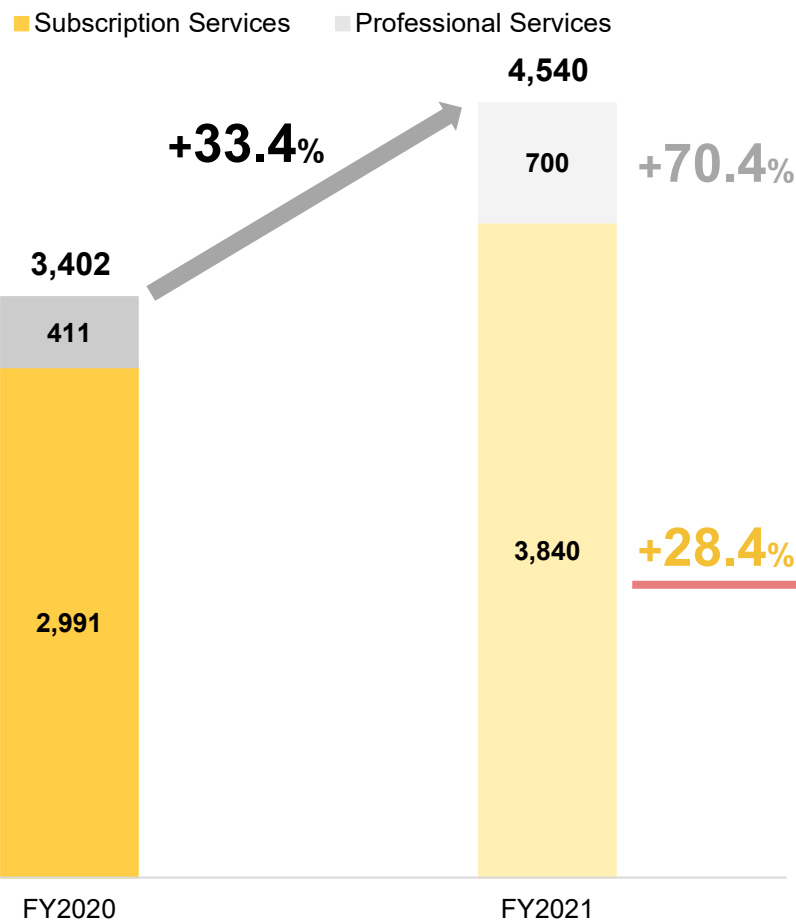
*1 : As "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) is to be applied in the beginning of fiscal year ending March 31, 2022, the financial forecast for FY2021 complies with the new standard

Net Sales Forecast

Recurring revenue is expected to grow by 28.4% YoY. The impact caused by the adoption of the new revenue recognition standard is estimated to be JPY 20MM for total net sales (deduction of JPY 80MM for subscription services and addition of JPY 100MM for professional services)

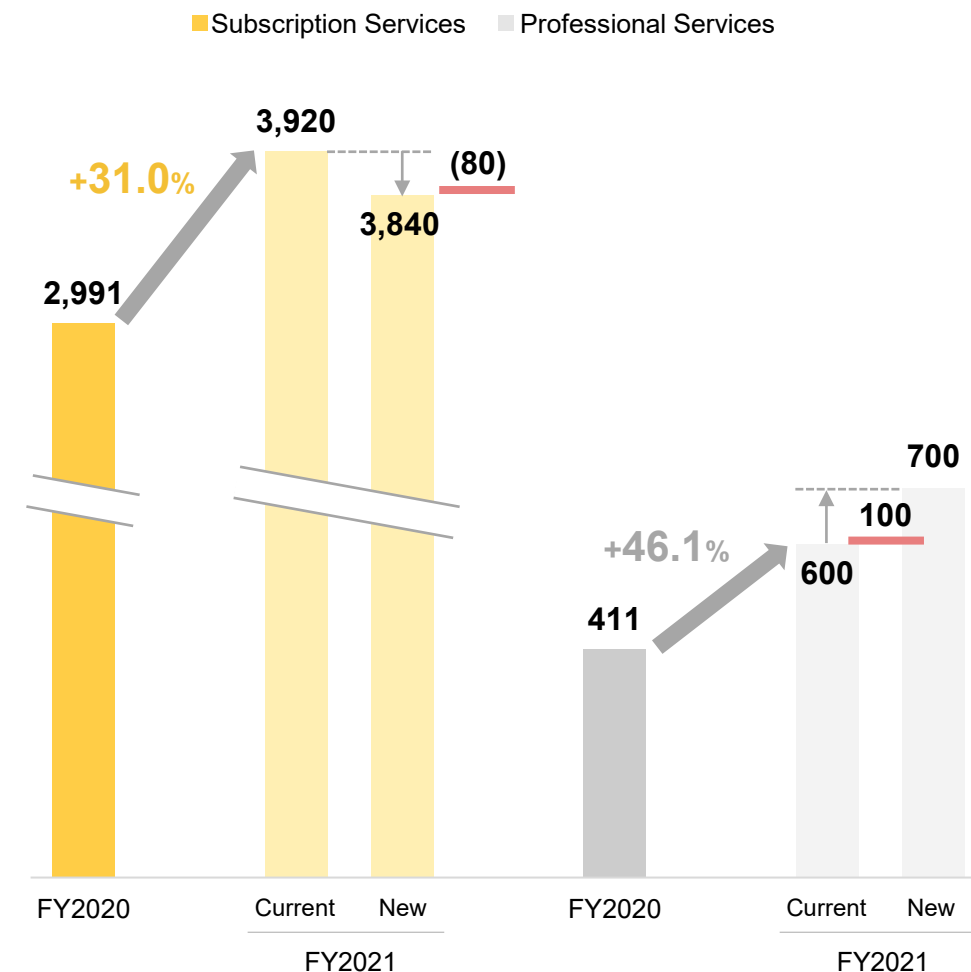
Net Sales Forecast (YoY)

JPY MM



Impact of New Revenue Recognition Standard (FY2021) *1

JPY MM



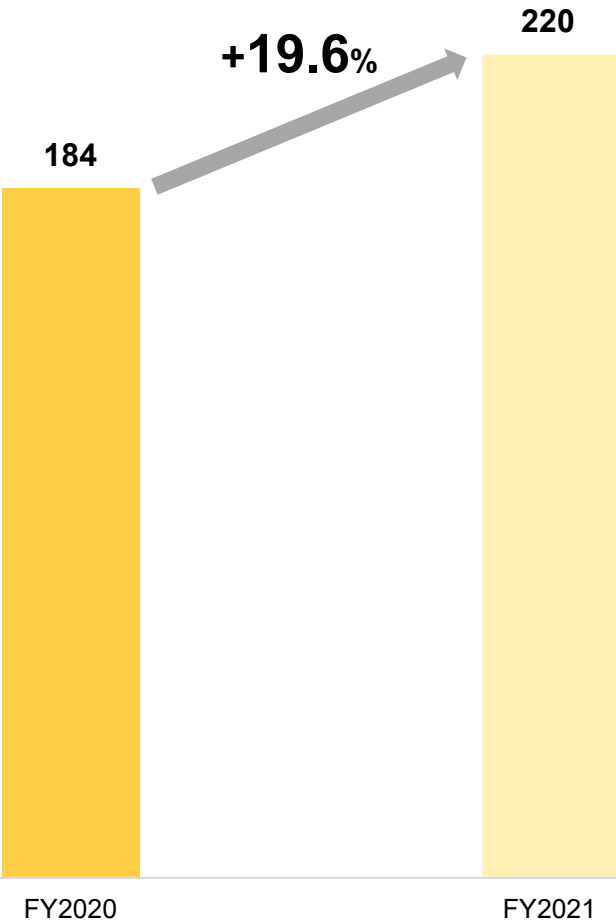
*1 : This outlook is calculated based on certain assumptions currently deemed rational, therefore may differ materially from actual results due to various factors

Cost Discipline

Plan to proactively hire talents and invest in marketing activities to accelerate revenue growth

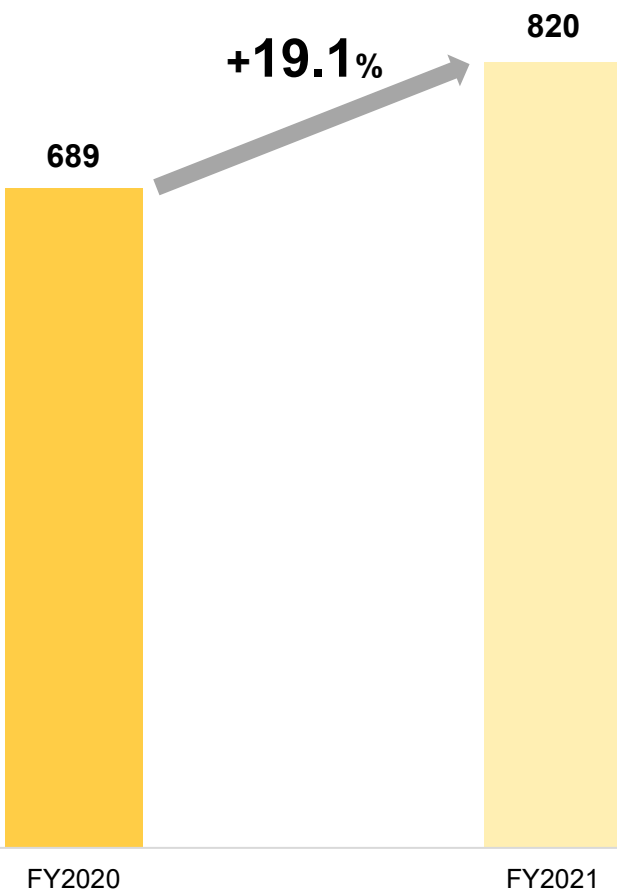
Staffing Plan (# of Employees)

People



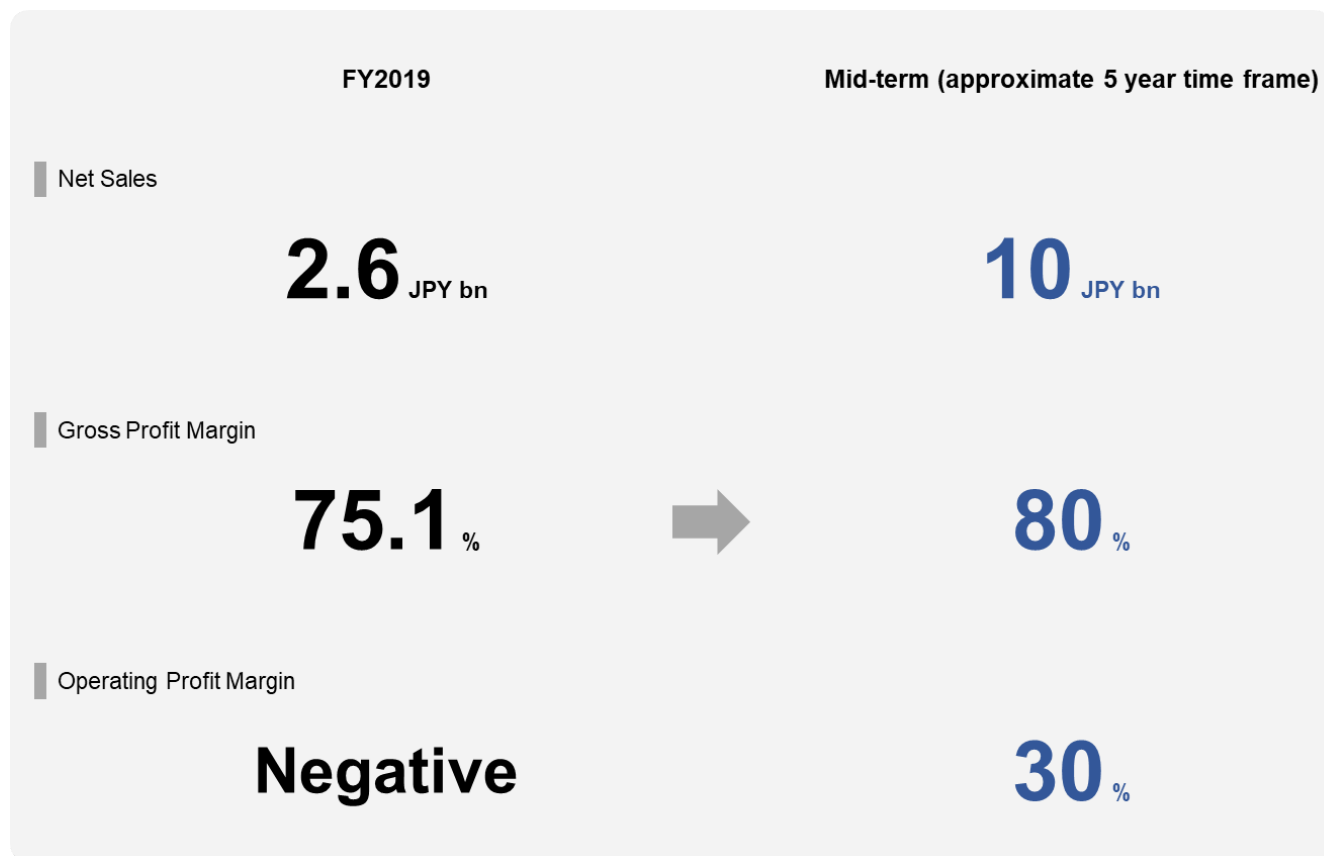
Marketing-related Expenses Forecast

JPY MM

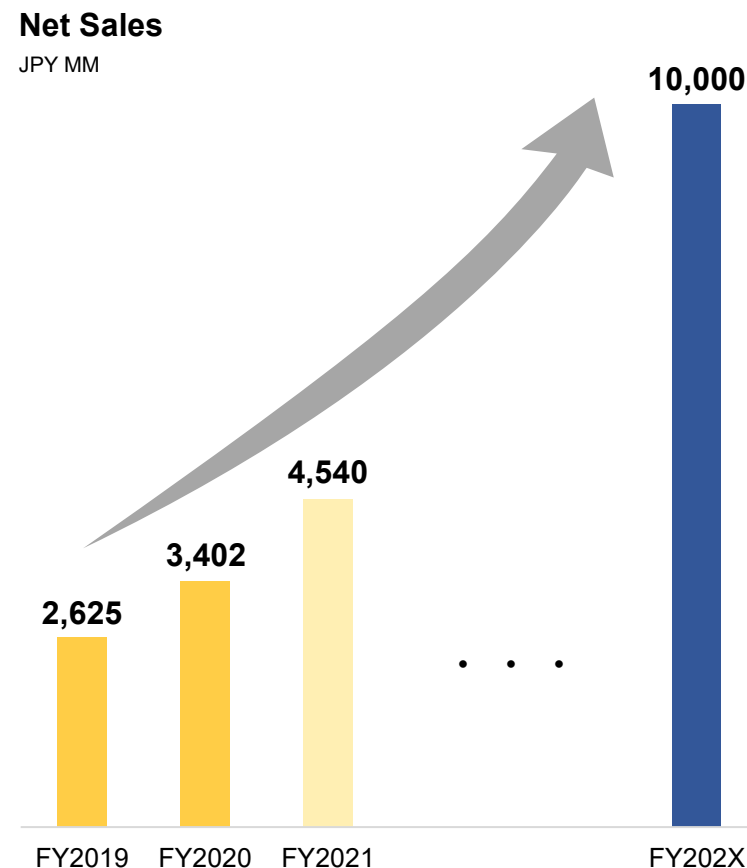


Grand Design of Mid-term Growth

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



Source : Investor Presentation for FY2020Q3 (February 12, 2021)



Strengthening Corporate Governance System

Ms. Masumi Sai is to be appointed as a new outside director ^{*1}



Representative Director, President & CEO

Hiroki Yanagihashi

Having served as a consultant and IT engineer at Accenture and as HR head at iStyle, he founded kaonavi in 2008 as he realized the drawbacks in conventional people management and decided to build a product to help companies better manage their people



Director, Executive Vice President & COO

Hiroyuki Sato

Prior to joining kaonavi as a director in 2011, he was engaged in selling enterprise HR consultation at Link and Motivation, as well as developing employees as a head of HR development group at Simplex



Director & CFO

Kimitaka Hashimoto

When he joined kaonavi in 2018, he has brought years of experience in dealing with financial related matters through his career as a corporate treasurer at SANYO Electric and as an investment banker at Mitsubishi UFJ Morgan Stanley



Outside Director

Suguru Kobayashi

Joined kaonavi as an outside director in 2018
Having over 15 years of experience in HR consulting services, including organizational and HR development at Link and Motivation, and Field Management Human Resource

Responsible for providing advisory from the perspective of corporate management in the HR consulting industry



Masumi Sai

April 2008	Joined Daiwa Securities (formerly Daiwa Securities SMBC)
March 2016	Representative Director of Good News and Companies (to present)
April 2016	Appointed as an outside director of FMG & MISSION (formerly AVON Products)
June 2019	Appointed as an outside director of C'BON Cosmetics (to present)

Responsible for providing advisory based on expertise in corporate governance and corporate finance

^{*1} : Following the approval at the annual shareholders meeting in June 2021

Philanthropic Initiatives

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



Applicable

Academic institutions such as school corporation

Academy Cloud

Price

Special price



Applicable

Government offices, municipal governments, independent administrative agencies

Government Cloud

Price

Special price

Image of career development program status optimized for academic institutions

 顔那美 メンバー1 カオナビ メンバー1 法人事務部		キャリア形成研修			
Q キーワード検索		■大学経営研修(主に部長・課長向け)			
PROFILE BOOK		環境分析と経営計画策定	<input type="radio"/> 受講 <input checked="" type="radio"/> 未受講	民間企業の経営手法理解	<input type="radio"/> 受講 <input checked="" type="radio"/> 未受講
検討中				自己点検・評価・内部質保証	<input type="radio"/> 受講 <input checked="" type="radio"/> 未受講
業務経験		■キャリア形成(主に部長・課長向け)			
マネジメント研修		ヒューマン・リソース・マネジメント	<input type="radio"/> 受講 <input checked="" type="radio"/> 未受講	アドミニストレーター	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講
キャリア形成研修		■キャリア形成(主に係長まで)			
基礎情報		PDCAサイクル習得	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講	創発思考	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講
業務情報				業務創造	<input type="radio"/> 受講 <input checked="" type="radio"/> 未受講
所属履歴		フォローアップ	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講	キャリア・ディベロップメント	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講
等級履歴				キャリア・プランニング	<input checked="" type="radio"/> 受講 <input type="radio"/> 未受講

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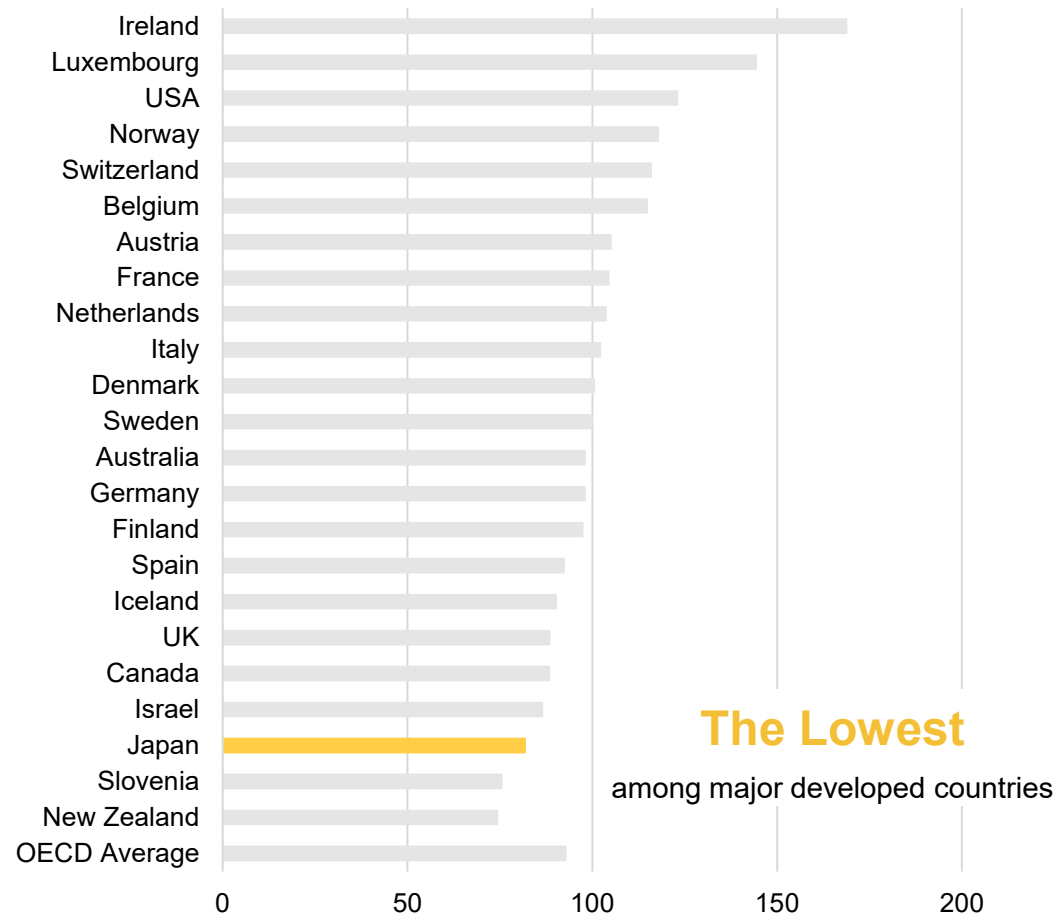
Name	: kaonavi, inc.
HQ Office	: 15F/16F TOKYO TORANOMON GLOBAL SQUARE, 1-3-1 Toranomom, Minato-ku, Tokyo
Established	: May 2008 (Commencement of business : April 2012)
# of Employees	: 184 (March 2021)
Business	: Providing a cloud-based talent management system “KAONAVI”
Board of Directors	: Hiroki Yanagihashi, Representative Director, President & CEO Hiroyuki Sato, Director, Executive Vice President & COO Kimitaka Hashimoto, Director & CFO Suguru Kobayashi, Outside Director, Representative Director of Field Management Human Resource Inc. Jiro Ito, Auditor Hiroyuki Yamada, Auditor Masaharu Adachi, Auditor Akemi Higuchi, Auditor
Major Shareholders	: Hiroki Yanagihashi Recruit Holdings Co., Ltd. (RSI Fund 1 LLC)

Japan's Labor Market Challenges

Japan faces low labor productivity and decline of working-age population

OECD Countries' Labor Productivity (2016, per workers)

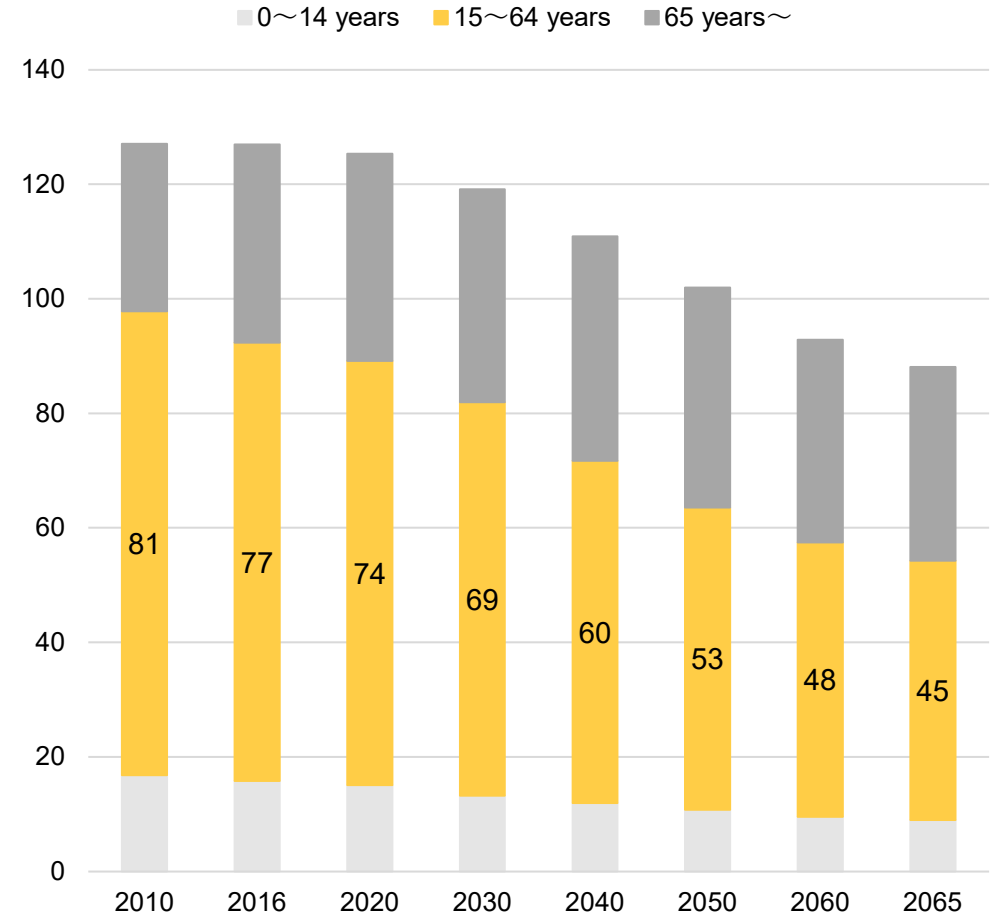
PPP Conversion : US\$ 1,000



Source : Japan Productivity Center "International Comparison of Labor Productivity 2017"

Japan's Population Projections by Age

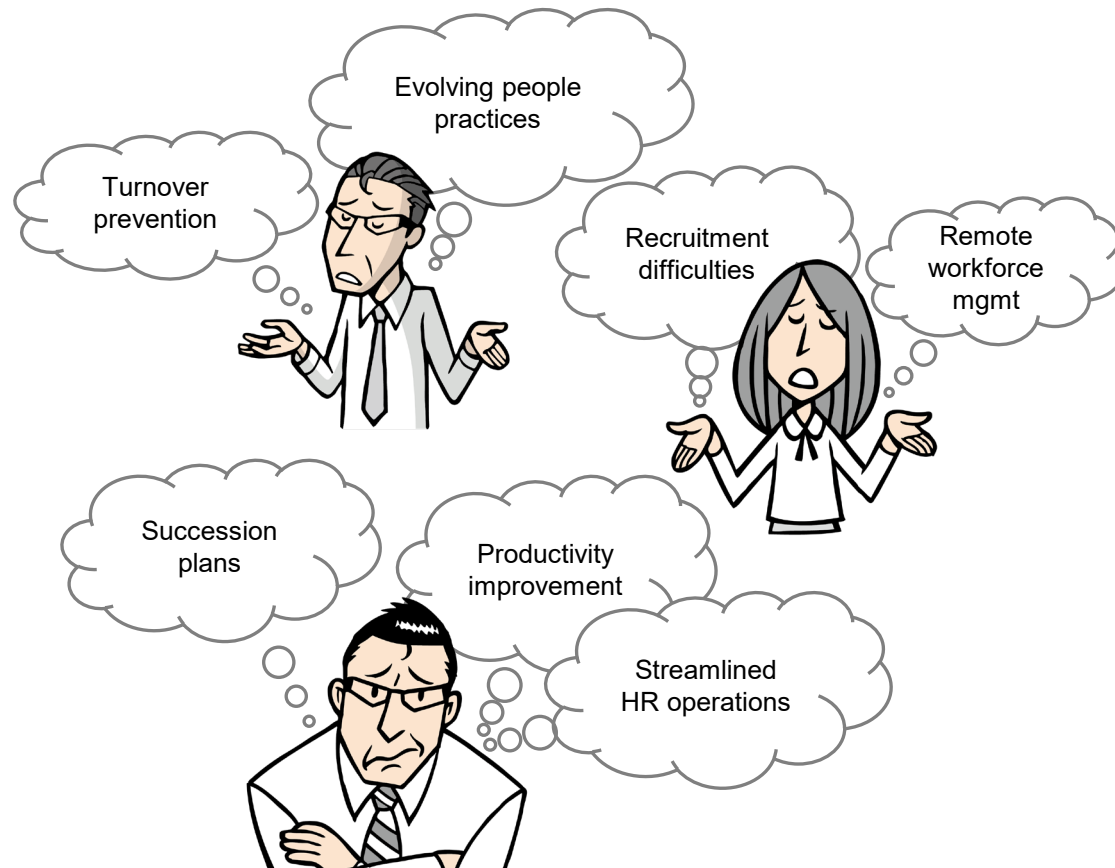
Million people



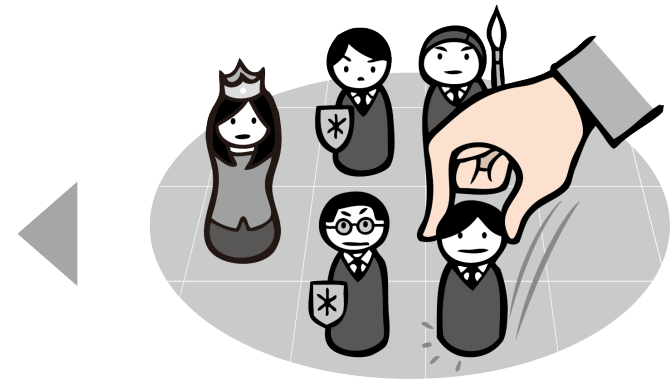
Source : Cabinet Office "White Paper on Aging Society 2017"

Rising Demand for Talent Management

Individuality of employees is the paramount focus for solving various HR issues that companies confront



Talent Management



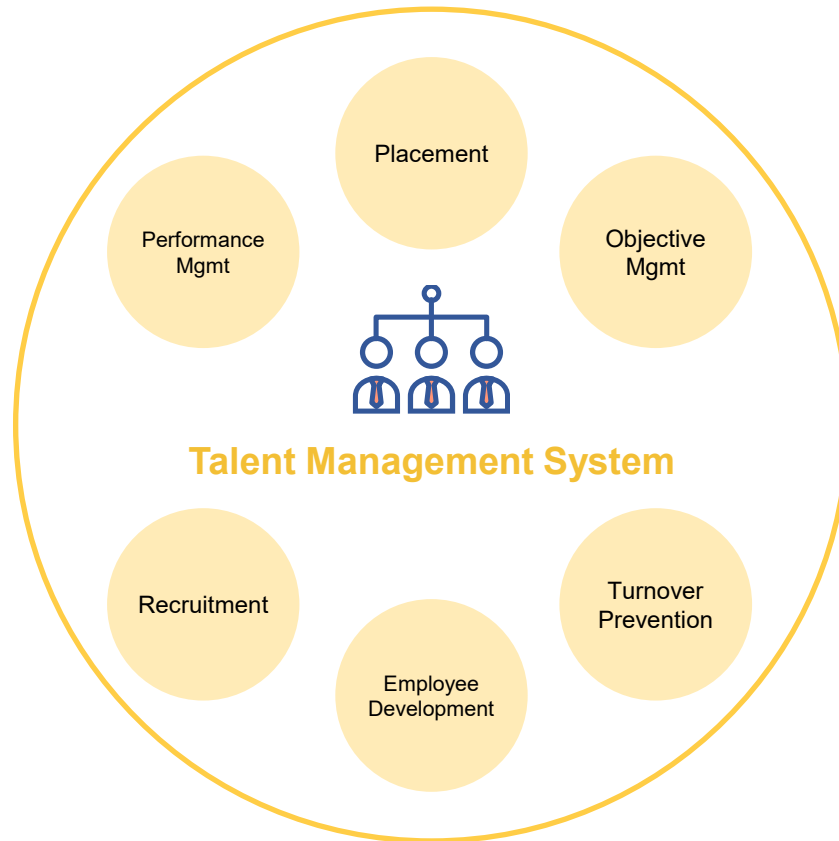
- Centralized and visualized HR data
- Well-fit employee placement
- Streamlined performance review process
- Skills management and people development
- Right talent acquisition to prevent mismatches
- Increased employee engagement

Business Realm

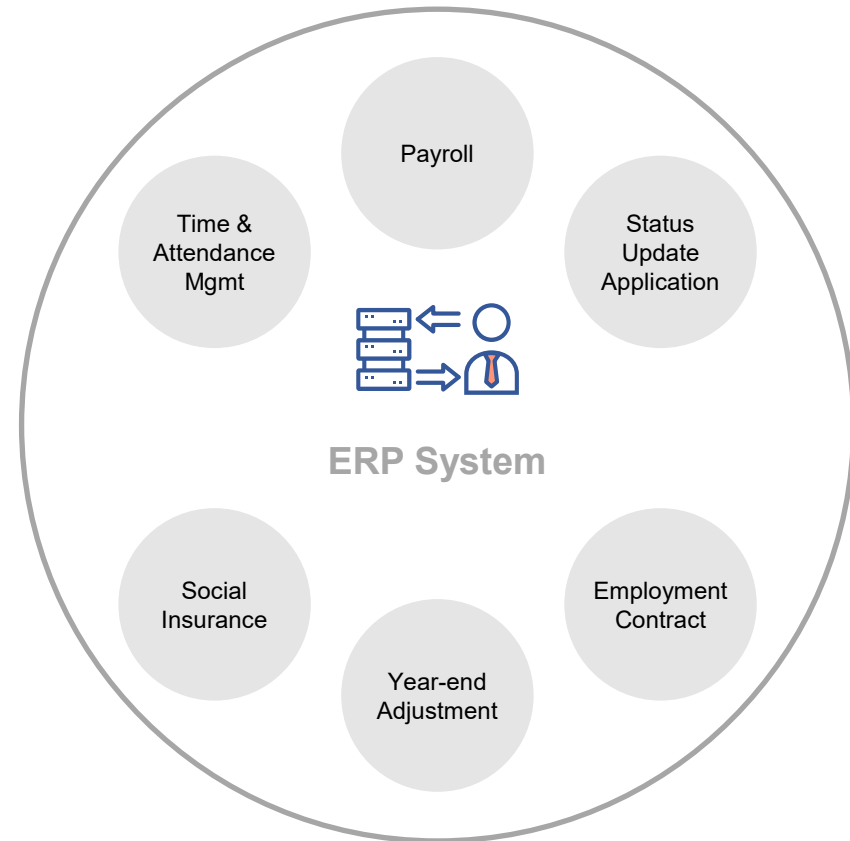
Providing services in HR management area such as performance management, retention and placement

カオナビ

HR Management



Labor Management



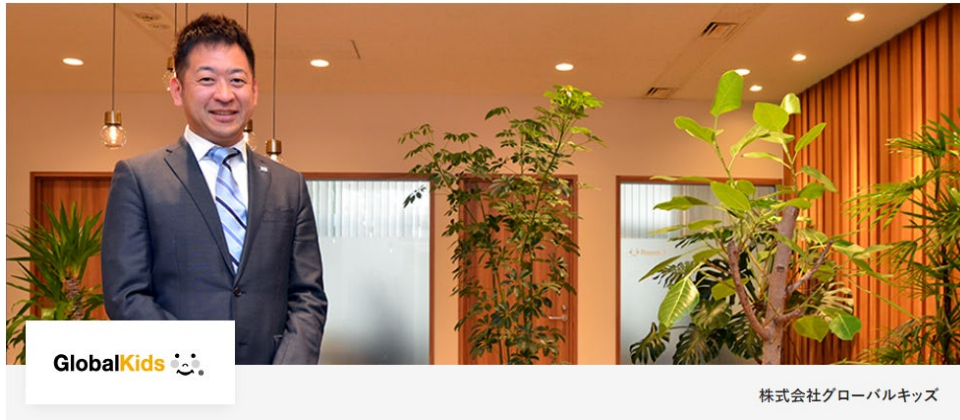
Fee Structure

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

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

*1 : Aptitude Test (SPI3), Pulse Survey, Approval Workflow and so on

Customer Stories



Issues / Challenges

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

Why KAONAVI ?

- Excellent user interface

Benefits of KAONAVI

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



Issues / Challenges

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

Why KAONAVI ?

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

Benefits of KAONAVI

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

Customer Stories (Cont'd)



イノチオホールディングス株式会社



学校法人立命館

Issues / Challenges

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

Why KAONAVI ?

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

Benefits of KAONAVI

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

Issues / Challenges

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

Why KAONAVI ?

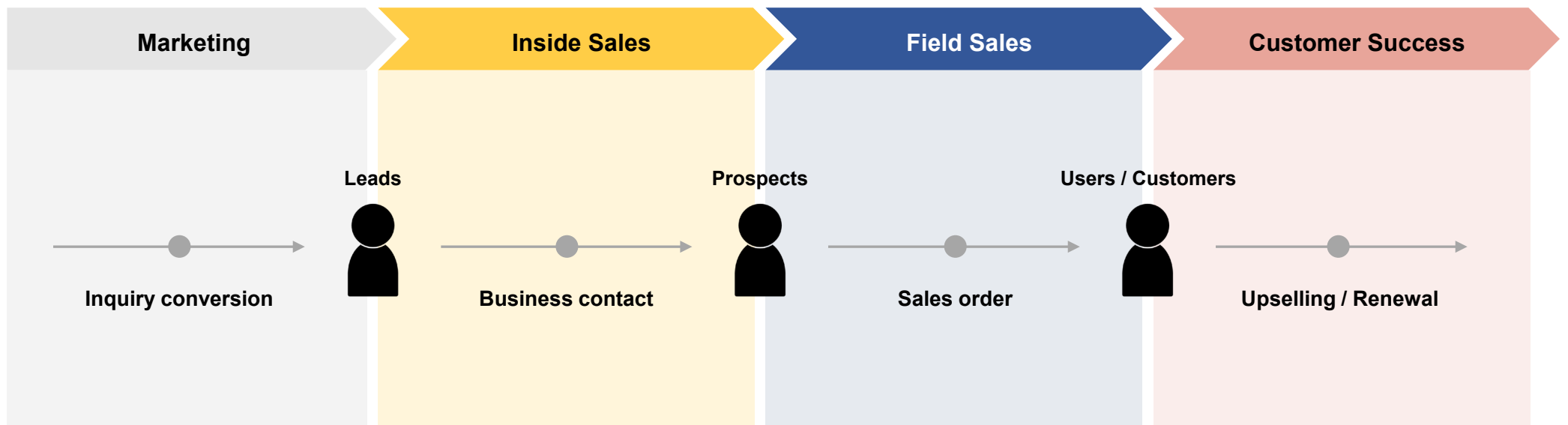
- Centralized information management capability
- Highly intuitive user interface

Benefits of KAONAVI

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

Business Process

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

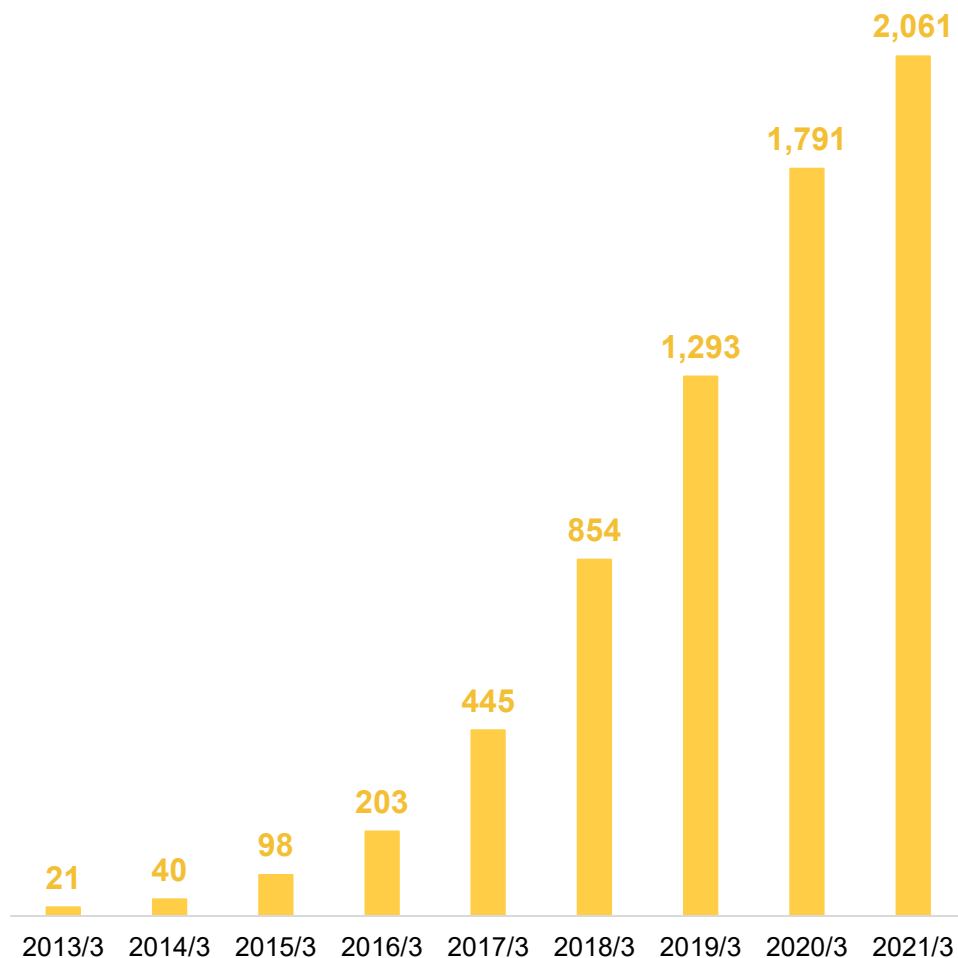


Market Position

The market leader in talent management system

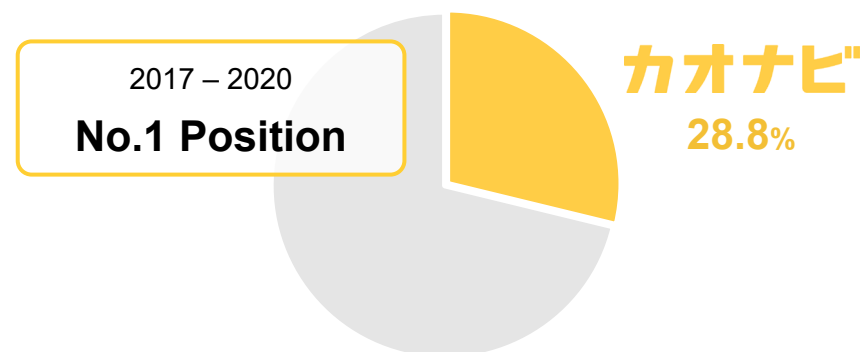
Active Users (Annual basis)

Companies



*1 : As of March 31, 2021

Market Share of Shipment (2020)



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

Customers *1

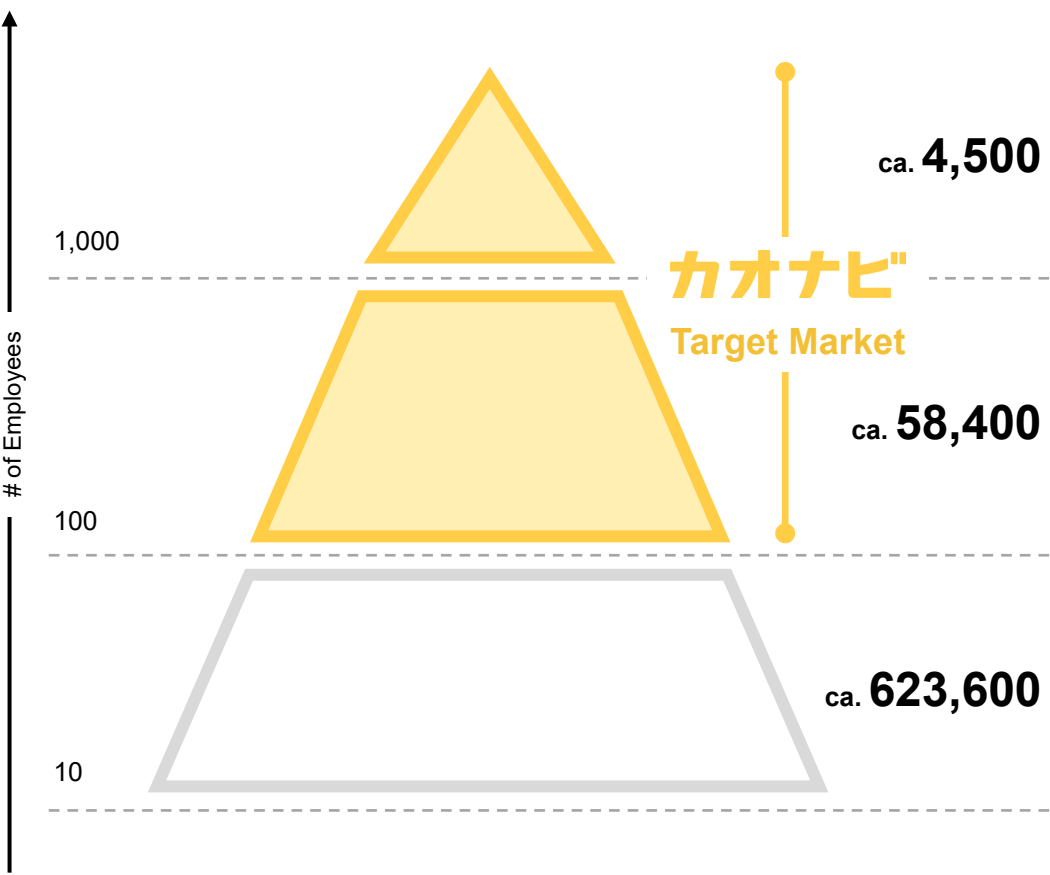


Growth Potential

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

of Companies in Japan

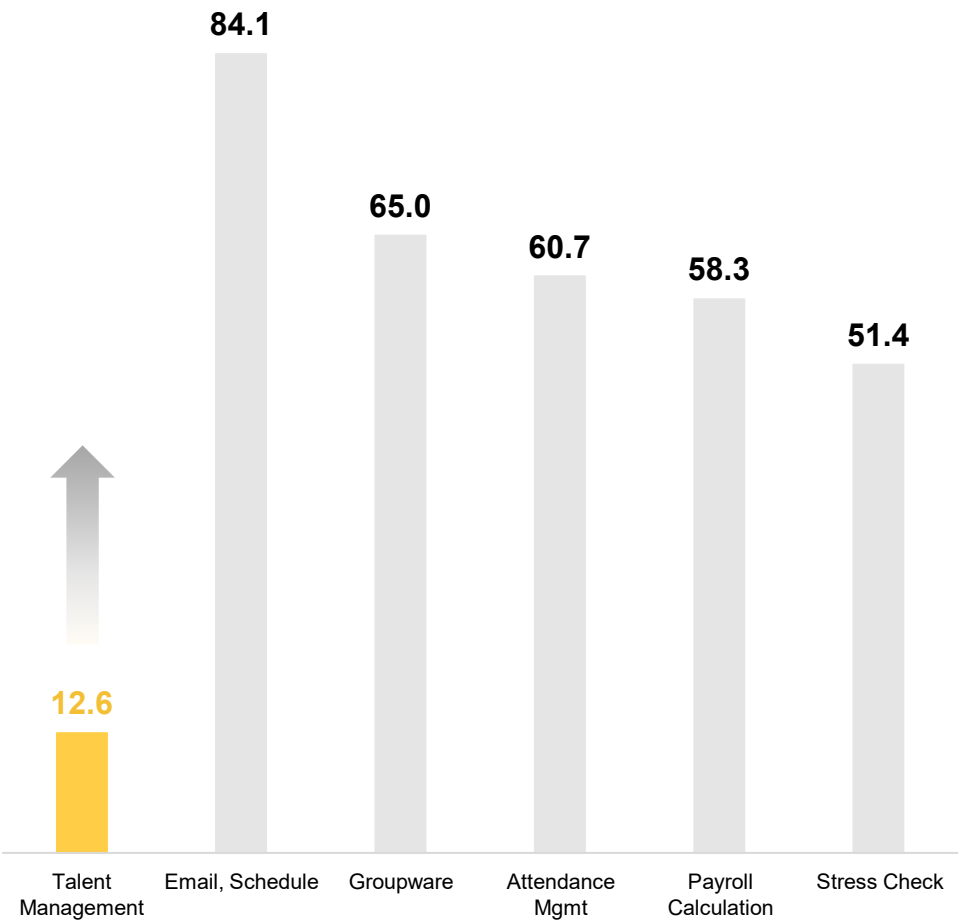
Companies



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

Adoption of HR-related IT Systems in Japan

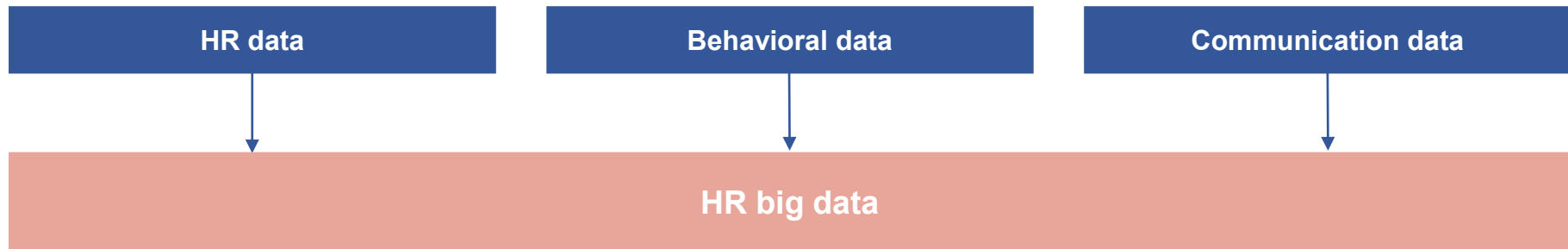
Implementation Rate : %



Source : IDC Japan, July 2017

Future of Talent Management

Harnessing dynamic data in addition to static data to utilize human resources more advanced than ever before



⇒ Analyze high performers, identify signs of turnover, prevent hiring mismatches, and conduct personalized development programs

Technical Advisor

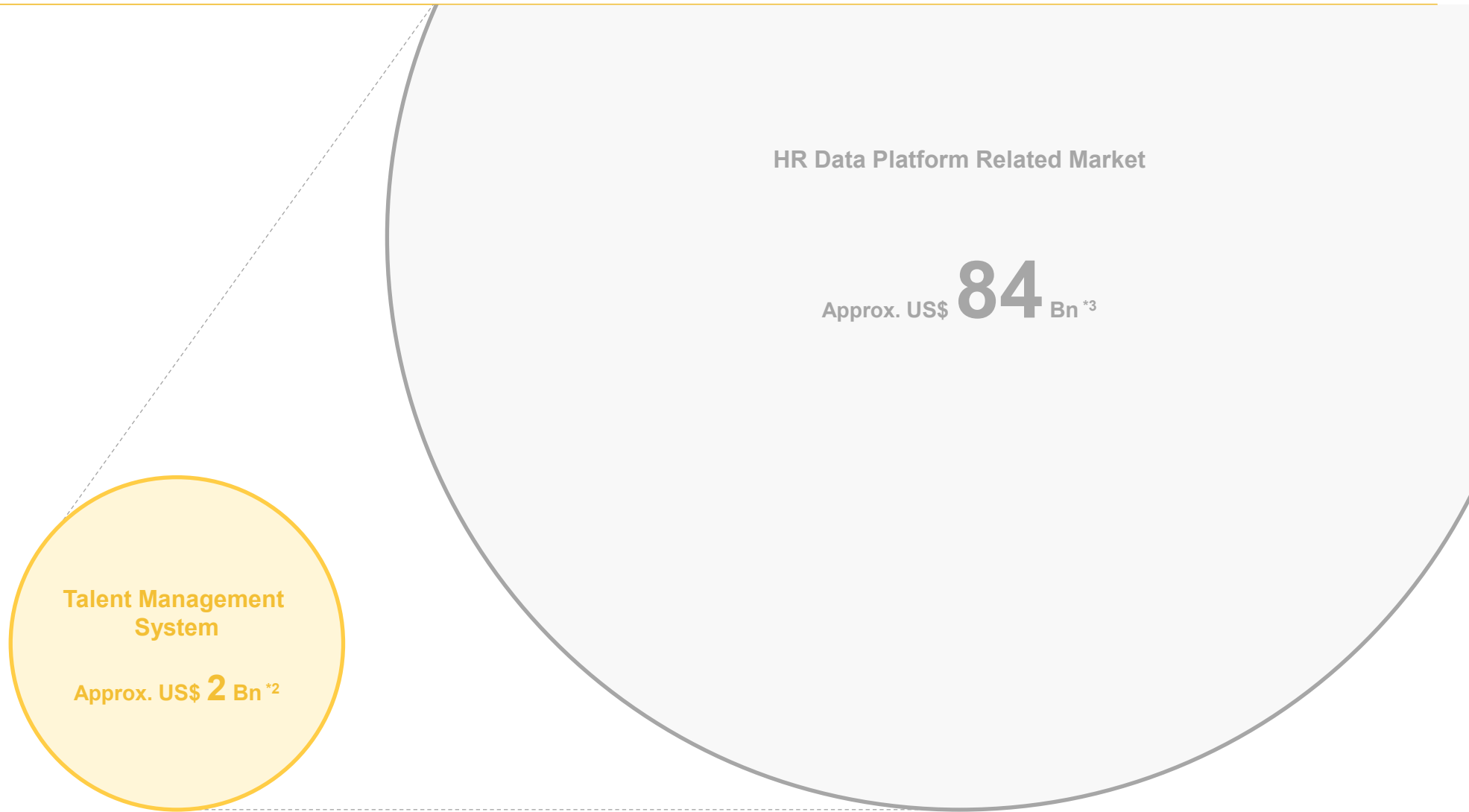


Masaya Mori

Partner at Deloitte Tohmatsu Consulting LLC
Specially-appointed Professor at Tohoku University
Advisor at Japan Deep Learning Association

Joined Rakuten Inc in 2006 after leading advanced technology group at Accenture. As Rakuten Executive Officer and Global Head of Rakuten Institute of Technology, he was in charge of developing and implementing strategies of AI, IoT and Big Data solutions and managing seven institutes in 5 countries.

TAM Expansion Opportunities with Platform Business ^{*1}



^{*1} : USDJPY=100. Potential TAM has been calculated by kaonavi, under certain assumptions, using data referenced from the below publicly disclosed statistical reports

^{*2} : Calculated by multiplying the number of companies with 50 or more employees by KAONAVI's fee structured for corresponding employee size, based on MIC and METI "2016 Economic Census for Business Activity"

^{*3} : Calculated as the sum of the below markets

Market size of job listing, job recruiting and job staffing by Japan Association of Human Resource Services Industry "The Labor Market in 2030 and The Role of The HR Services Industry"

Market size of training services for companies (2019) by Yano Research Institute "Research on Corporate Training Services Market (2020)"

Market size of reemployment support (2019) by Yano Research Institute "Research on The Human Resources Business Market (2020)"

Market size of employee assistance program (2015 forecast) by Yano Research Institute "Research on EAP Market (2016)"

Market size of ATS cloud and employee development cloud (2021 forecast) by Deloitte Tohmatsu MIC Research Institute "HR Tech Cloud Market 2020"

Disclaimer

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