



FY24/3 1Q Financial Results

August 10, 2023 | kaonavi, inc. (TSE Growth : 4435)



1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast


4. Appendix

4-1. Company Overview


4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

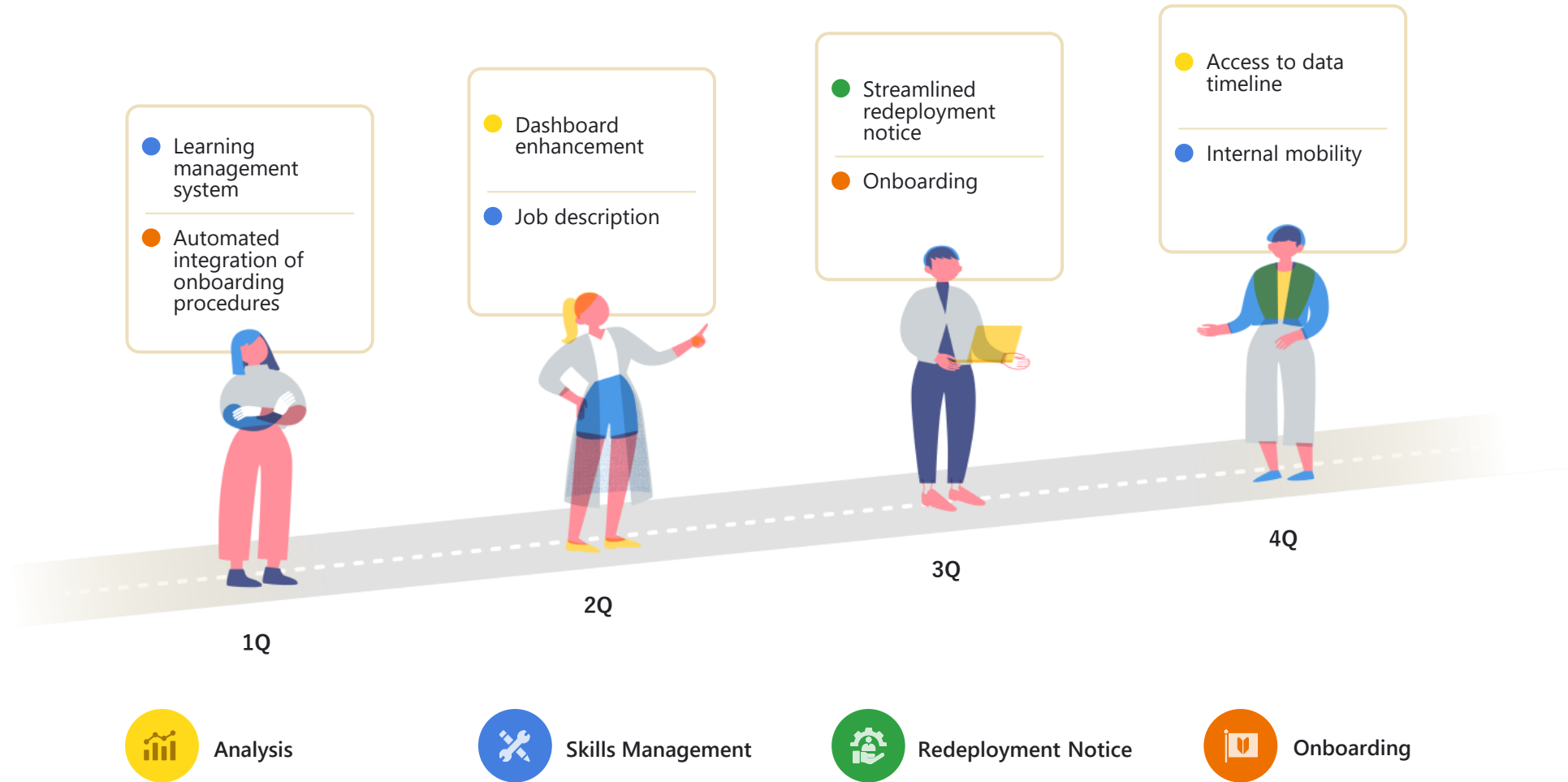


Implement technology to “WORK”
and modify the specification of society
leveraging individual power



Major Product Development Roadmap*1

Focusing on driving the value as an HR data platform through the development of new functions and services



*1 : This is a scheduled roadmap from which the actual release timing of each feature might differ

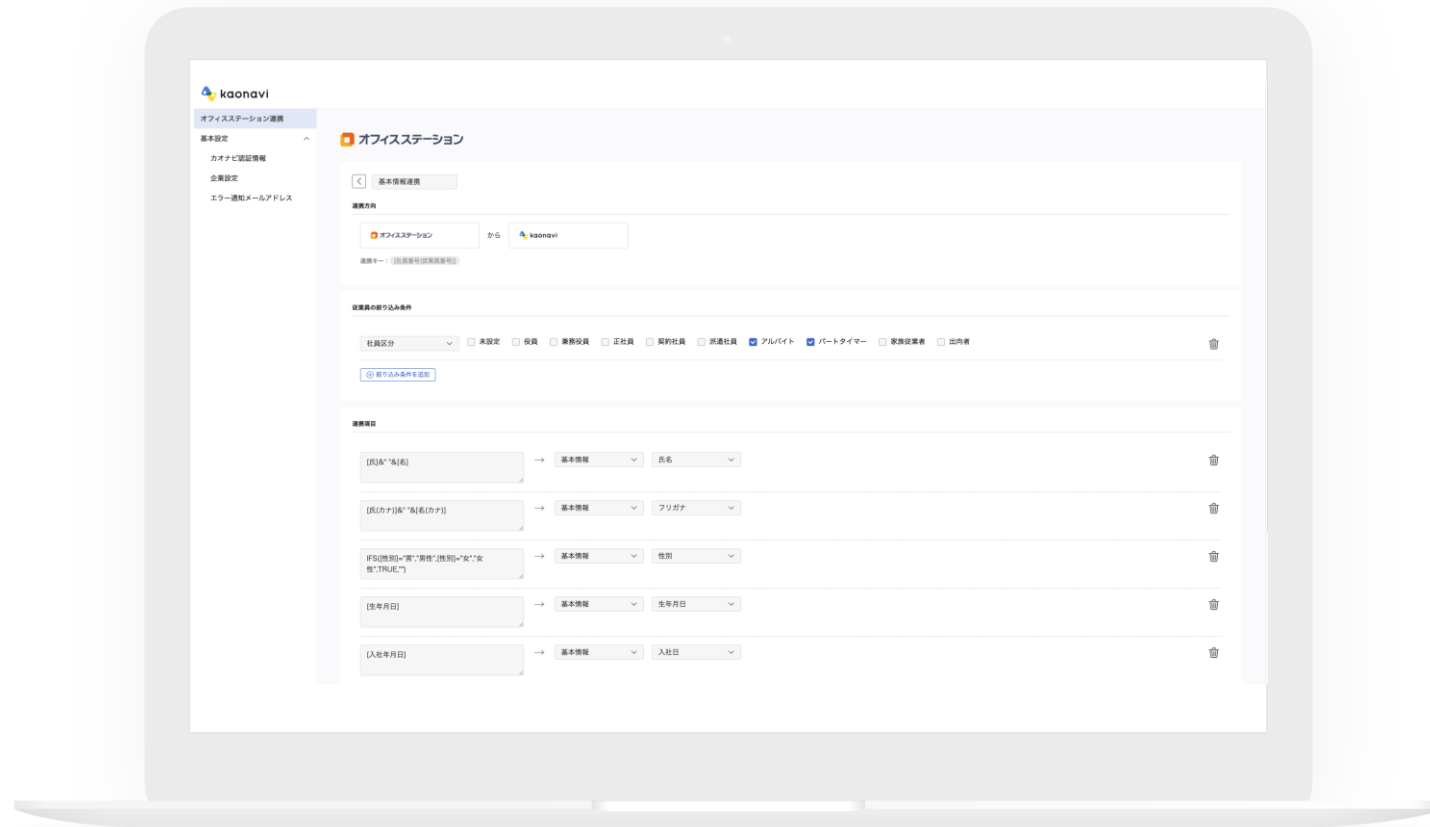
Launching a New Feature

Released “Learning Library”, a learning management system, as a service to accelerate reskilling



Launching a New Feature

Improved user experience through automatic integration of onboarding procedures data between KAONAVI and Office Station in both directions



Measures to Expand Enterprise Users

Launched "Enterprise Edition" which integrates functions in high demand by large companies

大手企業のタレントマネジメントなら

 kaonavi

Enterprise Edition



Regional Revitalization Initiatives

Held “Career Ownership” seminar to support career development of female athletes as part of the “-ship Project” to empower people in Imabari City



Launching a Dedicated Website on Human Capital Management

Our story of human capital management, including approaches to investing in human capital as well as HR strategies linked to the realization of Purpose and management goals





1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

Highlights

- 1Q results show solid progress

Net sales were **JPY 1,753MM (+28.1% YoY)**

Gross profit was **JPY 1,309MM (+26.4% YoY)**, and its margin landed at **74.7%**

Adjusted operating profit was **JPY 120MM (+3.8% YoY)**

- Posted **an extraordinary loss of JPY 21MM** in relation to headquarters relocation

- ARR continued to be strong and reached **JPY 6,707MM (+29.9% YoY)**

Newly acquired MRR hit **a record-high for 1Q**

Churn rate (last 12-month average) was **0.46%**, remaining at a **low level**

- Orders from support services also remained strong and posted **a record-high for 1Q**

- The number of employees at the end of June 2023 was **287**, and fell short of the recruitment plan

PL Summary

	FY23/3 1Q	FY23/3 4Q	FY24/3 1Q	YoY	QoQ
JPY MM	Same period last year	Previous quarter	Current quarter		
Net Sales	1,369	1,651	1,753	+28.1%	+6.2%
Gross Profit	1,035	1,171	1,309	+26.4%	+11.8%
Margin	75.7%	70.9%	74.7%	-1.0pt	+3.8pt
Adjusted Operating Profit ^{*1}	116	118	120	+3.8%	+2.3%
Margin	8.5%	7.1%	6.9%	-1.6pt	-0.3pt
Operating Profit	109	60	63	-41.8%	+6.5%
Margin	8.0%	3.6%	3.6%	-4.3pt	+0.0pt
Ordinary Profit	107	59	63	-41.6%	+6.9%
Net Profit	79	74	28	-65.0%	-62.7%

*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

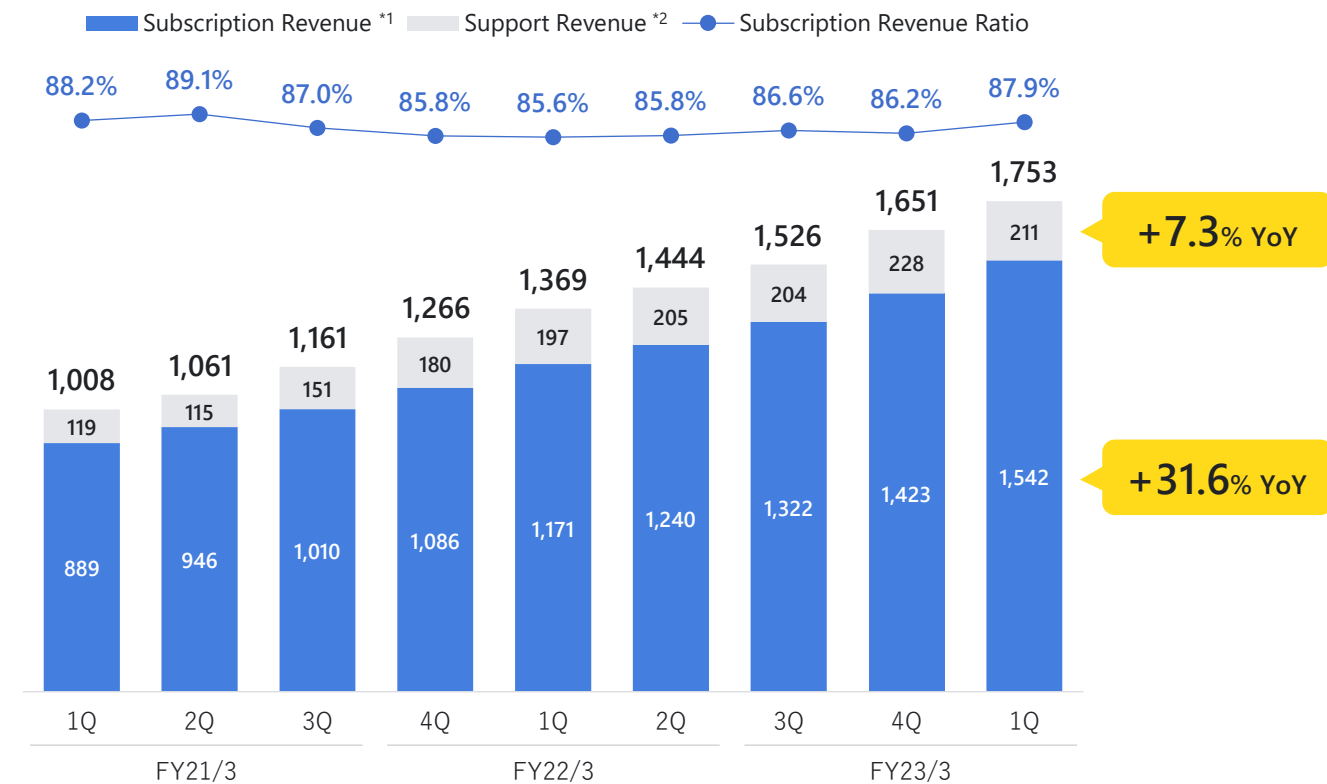
Net Sales

Subscription revenue and support revenue increased by 31.6% and 7.3% YoY, respectively

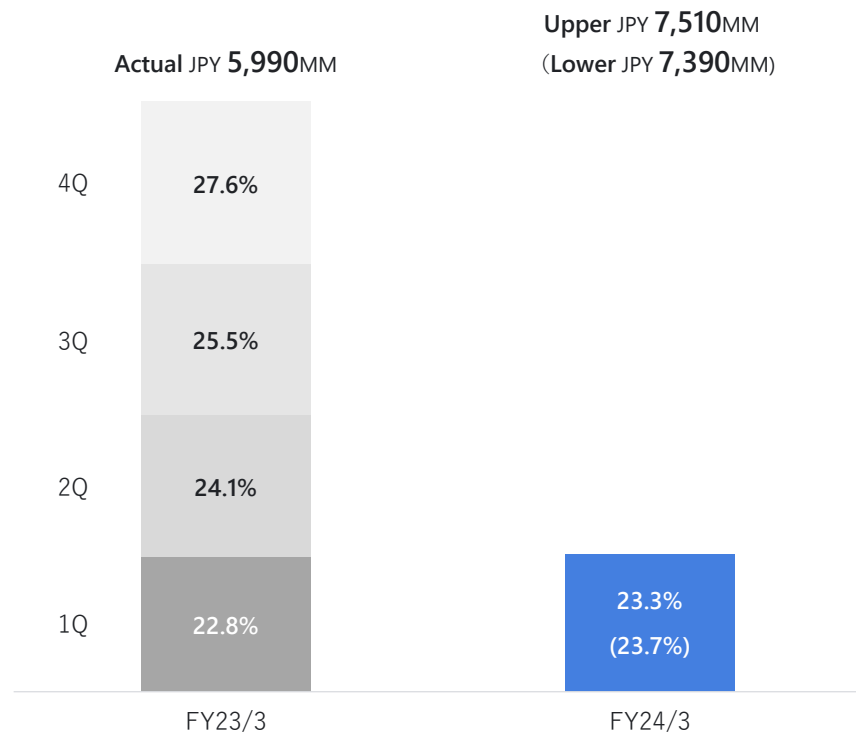
Net sales progress against full-year forecast exceeded the previous year

Net Sales

JPY MM



Progress Against Full-year Forecast



*1 : Net sales from monthly subscription fees

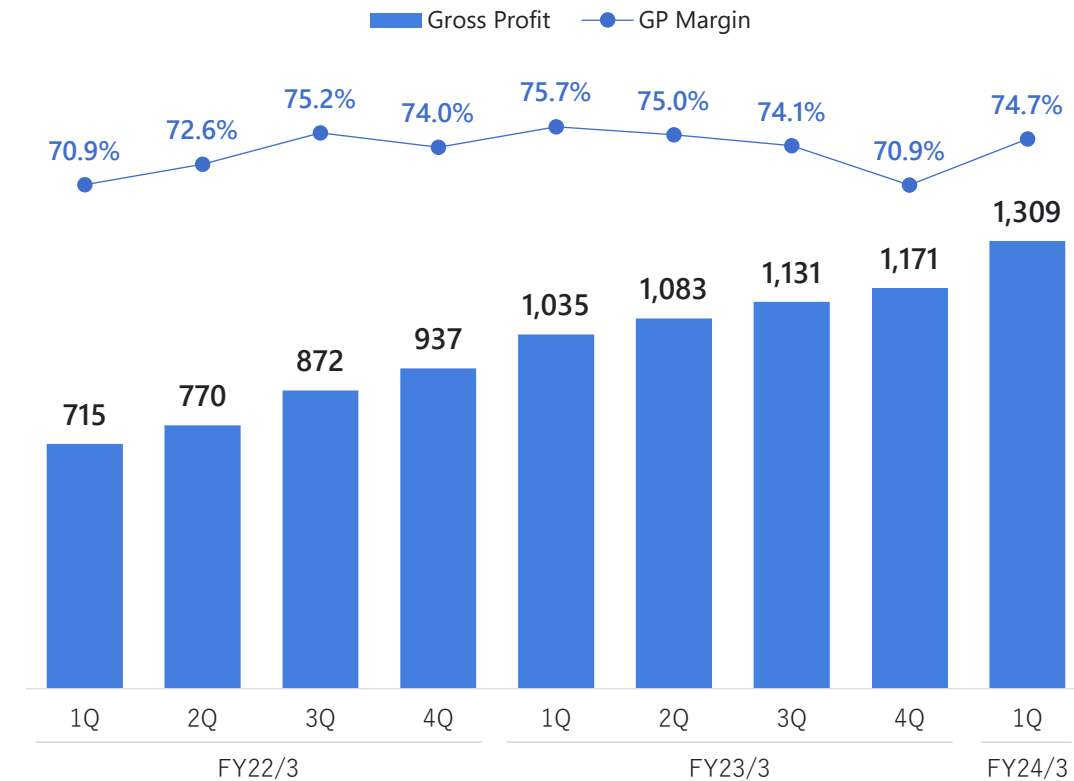
*2 : Net sales from initial setting support and paid support, etc.

Gross Profit and Cost of Sales

Accelerated development investment from the previous quarter to enhance product functionality. Strong execution of the development roadmap, including implementation of various functional updates

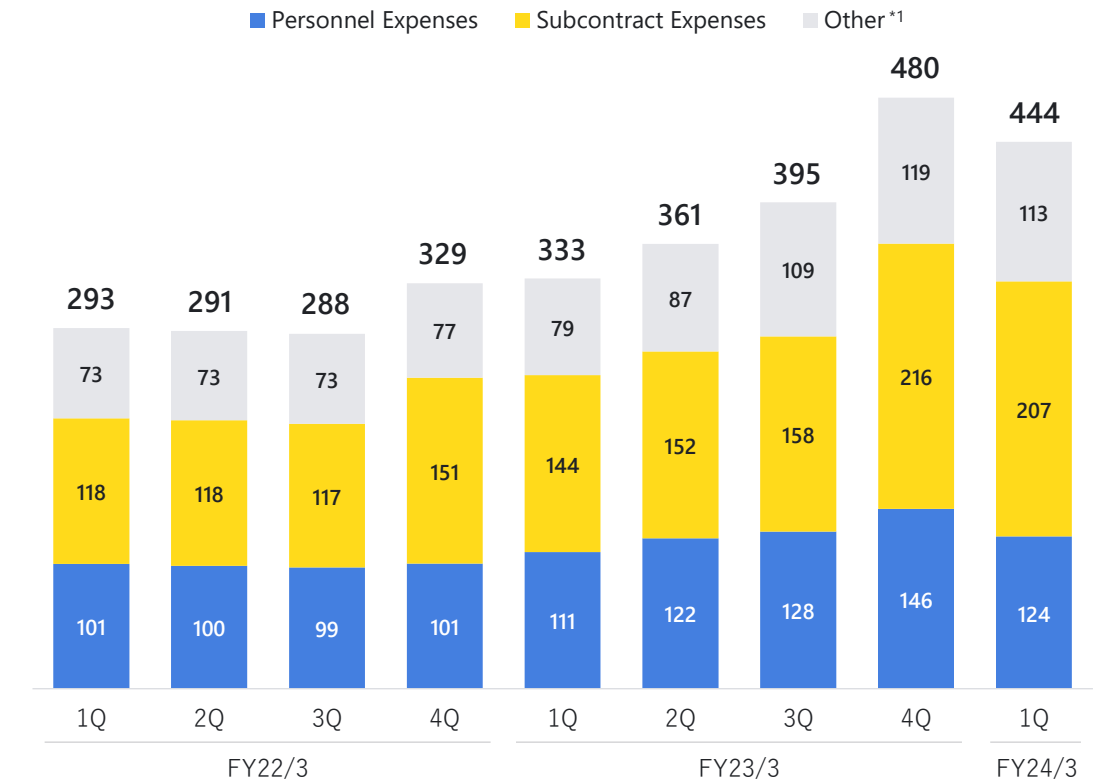
Gross Profit

JPY MM



Cost of Sales

JPY MM



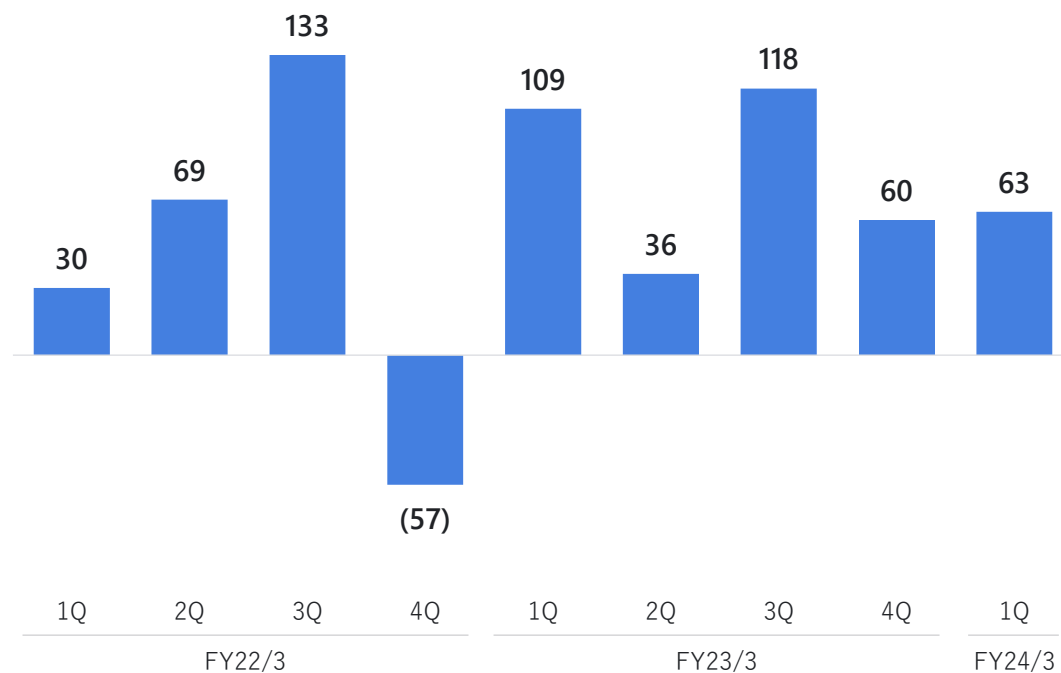
*1 : "Other" in this quarter mainly includes Rents of JPY 31MM and Server costs of JPY 55MM

Operating Profit and SG&A

Increased R&D for the release of new features such as LMS. Also expanded marketing investment including TV ads

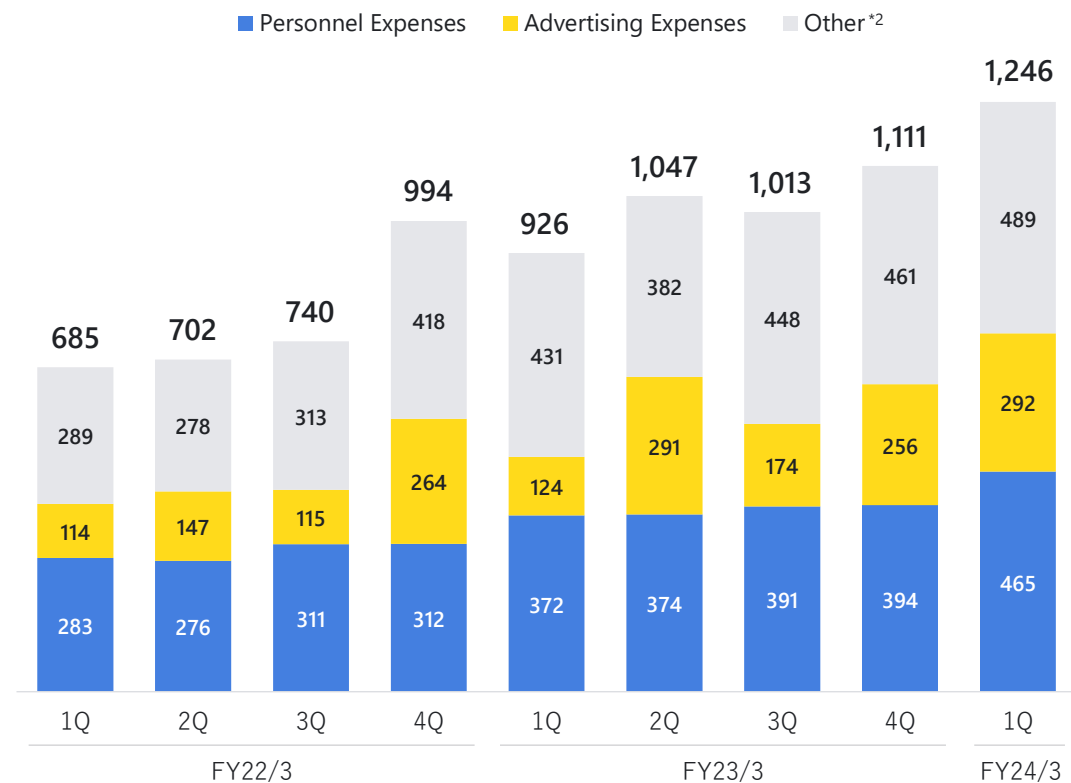
Operating Profit

JPY MM



SG&A*1

JPY MM



*1 : Ratio of S&M, R&D and G&A to net sales in this quarter is 42.9%, 10.9% and 17.3%, respectively. Please see page 58 for definitions of each expense

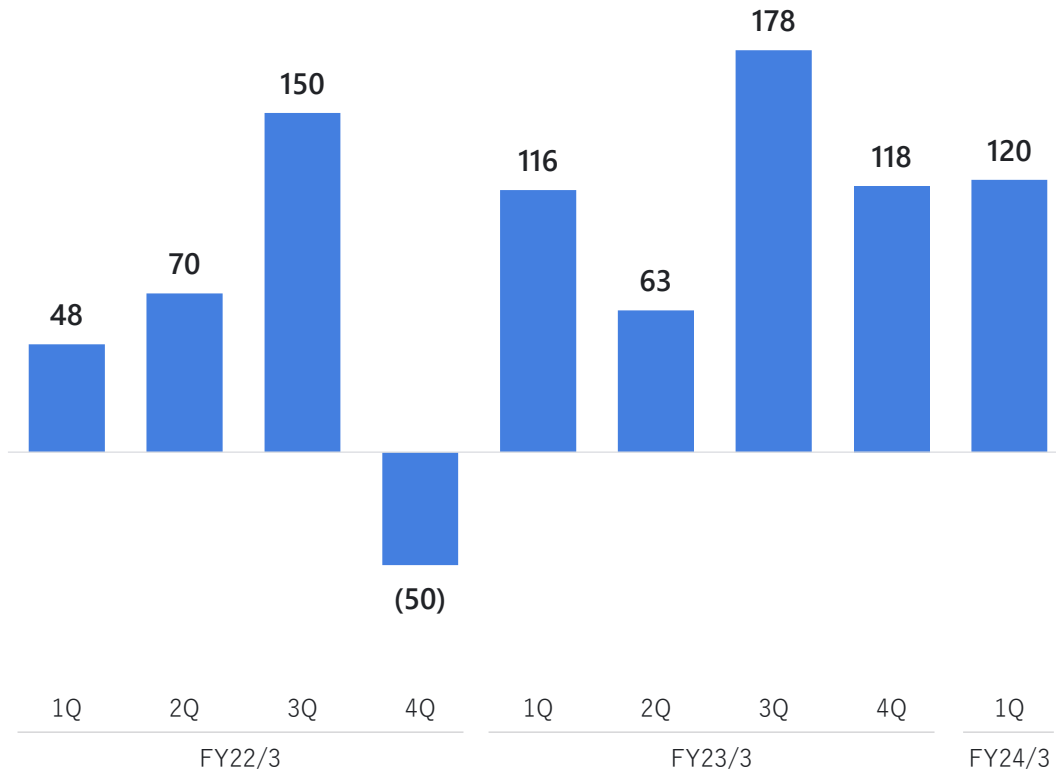
*2 : "Other" in this quarter mainly includes Rents of JPY 58MM, Outsourcing expenses of JPY 105MM, Sales promotion expenses of JPY 115MM, Recruiting expenses of JPY 33MM and Communication expenses of JPY 47MM

Adjusted Operating Profit

Adjusted operating profit increased despite a steep increase in advertising expenses compared to the same period of the previous year, and outpaced the plan for full-year forecast

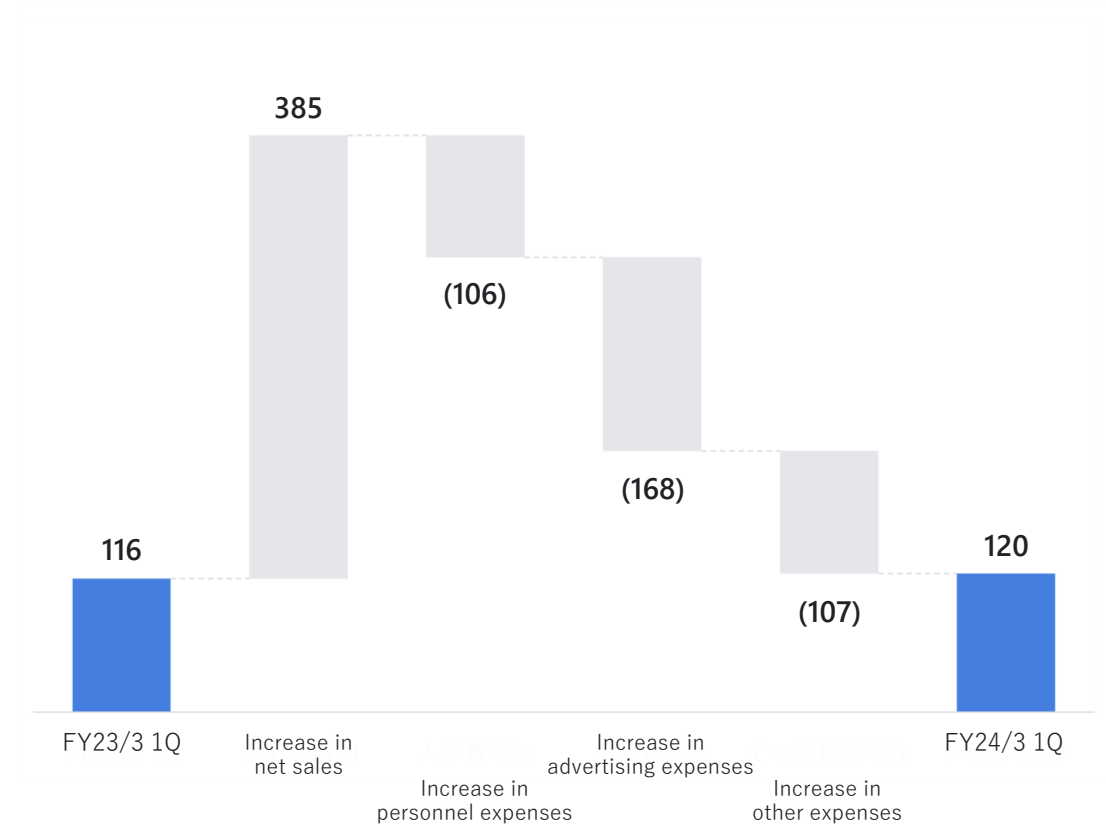
Adjusted Operating Profit

JPY MM



YoY Change Analysis

JPY MM

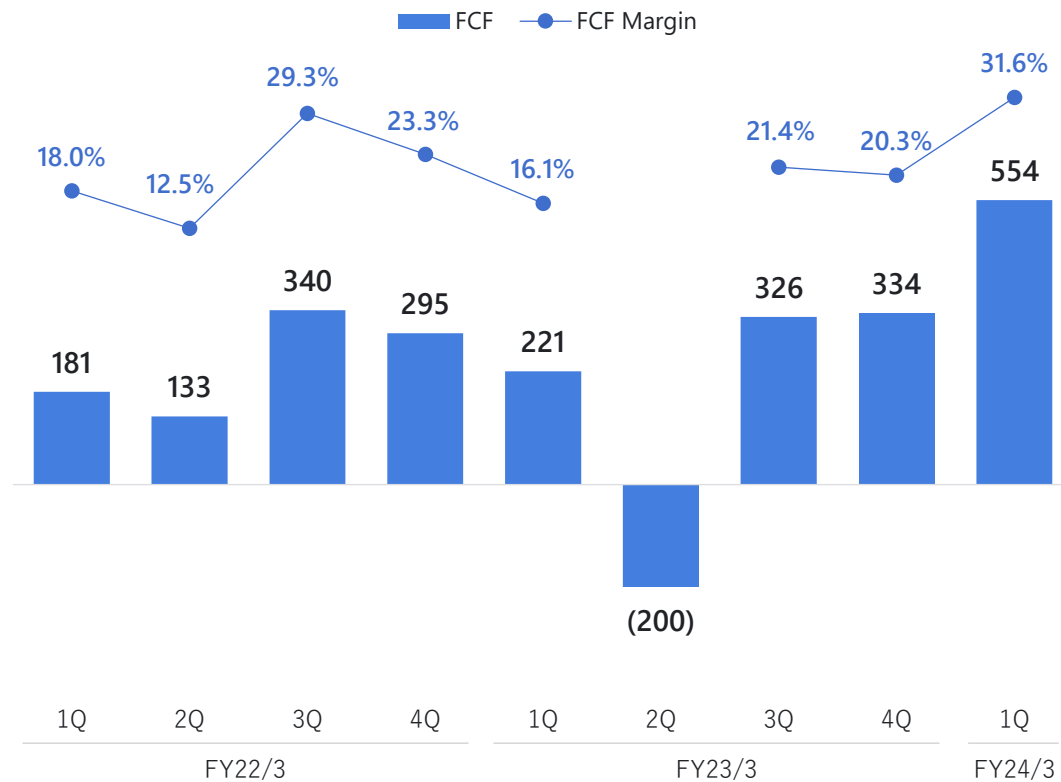


Free Cash Flow and Balance Sheet

Stable cash flow generation has led to a 29.7% YoY increase in cash and deposits

FCF

JPY MM



B/S

JPY MM

	FY23/3				FY24/3
	1Q	2Q	3Q	4Q	1Q
Cash and deposits	3,024	2,799	3,095	3,400	3,922
Other current assets	370	531	487	483	495
Property, plant and equipment	184	178	134	89	58
Intangible assets	9	8	7	6	5
Investments and other assets	614	668	664	646	622
Total assets	4,201	4,184	4,387	4,623	5,102
Loans payable	423	391	359	327	296
Deferred revenue	1,874	1,861	1,961	2,073	2,490
Other liabilities	608	612	655	732	795
Total liabilities	2,905	2,865	2,975	3,132	3,580
Total net assets	1,296	1,320	1,412	1,491	1,522
Total liabilities and net assets	4,201	4,184	4,387	4,623	5,102

KPI Summary

ARR^{*1}

6,707 JPY MM
(+29.9% YoY)

Active Users^{*2}

3,172 Companies
(+22.6% YoY)

ARPU^{*3}

176 JPY Thou.
(+6.0% YoY)

Churn Rate^{*4}

0.46 %

LTV/CAC^{*5}

10.3 x

Number of Employees^{*6}

287 People

*1 : MRR (Monthly Recurring Revenue) at the end of the quarter multiplied by 12

MRR is a monthly subscription fee based on the contract value that does not reflect the new revenue recognition standard or prorated free-month (one of the managerial accounting figures)

*2 : Number of companies and organizations that are using KAONAVI as of the end of the quarter

*3 : Average monthly subscription fee per user is calculated by dividing MRR by active users as of the end of the quarter

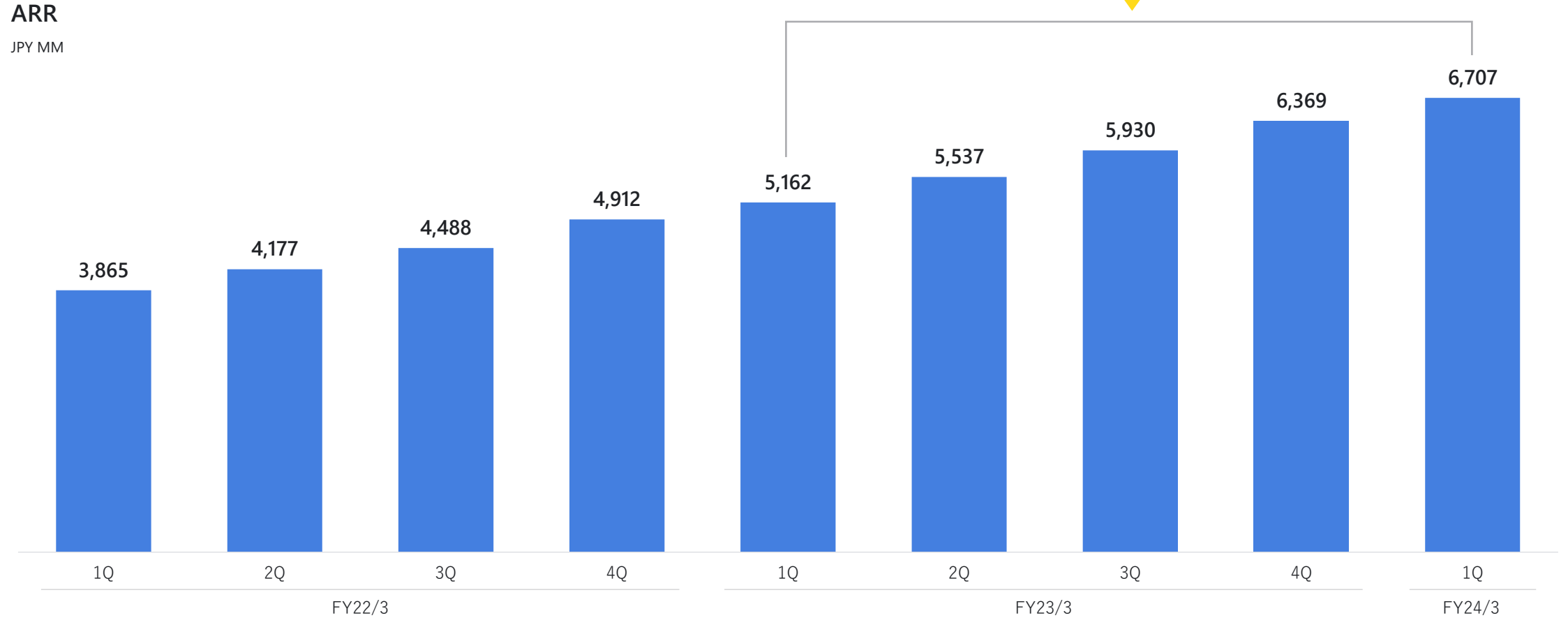
*4 : Last 12-month average churn rate based on MRR

*5 : Last 12-month average of the ratio calculated by dividing LTV (Lifetime Value) by CAC (Customer Acquisition Cost)

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

ARR

ARR increased by 29.9% YoY, achieving sustainable and stable growth



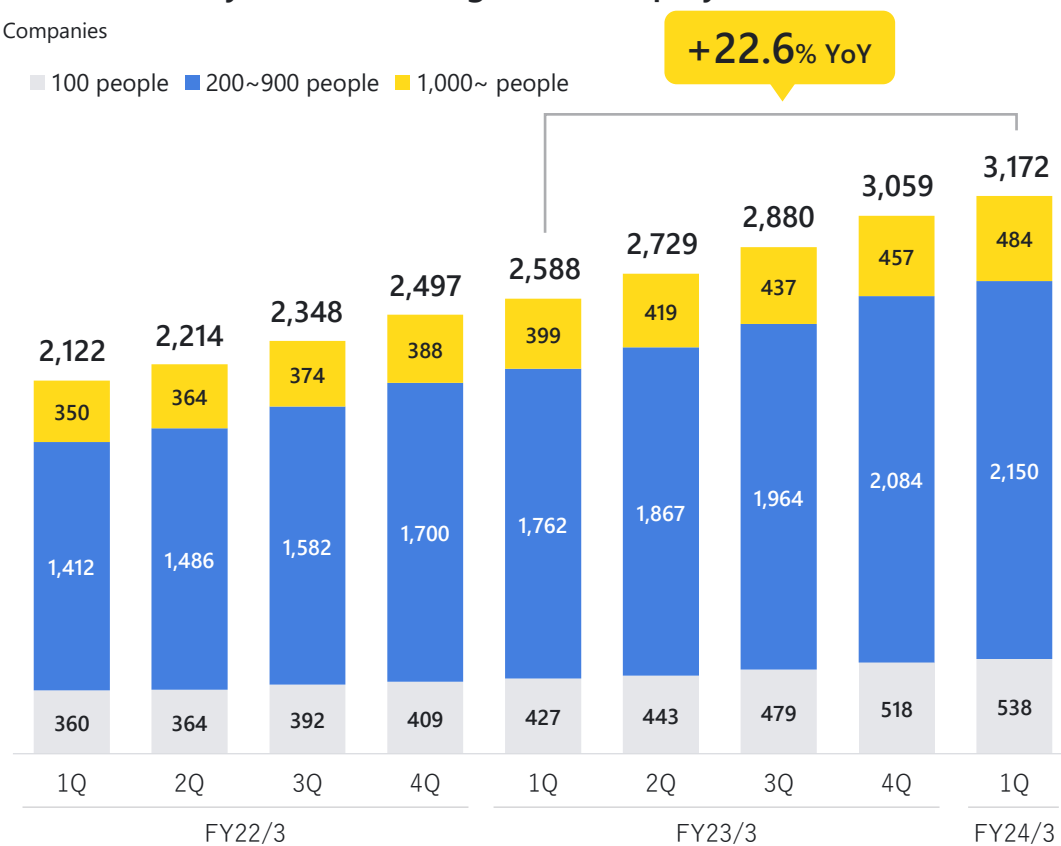
Active Users and ARPU

The number of active users added 113 from the previous quarter to 3,172. ARPU increased steadily to JPY 176 thousand

Active Users by the Size of Registered Employees

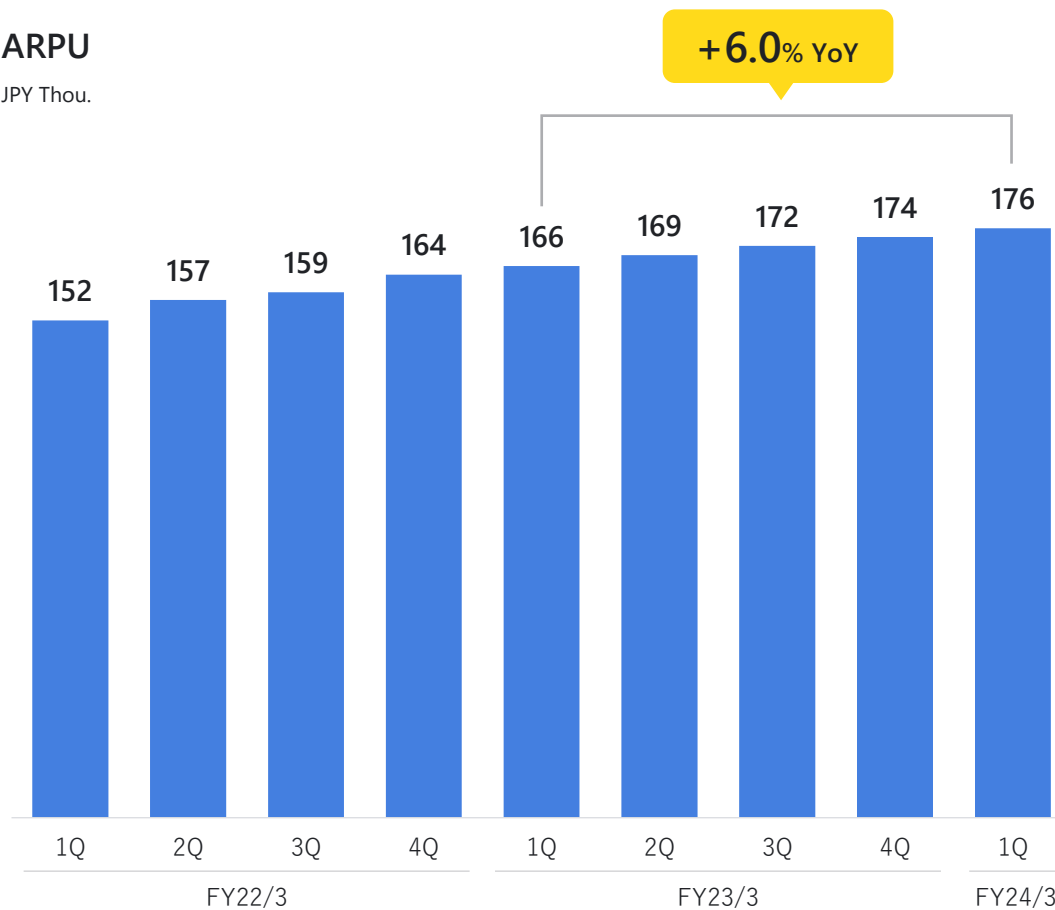
Companies

■ 100 people ■ 200~900 people ■ 1,000~ people



ARPU

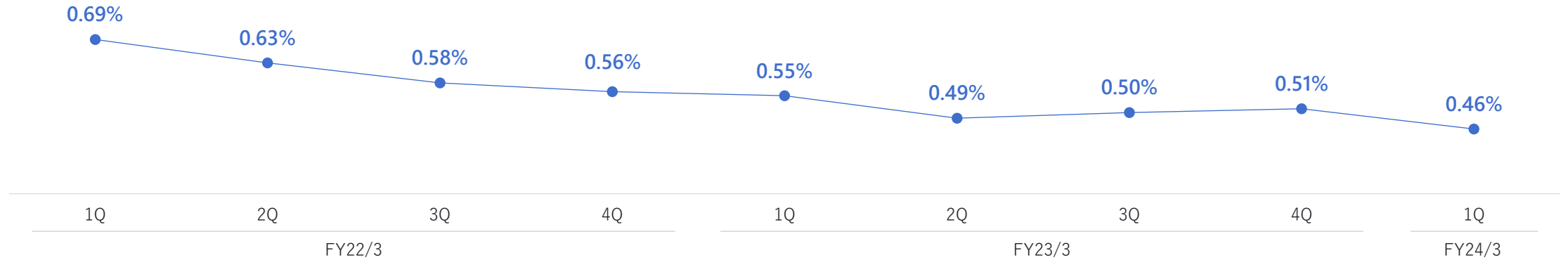
JPY Thou.



Churn Rate

Maintaining a low churn rate due to product enhancement and customer success initiative

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



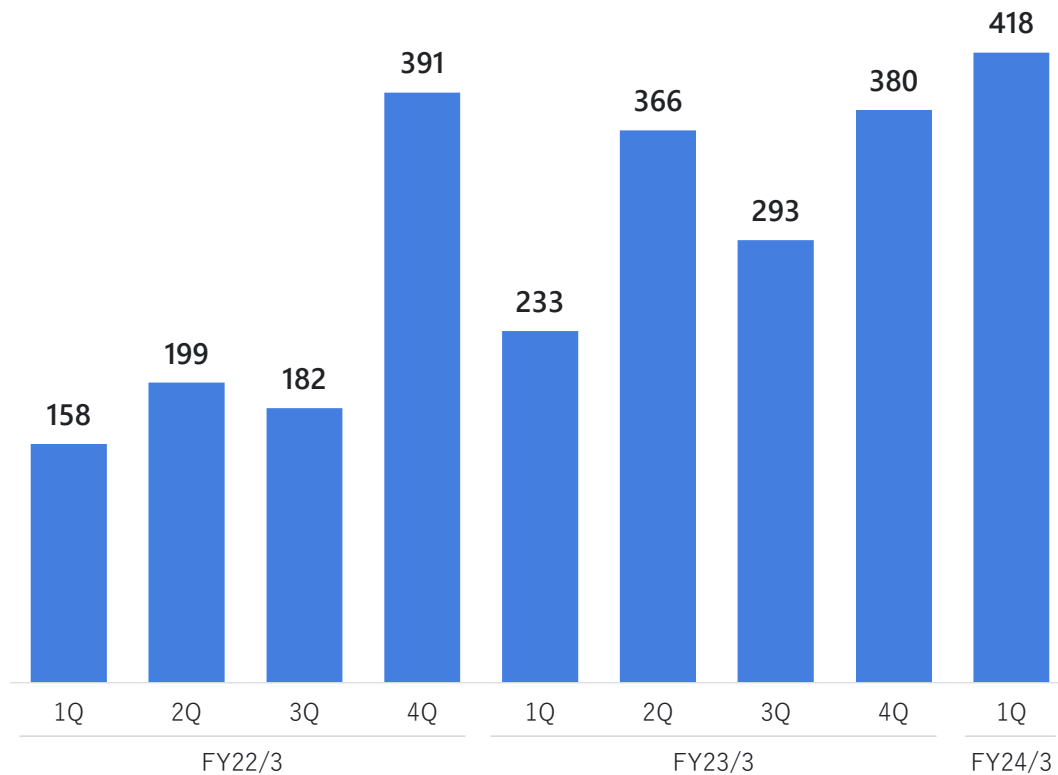
^{*1} : MRR churn rate = MRR lost in the month / MRR as of the end of the previous month

Unit Economics

Maintaining healthy unit economics

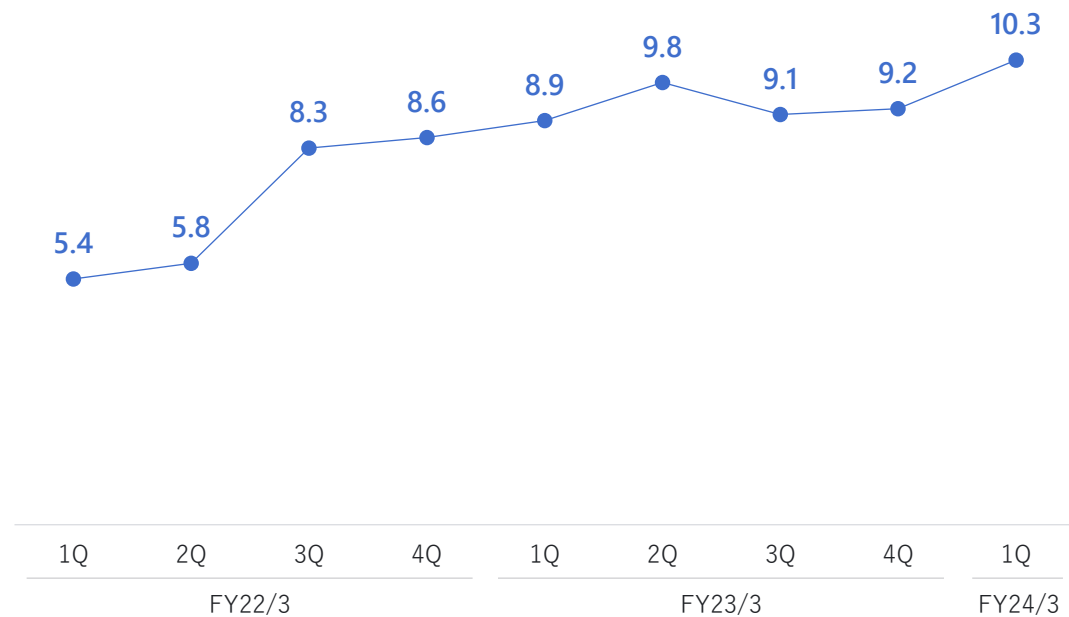
Marketing-related Expenses*1

JPY MM



Last 12-Month Average of LTV/CAC*2

X



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

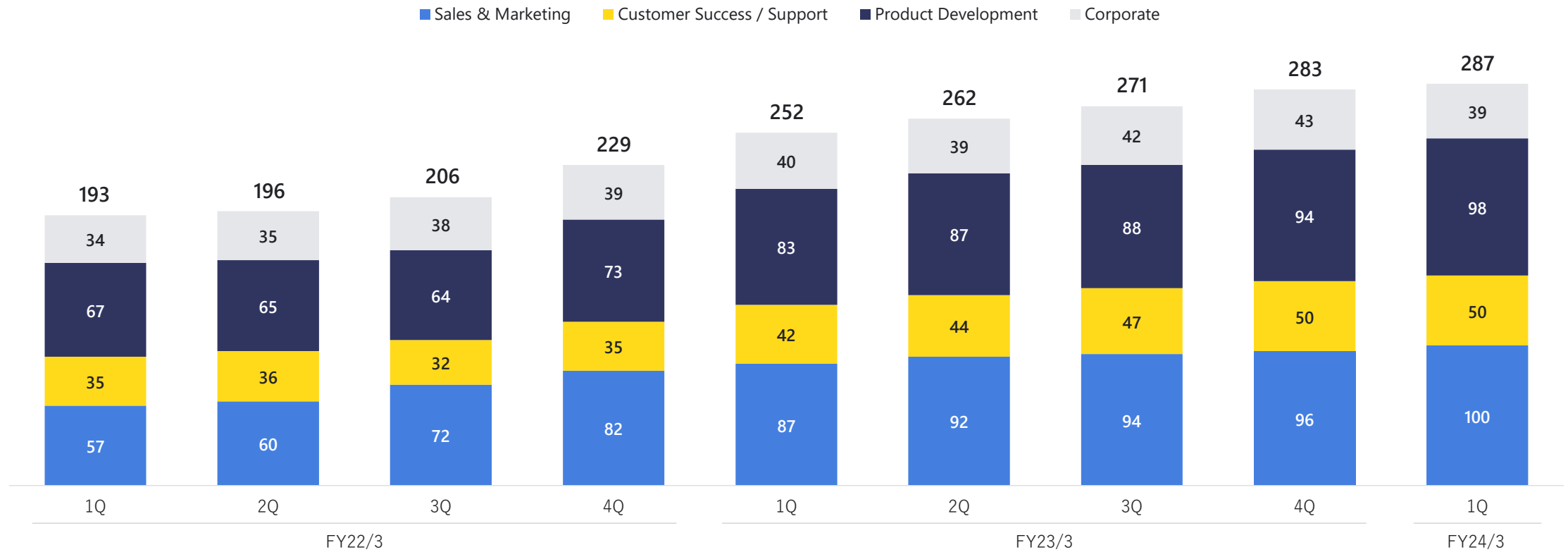
*2 : LTV = (ARPU of the end of the month / MRR churn rate of the month) x Gross profit margin of the month
CAC = Sales & Marketing expenses of the month / # of new customers acquired in the month

Number of Employees

Hiring fell short of the plan, mainly for engineers and other personnel

Number of Employees*1

People



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



1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

FY24/3 Forecast

1Q results steadily progress against the full-year forecast

Adjusted operating profit is not a concern at this point, as we plan to gradually expand profit after bottoming out in 1Q

	FY23/3 Actual	FY24/3 Forecast	YoY	FY24/3 1Q Actual	vs. Forecast
JPY MM					
Net Sales	5,990	7,390 ~ 7,510	+23.4% ~ +25.4%	1,753	23.3% ~ 23.7%
Subscription Revenue	5,156	6,550 ~ 6,650	+27.0% ~ +28.8%	1,542	23.2% ~ 23.5%
Support Revenue	834	840 ~ 860	+0.7% ~ +4.3%	211	24.3% ~ 25.2%
Gross Profit	4,420	5,410 ~ 5,530	+22.4% ~ +25.1%	1,309	23.7% ~ 24.2%
Margin	73.8%	73.2% ~ 73.6%	-0.6pt ~ -0.2pt	74.7%	–
Adjusted Operating Profit ^{*1}	474	720 ~ 960	+51.9% ~ +102.5%	120	✓ 12.5% ~ 16.7%
Margin	7.9%	9.7% ~ 12.8%	+1.8pt ~ +4.9pt	6.9%	–

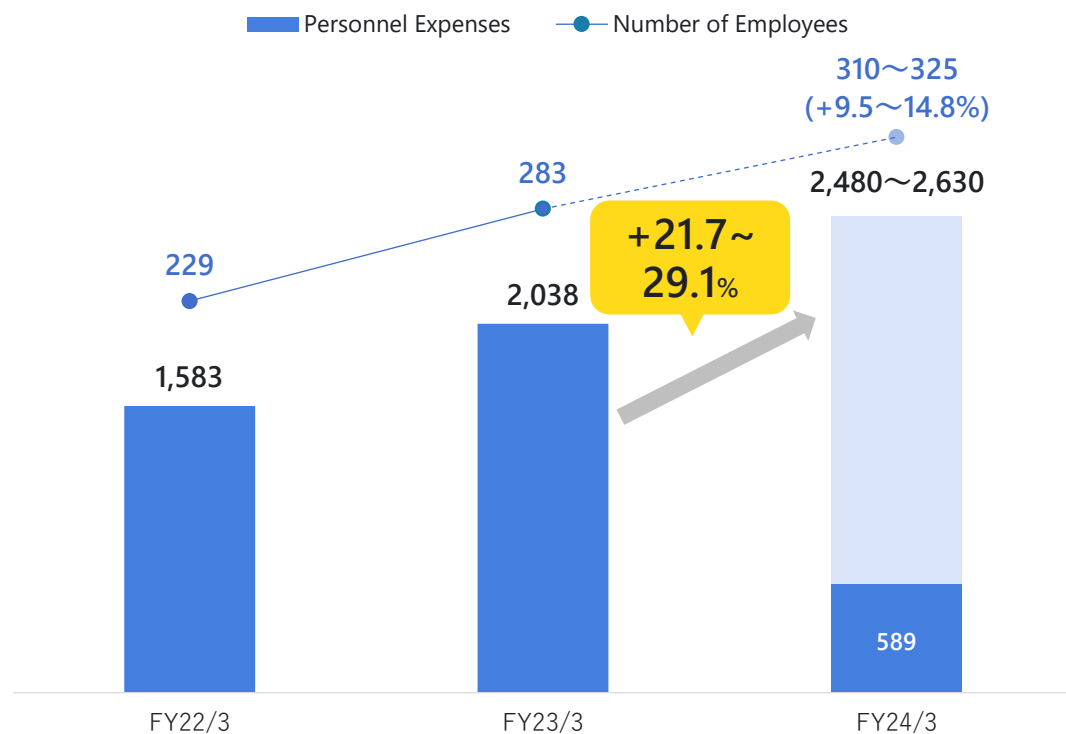
*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Major Cost Assumptions

Personnel expenses progressed slightly slower than planned due to a delay in hiring. Marketing-related expenses were in line with the plan

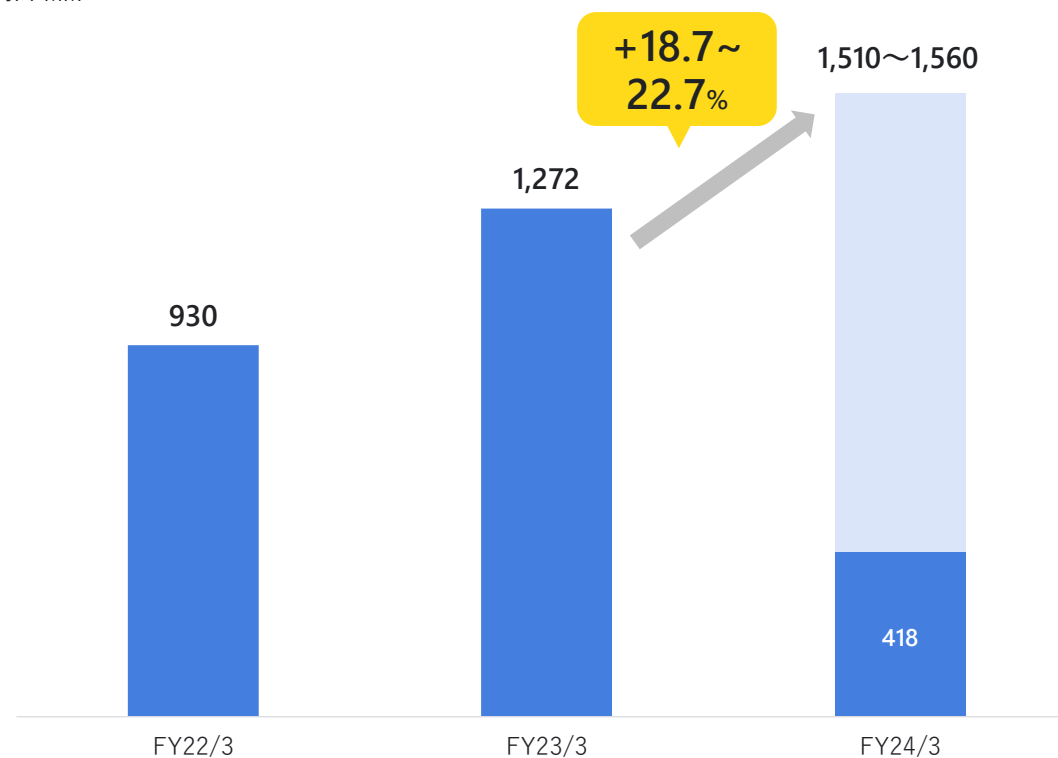
Staffing Plan and Personnel Expenses (CoS+SG&A) Forecast

Personnel Expenses: JPY MM, Number of Employees: People



Marketing-related Expenses Forecast

JPY MM

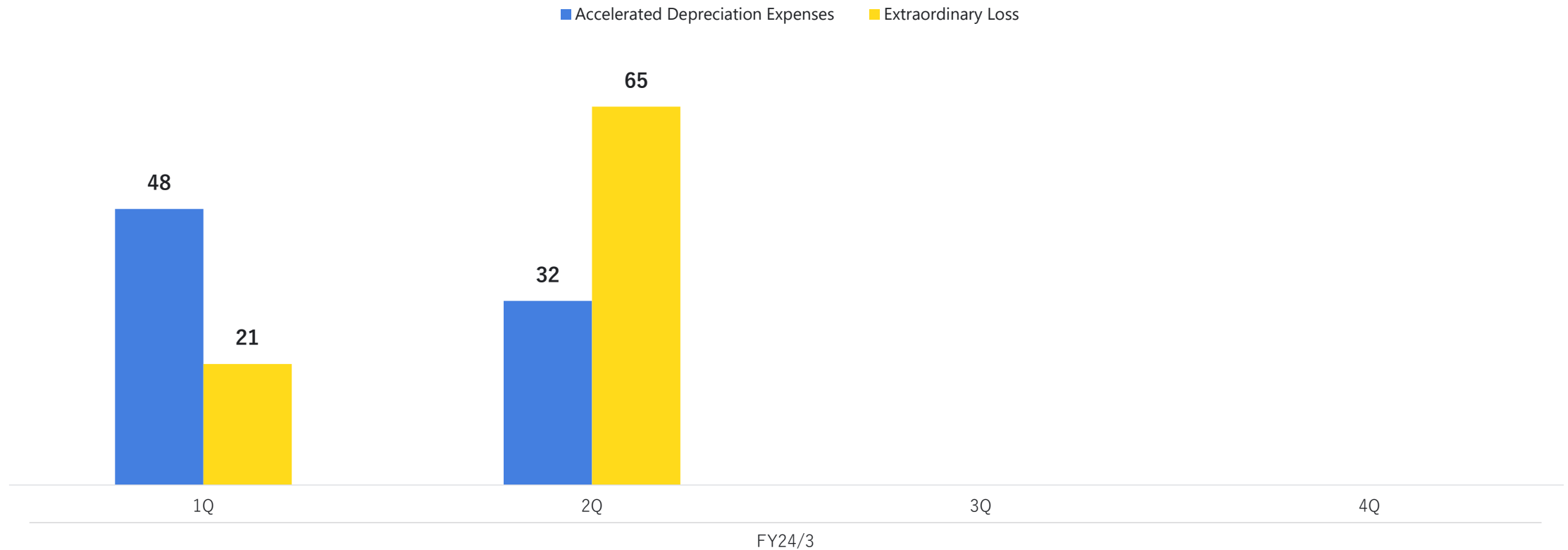


Estimated Expenses for Headquarters Relocation

Expect to post accelerated depreciation expenses for the current headquarters and an extraordinary loss of double rent by the end of 2Q due to the headquarters relocation scheduled in July this year

Accelerated Depreciation Expenses (CoS+SG&A) and Extraordinary loss Forecast^{*1}

JPY MM



^{*1} : Any deviation in terms of the restoration cost or the relocation timing from our estimate may cause some variance between the forecast and the actual result



1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

Company Overview

Name	kaonavi, inc.
Offices	Tokyo, Osaka, Nagoya, Fukuoka
Established	May 27, 2008 (Commencement of business: April 2012)
Representative	Hiroyuki Sato (Representative Director, President & Co-CEO) Hiroki Yanagihashi (Representative Director & Co-CEO)
# of Employees	283 (March 2023)
Business	Providing a cloud-based talent management system "KAONAVI"



Materiality

Aim to contribute to the development of a sustainable society and realize our purpose by addressing these material issues

Implement technology to “WORK” and modify the specification of society leveraging individual power

Contribution to society through our business



Realization of a society that respects the individual

Employees

- Fundamental rights of employees
- Diversity and inclusion
- Workplace health and safety
- Employee training and development

Society

- Respect for human rights across the value chain
- Community engagement and development
- Stakeholder communication



Transition to a decarbonized society

- Actions for climate change
- Energy use

Business foundation



Secure and user-friendly platform

- Customer responsibility
- Data security and privacy



Transparent and fair business

- Corporate governance
- Anti-corruption

Values

Our common principles and ethics for realizing the Purpose



Values

1 Value Integrity

Integrity comes first when doing business
Drive results on that basis

2 Think from the User's Perspective

Always think through from the user's perspective
And go beyond their expectations

3 Persist with Systemization

Simplify what you can do to make it
reproducible for others

4 Take Ownership

Own your work and career
Always set one-step-ahead goals and keep challenging

5 Do Not Fear Conflicts

Create new value as a team after an in-depth
discussion without fear of conflicting interests

Empowering Employees

With an aim of productivity boost, every single employee can choose his/her optimal work style

Super Flextime

Allows employees to decide their work hours and clock-in/out time freely



Switch-work

Flexibly combining work hours and rest breaks enable individualized work style



Work from Anywhere

Allows employees to choose where to work, such as office or home



Second Job Encouragement

Supports self-development through experiences outside of work at kaonavi



Activities to Spread the Purpose



Building a diorama of “kaonavi Town”,
a town of the future that embodies people’s living
and working underpinned by individuality



Our employees evolved an idea arising from
our Purpose and put it into the form of a
diorama together with a professional LEGO®
builder Mr. Mitsui



Invited our partners and family members to the
unveiling event to foster lively communication



Our employees
and their families



LEGO® Certified Professional
Jumpei Mitsui



Focusing on “Individuality”

Exploring and communicating ideas and concepts of individuality through our owned media



Information Security, Protection of Personal Data and Privacy

Committed to protecting, managing and handling information assets properly and responsibly

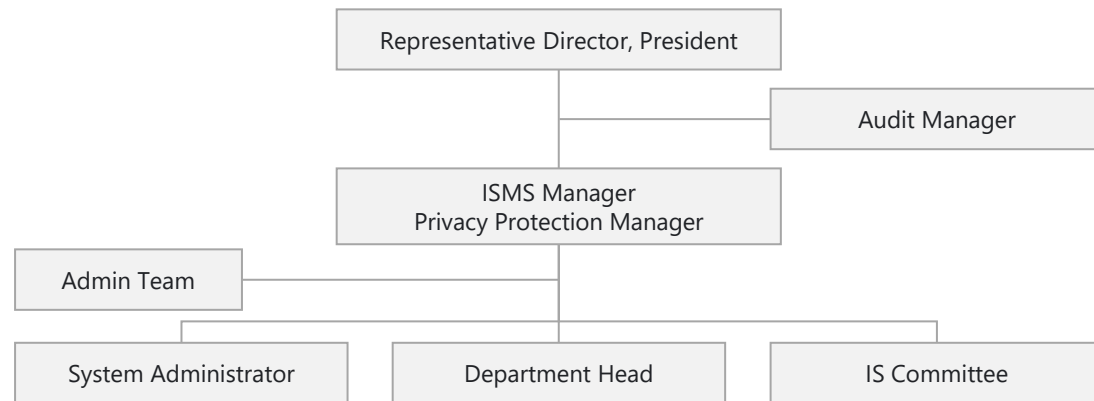
Information Security



Information Security Policy

Defined safe and appropriate information security measures in accordance with “Information Security Policy” to be entrusted by our customers and other stakeholders

Information Security Management Structure



Information Security Training

Conduct annual security training and targeted attack email training for all employees to improve their experience and ability to respond quickly in the event of a problem

Implementation of Information Security Measures

Obtained ISO27001 (ISMS certification) and ISO27017 (ISMS cloud security certification) to maintain a continuous security management system. In addition, KAONAVI was certified as satisfying the security requirements of the government and registered on the “Information System Security Management and Assessment Program (ISMAP)” cloud services list

Protection of Personal Data and Privacy



Certification

Obtained the Privacy Mark

Acquisition of Permissions

When collecting personal information, users’ permissions are acquired and other measures are taken

Safety Management Measures

Secure control measures are thoroughly implemented to safeguard personal data

Philanthropic Initiatives

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



Applicable	School corporations and other academic institutions
Price	Special price

NEW



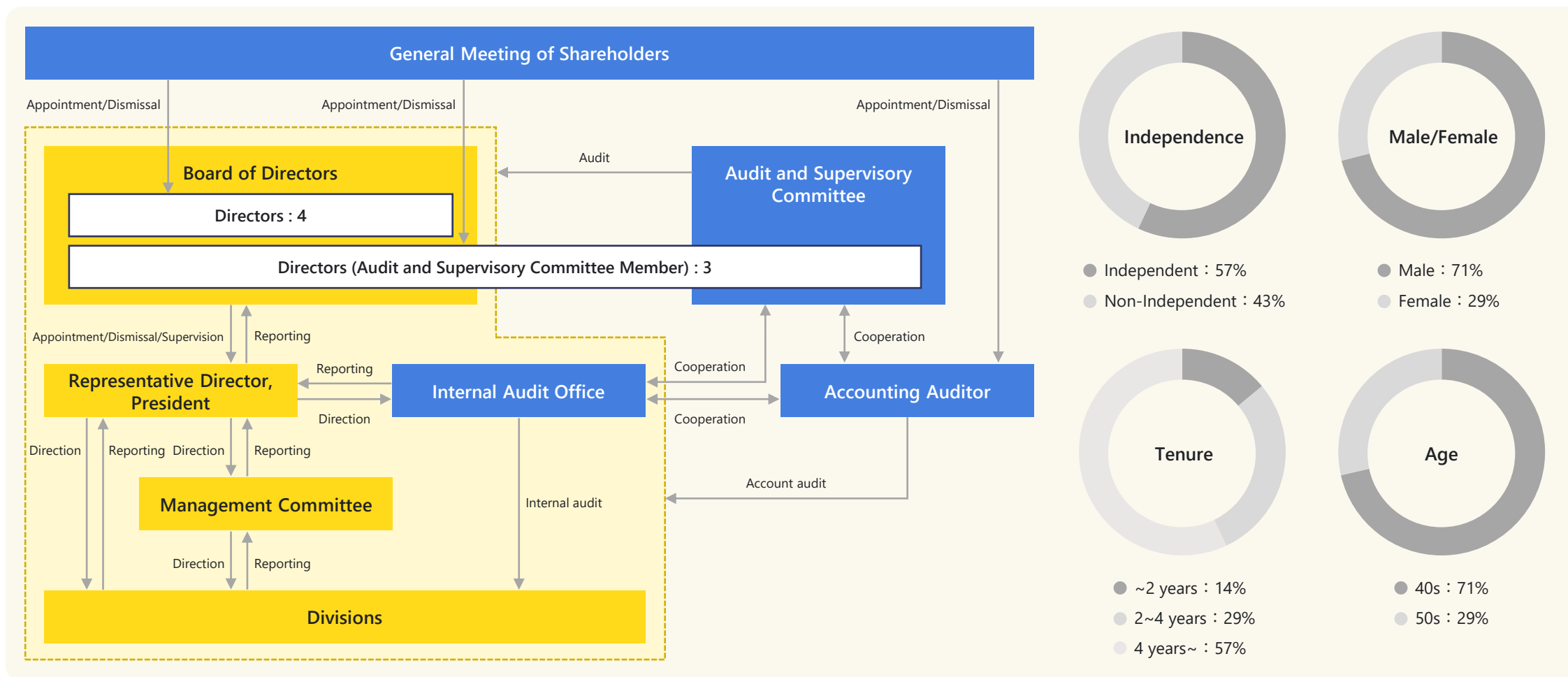
Applicable	Medical corporations and other medical institutions
Price	Special price



Applicable	Government offices, municipal governments, independent administrative agencies
Price	Special price

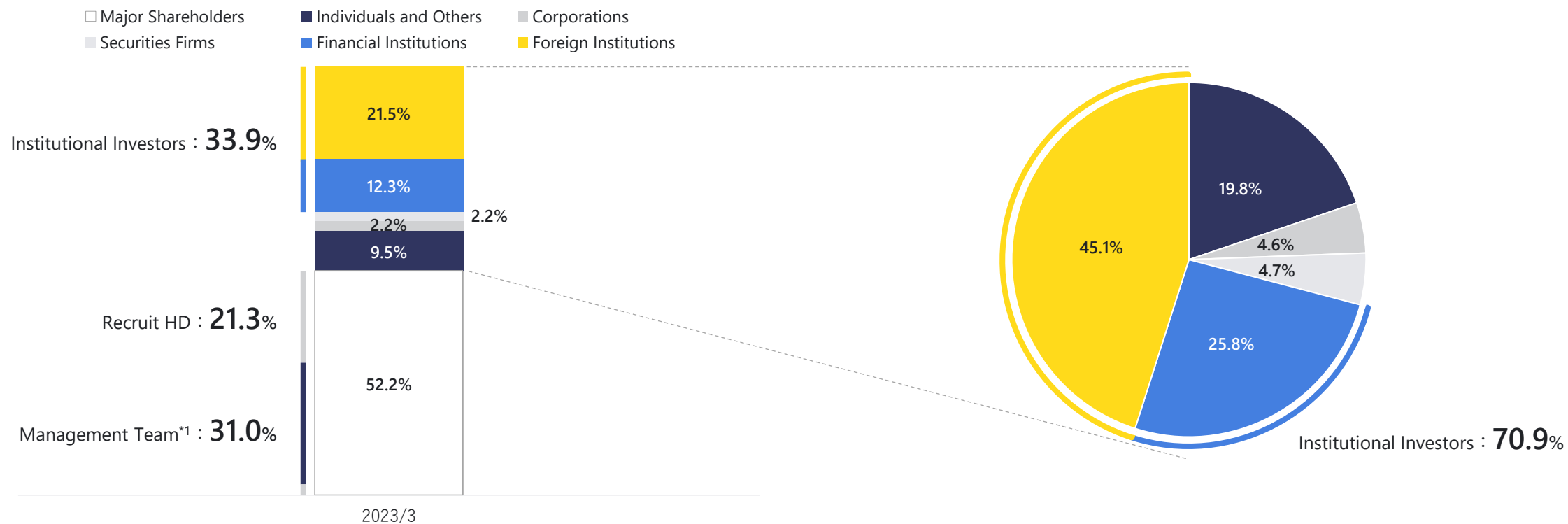
Corporate Governance (June 2023)

Corporate Governance Structure and Board Attributes



Ownership Structure (March 2023)

Ownership and Distribution of Shares



*1 : Includes ownership of the three directors, as well as the asset management company

Financial Highlight

JPY MM	FY19/3	FY20/3	FY21/3	FY22/3	FY23/3
Net Sales	1,690	2,625	3,402	4,496	5,990
Subscription Revenue	1,284	2,102	2,991	3,931	5,156
Support Revenue	407	523	411	565	834
Gross Profit	1,108	1,972	2,461	3,295	4,420
GP Margin	65.6%	75.1%	72.3%	73.3%	73.8%
Adjusted Operating Profit *1	(68)	(278)	86	217	474
Adjusted OP Margin	—	—	2.5%	4.8%	7.9%
Operating Profit	(73)	(278)	(11)	174	322
OP Margin	—	—	—	3.9%	5.4%
Net Profit	(96)	(357)	(131)	210	246
Free Cash Flow	130	(482)	147	948	682
FCF Margin	7.7%	—	4.3%	21.1%	11.4%
Cash and Deposits	1,786	1,635	1,955	2,835	3,400
Total Assets	2,146	2,398	3,014	3,993	4,623
Total Net Assets	1,347	995	961	1,208	1,491
Equity Ratio	62.8%	41.5%	31.9%	30.3%	32.3%

*1 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

A decorative graphic on the left side of the slide. It features a grid of yellow dots in the upper left, a blue line forming a loop in the lower left, and a large yellow semi-circle at the bottom left.

1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

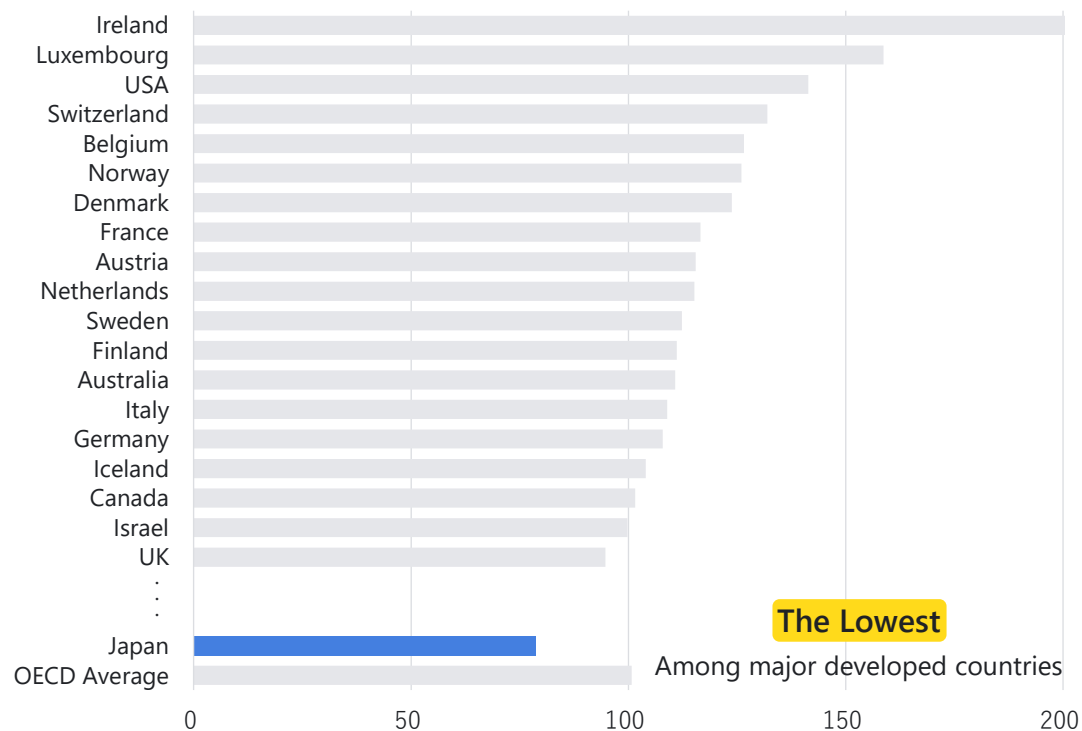
4-4. The Future of “WORK” and kaonavi

Japan's Labor Market Challenges

Raising labor productivity and promoting diverse work styles are some of the urgent issues in the face of a declining working-age population

OECD Countries' Labor Productivity (2020, per workers)

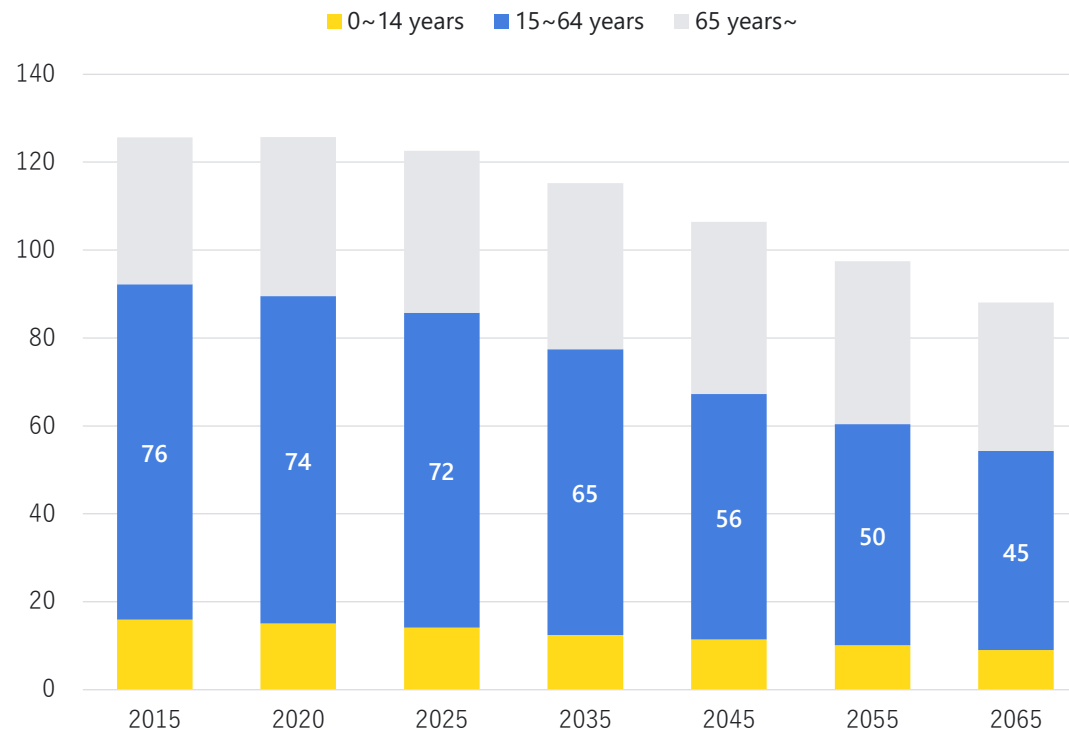
PPP Conversion : US\$ 1,000



Source : Japan Productivity Center "International Comparison of Labor Productivity 2021"

Japan's Population Projections by Age

Million people



Source : Cabinet Office "White Paper on Aging Society 2021"

Rising Demand for Talent Management

Talent management is gaining traction for solving various HR issues that companies confront



Talent Management



It intends to help organizations maximize their employee performance to drive business results through purposeful recruitment, placement and development by making use of information on employees' skills and abilities

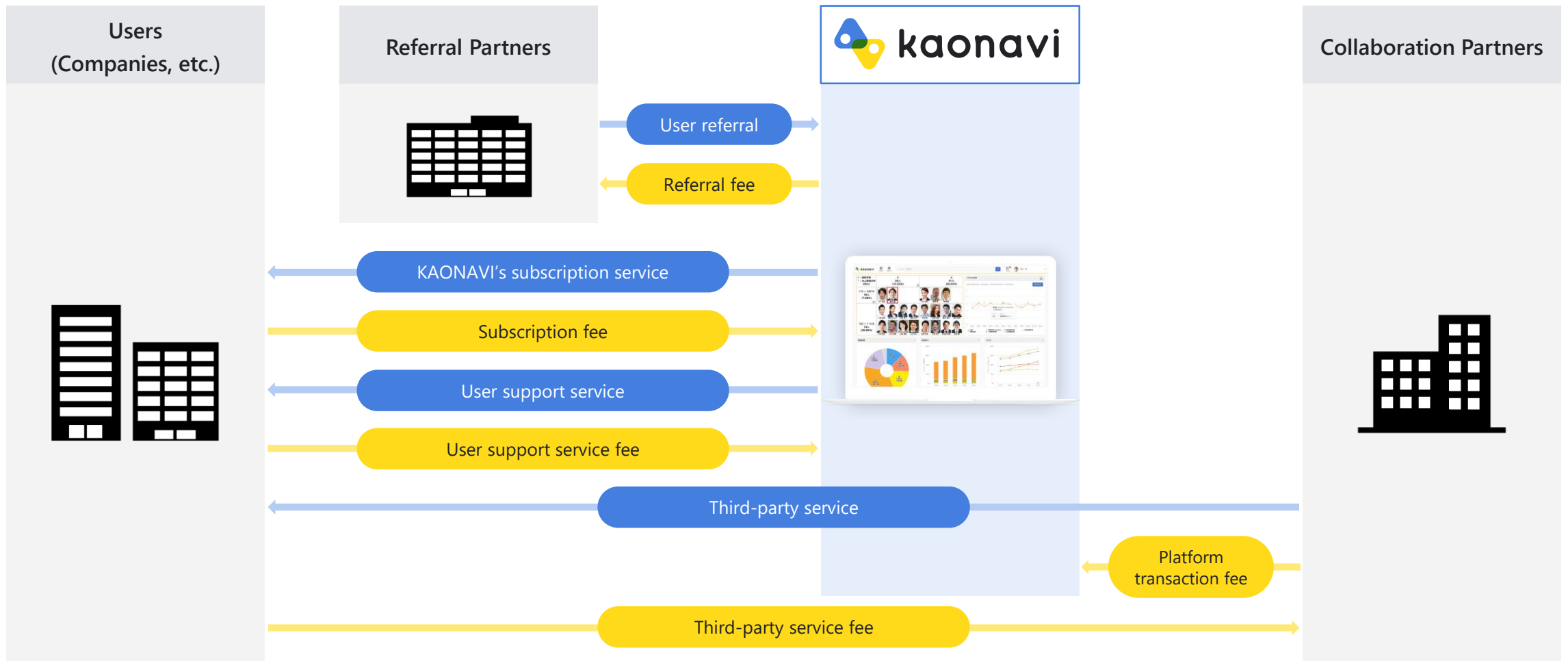
What Is Talent Management System?

A solution providing system for managerial and HR challenges based on centralized HR data



Business Model*1

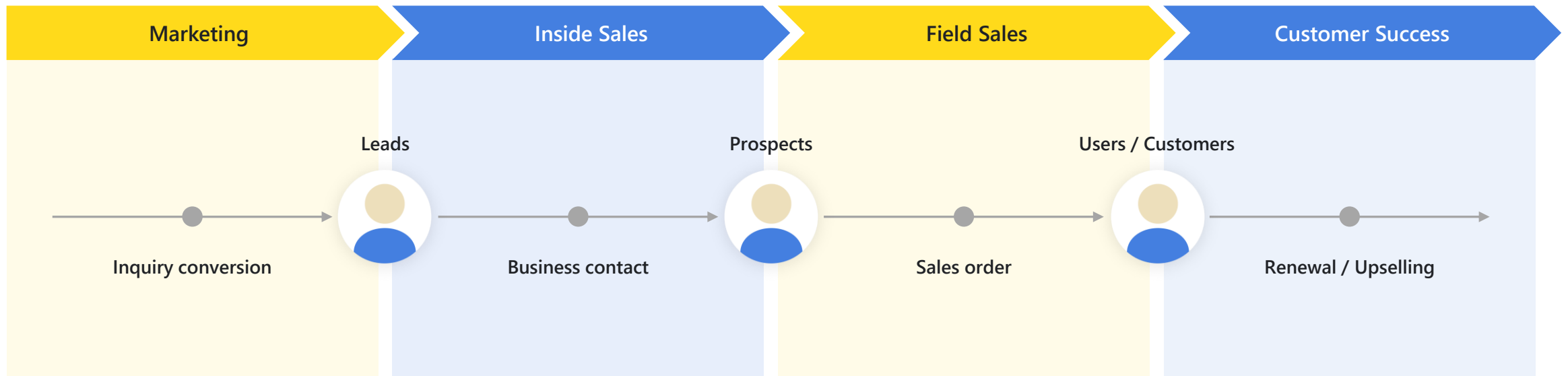
Subscription model for BtoB cloud services



*1 : In addition to direct sales, we also sell through sales partners, which is omitted here because of its small amount

Business Process

Aiming to streamline sales & marketing activities and maximize LTV*¹ by structuring our end-to-end processes



Fee Structure

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

# of Registered Employees	Subscription Plan	DATABASE PLAN	PERFORMANCE PLAN	STRATEGY PLAN
		Consolidate all personnel data	Efficient review operation	Strategic HR management
~ 100 people	HR Database	✓	✓	✓
~ 200 people	Pickup List	✓	✓	✓
~ 300 people	Organization Chart	✓	✓	✓
~ 400 people	Performance Review		✓	✓
~ 500 people	Employee Survey		✓	✓
~ 600 people	Matrix Chart			✓
~ 700 people	Employee Data Graph			✓
~ 800 people	Dash Board			✓
⋮	Option Services*1	✓	✓	✓

*1 : In addition to our services such as Pulse Survey and Approval Workflows, we also offer third-party services such as the Aptitude Test (SPI3) provided by Recruit Management Solutions Co., Ltd.

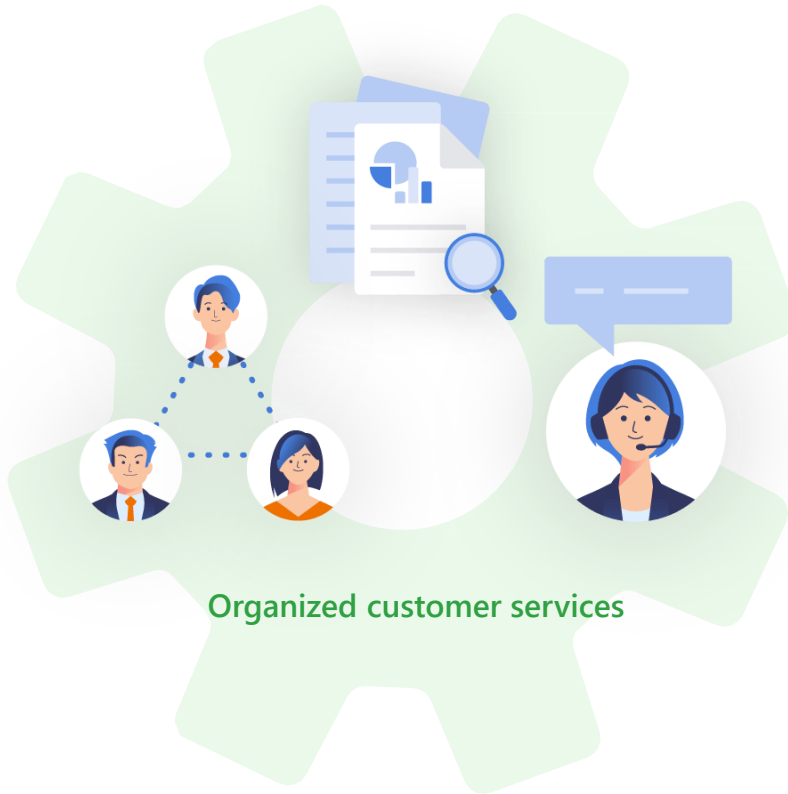
Our Strengths

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



Flexibly designed solution, suitable for any user regardless of position

System



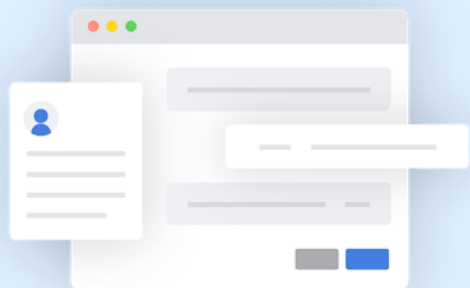
Organized customer services

Customer Service

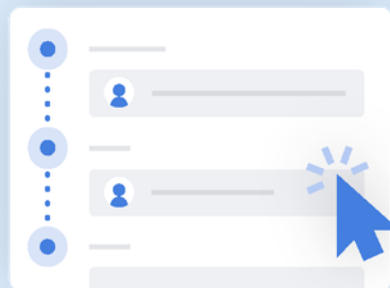
Our Strengths

System System design in pursuit of flexibility and usability

Customizable HR Database



Self-explanatory User Interface



Secure Access Management



Customer Service Making success of users' talent management efforts more plausible

User Community



Networking with other users to exchange day-to-day use cases

Library



Overwhelming amount of contents across industries, business types and scale

Support



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

Why Customers Choose KAONAVI?

“

The biggest contributor to our choice was **the flexibility and versatility of the system**. Also, the adaptability to future systematic revision is our priority. Another decision factor was **the quality of the customer service**.

J-LEASE  ジェイリース

“

The deciding factors were mainly **the system's flexibility and user-friendliness**. Not to mention the operability for employees, it was a key that **our HR team can maintain the administrative settings on their own** by simple drag-and-drop steps.

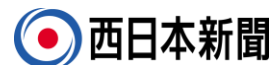
Sompo Himawari Life Insurance



“

There is no point in introducing these types of tools unless even senior employees can use them easily. Because **KAONAVI is by far simple and easy to use**, I felt that it could engage our employees with a certain degree of satisfaction.

The Nishinippon Shimbun



“

The Customizability is a must considering that the assessment system requires continuous improvements during operation. Another deciding point was the fact that **there is an abundance of support sites and seminars where the know-how can be acquired**, accompanied by a support staff through initial and operational phases.

Shiojiri City



“

We decided to choose KAONAVI because of **its pages for employees being simple and user-friendly**.

RICOH LEASING



“

Top priority was to see if **our employees can use it easily and intuitively**, not to mention HR team. In addition, it is a pro that **KAONAVI has the flexibility to be operable in case of complicated system revision in the future**.

And **the depth of their customer service team is so extraordinary** as to wow us every time. Their responses to our inquiries have been quick and helpful after the implementation, which makes us feel **in good hands**.

PONY CANYON



Customer Base

The market leader in talent management system supporting more than 3,000 customers

Used by various companies and organizations regardless of industry or business size





1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

Mid-term Management Policy

Purpose

Implement technology to “WORK”
and modify the specification of society
leveraging individual power

Vision

Create a HR data-centric platform

Mid-term Management Policy

- 1 Continuous ARR Growth
- 2 Profitability Improvement
- 3 Promotion of Non-financial Activities

Materiality

● E ● S ● G



Realization of a society
that respects the individual

Employees

- Fundamental rights of employees
- Diversity and inclusion
- Workplace health and safety
- Employee training and development

Society

- Respect for human rights across the value chain
- Community engagement and development
- Stakeholder communication



Transition to
a decarbonized society

- Actions for climate change
- Energy use



Secure and user-friendly
platform

- Customer responsibility
- Data security and privacy



Transparent and fair business

- Corporate governance
- Anti-corruption



Expand Customer Base

Strengthening Organizational Structure

Raising Visibility

Leveraging Partner Network



Increase ARPU

Additional Enterprise Users

Upselling Promotion

Building HR Data Platform

1 Continuous ARR Growth : Expand Customer Base

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

Measures to Expand Customer Base

Strengthening Organizational Structure

- Invest in human capital (hire/develop talents)
 - Sales: Acquire new customers
 - Customer Support and Success: Streamline operations, reduce churn
 - Engineers: Develop functions, improve UI/UX
 - Corporate: Enhance security and governance
- Penetration of Purpose, Vision and Values

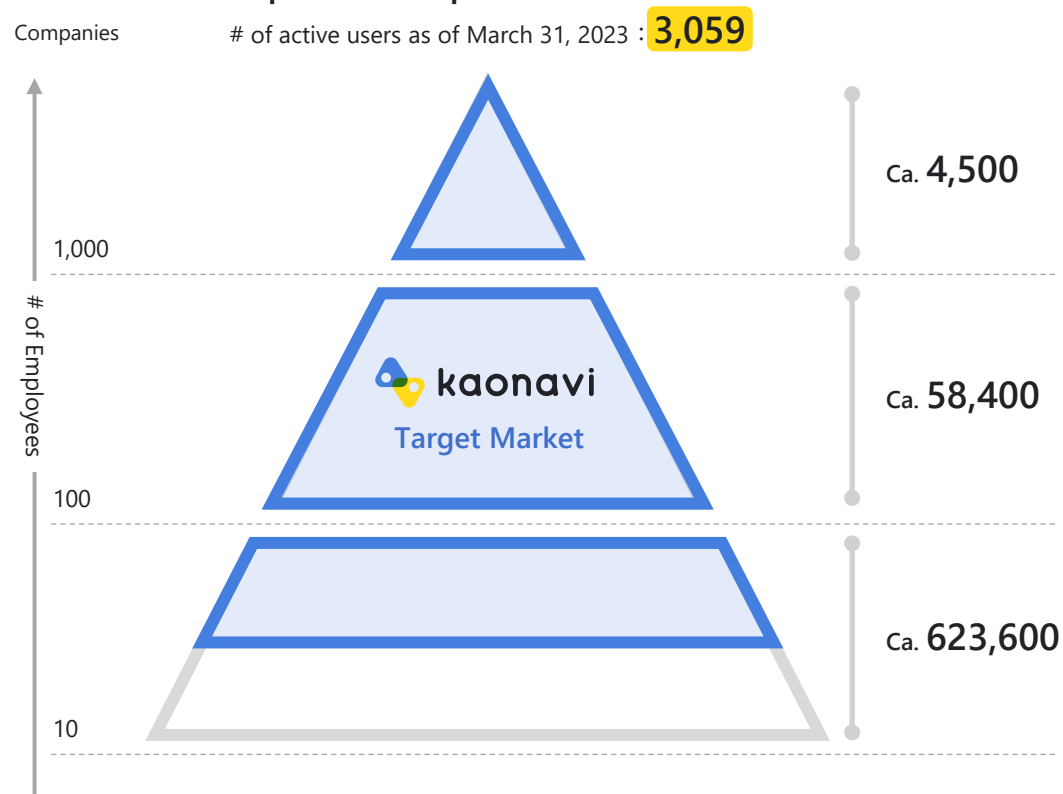
Raising Visibility

- Ongoing advertising to gain more recognition
- Area expansions to regional cities

Leveraging Partner Network

- Expansion of referral partners
- Increase sales via sales partners

Number of Companies in Japan



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

1 Continuous ARR Growth : Increase ARPU

Broaden and evolve the HR data platform by focusing on the development of new functions and services

Measures to Increase ARPU

Additional Enterprise Users

- Functional enhancements to meet the needs of enterprise companies
 - Analysis functions
 - Skills management (re-skilling) functions, etc.
- Provide quality onboarding content

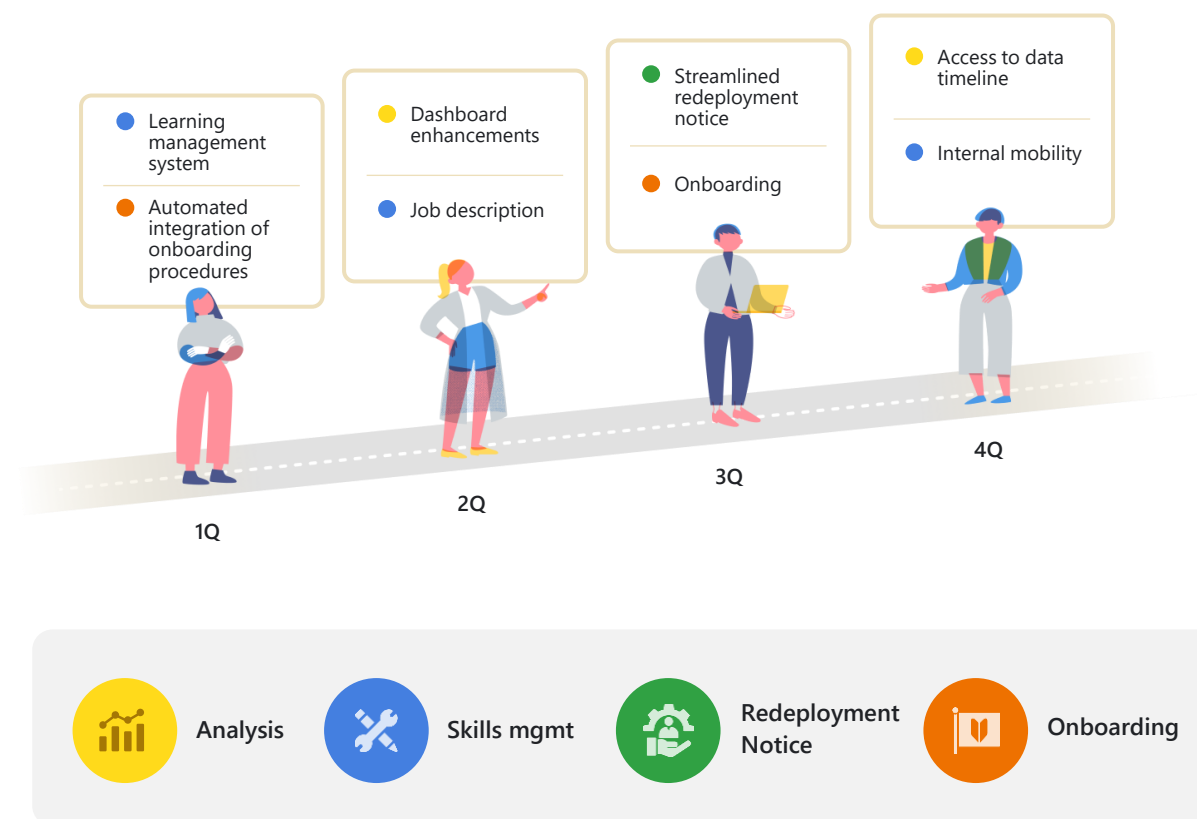
Upselling Promotion

- Increase customer loyalty
 - Shifting to company-wide implementation from departmental use
 - Broader use of optional functions
- Expansion of functions and application of a pay-per-use model

Building HR Data Platform

- Expand services into new business areas leveraging the HR database
 - In-house service delivery, business alliances and M&As

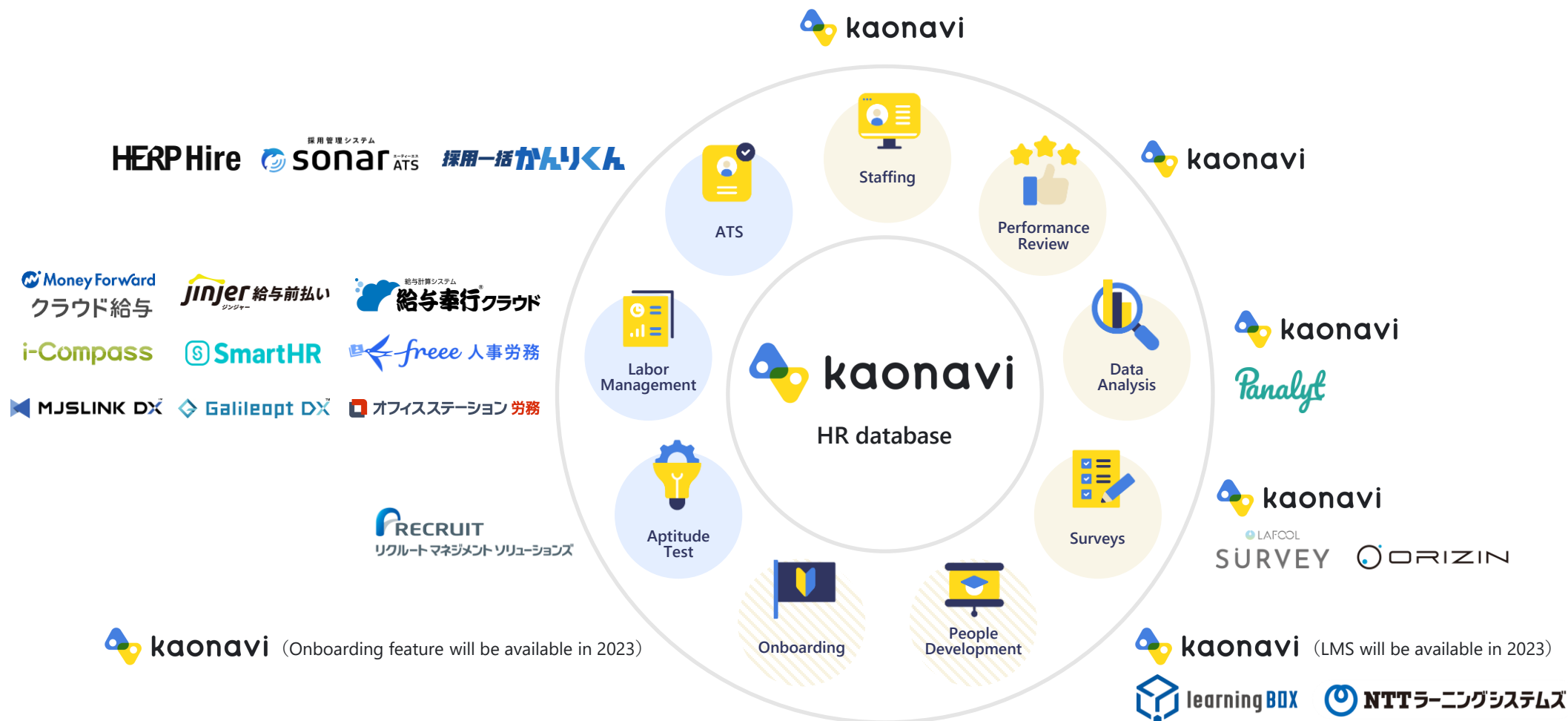
Major Development Roadmap*¹ (FY24/3)



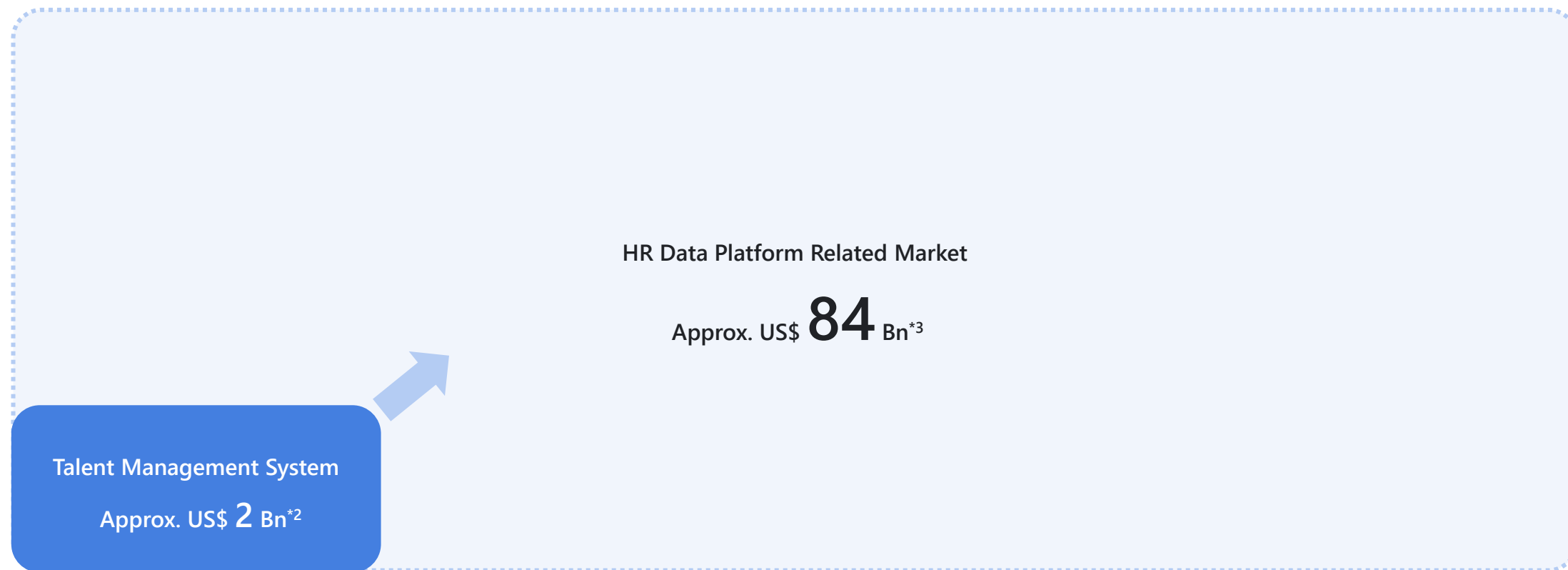
*1 : This is a scheduled roadmap from which the actual release timing of each feature might differ

HR Data Platform

Build a platform that delivers the best UX to customers by adding value through various integrated services centered around the HR database



TAM Expansion Opportunities with HR Data Platform^{*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 our fee structure 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 Resources 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"

2 Profitability Improvement

Achieve sustainable growth through appropriate investment allocation and aim for mid-to-long term profit increase

	FY21/3	FY22/3	FY23/3	Mid-Long Term Financial Model
GP Margin	72.3%	73.3%	73.8%	80%
S&M ^{*1} (Ratio to net sales)	40.6%	40.3%	40.8%	30-35%
R&D ^{*2} (Ratio to net sales)	5.1%	5.6%	7.2%	10-15%
G&A ^{*3} (Ratio to net sales)	26.9%	23.6%	20.4%	10%
OP Margin	—	3.9%	5.4%	20-30%
Adjusted OP Margin ^{*4}	2.5%	4.8%	7.9%	

*1 : Sales and Marketing. Total of personnel expenses of Sales, Marketing and Customer Success, and marketing-related expenses, as well as allocated common expenses, etc.

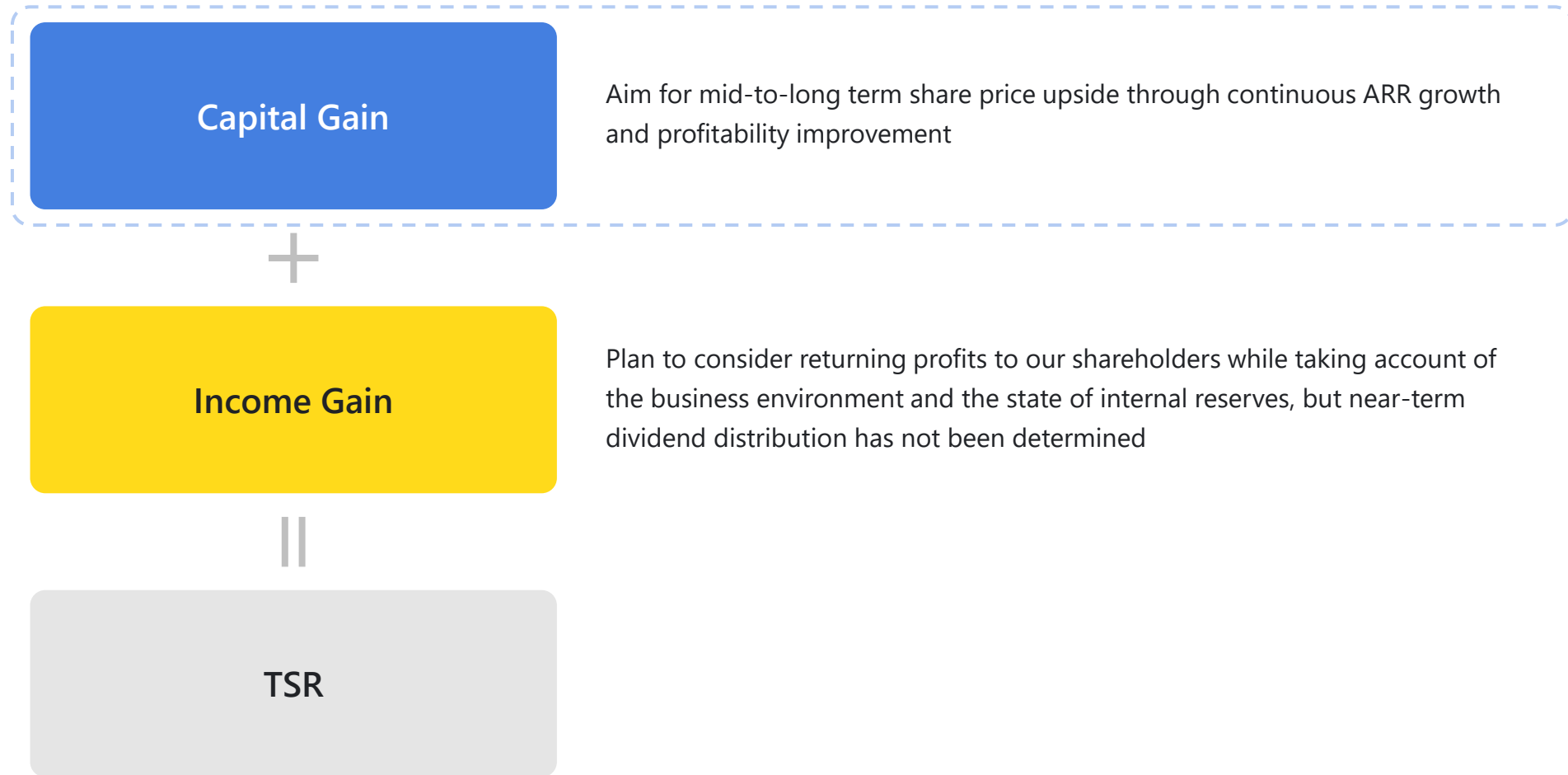
*2 : Research and Development. Total of personnel expenses of engineers involved in R&D, as well as common expenses, etc.

*3 : General and Administrative. Total of personnel expenses of corporate division, as well as common expenses, etc.

*4 : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

Shareholder Return Policy

Prioritize enhancement of internal reserves in order to flexibly invest in alignment with growth strategies towards maximizing enterprise value



— Mid-term Financial Targets

Continuous ARR Growth Rate

20-30%

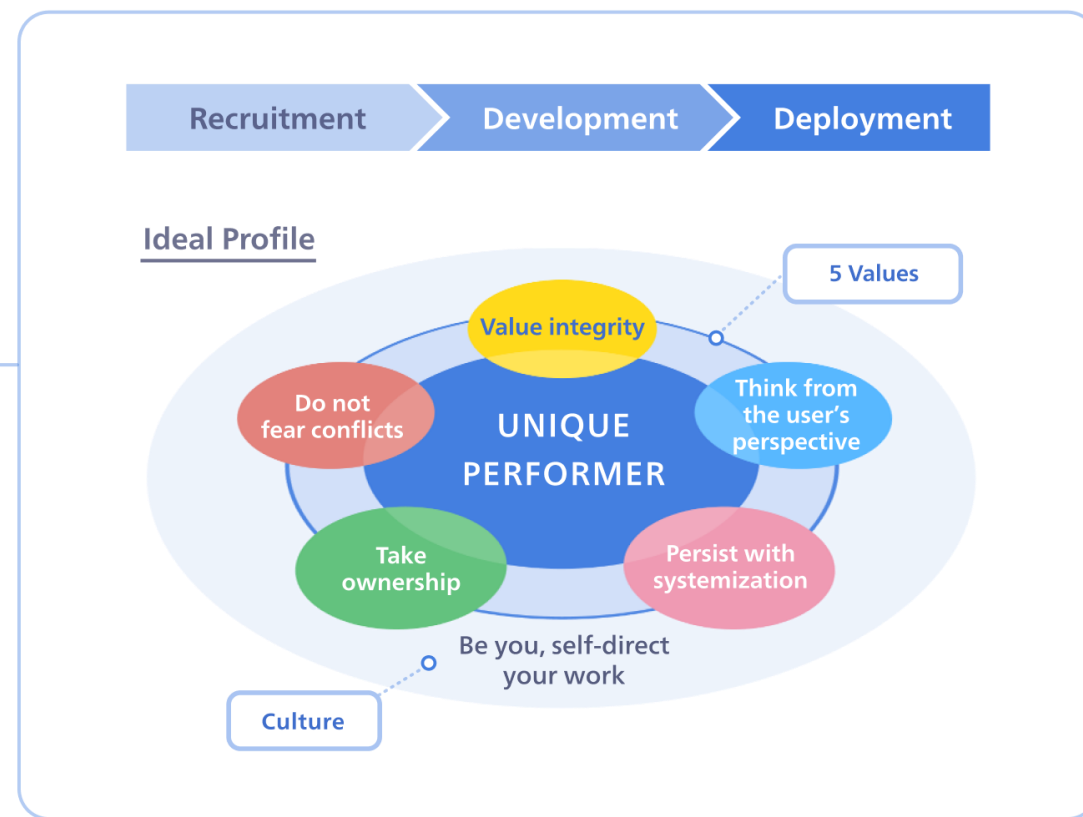
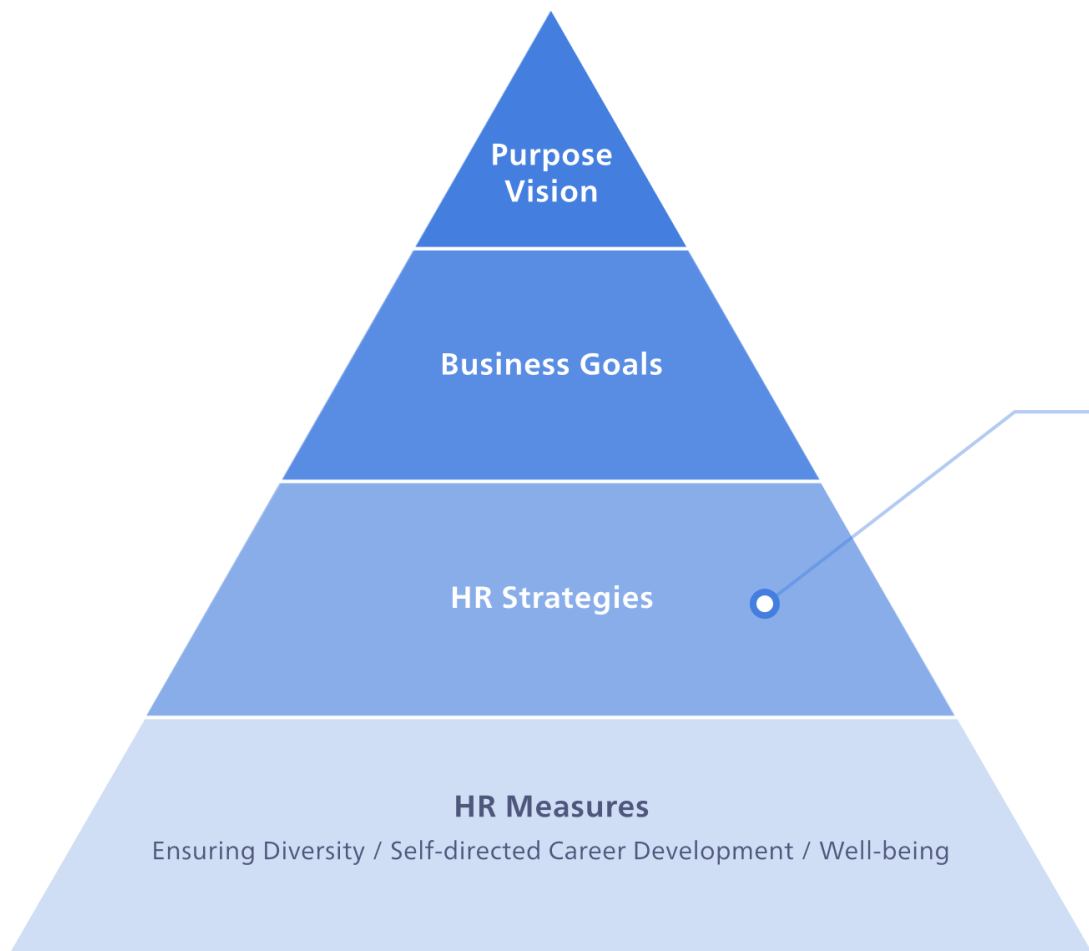
Adjusted OPM^{*1} (by FY28/3)

20%+

^{*1} : Adjusted operating profit = Operating profit + Stock-based compensation expenses + Amortization of goodwill by acquisition + Other one-time costs

3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Aim to enhance corporate value through strategic recruitment, development and deployment of human capital by defining the talent requirements to achieve our business goals



3 Promotion of Non-financial Activities (Realization of a society that respects the individual)

Will strive to develop our employees and create an environment in which each and every employee can demonstrate his/her individuality and talents



Ensuring Diversity to Create New Values

Improve gender equality

- Analyze causes of gender disparity, and consider measures to address them

Promote women's empowerment

- Provide an environment that enables women to continue working as their life stages change, including infertility treatment, childbirth and childcare

Support for sexual minorities

- Recognize same-sex partners as "spouses" and eliminate gaps in leave and payments for congratulation/condolence

Support for non-Japanese employees

- Provide a working environment for non-Japanese employees by supporting the acquisition of working visas, translation of internal documents, etc.



Supporting Self-directed Career Development

Improve targeted employee development

- Provide training for manager candidates and various training programs
- Provide training for managers and women employees

Pay for performance

- Operate a fair evaluation and promotion system based on performance



Improving Well-being

Promote paternity leave

- Provide an environment that encourages employees to take paternity leave and share their experiences

Create a workplace where everyone can work comfortably

- Promote flexible work style through our MY Work Style system to balance work with childcare and to improve productivity
- Revise the system to reflect the voices of employees with disabilities

3 Promotion of Non-financial Activities (Realization of a society that respects the individual)



Ensuring Diversity to Create New Values

Ratio of Women in Managerial Positions
(As of March 2023)

24.4 % Government's goal : 30% (2030)

Gender Wage Gap*1
(FY23/3)

86.4 %

Ratio of Non-Japanese Employees
(As of March 2023)

0.4 %



Supporting Self-directed Career Development

Annual Training Hours per Person*2
(FY23/3)

12.7 h

Ratio of Employees with Second Jobs
(As of March 2023)

23.0 %

Employee Turnover Rate
(FY23/3)

14.2 %



Improving Well-being

Paternity Leave Rate
(FY23/3)

0.0 % Government's goal : 50% (2025)
85% (2030)

Ratio of Returning from Parental Leave
(FY23/3)

100 %

Telework Implementation Rate
(FY23/3)

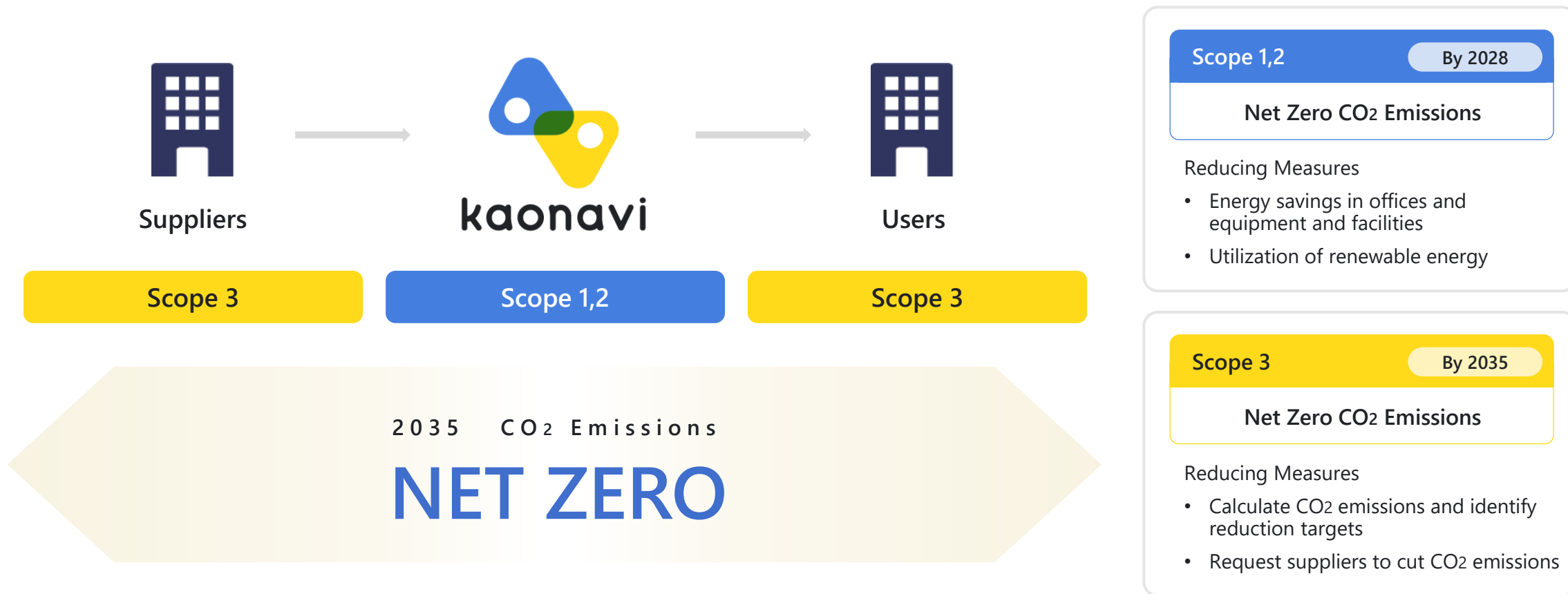
82.0 %

*1 : Gender Wage Gap = Average annual wage of female full-time employees / Average annual wage of male full-time employees

*2 : The tally covers internal training only and does not include external training

3 Promotion of Non-financial Activities (Transition to a decarbonized society)

Endorse the Japanese government's policy of carbon neutrality by 2050 and aim to achieve net zero CO₂ emissions*1



*1 : Please refer to our web page for actual CO₂ emissions (https://corp.kaonavi.jp/en/sustainability-e/esg_data-e/)



1. Topics

2. FY24/3 1Q Financial Highlights

3. FY24/3 Forecast

4. Appendix

4-1. Company Overview

4-2. Our Services

4-3. Mid-term Management Policy

4-4. The Future of “WORK” and kaonavi

Changes in HR Information Management and Work Styles - Past

1980

1990

2000

2010

2020

2030

Employers manage employee information

Workers own their information

Paper



Employers manage HR information in documented form



Division of simple tasks

Changes in HR Information Management and Work Styles - Past

1980

1990

2000

2010

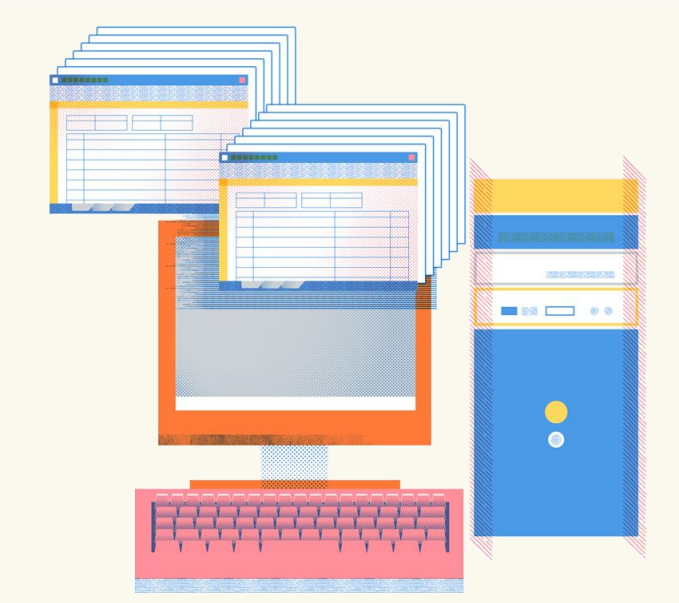
2020

2030

Employers manage employee information

Workers own their information

Data



Employers manage HR information digitally



Each employee gets one's job done all alone using a computer

Changes in HR Information Management and Work Styles - Present

1980

1990

2000

2010

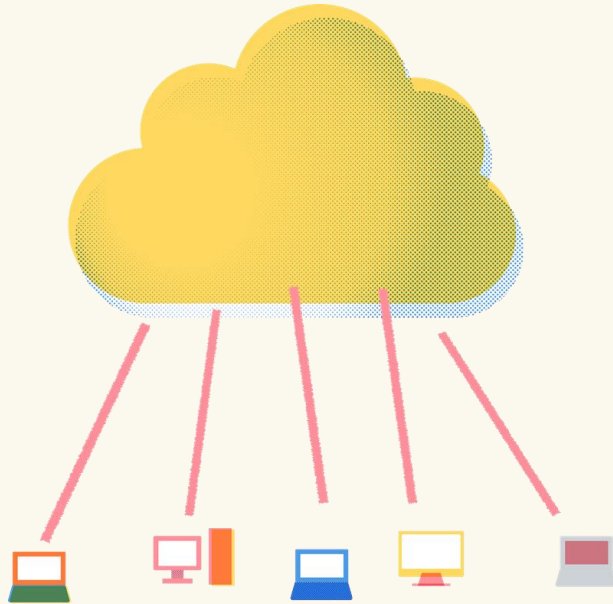
2020

2030

Employers manage employee information

Workers own their information

Cloud



Employers manage HR data in the cloud



Making better use of HR data

→ Team based work taking advantage of individual strength

Changes in HR Information Management and Work Styles - Future

1980

1990

2000

2010

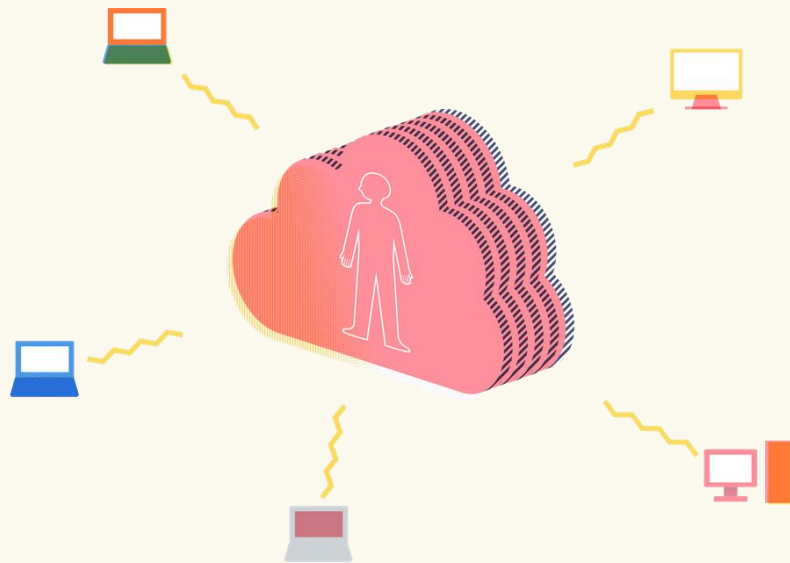
2020

2030

Employers manage employee information

Workers own their information

Portable



Organizations access career data owned by individuals



Work with various organizations leveraging one's skills and abilities

World That kaonavi Shapes

Aspire to deliver products that empower individuals to take ownership of their careers and ways of working instead of supporting operations or procedures

Empowering Individuals



Shaping the world where people can unlock their potential

Streamlining Operations



Shaping the world that liberates people from troublesome tasks or procedures

— Thoughts on Revising the Company Logo

Our new logo embodies the world that kaonavi shapes



Exhibiting the importance of mutual understanding by the shape of two people

“○” represents people, and “△” represents their span of vision/view. It builds on our belief that the new space in the center, which emerges only when people try to get to know each other (= by overlapping their vision span), is **the world where people can unlock their potential**. And kaonavi’s goal is bringing it to life.

Product for a New Era



Characteristics of the Product



Gamification Mind

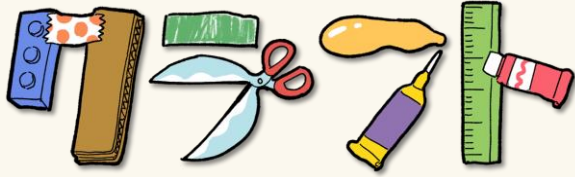
KAONAVI was born out of an audacious idea, "what if talent management could be gamified like Saga of Three Kingdoms".

The notion to bring gaming elements into our thinking foundation is our **central tenet** that makes us stand where we are.



Ethos of Product Development

Craft



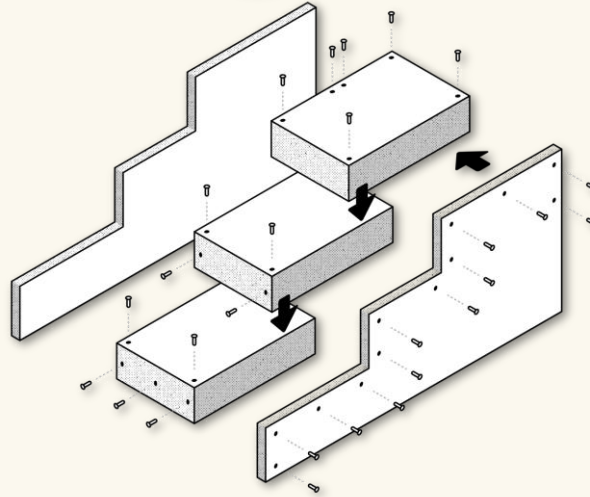
Flexibility-rich System

Adaptability to meet various needs of users instead of predefined use cases.

Inventing a flexible service that can induce and accommodate creativities and inspirations of our users.

Universal Design

ユニバーサル
デザイン

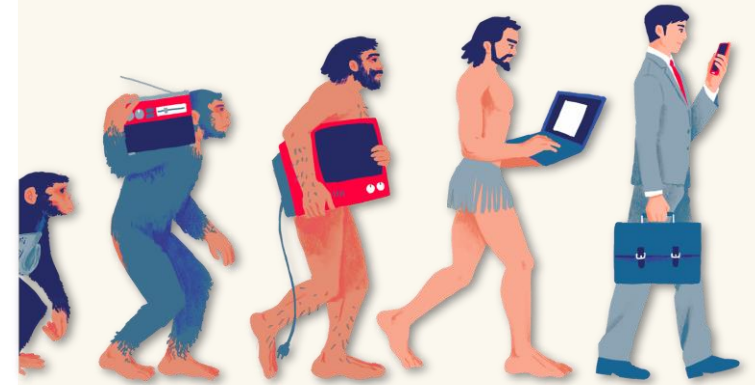


Stress-free Usability

Touching the product tells users about itself intuitively without turning to the user's guide.

Trying to realize that simple design which is extremely easy for any user to understand.

TECH
TREND



Keep Pace with Trends

Technology evolves with users' changing lives of the time.

In order to create forward-looking products, we will comprehend technology trends and leverage them.

Disclaimer

The contents set out in this material are prepared based on generally acknowledged economic, social and other conditions, and on certain assumptions deemed rational by kaonavi, inc. and may therefore be subject to change without prior notice due to changes in the managerial environment for other reasons.

The forward-looking statements set out in this material including performance outlooks are based on information currently available to kaonavi, inc. and on certain assumptions deemed rational, and may therefore differ materially from actual results due to uncertainties in judgments or assumptions, or for other reasons.

Such factors of uncertainty and change include both general, domestic and international economic conditions, such as general industry and market conditions, interest rates, and foreign exchange fluctuations.

kaonavi, inc. shall not undertake any obligations to update or revise any forward-looking information set out in this material even in the event that new information becomes available or certain events occur hereafter.

This material is an excerpt translation of the original Japanese material and is only for reference purposes. In the event of any discrepancy between this translated material and the original Japanese material, the latter shall prevail.

Contact IR : ir@kaonavi.jp

