

# Financial Results Briefing Materials

for the Fiscal Year Ended December 31, 2022

February 09, 2023

**KINJIRO CO., LTD.**

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# **Consolidated Financial Results**

**for the Fiscal Year Ended December 31, 2022 (FY2022)**

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## **Plan**

**for the Fiscal Year Ending December 31, 2023 (FY2023)**

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## **Growth Strategy**

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## **Topics**

# Highlights for FY2022

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## ▪ Key performance indicators (KPIs)

Net sales

Increased by 227 million yen year on year to 3,551 million yen

Ordinary profit

Increased by 193 million yen year on year to 437 million yen

Number of cloud licenses

Increased by 73,824 from the end of the last fiscal year  
(increased by 154.4% year on year) to 442,516

Recurring revenue

Continued to grow briskly (average annual growth from FY2018: 18.2%)

ARPU

Edged up to 353 yen for Kinjiro Enterprise

Cloud-based contract cancellation rate

Remained low at 0.23%

# Summary of Consolidated Financial Results for FY2022

## Consolidated statement of income

	Results	Achievement rate	YoY change
Net sales	3,551 million yen	98%	+7%
Operating profit	444 million yen	110%	+70%
Ordinary profit	437 million yen	109%	+79%
Profit	304 million yen	113%	+87%

(Unit: Million yen)

	FY2022 full-year forecast	FY2022 results	Achievement rate		FY2021 results	YoY change
Net sales	3,620	3,551	98%		3,324	+7%
Operating profit	402	444	110%		261	+70%
Ordinary profit	400	437	109%		244	+79%
Profit	270	304	113%		162	+87%

# YoY Changes in Net Sales by Business Segment

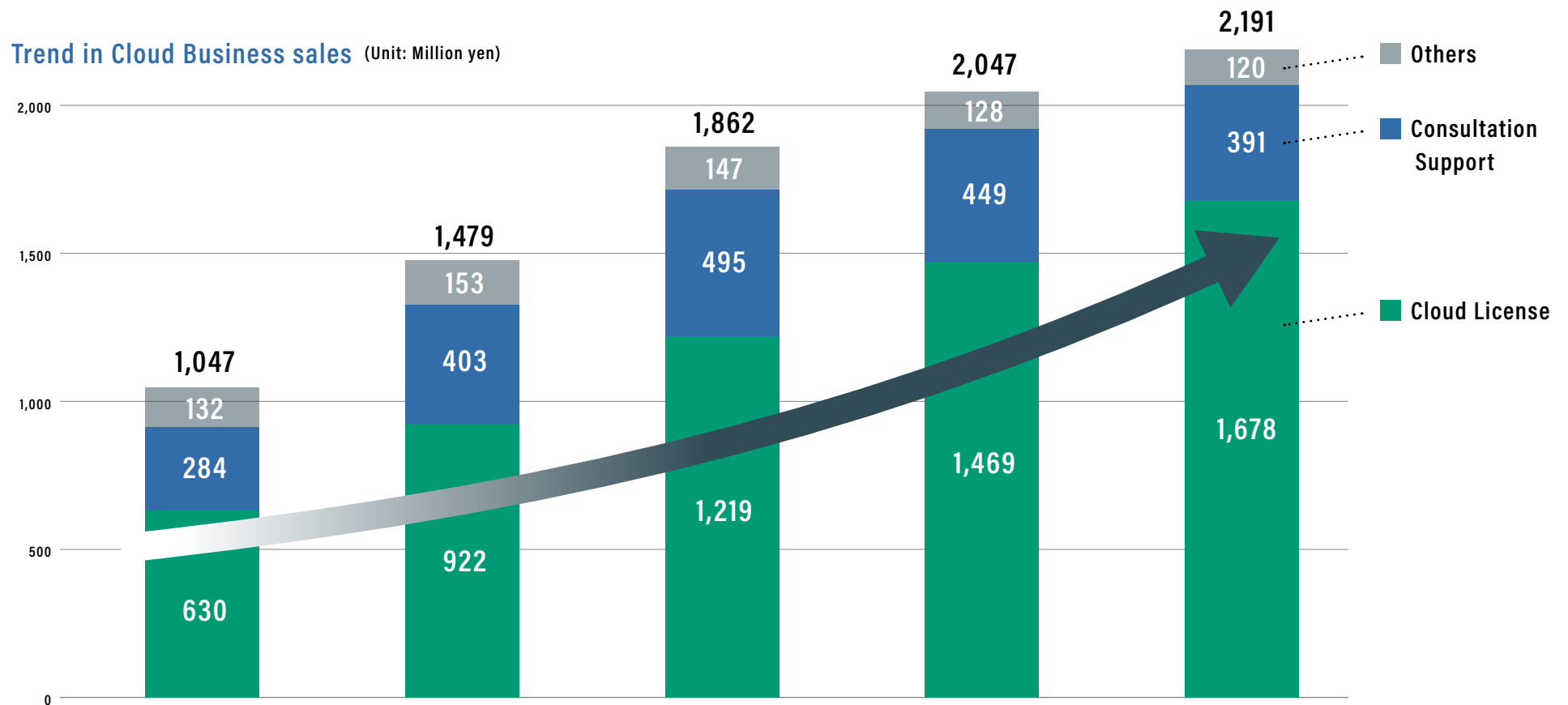
## ■ Net sales

(Unit: Million yen)

Business segment	Sales segment	FY2021 results	FY2022 results	YoY change
Cloud Business	Cloud License	1,469	1,678	+14%
	Cloud Consultation Support	449	391	-13%
	Others	128	120	-6%
	Subtotal	2,047	2,191	+7%
On-Premises Business	Premium Support	589	573	-3%
	Software Products	338	467	+38%
	Software Consultation Support	245	200	-18%
	Employment Information Devices	93	101	+9%
	Subtotal	1,266	1,343	+6%
Total of HRM Business		3,324	3,534	+7%
Real Estate Rental Business		—	16	—
Net sales		3,324	3,551	+7%
Recurring revenue*		2,090	2,281	+9%

\*Includes revenue from cloud licensing, premium support, and other services.

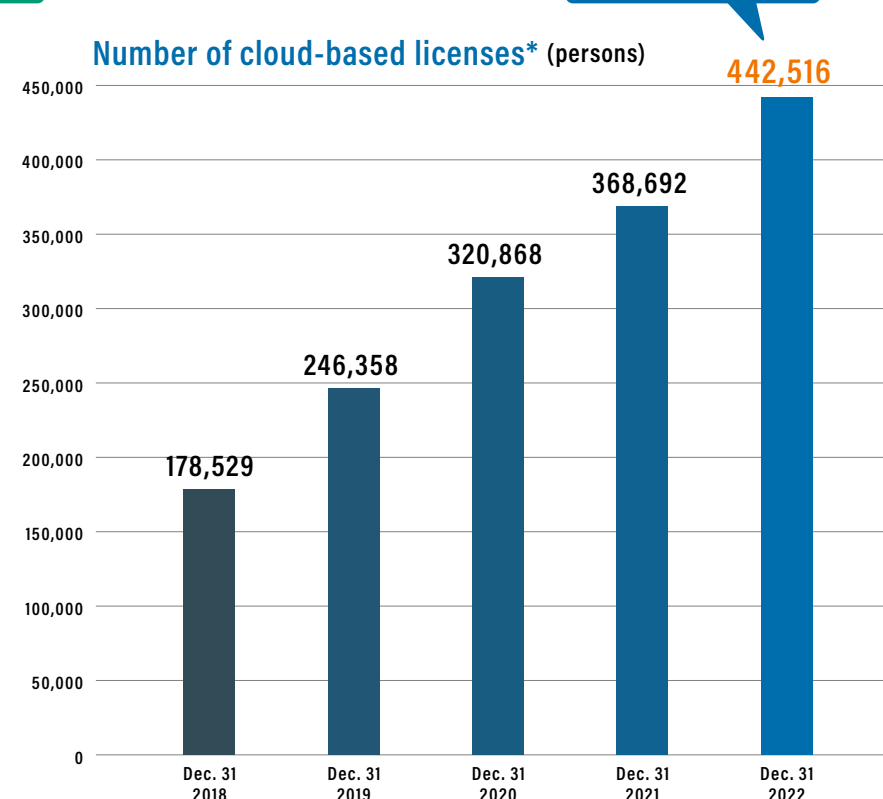
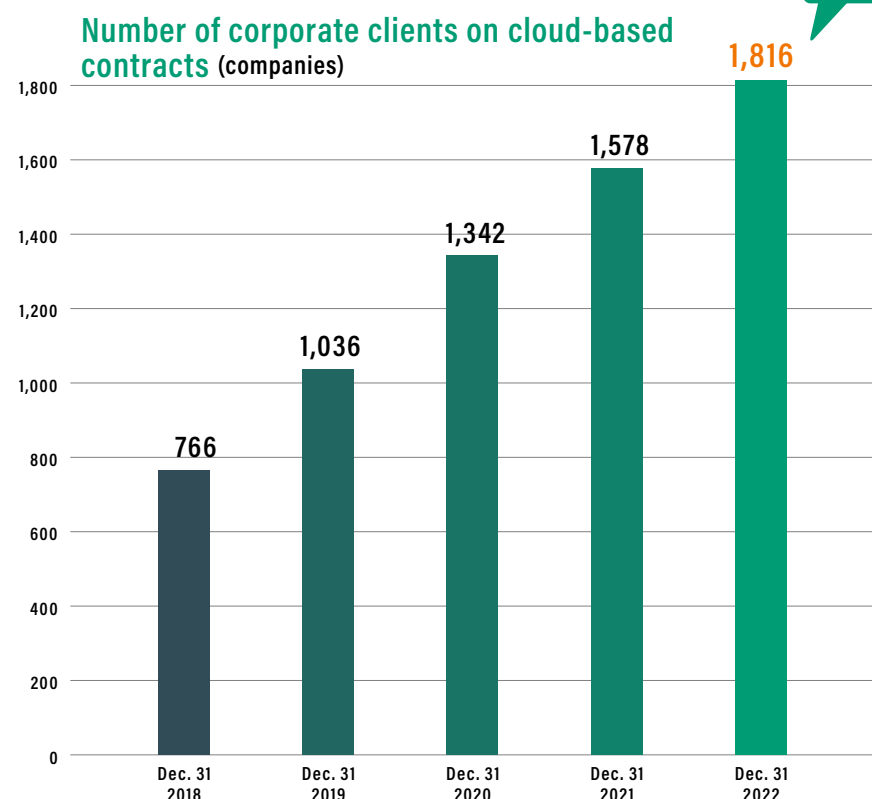
# Sales in Cloud Business



- Cloud License sales grew by 14% year on year to 1,678 million yen.
- Cloud Consultation Support sales decreased by 13% year on year to 391 million yen, due to enhanced productivity in introduction support enabling prompt service launch, which resulted in declined average revenue per project.
- Meanwhile, sales in the Others category (employment information devices, etc.) decreased by 6% year on year to 120 million yen.

# Number of Corporate Clients on Contract and Number of Licenses

- High growth continues in the number of licenses, with an average annual growth rate (AAGR) of 25.5%.

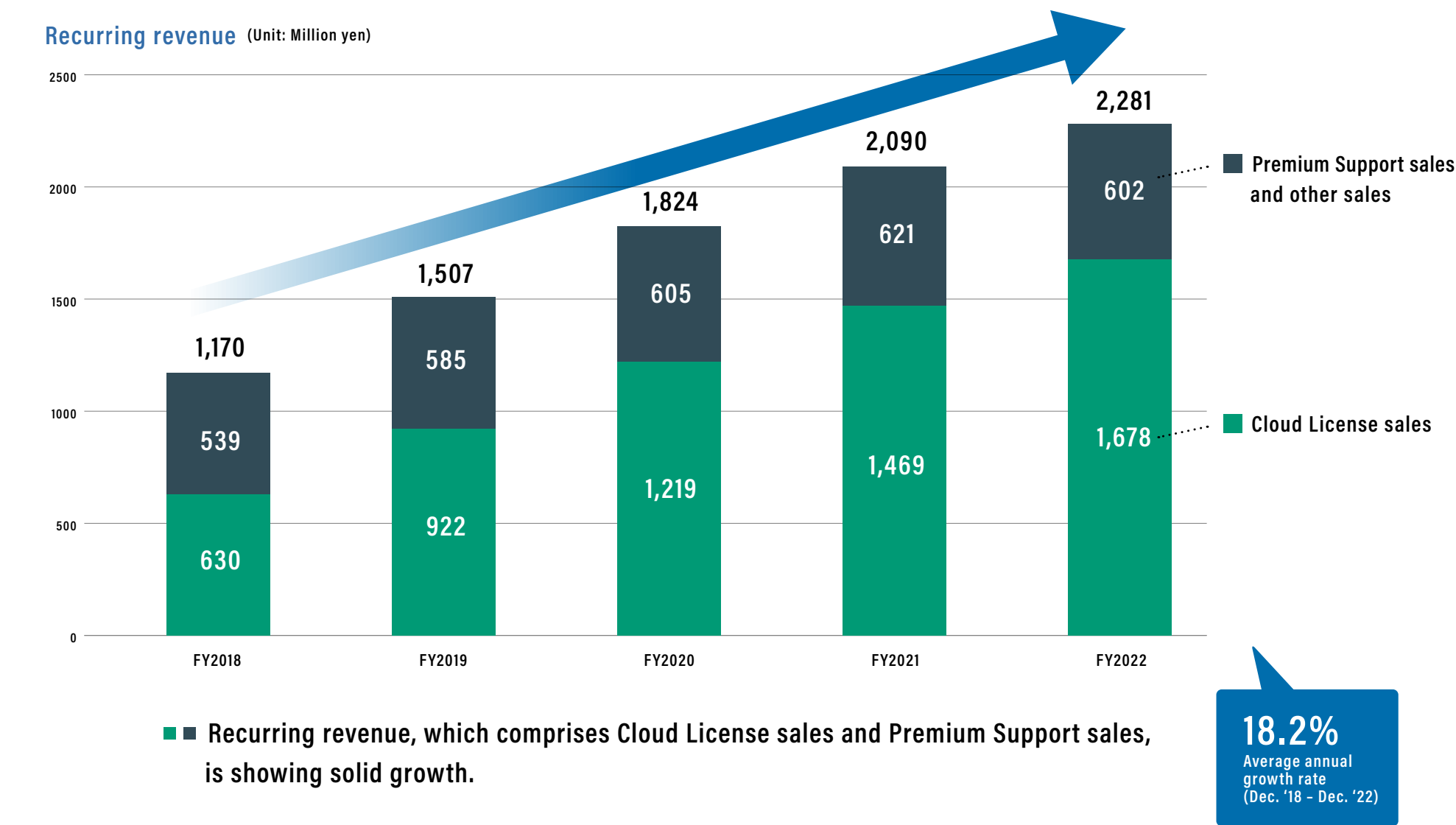


\* The number of licenses for each employee at a corporate client is counted as one, even where the employee uses multiple services (Recruitment, HR, Salary, Health x Life).

## ARPU trend

ARPU	March 2021	June 2021	September 2021	December 2021	March 2022	June 2022	September 2022	December 2022
Enterprise	351 yen	350 yen	349 yen	351 yen	353 yen	353 yen	351 yen	353 yen
Smart	156 yen	153 yen	153 yen	160 yen	117 yen	117 yen	115 yen	117 yen

# Net Sales: Trend in Recurring Revenue



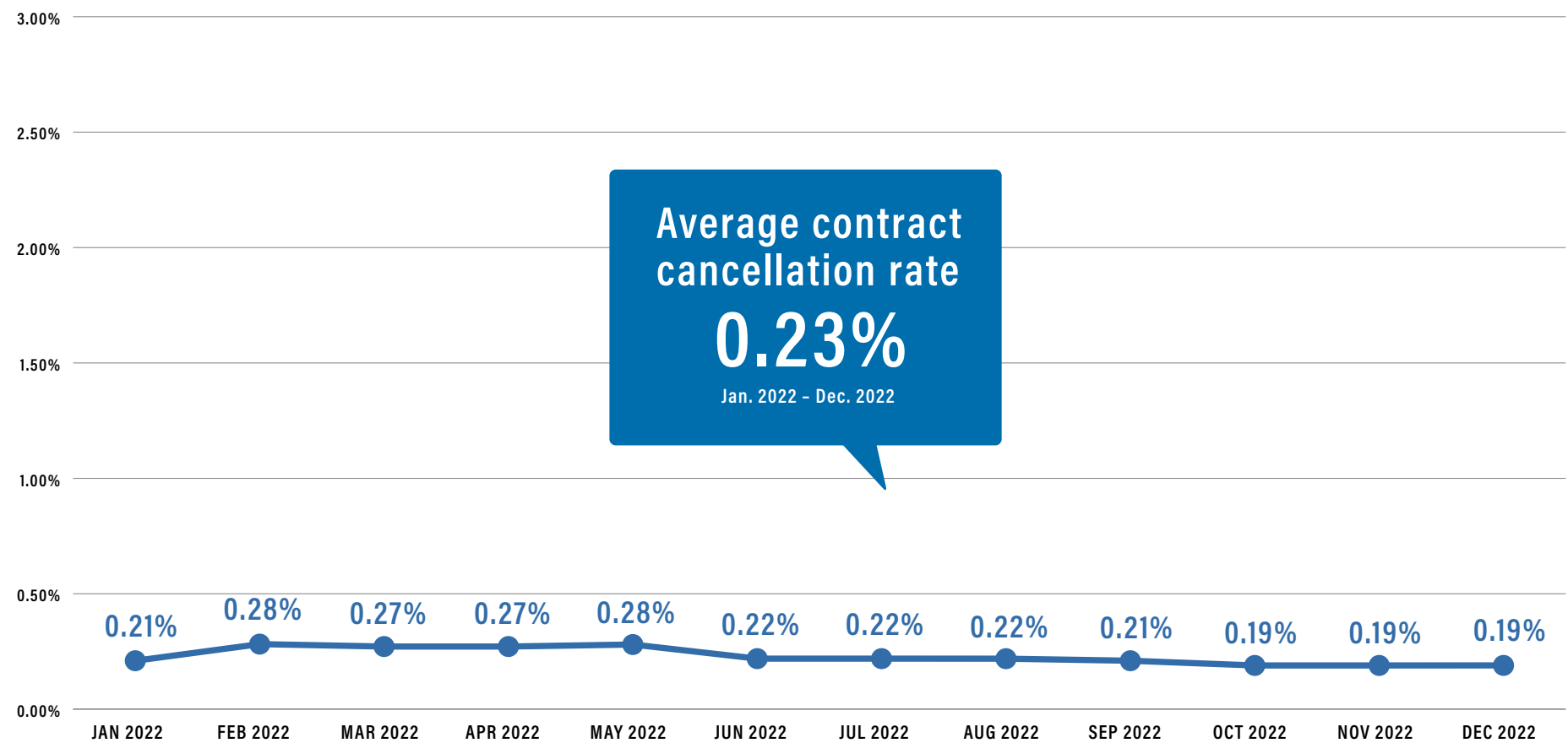


# Cloud-Based Contract Cancellation Rate

- The average rate of cloud-based contracts cancelled per month remains low at 0.23%.

## Cloud-based contract cancellation rate\*

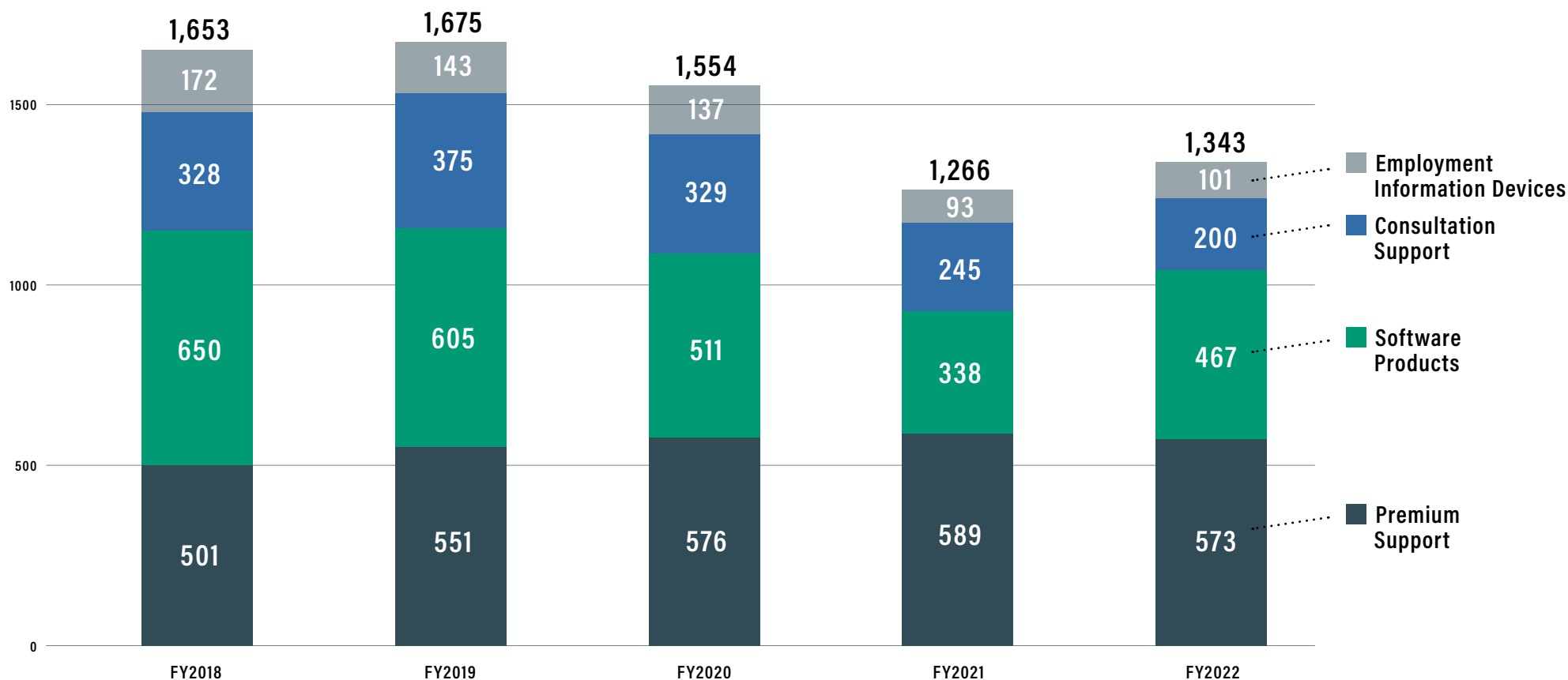
In relatively many cases, contracts are cancelled for reasons such as adapting to the operating methods of the parent company due to corporate integration, etc.



\* Monthly average cancellation rate. Calculated by dividing revenue from customers who cancelled their contracts in the current month by revenue from total customers in the previous month.

# Sales in On-Premises Business

Trend in On-Premises Business sales (Unit: Million yen)



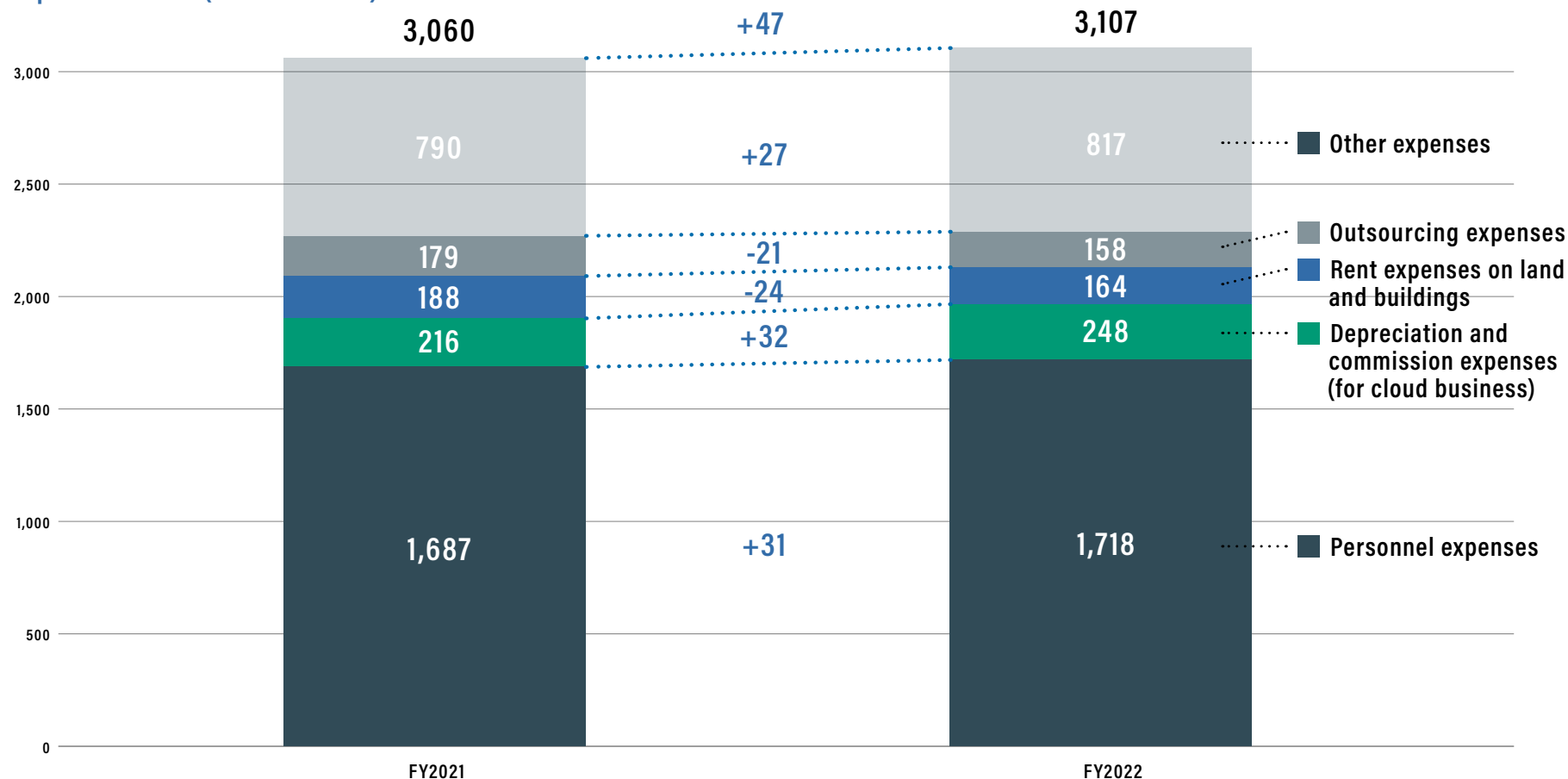
■ Premium Support sales decreased by 3% year on year to 573 million yen.

■ Software Products sales increased by 38% year on year to 467 million yen,  
while Software Consultation Support sales declined by 18% year on year to 200 million yen.

# Cost Structure

## Cost structure for FY2022

Expenses trend (consolidated) (Unit: Million yen)



- Total expenses increased by 47 million yen compared to the costs in FY2021.
- The increase is attributable to the rises in depreciation and commission expenses (for cloud business) (+32 million yen) and personnel expenses (+31 million yen).

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## Topics

# Summary of Plan for FY2023

## Consolidated statement of income

	Plan	YoY change
Net sales	4,000 million yen	+13%
Operating profit	554 million yen	+25%
Ordinary profit	545 million yen	+25%
Profit	367 million yen	+21%

(Unit: Million yen)

	FY2022 results	FY2023 plan	YoY change (%)
Net sales	3,551	4,000	+13%
Operating profit	444	554	+25%
Ordinary profit	437	545	+25%
Profit	304	367	+21%

# FY2023 Plan (Net Sales)

## ■ Net sales

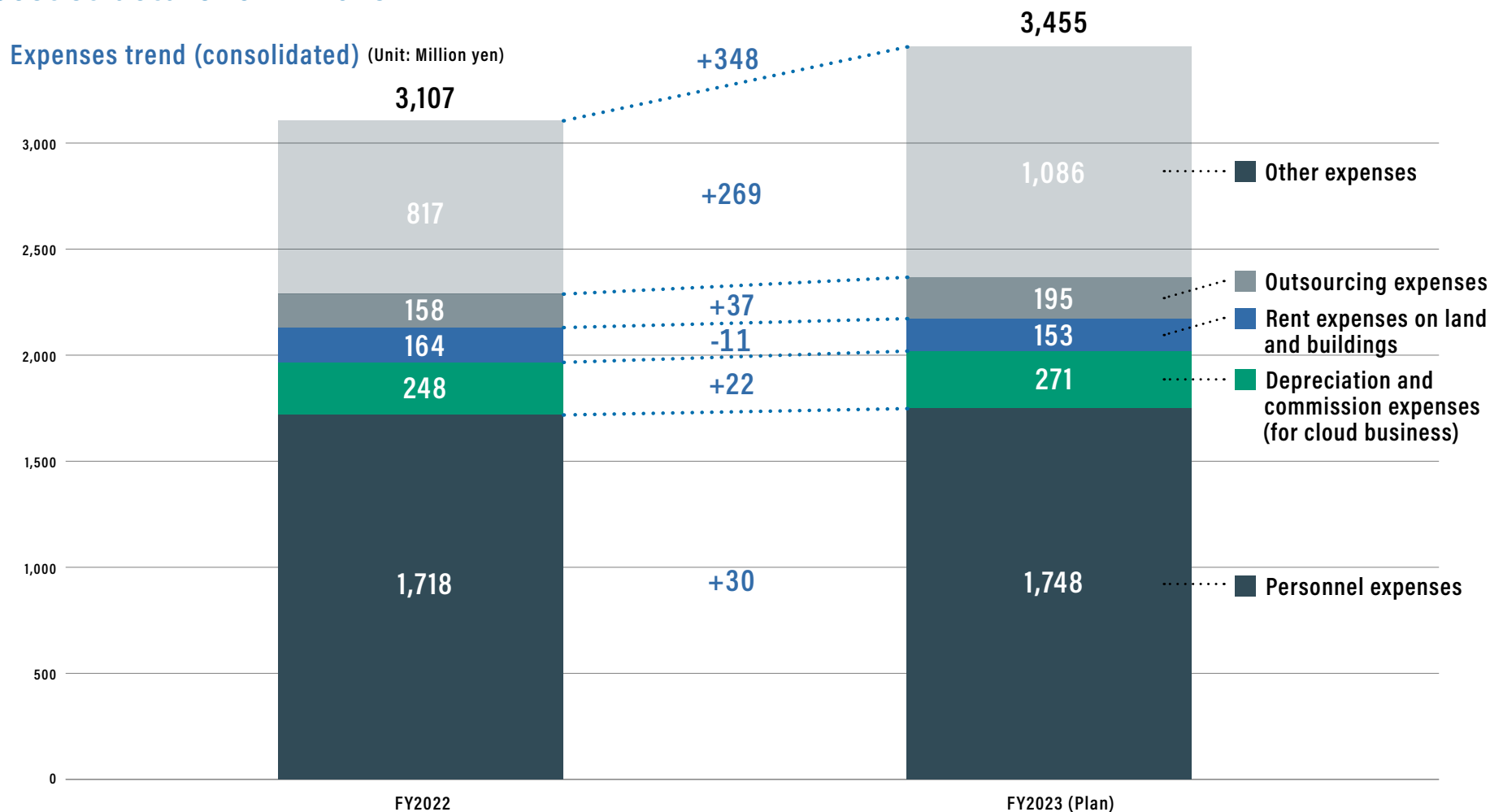
(Unit: Million yen)

Business segment	Sales segment	FY2022 results	FY2023 plan	YoY change
Cloud Business	Cloud License	1,678	2,105	+25%
	Cloud Consultation Support	391	468	+20%
	Others	120	98	-18%
	Subtotal	2,191	2,673	+22%
On-Premises Business	Premium Support	573	508	-11%
	Software Products	467	365	-22%
	Software Consultation Support	200	183	-9%
	Employment Information Devices	101	80	-21%
	Subtotal	1,343	1,137	-15%
Total of HRM Business		3,534	3,810	+8%
Real Estate Rental Business		16	190	+1,088%
Net sales		3,551	4,000	+13%
Recurring revenue*		2,281	2,637	+16%

\*Includes revenue from cloud licensing, premium support, and other services.

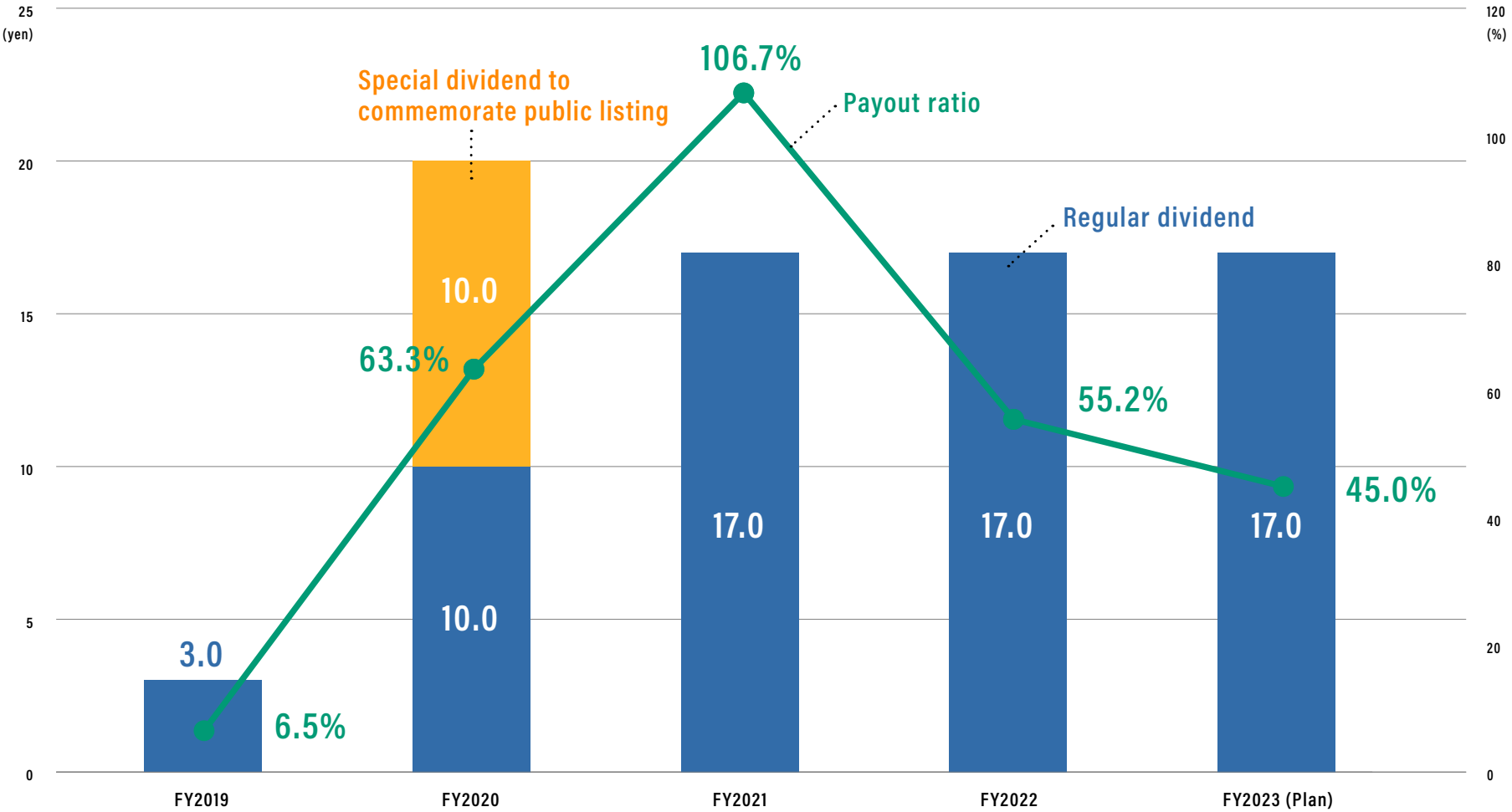
# FY2023 Plan (Cost)

## ■ Cost structure for FY2023



- Total expenses are forecasted to increase by 348 million yen compared to the costs in FY2022.
- The increase will be attributable to the rises in other expenses, especially in depreciation for the new Nagoya headquarters building, (+269 million yen), as well as in outsourcing expenses (+37 million yen) and personnel expenses (+30 million yen).

# Shareholder Returns





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## Plan

for the Fiscal Year Ending December 31, 2023 (FY2023)

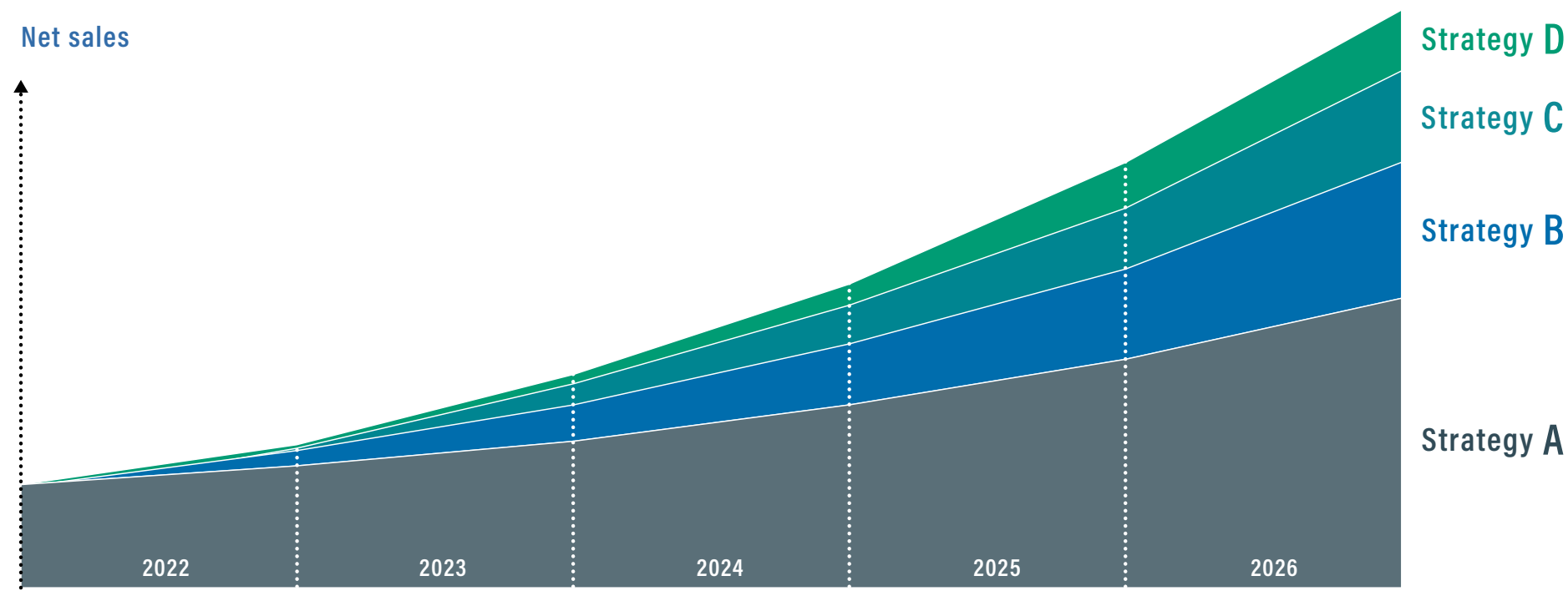
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## Growth Strategy

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## Topics

# Sales Growth Strategy



Strategy A	B to B	Mainstay business: Accelerate acquisition of new customers for “work style reform and health & productivity management”
Strategy B	B to B	Mainstay business: Shift 900,000 on-premises user licenses to cloud-based services
Strategy C	B to B	New business: Cloud front / private cloud
Strategy D	B to E B to C	New business: Expand sales in platform businesses with revenues from monetization of 350,000 users of B-to-E and B-to-C services, as well as AI, electronic medical records, third-party services, etc.

# Growth Strategy A/B: HRM Business (Work Style Reform & Health & Productivity Management®)

- HRM all-in-one solutions for realizing corporate client's work style reform and health & productivity management
- Support business growth by enhancing employee labor productivity and work engagement



The term "health & productivity management" is a registered trademark of Nonprofit Organization Kenkokeiei.

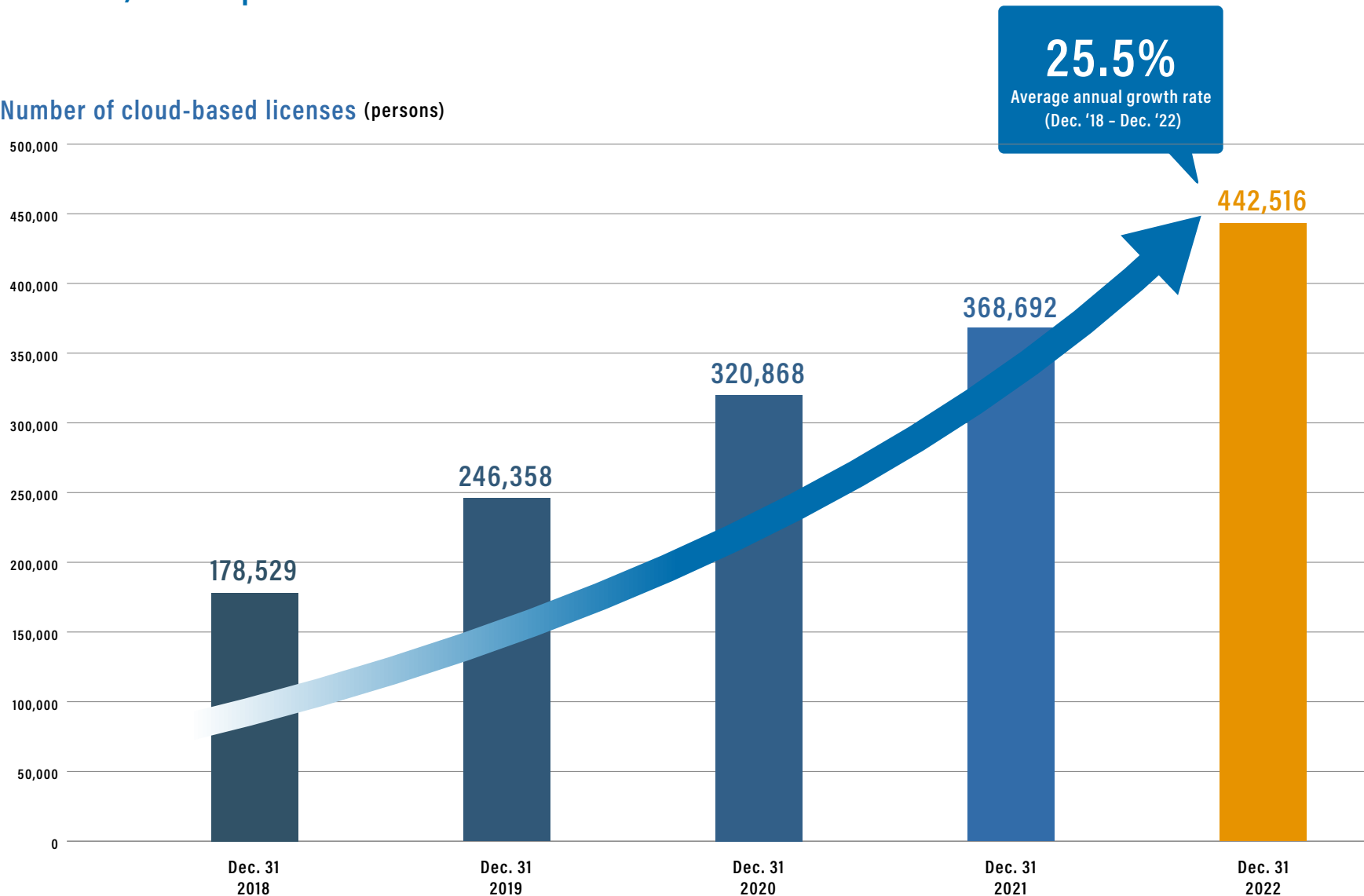
## Growth Strategy A: How to Acquire New Customers



## Growth Strategy A: Expand Sales to New Customers (Work Style Reform & Health & Productivity Management)

- Boost sales of the cloud business by acquiring new customers to keep expanding cloud license sales
- Meanwhile, the on-premises business will be continued.

Number of cloud-based licenses (persons)



## Growth Strategy B: Shift On-premises Users to Cloud

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- Move approx. 80% to cloud-based services



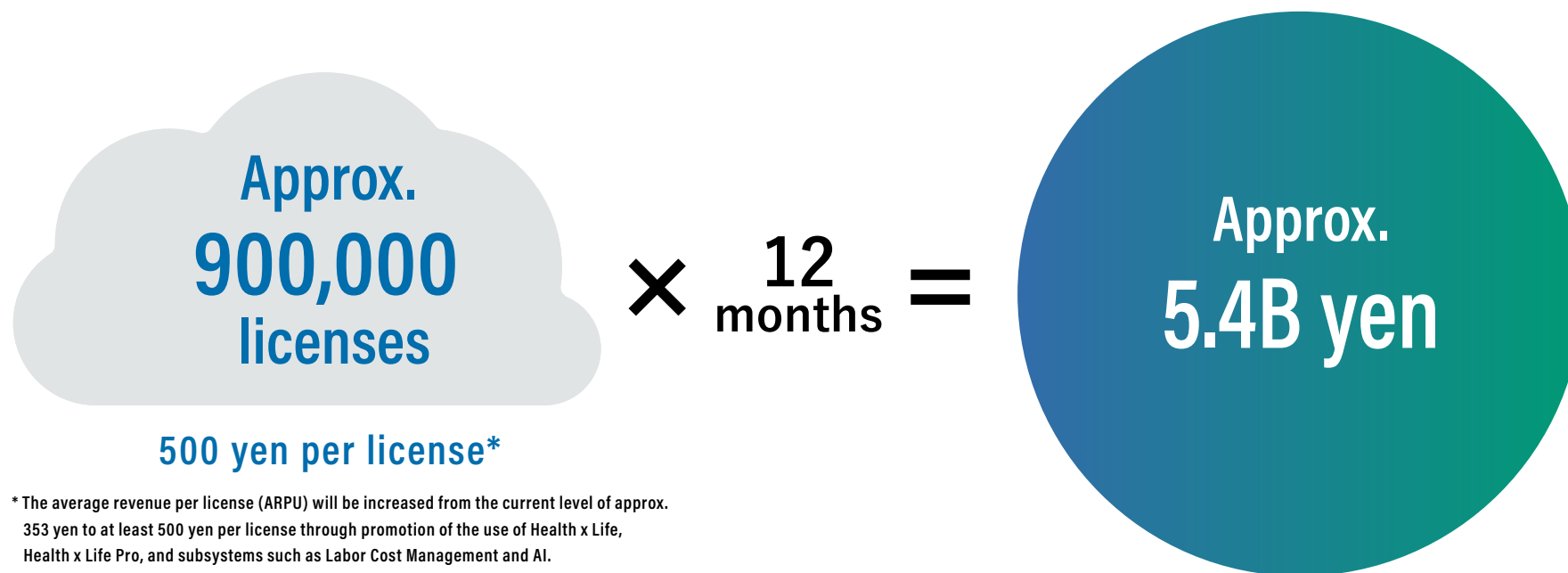
**On-premises  
User Licenses  
1.15 million\***

\*Result as of December 31, 2022

- Shift 900,000 licenses, which account for approx. 80% of 1.15 million Kinjiro Enterprise on-premises user licenses, to cloud-based services, with Universal Kinjiro, which was released in December 2021, as a trigger service

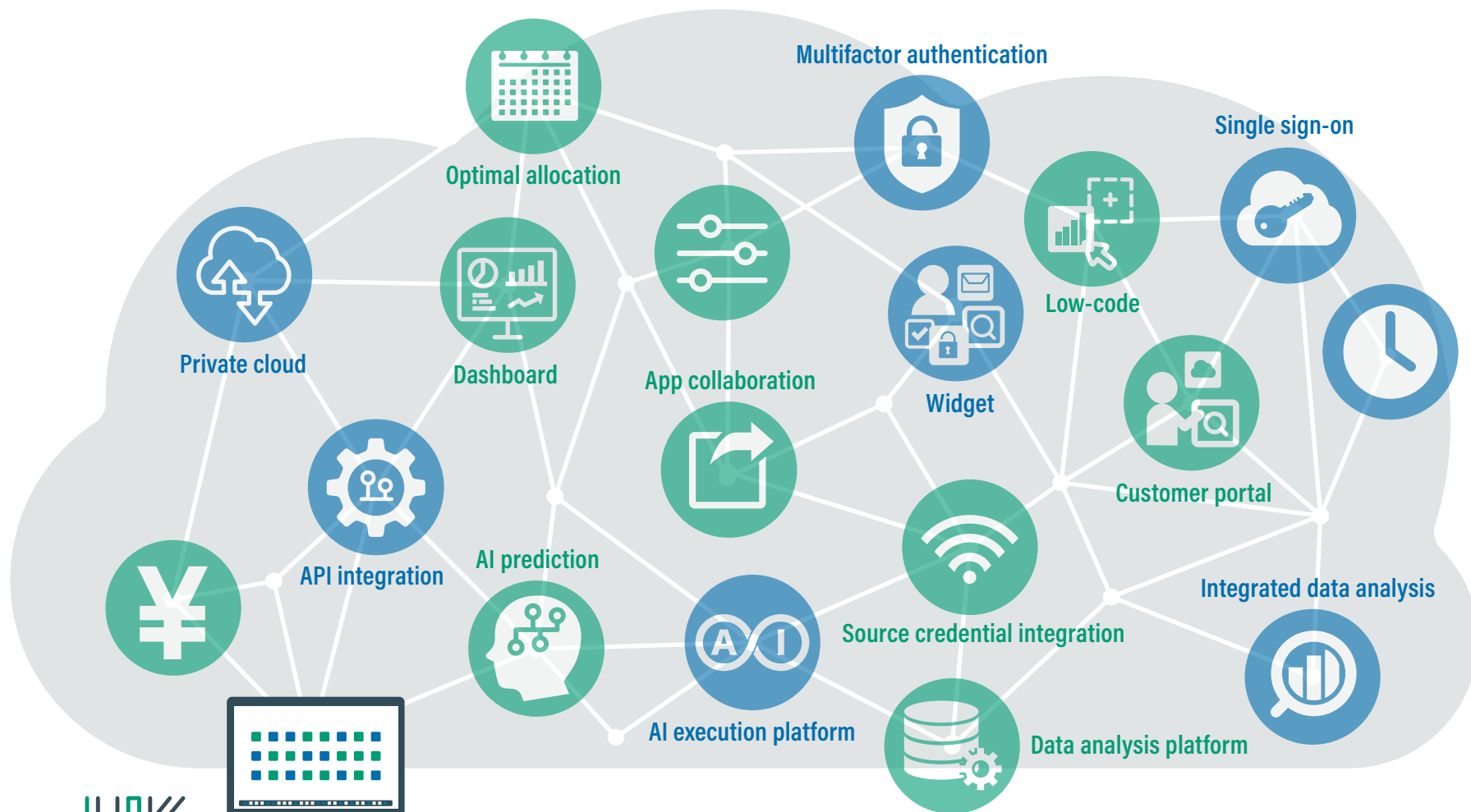
(Estimated based on current customer needs)

## Growth Strategy B: Boosting ARPU



- When migrating approx. 900,000 licenses out of 1.15 million on-premises user licenses of Kinjiro Enterprise to cloud-based services, boost ARPU by cross-selling

## Growth Strategy C: New Business – Cloud Front Strategy



UK  
Universal Kinjira

HL  
Health × Life

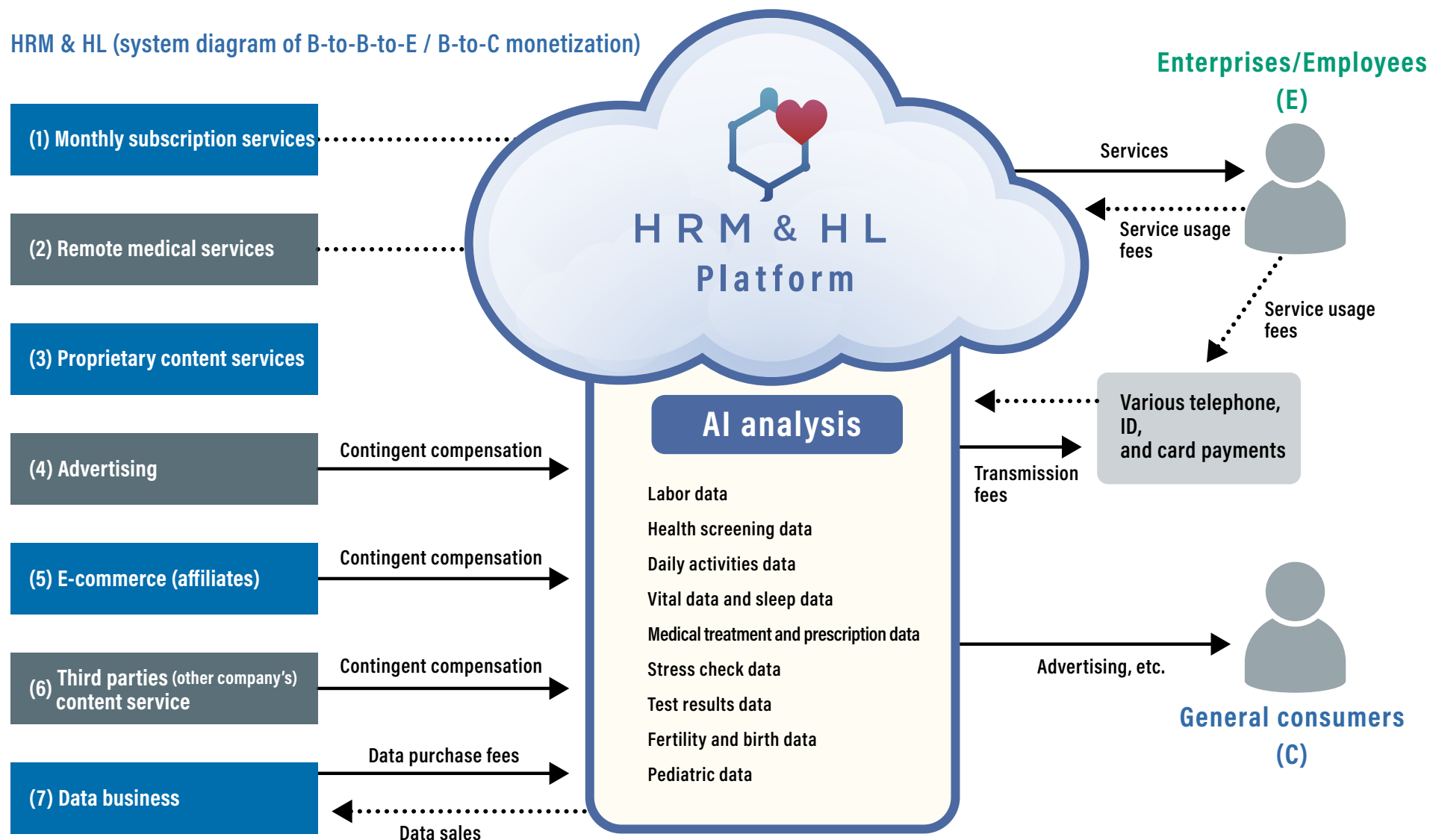
We will maximize contacts with users by utilizing data gathered by our core apps by expanding the menu unique to the cloud-based service, and offer new services that take advantage of data analysis and AI prediction, while at the same time evolving our platform in a way that appeals to business users by enhancing integration functions in the cloud environment.



## Growth Strategy D: Consumer Business Utilizing Platforms

### ■ Consumer registration Monetization from the utilization by 350,000 users

HRM & HL (system diagram of B-to-B-to-E / B-to-C monetization)



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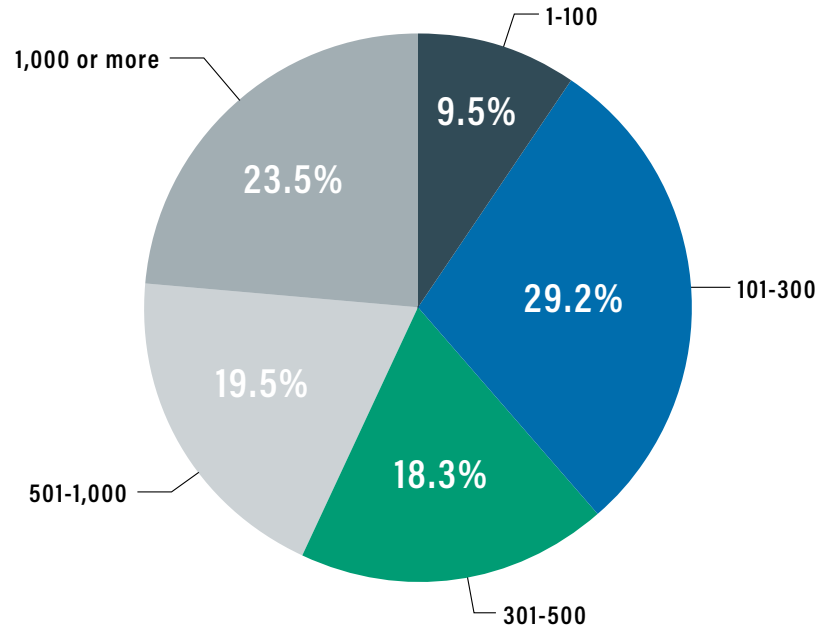
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## Topics

# Kinjiro Enterprise Installations Breakdown by Scale and Industry

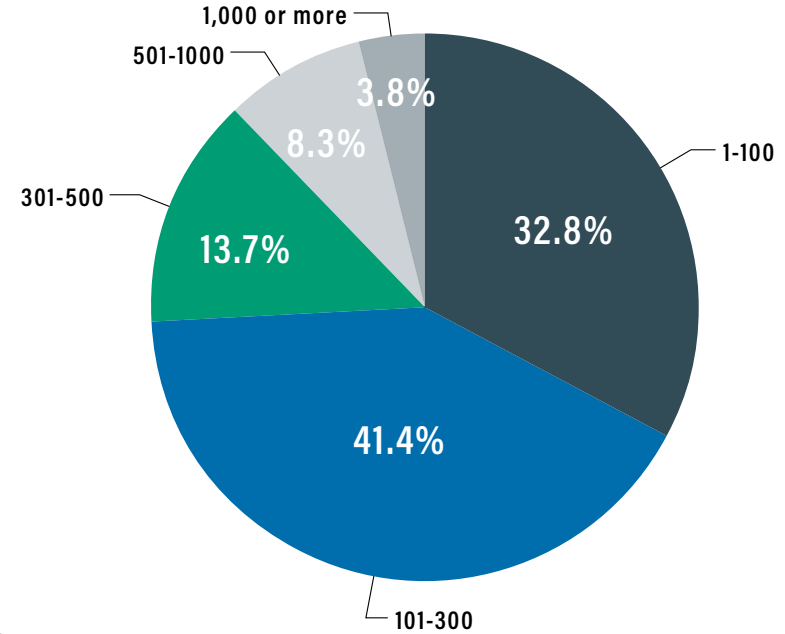
## Breakdown of implementation by number of employees (On-premises)

\*1.15 million users



## Breakdown of implementation by number of employees (Cloud)

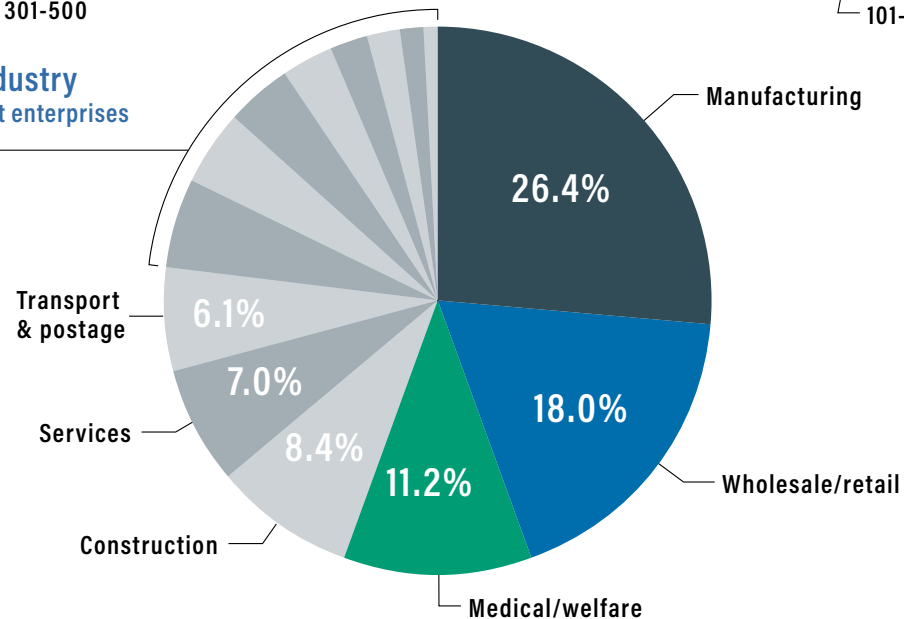
\*0.44 million users



## Breakdown of client numbers by industry

\*Implementation at a diverse range of different enterprises

Academic & specialist/technical services: 5.2%  
 Information & communications: 4.3%  
 Real estate & rental: 4.1%  
 Accommodation & food: 3.0%  
 Lifestyle services & entertainment: 2.3%  
 Finance & insurance: 1.9%  
 Education & learning support: 1.4%  
 Others: 0.7%



\*As of December 31, 2022

# Work Style Reform and Health & Productivity Management Initiatives

Initiative	Content
<b>Improving health &amp; productivity</b>	<ul style="list-style-type: none"> <li>- Health examinations and stress checks [Examination rate] 100%</li> <li>- Consultations with industrial physicians and public health nurses [Industrial physician consultations] Online consultations: 10, Face-to-face: 2 [Public health nurse consultations] Online consultations: 4, Face-to-face: 11</li> <li>- Improvement in the anomaly observation rate for diabetes: Improvement rate 27% (YoY change)</li> <li>- Supported employees' improvement of lifestyle-related diseases based on results of health examinations, stress checks, and overtime work</li> <li>- Enhance employees' motivation to improve their own health with health point management [Annual point-based return system]</li> <li>- Distribute wearable devices (average steps increased 191%)</li> <li>- COVID-19 PCR tests (general vaccine management, body temperature management)</li> <li>- Support for optional expenses related to influenza and health examinations</li> <li>- Continuous implementation of morning radio calisthenics</li> <li>- Improve dietary habits and literacy (distributed drinks)</li> <li>- Implement smoking cessation support programs for smokers</li> </ul>
<b>Improving work styles</b>	<ul style="list-style-type: none"> <li>- Revise working environments as a result of COVID-19 pandemic (utilization of teleworking and staggered shifts)</li> <li>- Promote use of paid time-off (PTO) during birthday month</li> <li>- Childcare support plans (nursery school fee subsidy, utilization of childrearing leave for male employees, teleworking for employees with children, and shortened working hours)</li> </ul>
<b>Training and education</b>	<ul style="list-style-type: none"> <li>- Training for different levels of seniority and departments / promoted women's health maintenance / conducted training on work style reforms</li> <li>- Internal newsletter from public health nurse / dissemination of health-related information [Delivered once every month]</li> <li>- Educational seminars for external parties: held 26 times</li> </ul>
<b>Internal communication</b>	<ul style="list-style-type: none"> <li>- Paid subsidies to support club activities of internal sports clubs [once every six months]</li> <li>- Paid expenses related to communications within each department [once every six months]</li> </ul>

# Started Kinjiro Genki Project

## - Launched the “Kinjiro Genki Project” led by young employees to further enhance our health & productivity management initiatives

- The Kinjiro Genki Project was launched with the hope of improving the exercise habits of people working at Kinjiro.
- The project is planned and operated by nine young employees in their 20s and 30s from different departments, aiming to create an environment where employees can enjoy working healthily and lively by promoting exercise among them.
- Hold health events planned and executed by employees themselves utilizing Health x Life.



### Exercise Challenges

(Get off one station early and walk the rest of the way, etc.)

### Dietary habit improvement

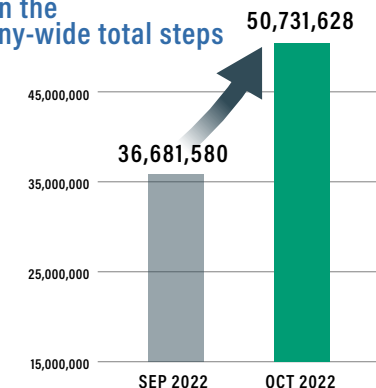


### Steps competition in each department

### Enhancement of welfare programs



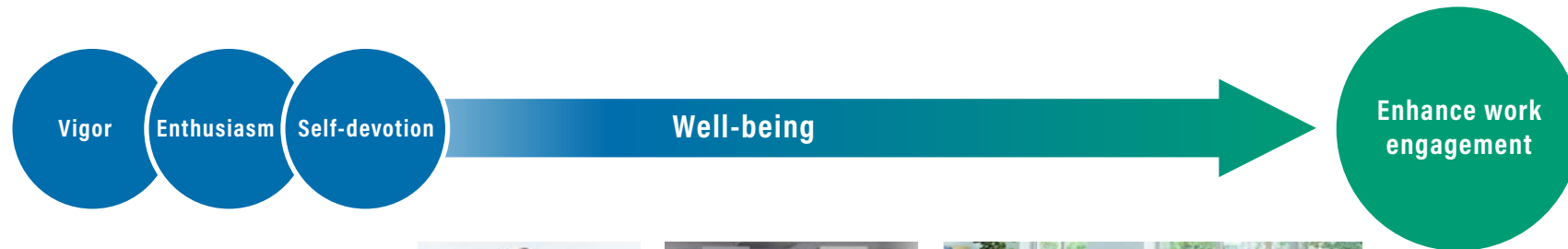
Trend in the company-wide total steps



- The company-wide total steps rose to 138% of the previous month, in which the event had not been held, and the average daily exercise time increased by 10 minutes per person.
- Various initiatives were implemented with the aim of raising the awareness of easy-to-start exercises, such as “Get off one station early and walk the rest of the way,” “Use stairs,” and “Do morning radio calisthenics at full capacity” as employees’ daily exercise challenges.

# Enhance “Work Engagement” through Office Reform Driven by Owning Our Own Office Building

- Create an office environment with the keywords “communication,” “refreshing,” and “health promotion.”



## Workspace

Introduce the latest approach to creating a workspace with office furniture and fixtures as well as a layout that allow employees to concentrate on their work



## Health Promotion & Refreshing Corner

Support employees' voluntary health promotion efforts by raising the awareness of health promotion

## Communication Space

Value communications among employees as sources to create new value

- We will not only enhance the work engagement of our employees but also develop even better products and services by creating our own office environment that embodies our product/service concept “work style reform and health & productivity management.”

**Thank you for your attention.**

**KINJIRO CO., LTD.**