

Financial Results Briefing Materials

for the First Quarter of the Fiscal Year Ending December 31, 2023

May 12, 2023

KINJIRO CO., LTD.

1

Consolidated Financial Results

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

2

Growth Strategy

3

Topics

Highlights for the First Quarter of FY2023

■ Key performance indicators (KPI)

Net sales

Increased by 158 million yen year on year to 966 million yen

Ordinary profit

Increased by 32 million yen year on year to 142 million yen

Number of cloud licenses

Increased by 22,645 from the end of the last fiscal year to 465,161

Recurring revenue

Average annual growth: 15.8% (for the past five years)

ARPU

Remained almost at the same level of 351 yen for Kinjiro Enterprise

Cloud-based contract cancellation rate

Remained low at 0.20%

Summary of Consolidated Financial Results for the First Quarter of FY2023

	Results	Achievement rate against FY2023 1H forecast	YoY change
Net sales	966 million yen	50%	+20%
Operating profit	142 million yen	60%	+30%
Ordinary profit	142 million yen	61%	+30%
Profit	91 million yen	59%	+21%

Consolidated Statement of income

(Unit: Million yen)

	FY2023 H1 forecast	FY2023 1Q results	Achievement rate	FY2022 1Q results	YoY change
Net sales	1,938	966	50%	808	+20%
Operating profit	238	142	60%	109	+30%
Ordinary profit	235	142	61%	109	+30%
Profit	156	91	59%	75	+21%

YoY Changes in Net Sales by Business Segment

■ Net sales

(Unit: Million yen)

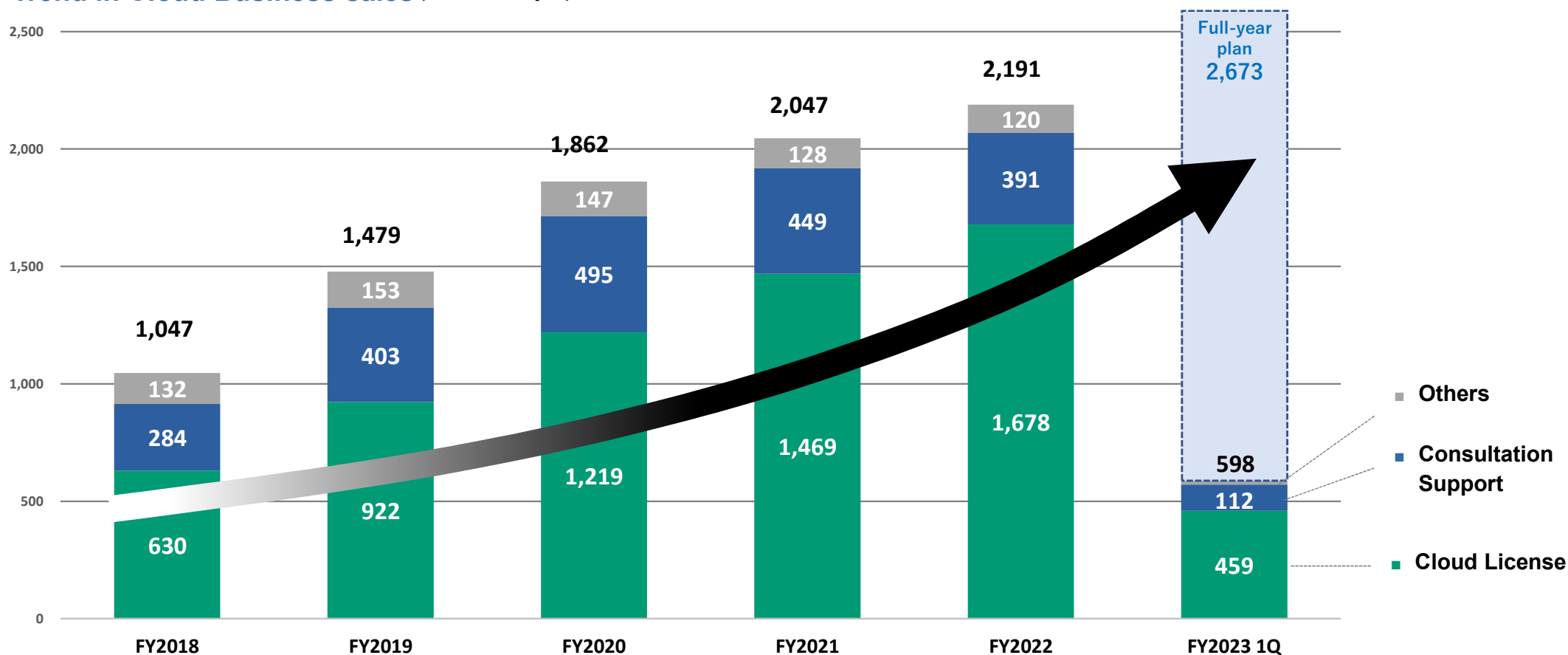
Business segment	Sales segment	FY2022 1Q results	FY2023 1Q results	YoY change
Cloud Business	Cloud License	396	459	+16%
	Cloud Consultation Support	85	112	+32%
	Others	24	25	+5%
	Subtotal	506	598	+18%
On-Premises Business	Premium Support	145	141	-3%
	Software Products	73	69	-5%
	Software Consultation Support	58	55	-4%
	Employment Information Devices	23	52	+123%
	Subtotal	300	319	+6%
Total of HRM Business		808	918	+14%
Real Estate Rental Business		—	48	—
Net sales		808	966	+20%
Recurring revenue*		548	607	+11%

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

Sales in Cloud Business

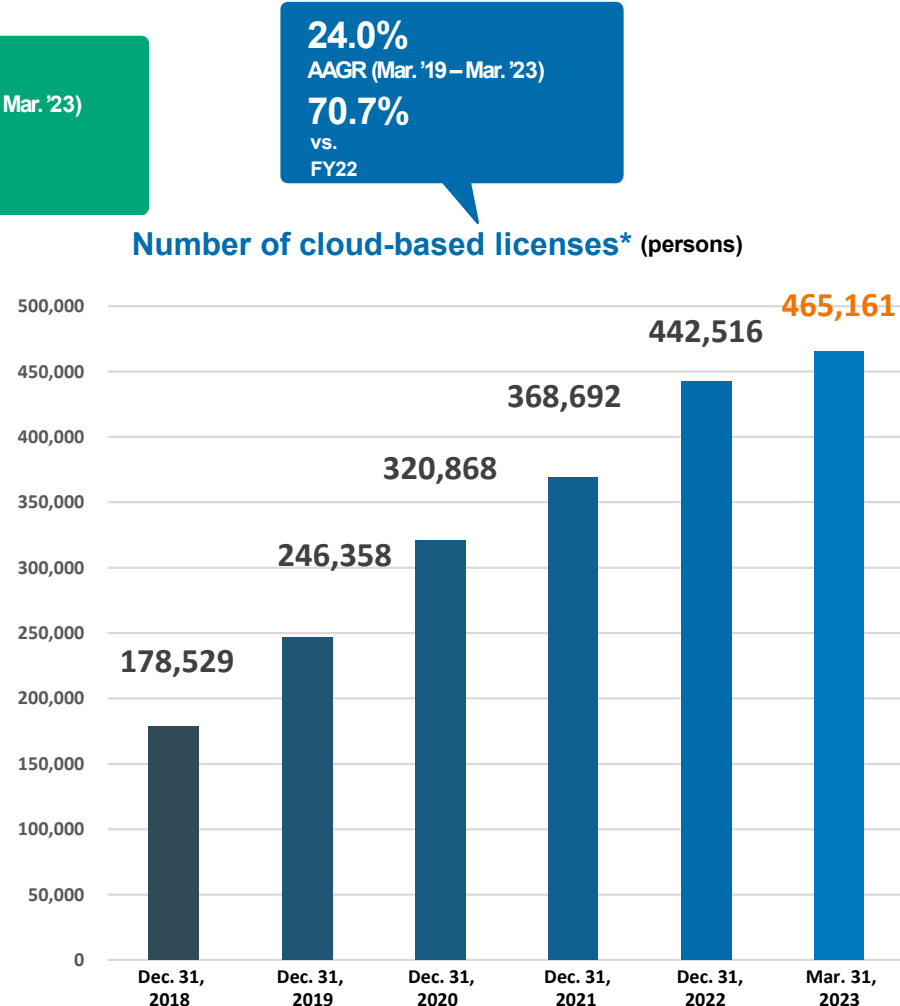
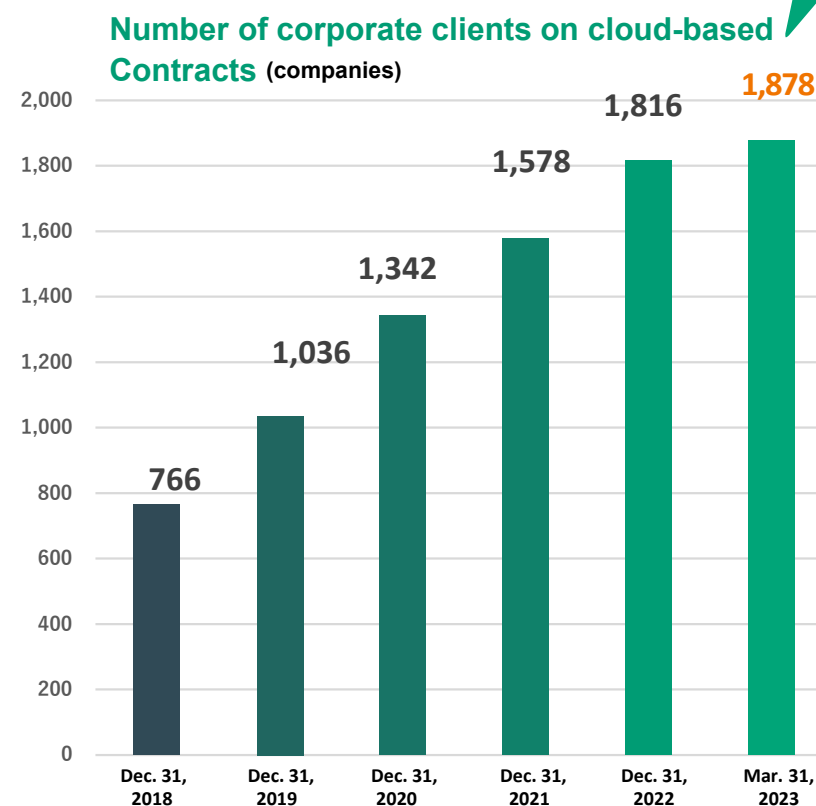
- Cloud License sales grew by 16% year on year to 459 million yen.
- Cloud Consultation Support sales increased by 32% year on year to 112 million yen due to an increase in introduction support projects (average revenue per project decreased as a result of enhanced productivity in introduction support).
- Meanwhile, sales in Others category (employment information devices, etc.) increased by 5% to 25 million yen.

Trend in Cloud Business sales (Unit: 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 24.0%.



* 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).

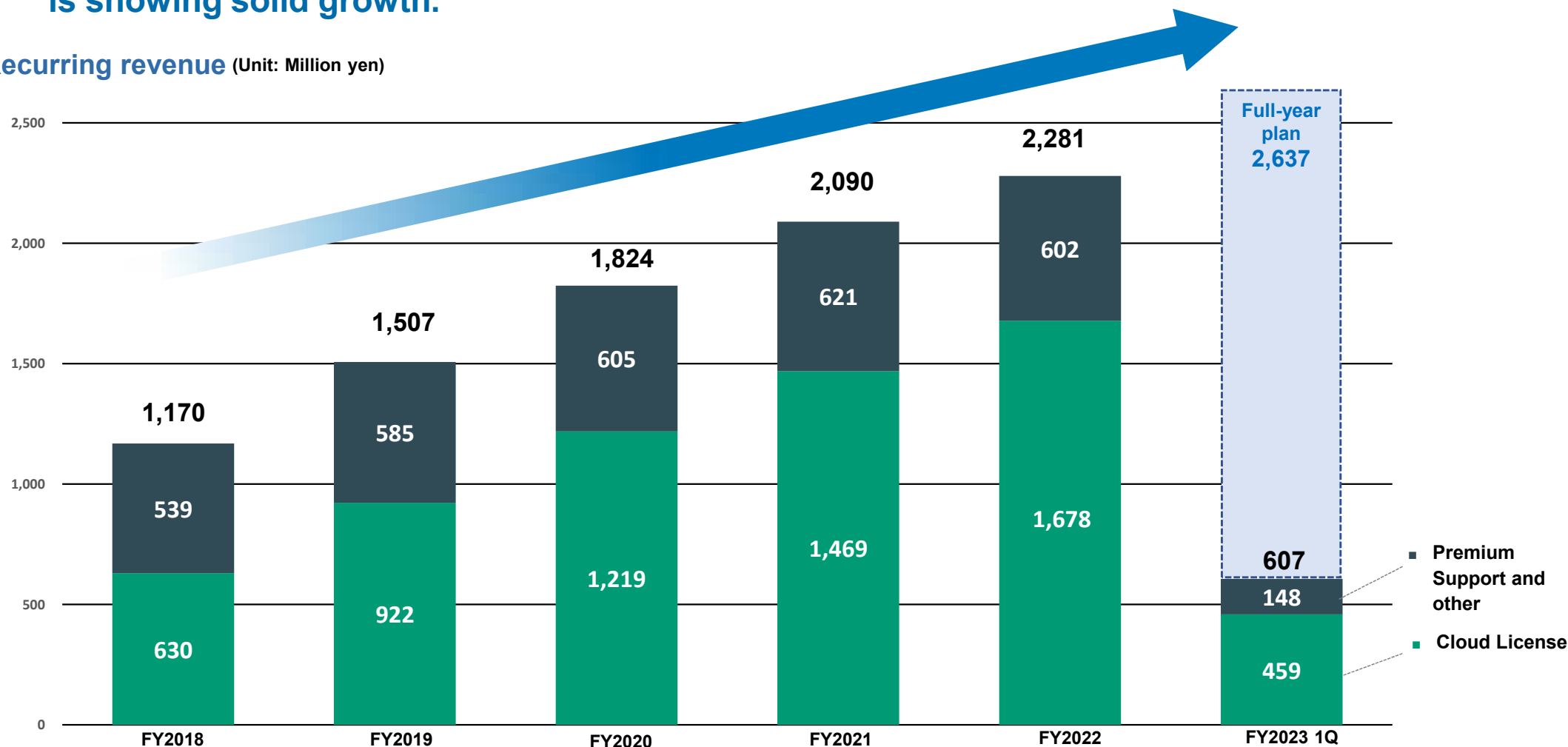
ARPU trend

ARPU	June 2021	September 2021	December 2021	March 2022	June 2022	September 2022	December 2022	March 2023
Enterprise	350 yen	349 yen	351 yen	353 yen	353 yen	351 yen	353 yen	351 yen
Smart	153 yen	153 yen	160 yen	117 yen	117 yen	115 yen	117 yen	126 yen

Net Sales: Trend in Recurring Revenue

■ Recurring revenue, which comprises Cloud License sales and Premium Support sales, is showing solid growth.

Recurring revenue (Unit: Million yen)



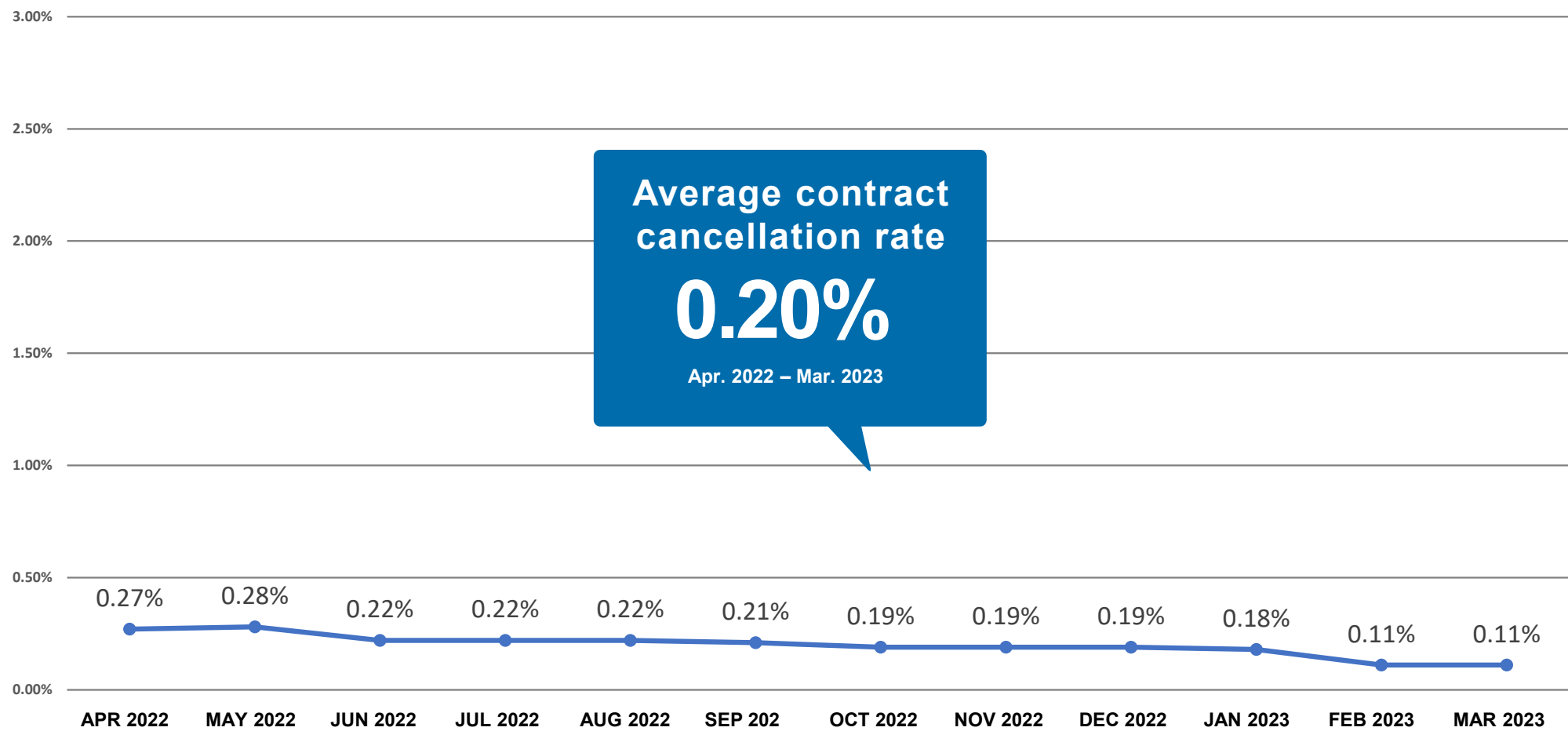
15.8%
Average annual
growth rate
(Mar. '19 – Mar. '23)

Cloud-Based Contract Cancellation Rate

■ The average rate of cloud-based contracts cancelled per month remains low at 0.20%.

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.

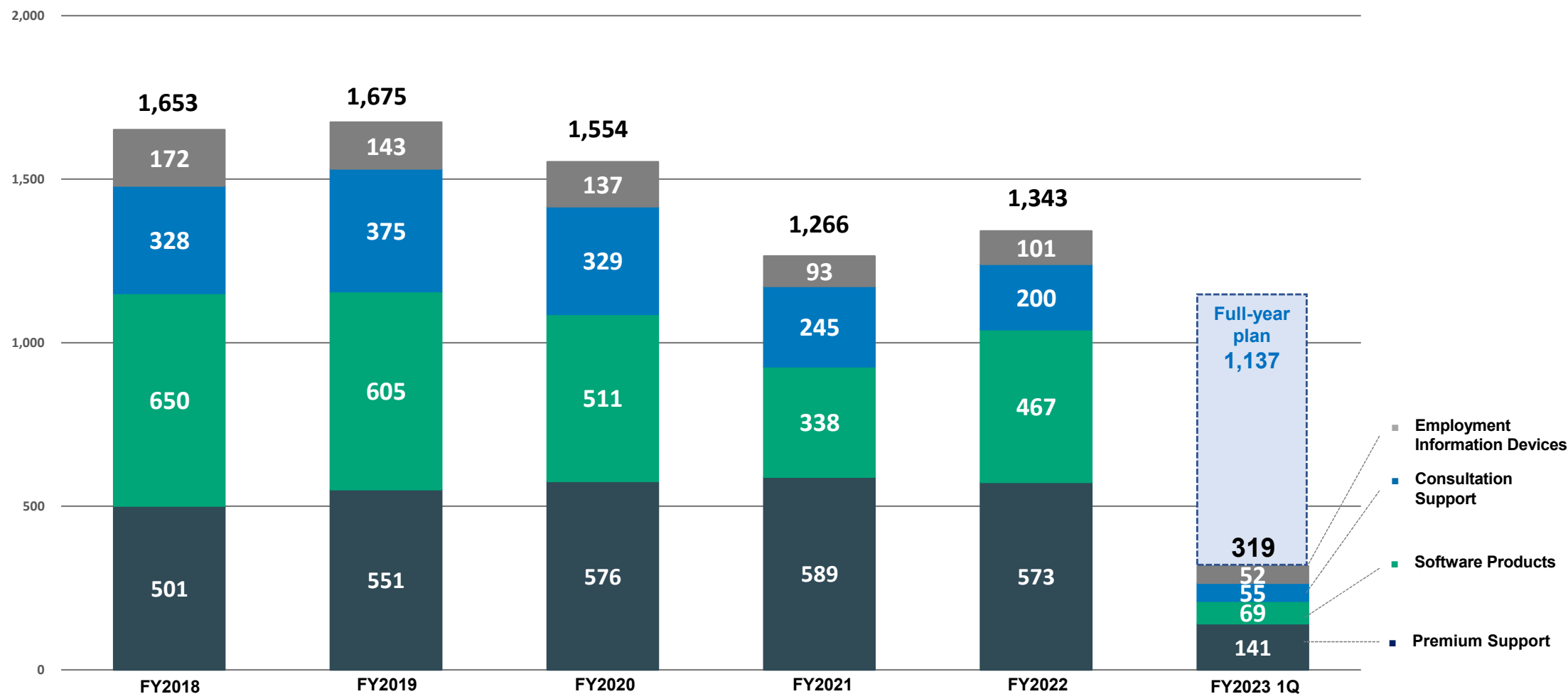


* Monthly average cancellation rate. Calculated by dividing revenue from customers who cancelled their contracts in the current month by revenue from total customers in the previous month.

Sales in On-Premises Business

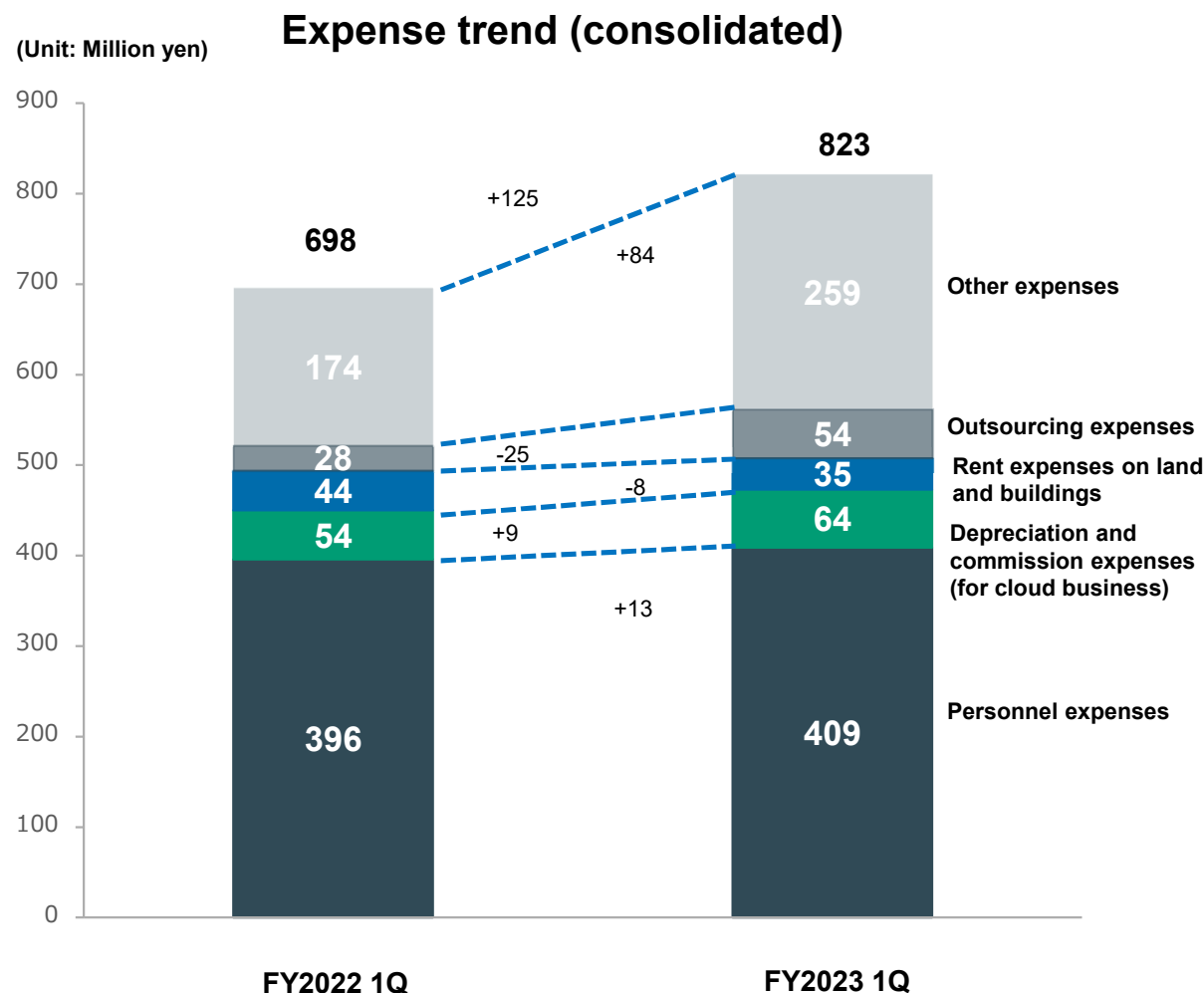
- Premium Support sales decreased by 3% year on year to 141 million yen.
- Software Products sales decreased by 5% year on year to 69 million yen, while Software Consultation Support sales declined by 4% year on year to 55 million yen.

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



Cost Structure

■ Cost structure for the first three months of the fiscal year ending December 31, 2023



■ **Total expenses increased by 125 million yen compared to the costs in the three months ended March 31, 2022.**

■ **The increase is attributable to the rise in other expenses (+84 million yen), which included depreciation incurred for the Nagoya headquarters building acquired in November 2022 (42 million yen) and an increase in advertising expenses (+11 million yen).**

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Growth Strategy

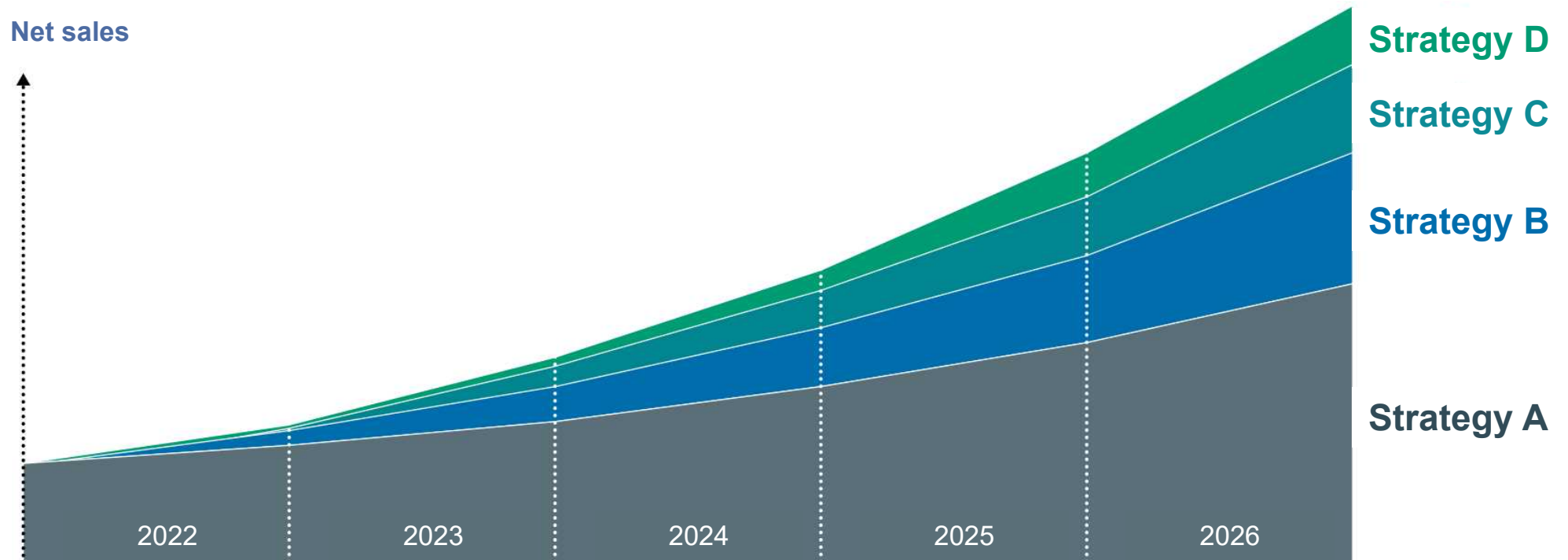
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Topics

Growth Strategy

■ Achieve growth with four growth strategies: Strategy A, B, C, and D

Strategy A	BtoB	Mainstay business: Accelerate acquisition of new customers for “work style reform and health & productivity management”
Strategy B	BtoB	Mainstay business: Shift 900,000 on-premises user licenses to cloud-based services
Strategy C	BtoB	New business: Cloud front / private cloud
Strategy D	BtoE BtoC	New business: Expand sales in platform businesses with revenues from monetization of 370,000 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 clients’ work style reform and health & productivity management
Support business growth by enhancing employee labor productivity and work engagement



Growth Strategy A: How to Acquire New Customers

Maintain relationships of trust with existing customers and partners

Direct sales strategy

Reach new customers

Partner strategy

Certification system

Strengthen direct sales, and promote finely-tuned follow-ups and proposals for new products/services as well as product development

Promote a new partner strategy for organizing Slers in each of the 47 prefectures, on top of the existing partner strategy

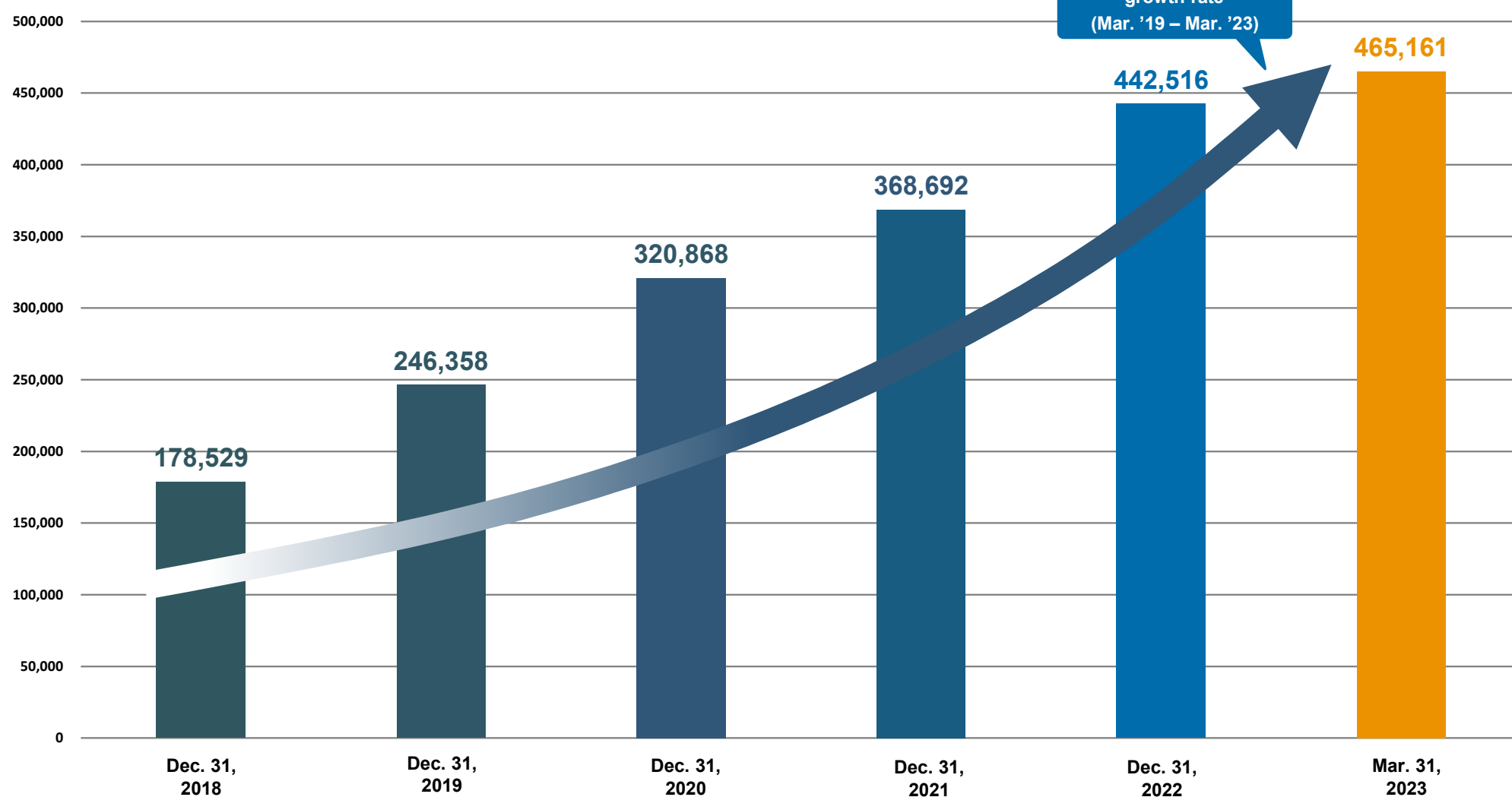


Growth Strategy A: Expand Sales to New Customers

(Work Style Reform & Health & Productivity Management)

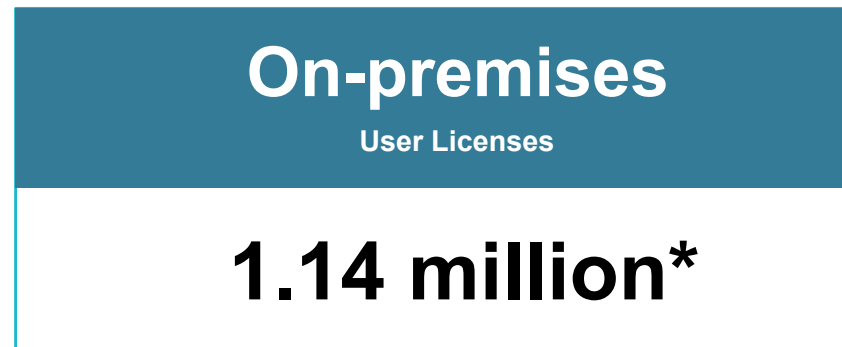
- Boost sales of the cloud business by acquiring new customers to keep expanding cloud license sales
- Meanwhile, the on-premises business will be continued

Number of cloud-based licenses (persons)



Growth Strategy B: Shift On-premises Users to Cloud

Shift 900,000 licenses, which account for approx. 80% of 1.14 million Kinjiro Enterprise on-premises user licenses, to cloud-based services, with Universal Kinjiro, which was released in December 2021, as a trigger service



*Result as of March 31, 2023

Move approx. 80% to cloud-based services

*Estimated based on current customer needs

Growth Strategy B: Boosting ARPU

When migrating approx. 900,000 licenses out of 1.14 million on-premises user licenses of Kinjiro Enterprise to cloud-based services, boost ARPU by cross-selling

Approx. 900,000 licenses

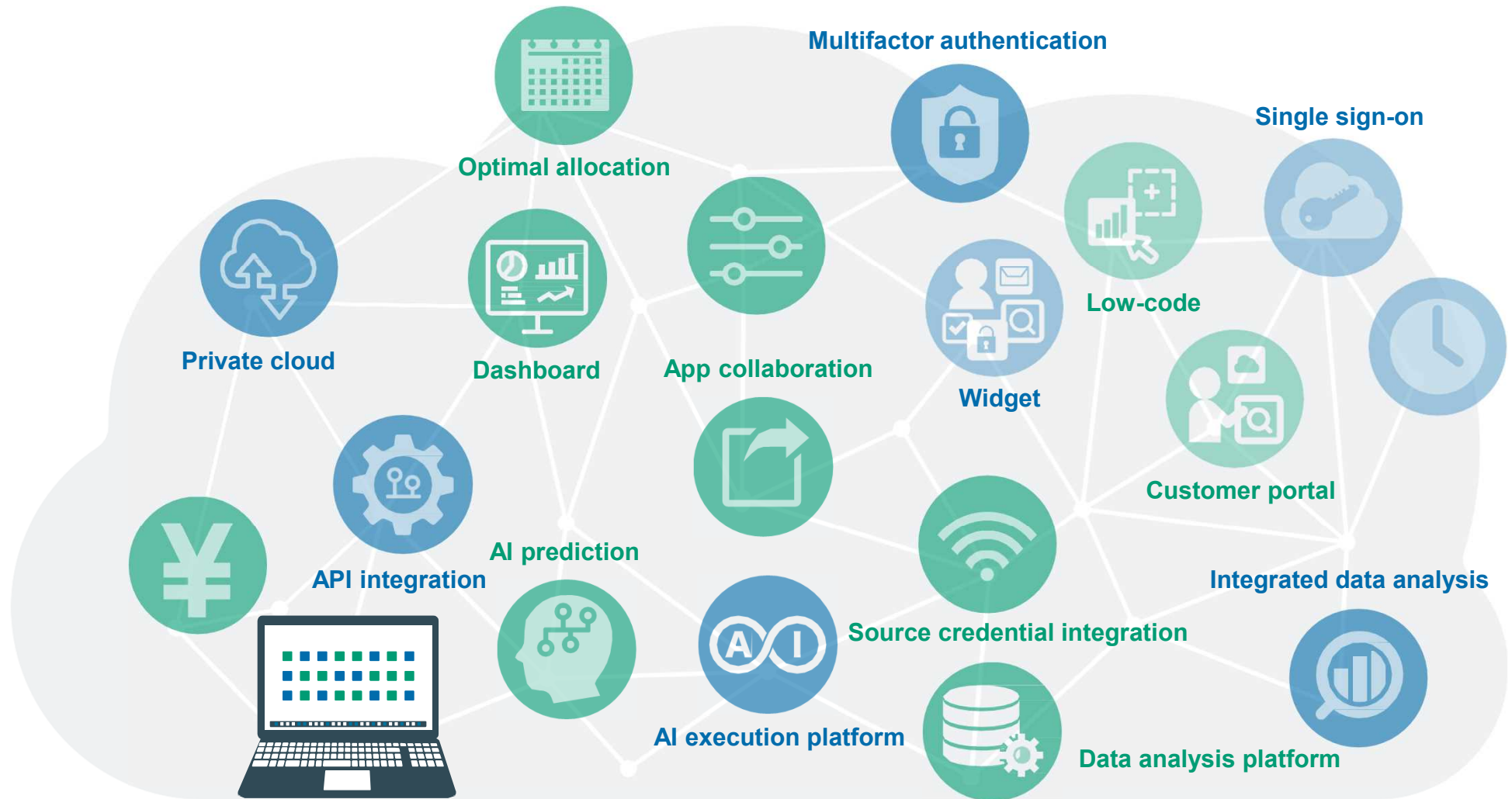
500 yen per license*

× **12**
months = **Approx. 5.4B yen**

* The average revenue per license (ARPU) will be increased from the current level of approx. 350 yen to at least 500 yen per license through promotion of the use of Health x Life, Health x Life Pro, and subsystems such as Labor Cost Management and AI.

Growth Strategy C: New Business – Cloud Front Strategy

■ Enhance our services by evolving the cloud base business

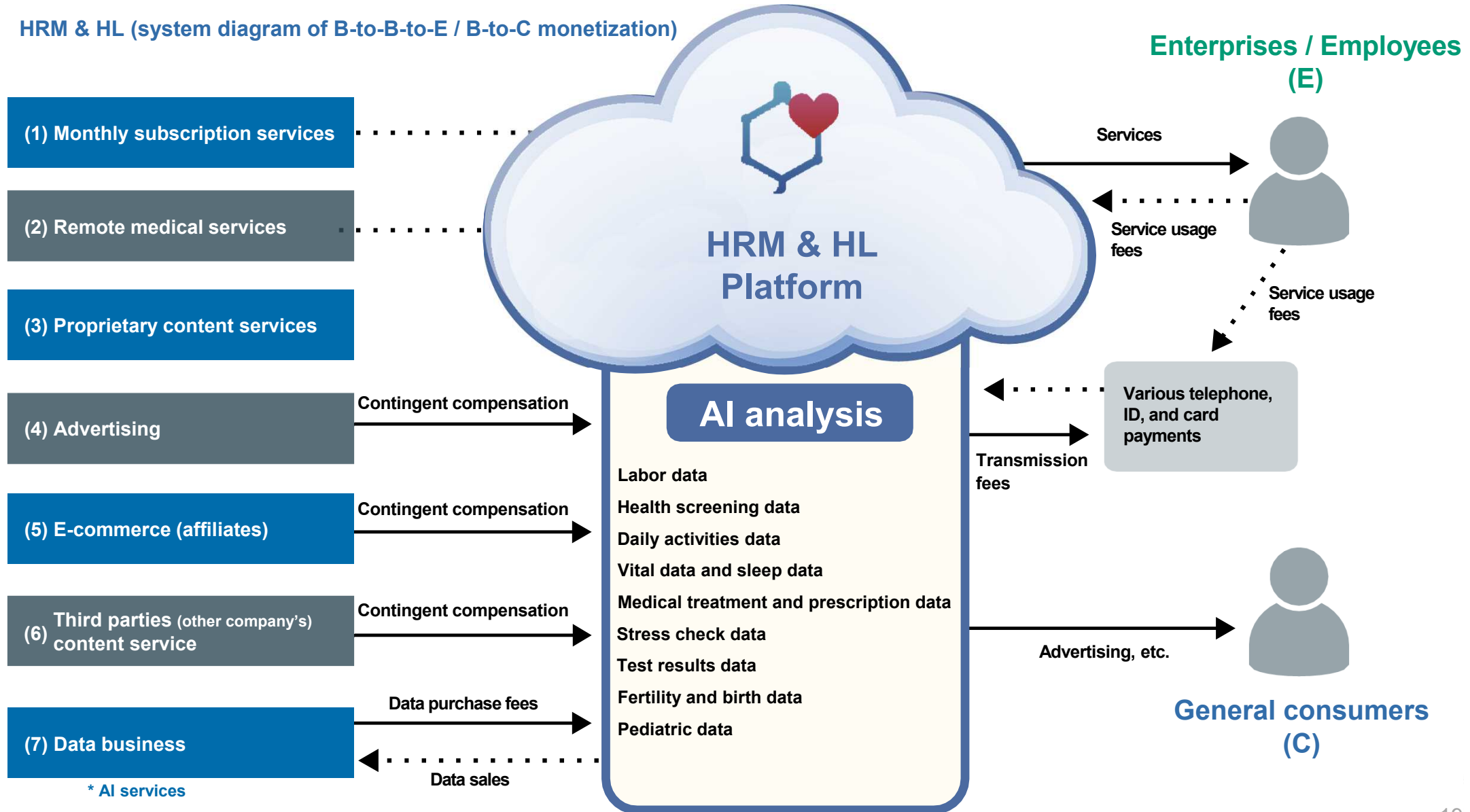


We will maximize contacts with users by utilizing data gathered by our core apps by expanding the menu unique to the cloud-based service, and offer new services that take advantage of data analysis and AI prediction, while at the same time evolving our platform in a way that appeals to business users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

Growth Strategy D: Consumer Business Utilizing Platforms

■ Consumer registration monetization from the utilization by 370,000 users

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



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Kinjiro's Mission and Strength

Offer products and services that solve social challenges faced by modern Japan

Performance delivered by each individual workforce will become increasingly important in the coming years, where the labor force is expected to decline significantly.

Creating an attractive workplace

Flexible work styles

Time management



Note: Figures for 2016 are actual results; figures for 2020 and beyond are forecasts calculated based on the assumption that labor force participation rates (LFPRs) by gender and by five-year age group for these years will remain the same as those for 2016 (for the age group of 75 and older, forecasts were calculated based on the assumption that the LFPR of people aged 75 and older for 2016 represents the LFPR of people aged between 75 and 79 and does not include people aged 80 and older).

Source: Prepared by Mizuho Research Institute Ltd. based on the "Annual Report on the Labour Force Survey 2016" published by the Ministry of Internal Affairs and Communications and the "Population Projections for Japan (April 2017 projection)" published by the National Institute of Population and Social Security Research.

Diverse work styles

Increasing efficiency of back-office operations

Creating innovations

Need to create an organization/environment where every employee is valued and can work healthily for a long time = Evolve HRM



Solve social challenges faced by modern Japan by contributing to corporate clients' HRM with "Universal Kinjiro" and "Health x Life"

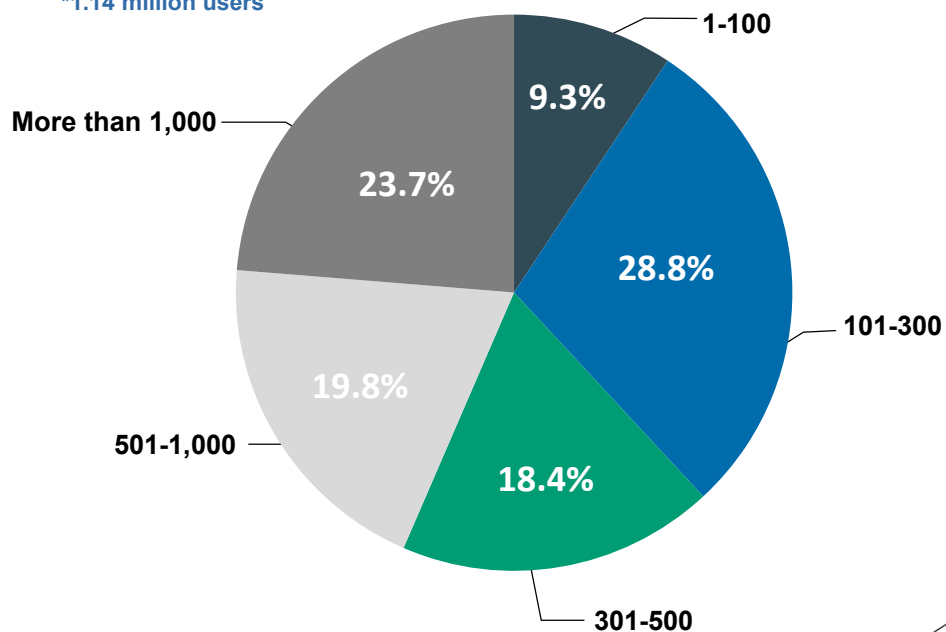


Kinjiro Enterprise Installations Breakdown by Scale and Industry

■ Meet the needs of diverse enterprises in different size, ranging from SMEs to large enterprises, in different industries

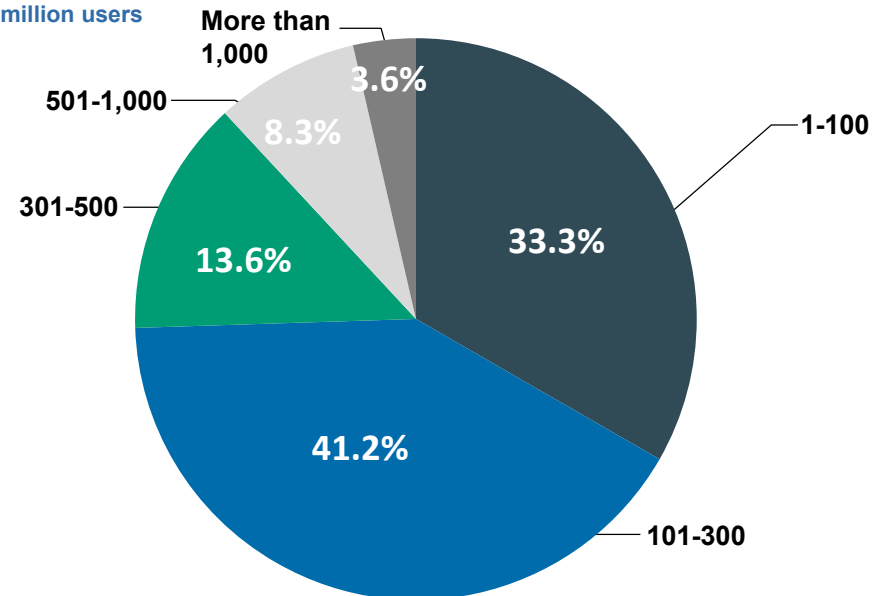
Breakdown of implementation by number of employees (On-Premises)

*1.14 million users



Breakdown of implementation by number of employees (Cloud)

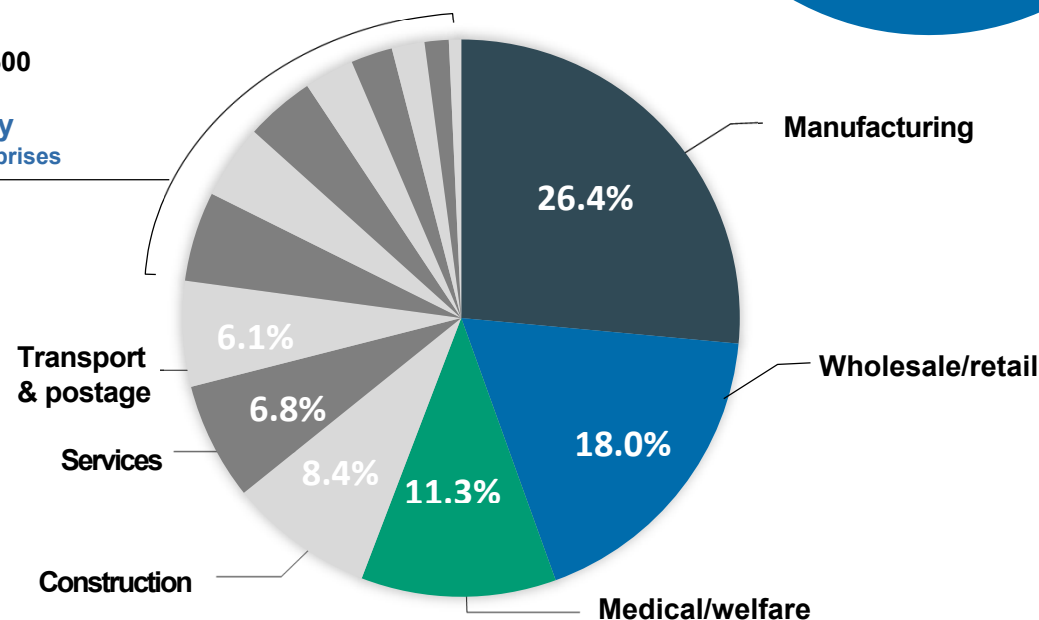
*0.46 million users



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: 4.0%
 Accommodation & food: 2.9%
 Lifestyle services & entertainment: 2.4%
 Finance & insurance: 1.9%
 Education & learning support: 1.4%
 Others: 0.7%



*As of March 31, 2023

Jan. 2023: Office Reform Driven by Owning Our Own Office Building

- Practice health & productivity management by creating an office environment with keywords “communication,” “refreshing,” and “health promotion.”



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

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



- 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.”



Exterior view of the new Nagoya headquarters building

Feb. 2023: Participated in HR EXPO (Nagoya)

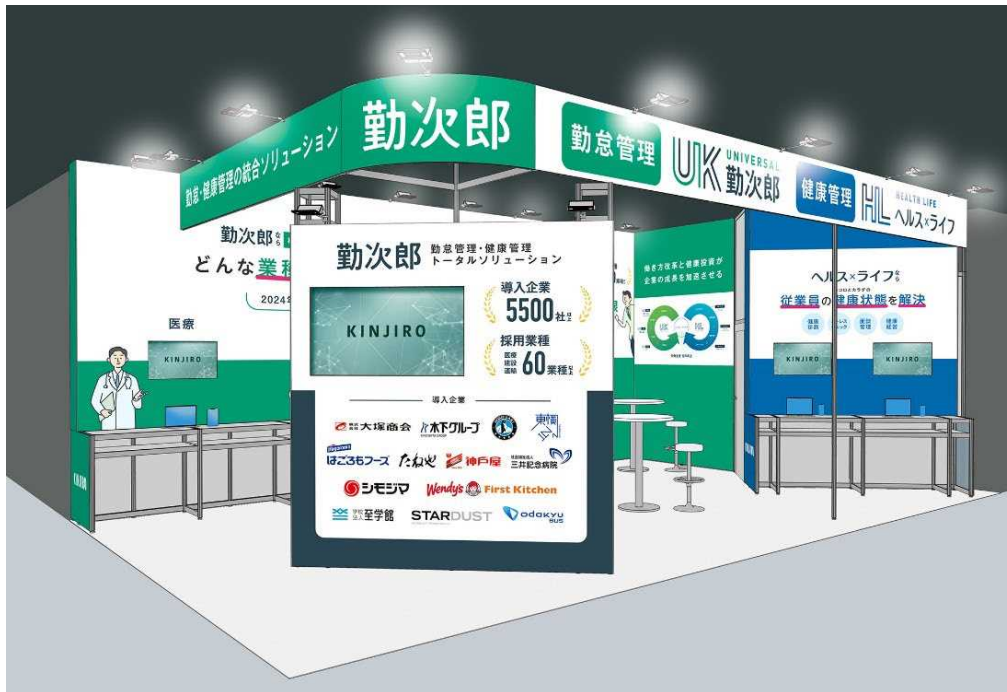
■ Participated in “5th Nagoya HR EXPO”

We set up a booth at a specialized exhibition “HR EXPO” held at Port Meese Nagoya from February 15 to 17, 2023 as part of the General Affairs / HR / Accounting Week 2023.
(Number of total visitors: 6,638)



Exhibition concept focusing on employees' health management and work engagement

In our exhibition booth, we offered demonstrations of “Universal Kinjiro” and “Health x Life,” our HRM all-in-one solutions for realizing corporate client's work style reform and health & productivity management. We gave an explanation on the service overview, features and utilization examples by letting visitors actually try the services. We also handed out useful information materials and brochures about work style reform and health & productivity management and held a mini-seminar that focused on our practice of health & productivity management and work style reform offered exclusively at the exhibition.



Mar. 2023: Recognized as a Certified Health & Productivity Management Outstanding Organization for the Sixth Consecutive Year

■ Recognized as a Certified Health & Productivity Management Outstanding Organization for the sixth consecutive year

Kinjiro was ranked in the top 50 among 3,169 organizations, which were recognized by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi as Certified Health & Productivity Management Outstanding Organizations, and certified as a White 500 company.

■ Health & productivity management initiatives

- Measure employees' performance indicators as presenteeism quantitatively in conjunction with every stress check
- Implement a PDCA cycle on a regular basis using work engagement and pulse surveys
- Set a milestone for each of the initiatives, such as activating organizations and facilitating communication between organizations, and develop measures for each of them

■ Using "HRM and Health x Life" platforms at our office

- Early detect deterioration in employees' health data with "Health x Life"
- Facilitate interactions between industrial physicians and in-house public health nurses through "Kelly online services support" while using a remote consultation tool for giving consultations and treatments

■ Awarded the "Award for Outstanding Business Facilities under the Nagoya Health Declaration"

Kinjiro was also awarded as a company practicing outstanding initiatives to promote health & productivity management by Nagoya City and Japan Health Insurance Association.



Feedback Sheet for Survey on Health and Productivity Management

Fixed Ver.

CODE: 004013

Feedback Sheet for FY2022 Health and Productivity Management

Japanese Corporate Name: 勤次郎株式会社

English Corporate Name: **Kinjiro Co., Ltd.**

■ Health insurer: Aichi Brach of the Japan Health Insurance Association

■ Industry type: Information and communications

Listed

I Evaluation Summary

■ Rank: **1 – 50th / 3,169**

■ Comprehensive evaluation: **64.8** ↑1.0 (Last year 63.8)

* "White 500" organizations are recognized only among organizations that apply for the 2022 Certified Health & Productivity Management Organizations Recognition Program. Thus, organizations that are ranked lower than the top 500 could be recognized as White 500 enterprises.

II Evaluation Breakdown

Four criteria	Weight	Your score	Best score among all responding organizations	Best score in your industry	Average score of your industry
Comprehensive evaluation	–	64.8	67.4	66.6	50.9
1. Management philosophy & policy	3	67.4	69.6	68.7	50.7
2. Organizational structure	2	65.7	67.9	67.4	50.4
3. Implementation of systems & measures	2	65.3	69.5	68.8	51.3
4. Evaluation & improvement	3	61.3	68.7	64.9	51.2

■ Your score
■ Best score among all responding organizations
■ Best score in your industry
◆ Average score of your industry

* The numerical value of each criterion is an adjusted deviation score based on the average of responding companies and organizations. Comprehensive evaluation is calculated by multiplying the numerical value of each criterion by its weight.

* "-" is displayed at "the best score in your industry" only if four or fewer companies responded in your industry. The "best score" shows the highest score of each criterion and not the score of the organization ranked No. 1.



FY2023 1Q: Kinjiro Genki Project Activities

■ Further enhance our health & productivity management initiatives through the “Kinjiro Genki Project” led by young employees

- 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

Kinjiro Genki Project members



Health management app
“Health x Life”

[Achievements]

- 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.

The term “health & productivity management®” is a registered trademark of Nonprofit Organization Kenkokeiei.

Thank you for your attention.

KINJIRO CO., LTD.

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 judgment 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.