

# Financial Results Briefing Materials for First Quarter of Fiscal Year Ending March 31, 2023

ADVANTAGE Risk Management Co., Ltd.  
[Securities code: 8769 TSE Prime Market]

August 5, 2022



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# AGENDA

**01** Overview of Financial Results

**02** State of Each Business

- (1) Mental Health Management Service
- (2) Health and Productivity Management Service
- (3) LTD Service (Long Term Disability)
- (4) Work-Life Balance Support Service
- (5) Risk Financing Service

**03** Progress of Medium-term Management Plan

# 01

## Overview of Financial Results



## Overall Business Results

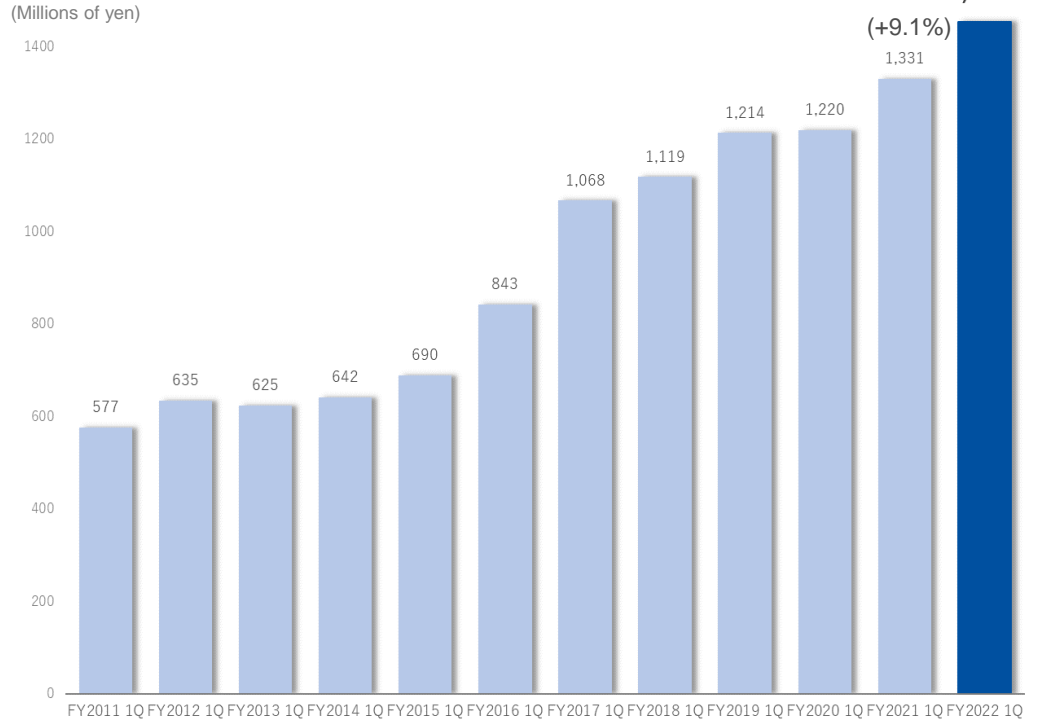
**Net sales of 1,454 million yen:** **Increased** by 123 million yen YoY (% change +9.3%), remaining robust  
Investments for achieving the Medium-term Management Plan were made as planned.

**Ordinary profit of 48 million yen:** **Increased** by 22 million yen YoY (% change +89.7%) despite the increased costs.

	FY2021 1Q		FY2022 1Q		YoY	
(Millions of yen)	Results	Component of net sales (%)	Results	Component of net sales (%)	Change	% Change
Net sales	1,331	—	1,454	—	+ 123	+ 9.3%
Gross profit	1,016	76.4%	1,068	73.5%	+ 52	+ 5.1%
Operating profit	32	2.5%	56	3.9%	+ 23	+ 70.9%
Ordinary profit	25	1.9%	48	3.3%	+ 22	+ 89.7%
Profit attributable to owners of parent	8	0.7%	23	1.6%	+ 14	+ 169.0%

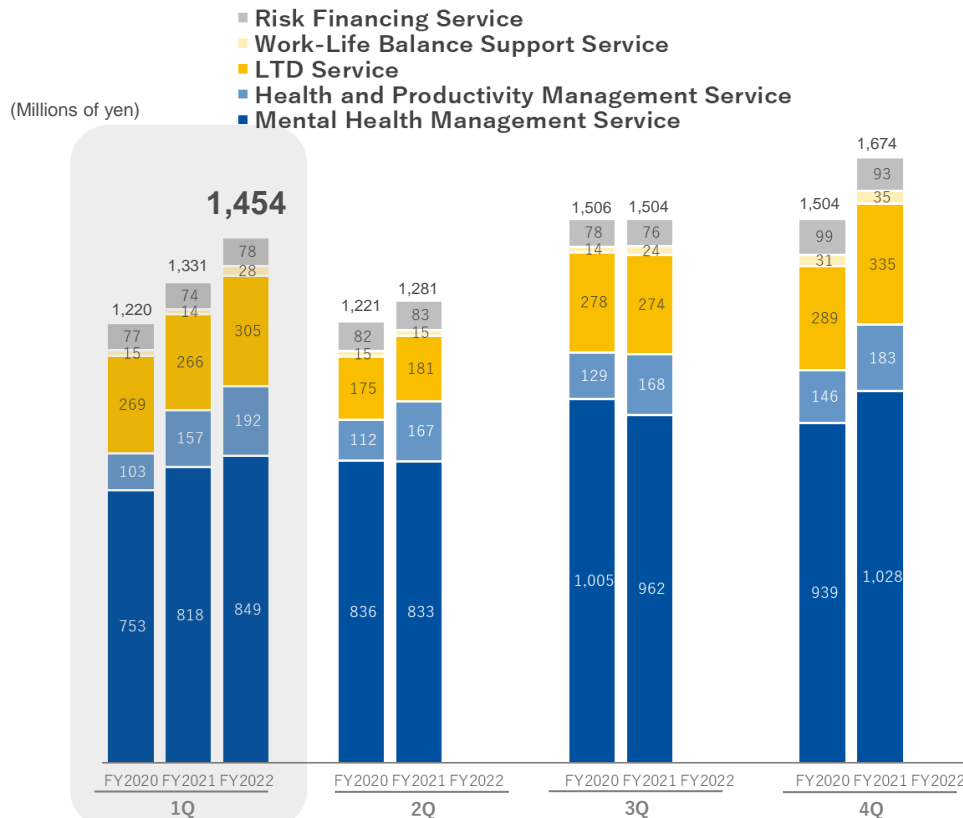
## Net Sales Trends (1Q – YoY)

Note: Figures in parenthesis represent percentage change from the same period of the previous year.



Net sales **increased** by 9.3% YoY  
due to growth in all services

## Net Sales by Business – Trends by Quarter



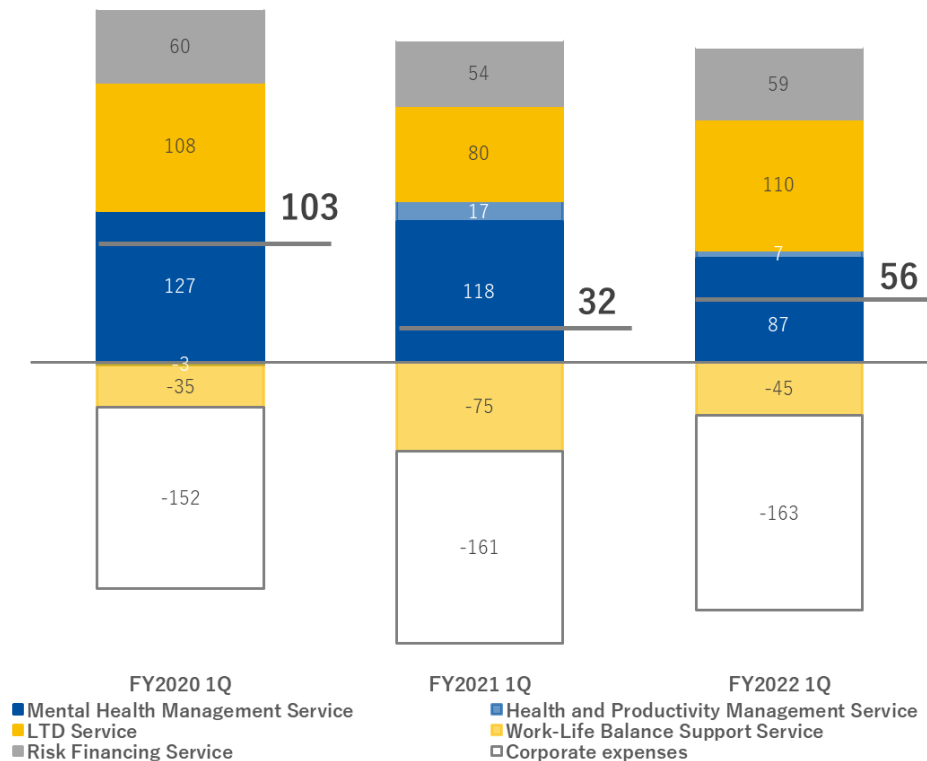
**All services showed favorable net sales in 1Q, progressing generally as planned**

Net sales in both the Mental Health Management Service and the Disability Support Service increased in 1Q, exceeding the initial plan due to steady growth of all services including our main service ADVANTAGE TOUGHNESS and Group Long Term Disability Supplemental Income Insurance (GLTD).

Note: The Mental Health Management Service and the Health and Productivity Management Service are classified into the Mental Health Management Service as the reportable segment for financial accounting, and the LTD Service and the Work-Life Balance Support Service are classified into the Disability Support Service as the reportable segment for financial accounting.

## Trends in Operating Profit by Business (1Q – YoY)

(Millions of yen)

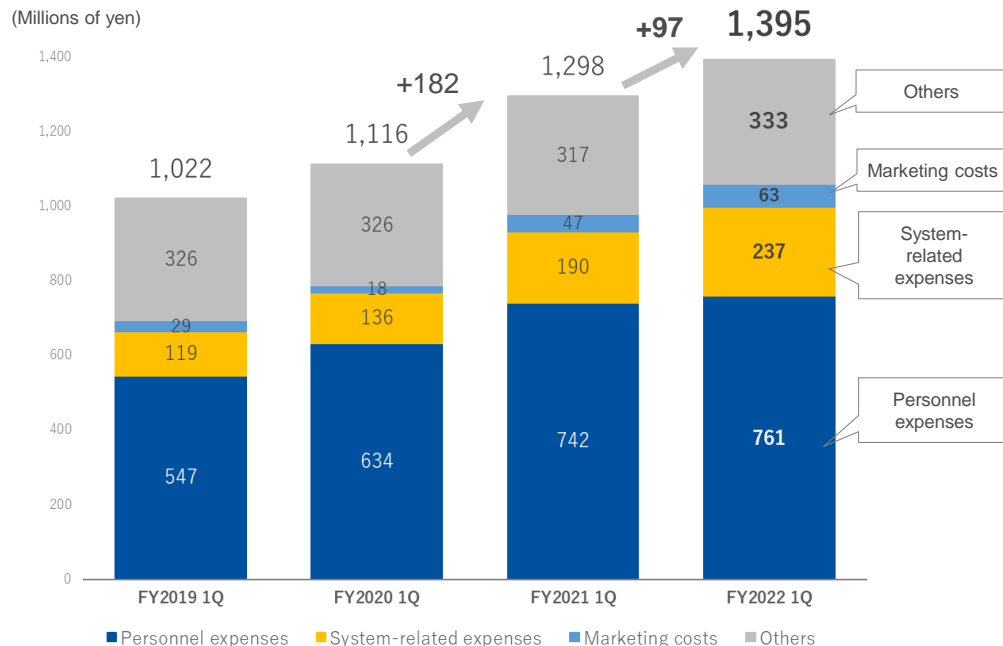


### Investment made as planned, resulting in a cost increase, but operating profit increased YoY

Operating profit increased YoY in 1Q as a result of sales growth, in spite of not only the increased burden of expenses in the Mental Health Management Service, including an increase in amortization expenses associated with the development of ADVANTAGE Well-being DXP and ADVANTAGE pdCa toward improvement of existing main services such as ADVANTAGE TOUGHNESS and EQ-related solutions as well as realization of the Medium-term Management Plan, but also an increase in company-wide costs, including increased personnel and marketing costs, for our future growth.

Note: Corporate expenses are mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment.

## Trends in Composition of Expenses (1Q – YoY)



**Carried out various measures to enhance competitiveness**  
**Expenses increased YoY**  
 (97 million yen increase YoY)

### Enhancing human resources

Hiring of IT personnel for advancing various development projects necessary to achieve the Medium-term Management Plan, and hiring of employees to expand each service

### Enhancing products

Continued to improve existing services and develop ADVANTAGE Well-being DXP to achieve the Medium-term Management Plan  
 Increase in system-related expenses, including amortization expenses for software

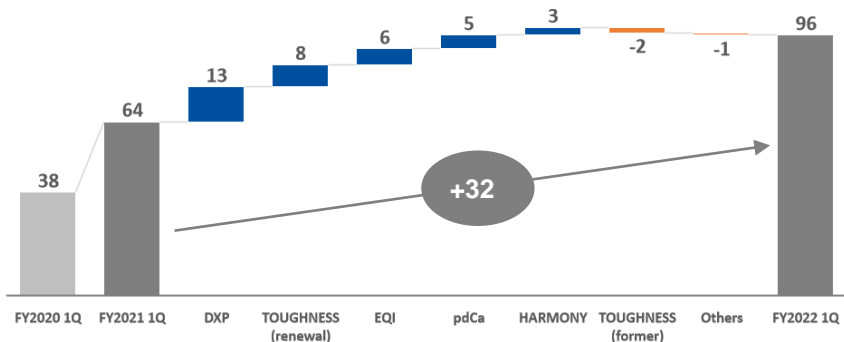
### Enhancing marketing

More active promotion programs including taxi advertisements and sales promotion programs

# System-related Expenses

(Millions of yen)

## Amortization of software



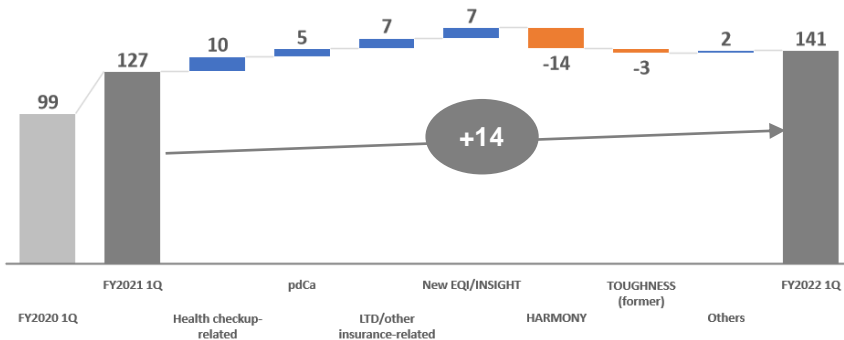
## Amortization of software and system maintenance costs

Amortization expenses increased for the system renewal for ADVANTAGE TOUGHNESS, improvement of existing main services such as EQ-related solutions, and new services including ADVANTAGE Well-being DXP and ADVANTAGE pdCa.

In system-related expenses, health checkup system-related costs (variable costs) increased due to increased sales in the Health and Productivity Management Service.

On the other hand, amortization expenses for the former ADVANTAGE TOUGHNESS and system transition expenses for ADVANTAGE HARMONY decreased.

## System-related expenses








# 02

## State of Each Business

- (1) Mental Health Management Service
- (2) Health and Productivity Management Service
- (3) LTD Service
- (4) Work-Life Balance Support Service
- (5) Risk Financing Service



## Summary of State of Each Business

Business	State of FY2022 1Q
Mental Health Management Service 	<ul style="list-style-type: none"> <li>Sales of ADVANTAGE TOUGHNESS <b>remained robust as planned</b>. Sales of options and add-on services increased due to <b>strong corporate demand for counseling services</b>. Solution sales increased, showing a recovery trend that has continued since FY2021, and are still midway toward recovery.</li> </ul>
Health and Productivity Management Service 	<ul style="list-style-type: none"> <li>Both the health checkup system and the occupational physician / health nurse service <b>continued to grow</b> with <b>an increase of 23.1% YoY</b>, buoyed by market tailwinds, including corporate demand for promotion of health and productivity management and the trend to digitalize health checkup results.</li> </ul>
LTD Service 	<ul style="list-style-type: none"> <li>The LTD service <b>grew roughly as planned</b>, showing a <b>14.7% increase in net sales YoY</b>, as the number of new clients has steadily increased.</li> <li><b>The market has continued to grow.</b></li> </ul>
Work-Life Balance Support Service 	<ul style="list-style-type: none"> <li>The pipeline of ADVANTAGE HARMONY witnessed a robust increase. The number of new contracts steadily increased, partly buoyed by the need to respond to the amendments to the Childcare and Caregiver Leave Act.</li> </ul>
New initiatives for future growth 	<ul style="list-style-type: none"> <li>We reorganized the Sales Department as of April 1, 2022. The newly established Enterprise Sales Department has promoted account-based sales through comprehensive proposals centered around ADVANTAGE Well-being DXP. As a result, <b>the number of companies deciding or considering adoption of multiple services increased</b>.</li> <li><b>We have accelerated our expansion into the benefits and welfare service field through sales of ADVANTAGE WellGage and collaboration with the Life Support Club provided by RESOL LIFE SUPPORT CO., LTD.</b></li> </ul>

## (1) Mental Health Management Service – Business Results

(Millions of yen)	FY2021 1Q	FY2022 1Q	YoY change
Net sales	818	849	+3.8%
Expenses	700	762	+8.9%
Segment profit	118	87	-26.3%
Operating profit	21	-10	-

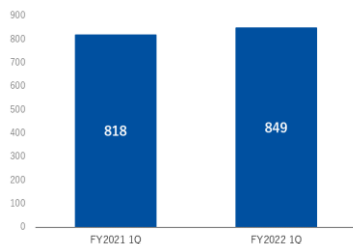
Note: Operating profit is the reportable segment profit for financial accounting purposes after allocating corporate expenses (\*) on a certain basis such as the share of each business in net sales and number of staff.  
 (\*) Mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment

**Results in 1Q were as planned, showing a 3.8% increase in net sales YoY**

- ADVANTAGE TOUGHNESS performed as planned. The numbers of option add-ons and users of the visiting counseling service increased due to the growing needs of companies for counseling services. Solution sales are still midway toward recovery while EQ (emotional management skill) training and ADVANTAGE INSIGHT grew from the previous fiscal year.
- Profit declined with a YoY increase in expenses, including amortization expenses associated with the development of not only the existing ADVANTAGE TOUGHNESS service but also ADVANTAGE pdCa and ADVANTAGE Well-being DXP.

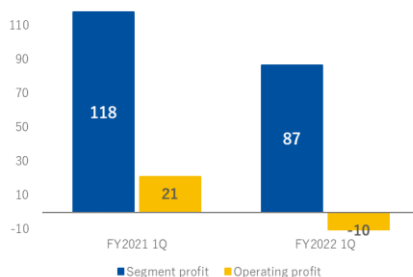
Net sales

(Millions of yen)



Segment profit / Operating profit

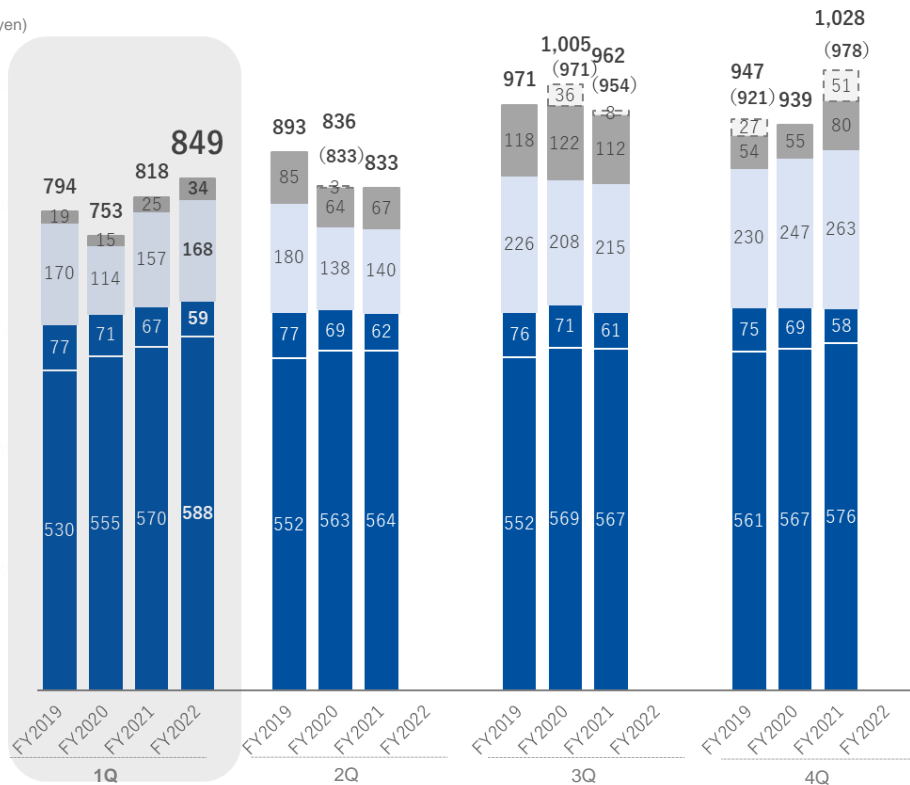
(Millions of yen)



# (1) Mental Health Management Service – Sales Trends by Product

■ Main system ■ Main system (AEAP) ■ Solutions ■ Add-ons ■ Others

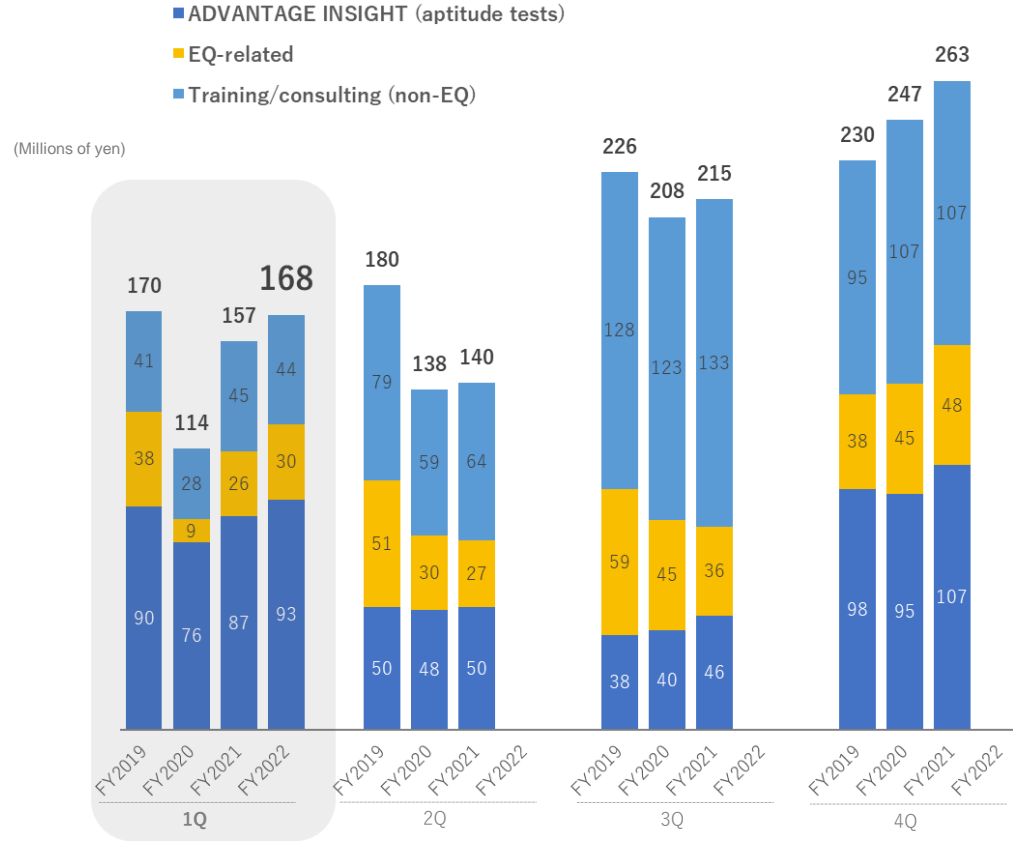
(Millions of yen)



Note: Figures in parentheses are totals excluding the Other category.

- Sales of the **main ADVANTAGE TOUGHNESS system** increased steadily.
- In add-ons, sales of our **visiting counseling service** remained robust due to the growing needs of companies.

# (1) Mental Health Management Service – Breakdown of Solution Sales



- Solution sales showed a recovery trend amid the COVID-19 pandemic.
- Sales of **ADVANTAGE INSIGHT (aptitude tests)** increased steadily from 4Q in FY2021. **EQ (emotional management skill) training** also grew YoY, but is still on the route to recovery.
- Sales of training/consulting services remained almost flat YoY.

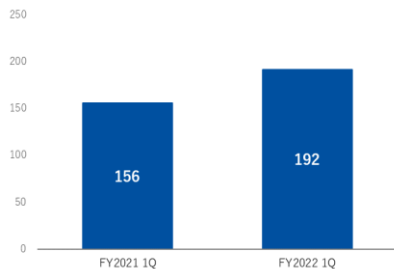
## (2) Health and Productivity Management Service – Business Results

(Millions of yen)	FY2021 1Q	FY2022 1Q	YoY change
Net sales	156	192	+23.1%
Expenses	139	185	+33.1%
Segment profit	17	7	-58.8%
Operating profit	-2	-12	-

Note: Operating profit is the reportable segment profit for financial accounting purposes after allocating corporate expenses (\*) on a certain basis such as the share of each business in net sales and number of staff.  
 (\*) Mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment

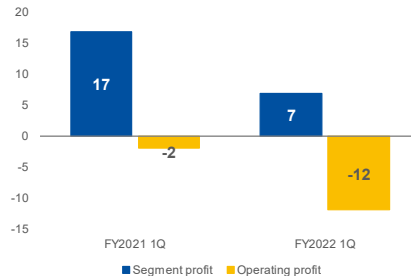
Net sales

(Millions of yen)



Segment profit / Operating profit

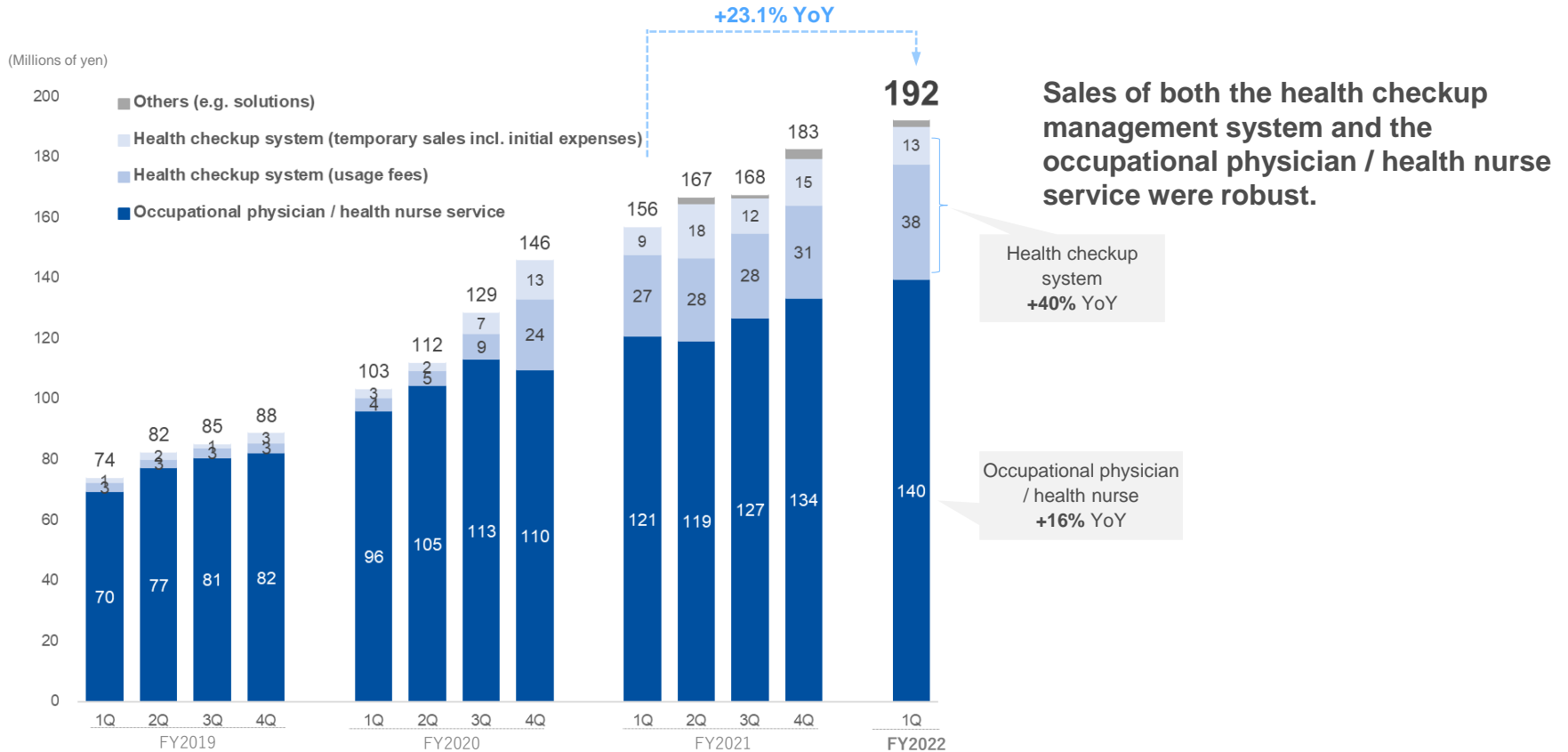
(Millions of yen)



### Kept growth in net sales with an increase of 23.1% YoY

- The occupational physician / health nurse service for existing clients expanded, including extending hours / increasing the number of visits through additional interviews, and increasing the number of client offices.
- Tailwinds continue in the market, backed by corporate demand for promotion of health and productivity management and the trend to digitalize health checkup results. The number of pipelines for the health checkup management system steadily increased.
- Profit declined due to increased expenses for business expansion, including personnel expenses.

## (2) Health and Productivity Management Service – Sales Trends by Product



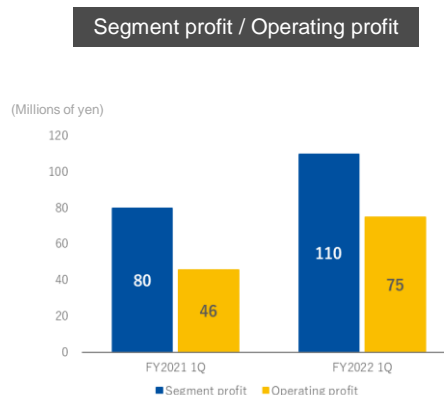
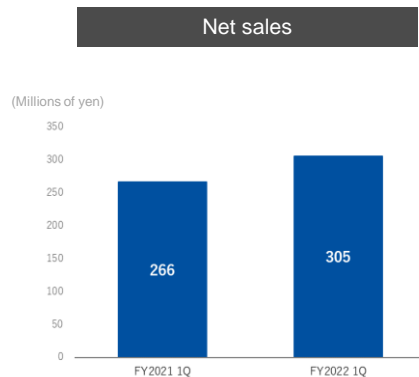
### (3) LTD Service – Business Results

(Millions of yen)	FY2021 1Q	FY2022 1Q	YoY change
Net sales	266	305	+14.7%
Expenses	186	194	+4.3%
Segment profit	80	110	+37.5%
Operating profit	46	75	+63.0%

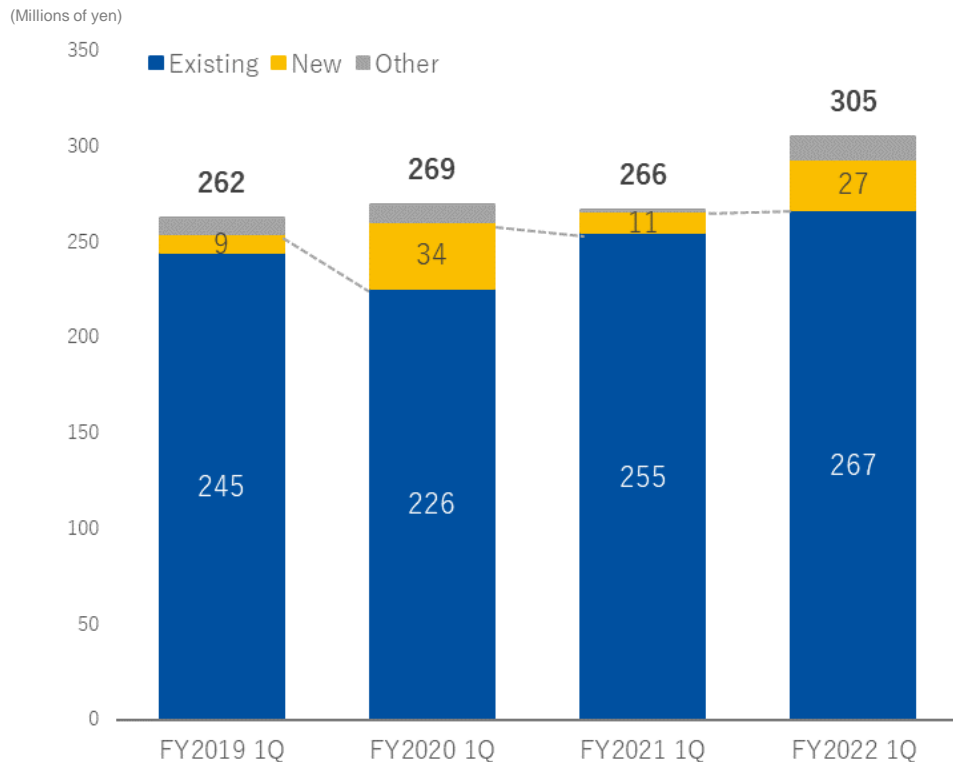
Note: Operating profit is the reportable segment profit for financial accounting purposes after allocating corporate expenses (\*) on a certain basis such as the share of each business in net sales and number of staff.  
 (\*) Mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment

**Results in 1Q were roughly  
as planned**  
**Net sales increased by 14.7% YoY**

- Both existing client sales and sales to new clients increased **as planned**.
- The market remains favorable due to **market growth**. Net sales of the LTD service are expected to remain robust as the pipeline, including prospects of large projects, has been strengthened.



### (3) LTD Service – Sales Trends



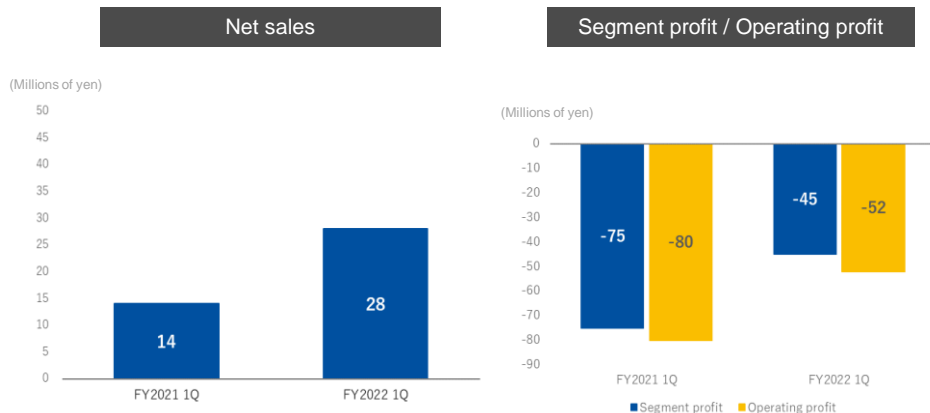
## The number of new contracts in 1Q increased generally as planned

- Acquisition of new contracts remained robust.
- Existing contracts are still affected by negative factors such as some clients reducing employees and cutting costs due to the COVID-19 pandemic, but the impact has decreased compared to FY2020 and FY2021. Overall, existing client sales (including new clients acquired in FY2021) slightly increased YoY, showing a **recovery trend** in existing contracts.

## (4) Work-Life Balance Support Service – Business Results

(Millions of yen)	FY2021 1Q	FY2022 1Q	YoY change
Net sales	14	28	+100.0%
Expenses	89	73	-18.0%
Segment profit	-75	-45	-
Operating profit	-80	-52	-

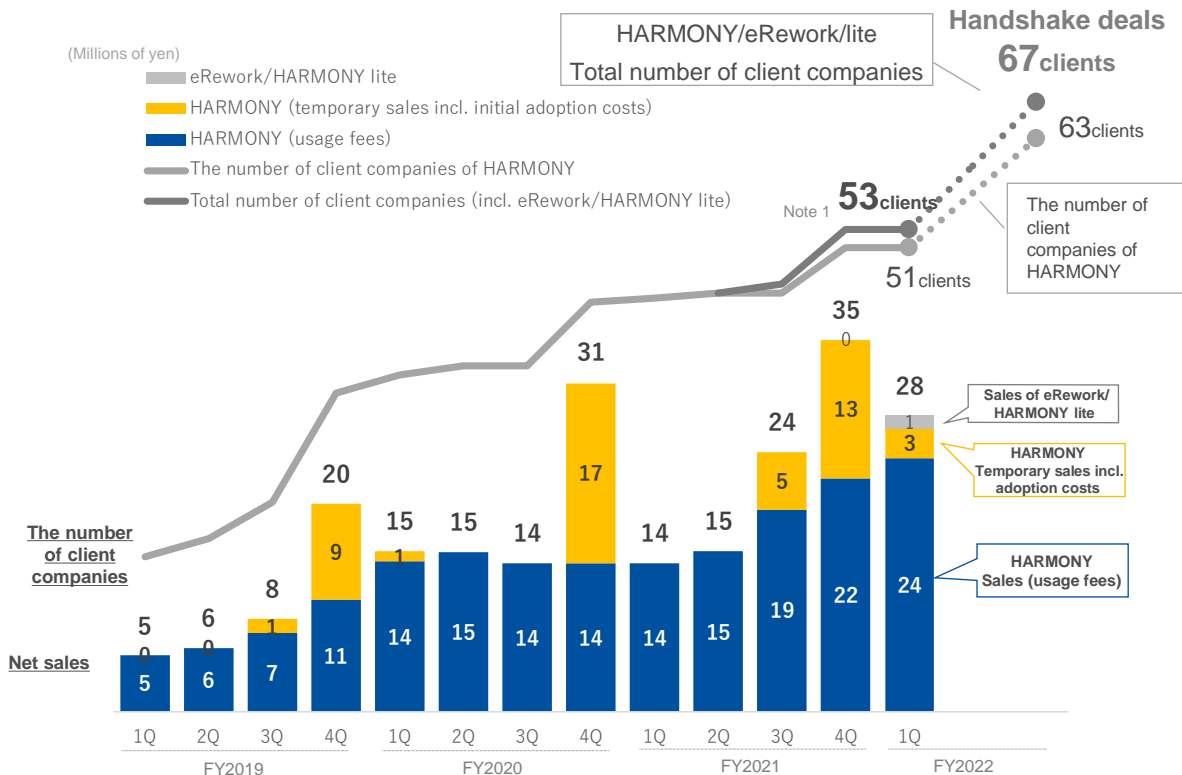
Note: Operating profit is the reportable segment profit for financial accounting purposes after allocating corporate expenses (\*) on a certain basis such as the share of each business in net sales and number of staff.  
 (\*) Mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment



### Results in 1Q were generally as planned Number of new contracts continued to increase

- The pipeline remained robust. The number of new contracts steadily increased, partly buoyed by needs to respond to the amendments to the Childcare and Caregiver Leave Act.
- While amortization expenses increased due to our investment in development of a system for ADVANTAGE HARMONY, one-off costs related to the transition to a new system, which occurred in FY2021, decreased. Total expenses decreased YoY, resulting in profit improvement.

## (4) Work-Life Balance Support Service – Adoption of ADVANTAGE HARMONY



## The number of client companies increased to 53

The last-minute rise in demand for addressing the amendments to the Childcare and Caregiver Leave Act to be enforced from October 2022 has increased orders. As a result,

we have handshake deals with **67** clients that are now preparing to adopt the service. The number of companies considering adoption of the service also increased steadily, resulting in growth of the pipeline.

Note 1: The number of unique subscribers includes not only client companies of ADVANTAGE HARMONY but also client companies which adopted eRework alone or HARMONY lite (Note 2).

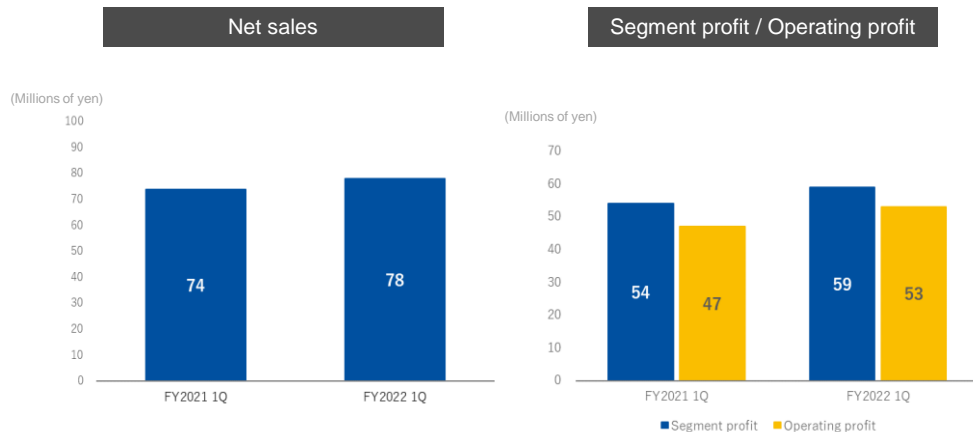
Note 2: HARMONY lite is an entry model with limited ADVANTAGE HARMONY's functions.

## (5) Risk Financing Service – Business Results

(Millions of yen)	FY2021 1Q	FY2022 1Q	YoY change
Net sales	74	78	+5.4%
Expenses	19	19	+0.0%
Segment profit	54	59	+9.3%
Operating profit	47	53	+12.8%

Generally as planned

Note: Operating profit is the reportable segment profit for financial accounting purposes after allocating corporate expenses (\*) on a certain basis such as the share of each business in net sales and number of staff.  
 (\*) Mainly selling, general and administrative expenses for administrative and other departments that do not belong to any reportable segment



# 03

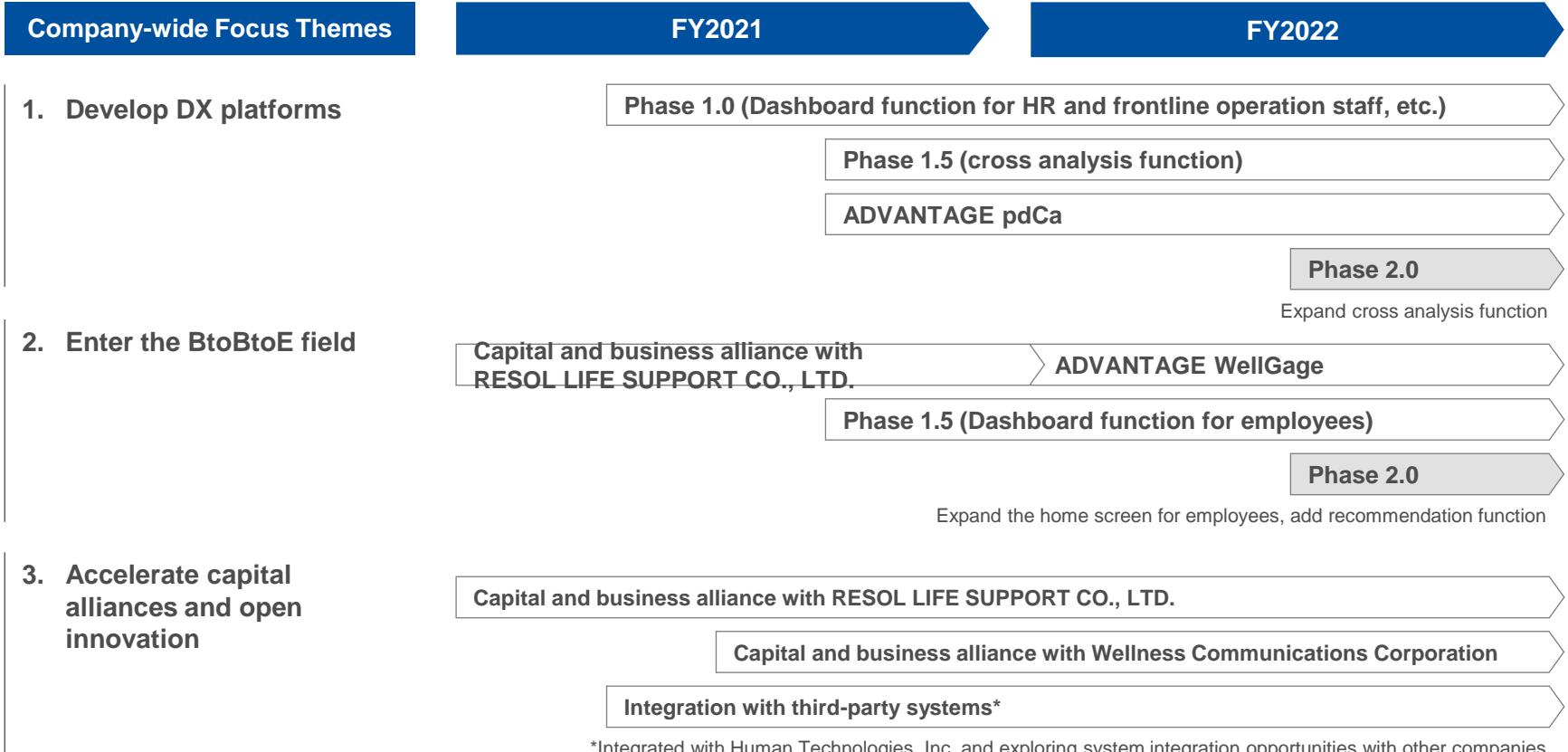
## Progress of Medium-term Management Plan



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# Progress of Medium-term Management Plan – Company-wide Focus Themes

Toward achievement of the Medium-term Management Plan,  
working on promoting creation of a foundation in line with focus themes



\*Integrated with Human Technologies, Inc. and exploring system integration opportunities with other companies

# Develop DX Platforms – Release of New Functions (For HR and Labor Relations Staff, and Frontline Operation Staff including Occupational Health Staff)

Release of Phase 2.0 in July 2022

## Expanded cross analysis function

Added analysis themes and more

- Newly added “D&I” and “Improve retention rates” as analysis themes in addition to the already released “Health and productivity management,” enabling users to register categories of organizations and issues they want to focus on from the analysis results
- Present “necessary actions” and “recommended solutions” for registered issues



# Develop DX Platforms – Release of New Functions (For Employees – 1)

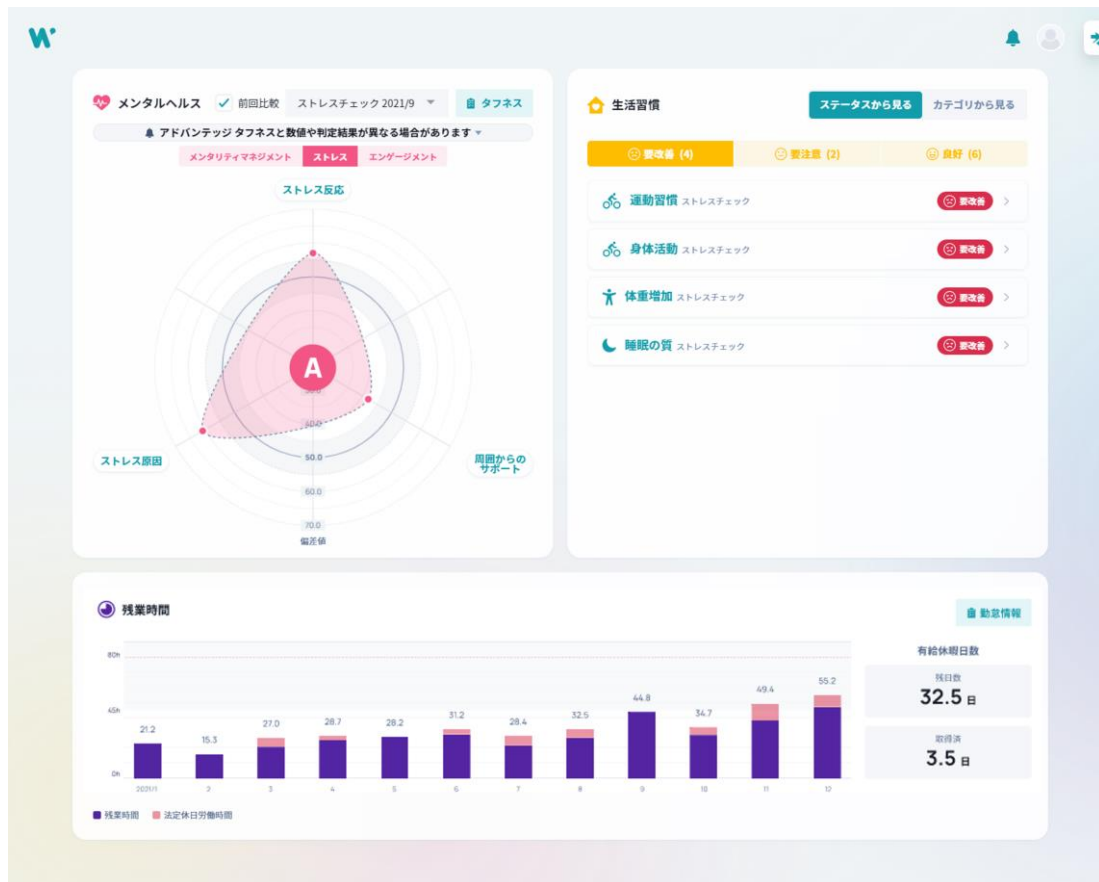
Release of Phase 2.0 in July 2022

## Expanded the home screen

Added a function to display the status of lifestyle indicators\*

- Display the latest status of each employee based on indicators such as stress checkups, health checkups, and attendance data
- Newly added a “lifestyle” widget to display the status of “improvements required,” “attention required,” or “good” for each indicator related to users’ lifestyle

\* To be displayed only when questions regarding lifestyle are selected in the option of ADVANTAGE TOUGHNESS



# Develop DX Platforms — Release of New Functions (For Employees – 2)

Release of Phase 2.0 in July 2022

## Added a recommendation function

Automatically recommend actions for improvements

- Display content based on each indicator and details of mental health / health checkup results, and lifestyle \*1

Advice for improvements

Video to improve health literacy

Counseling

Recommended services \*2

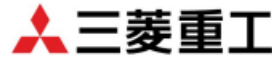
\*1 To be displayed only for services for which users have contracted

\*2 Through partnership with Life Support Club provided by RESOL LIFE SUPPORT CO., LTD., the services accommodate offerings for supporting well-being improvements



### Introduction to Mitsubishi Heavy Industries (MHI) Group

- **Provided ADVANTAGE TOUGHNESS to approx. 50 group companies of Mitsubishi Heavy Industries, Ltd., and ADVANTAGE Well-being DXP to 20 of these companies**
- **Supporting MHI Group's utilization of data to achieve "Health and Happiness Management"**



Responses from representatives  
at Mitsubishi Heavy Industries, Ltd.

#### Mr. Kenichiro Takata, Director, Health Management Center

- The MHI Group has been promoting health and productivity management as a Group-wide effort. Our recent unified introduction of ADVANTAGE TOUGHNESS to not only the company but also to group companies has made it **possible to centrally identify high-stress workplaces across the Group**.
- I expect it to become a **powerful tool for promoting health and productivity management** within the MHI Group.

#### Ms. Kayo Kitahara, Chief Occupational Physician

- ADVANTAGE Well-being DXP is attractive for us because it **allows us to collect and analyze various data from many different angles** by providing a dashboard listing not only stress checkup results, but also health checkup results and other data.
- I expect it to **contribute to the promotion of health and productivity management within the MHI Group** by visualizing the health issues of the group and utilizing the information to plan and implement effective measures.

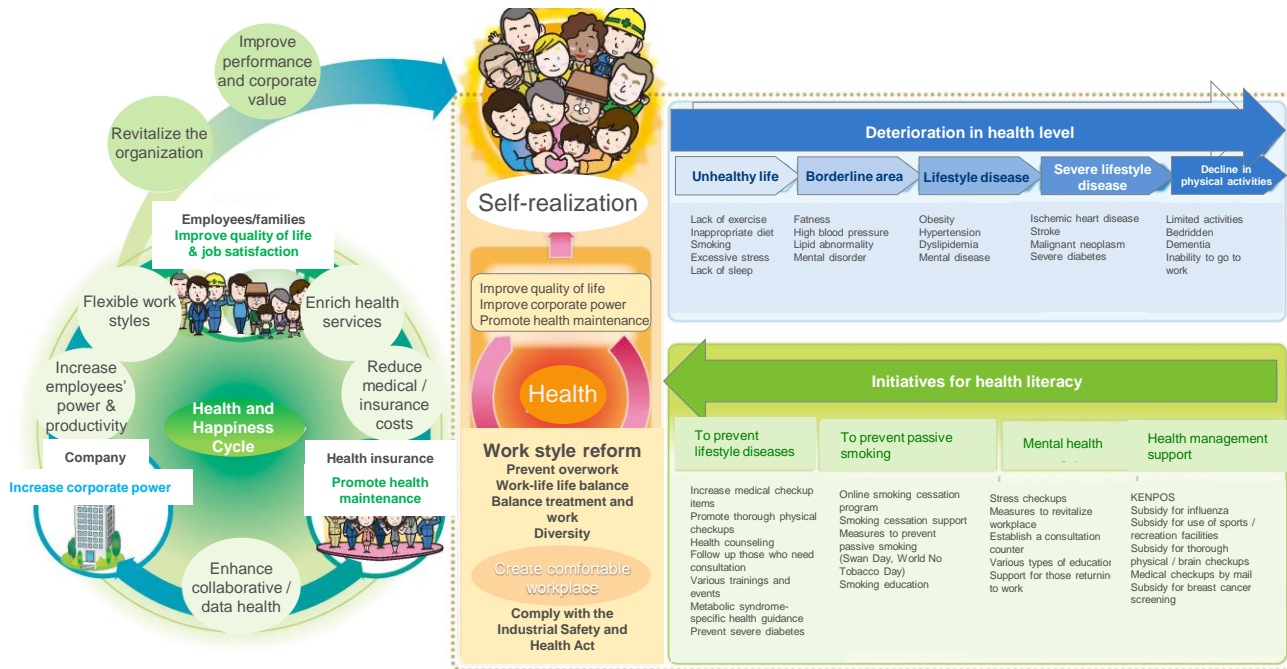
# (Reference) Mitsubishi Heavy Industries (MHI) Group Health and Productivity Management Model

## MHI Group Health and Productivity Management Model

### Healthy Life, Happy Life

“Healthy and happy” life is everyone’s wish!

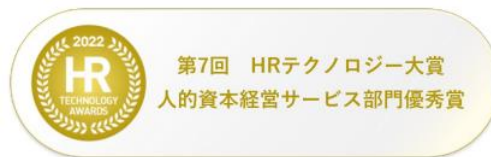
“Health and Happiness”



## Develop DX Platforms – Won Excellence Award in Human Capital Management Service Category at 7th HR Technology Awards

### Became the first winner of the Excellence Award in the Human Capital Management Service category

- **ADVANTAGE Well-being DXP was selected as the first winner of the Excellence Award in the Human Capital Management Service category, which was newly established this year**
- **Highly regarded as an excellent service that supports the PDCA cycle from visualization of employees' conditions to problem solving**



#### Reasons for the Excellence Award in the Human Capital Management Service category

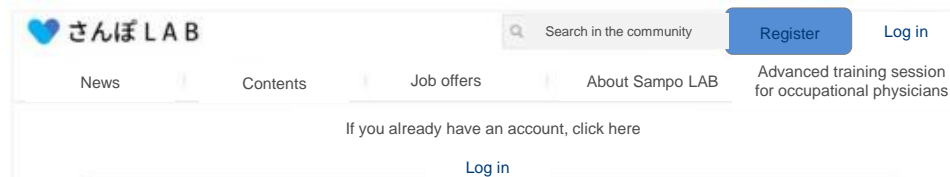
- ADVANTAGE Well-being DXP is based on the belief that employees' "well-being" leads to solutions to management issues. This service allows users to **keep HR and labor relations information as big data**, which is a prerequisite for solutions, and to **not only visualize and analyze the data but also identify issues on a dashboard**.
- In addition, the service **was highly evaluated as an excellent service that not only proposes effective solutions but also supports a series of PDCA-cycle processes from visualizing employees' conditions to solving issues**.

#### About the HR Technology Awards

By recognizing outstanding initiatives using HR technologies and HR big data (analytics) in Japan, the awards aim to contribute to the evolution and development of this field. This year marked the seventh time the awards were held. Supporting organizations include the Ministry of Economy, Trade and Industry, the National Institute of Advanced Industrial Science and Technology, the Information-technology Promotion Agency, Japan, and the Organization for Small & Medium Enterprises and Regional Innovation, Japan.

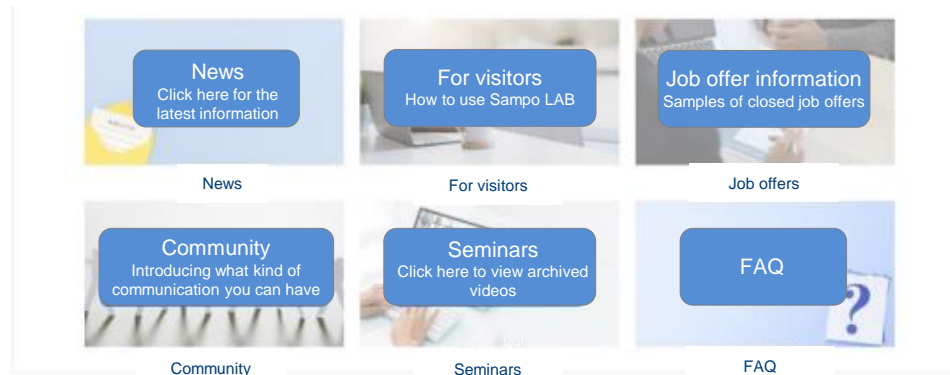
### Established Sampo LAB

- **Online community for the exchange of information among occupational health staff**
- **Japan's first platform for all qualified occupational health professionals, including not only occupational physicians and health nurses but also mental health experts**



#### Three features of Sampo LAB

- 1. A place of exchange for occupational health staff**  
The community function allows users to make cross-industrial and cross-occupational connections. In the Q&As for problems, users can get hints on how to solve their problems and communicate with other members through comments.
- 2. Abundant content useful in the field**  
Users can download health-related lecture materials, participate in seminars, and watch videos of past seminars. Users can use for free all of the content that can be provided by an operating company with more than 20 years of experience in supporting corporate measures for mental healthcare.
- 3. Closed job offers for occupational physicians / nurses**  
By registering as a member, users can quickly check job vacancy information exclusively provided by Sampo LAB, which is not introduced by other recruitment agencies or job sites.



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**Therefore, actual business results may differ significantly from these statements due to factors such as changes in the management environment, and there is no guarantee that the statements will be accurate.**

**Furthermore, information about entities other than the Company and its group companies stated in this material is generally based on public information, and the Company makes no guarantees on its accuracy.**