

# Financial Results Briefing Materials

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

August 9, 2023

**KINJIRO CO., LTD.**

**1**

# **Consolidated Financial Results**

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

**2**

**Growth Strategy**

**3**

**Topics**

# Highlights for the Second Quarter of FY2023

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## ▪ Key performance indicators (KPI)

**Net sales**

Increased by 326 million yen year on year to 1,970 million yen

**Ordinary profit**

Increased by 115 million yen year on year to 296million yen

**Number of cloud licenses**

Increased by 37,211 from the end of the last fiscal year to 479,727

**Recurring revenue**

Average annual growth: 15.1% (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 0.16%

# Summary of Consolidated Financial Results for the Second Quarter of FY2023

## Consolidated Statement of Income

	Results	Achievement rate	YoY change
Net sales	1,970 million yen	102%	+20%
Operating profit	298 million yen	125%	+63%
Ordinary profit	296 million yen	126%	+64%
Profit	189 million yen	121%	+54%

	FY2023 1H forecast	FY2023 2Q results	Achievement rate		FY2022 2Q results	YoY change
Net sales	1,938	1,970	102%		1,644	+20%
Operating profit	238	298	125%		183	+63%
Ordinary profit	235	296	126%		181	+64%
Profit	156	189	121%		123	+54%

(Unit: Million yen)

# YoY Changes in Net Sales by Business Segment

## ■ Net sales

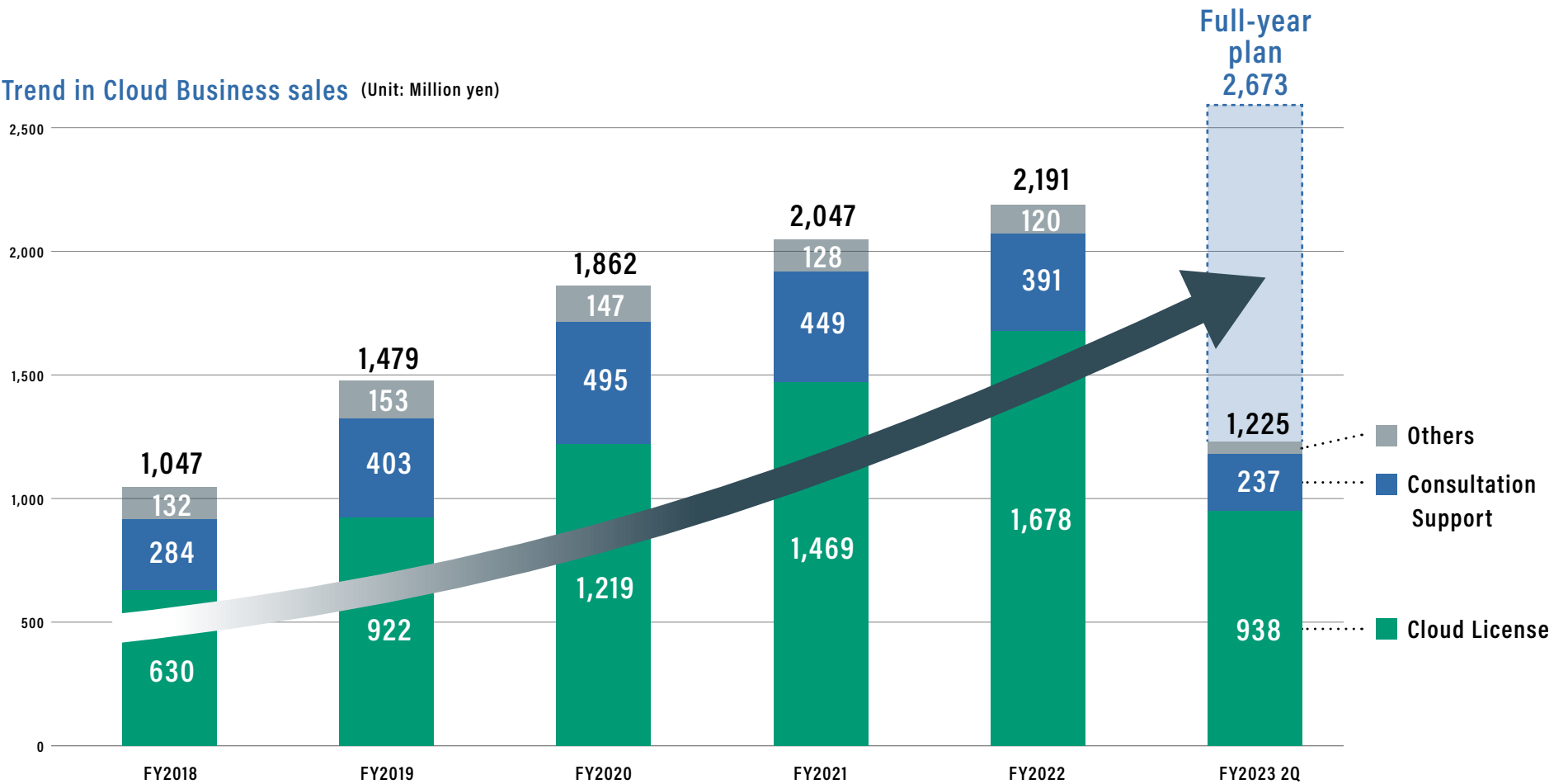
(Unit: Million yen)

Business segment	Sales segment	FY2022 2Q results	FY2023 2Q results	YoY change
Cloud Business	Cloud License	808	938	+16%
	Cloud Consultation Support	176	237	+35%
	Others	48	49	+1%
	Subtotal	1,033	1,225	+19%
On-Premises Business	Premium Support	288	284	-2%
	Software Products	170	188	+11%
	Software Consultation Support	104	110	+7%
	Employment Information Devices	46	63	+36%
	Subtotal	610	647	+6%
Total of HRM Business		1,644	1,873	+14%
Real Estate Rental Business		—	97	—
Net sales		1,644	1,970	+20%
Recurring revenue*		1,105	1,231	+11%

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

# Sales in Cloud Business

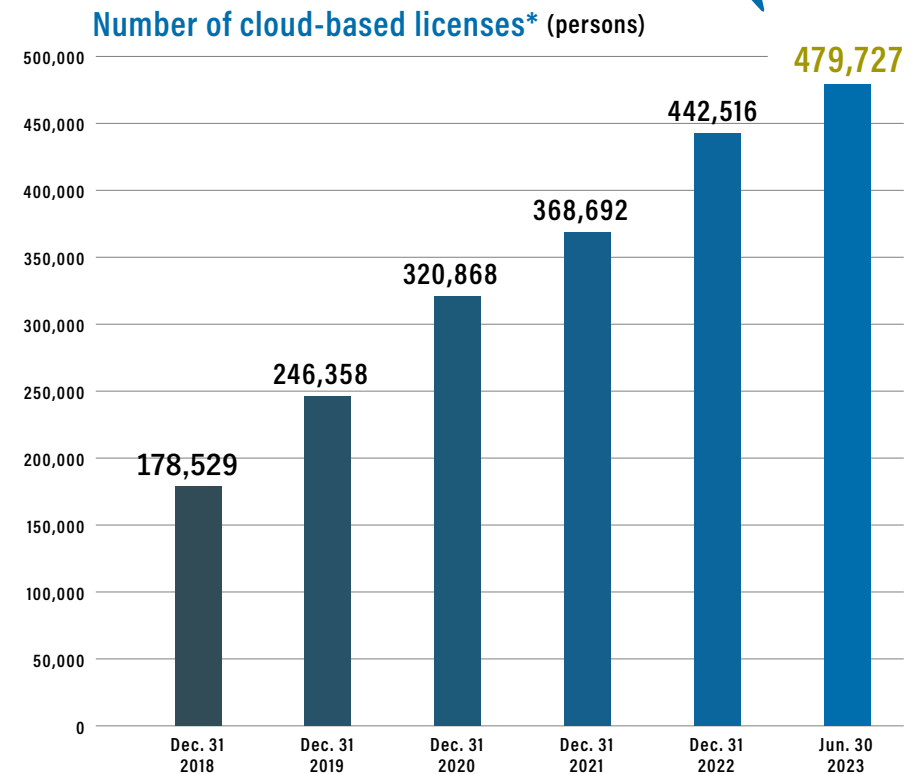
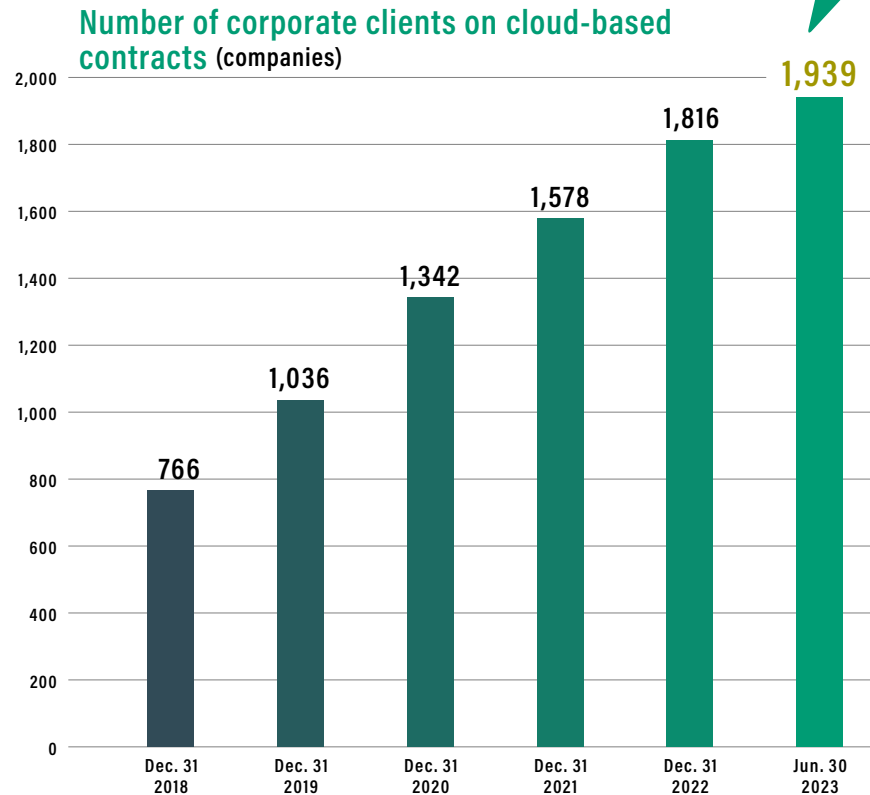
Trend in Cloud Business sales (Unit: Million yen)



- Cloud License sales grew by 16% year on year to 938 million yen.
- Cloud Consultation Support sales increased by 35% year on year to 237 million yen due to an increase in introduction support projects.
- Meanwhile, sales in Others category (employment information devices, etc.) increased by 1% to 49 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 22.4%



\* 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).

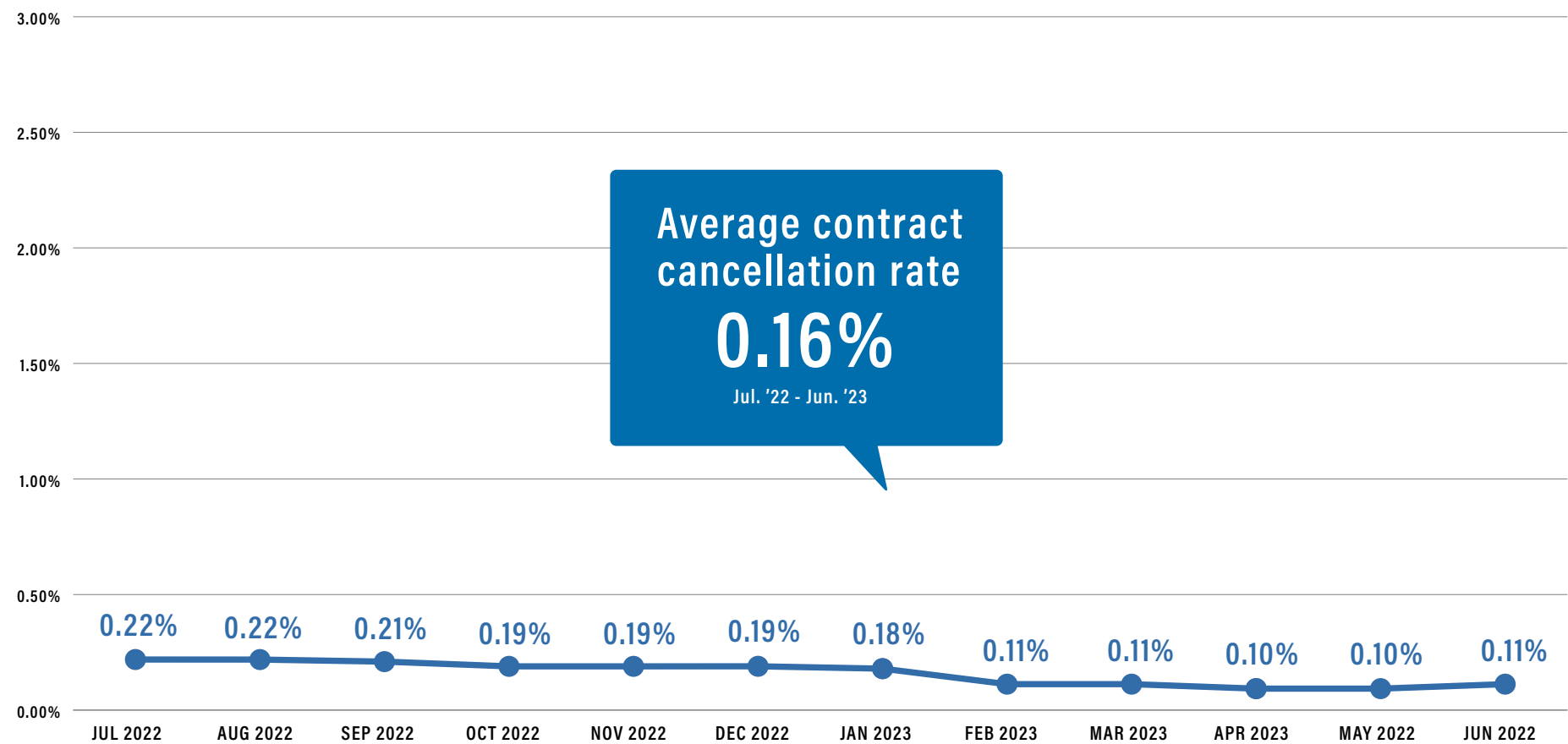
## ARPU trend

ARPU	September 2021	December 2021	March 2022	June 2022	September 2022	December 2022	March 2023	June 2023
Enterprise	349 yen	351 yen	353 yen	353 yen	351 yen	353 yen	351 yen	351 yen
Smart	153 yen	160 yen	117 yen	117 yen	115 yen	117 yen	118 yen	118 yen

# Cloud-Based Contract Cancellation Rate

- The average rate of cloud-based contracts cancelled per month remains low at 0.16%

Cloud-based contract cancellation rate\*

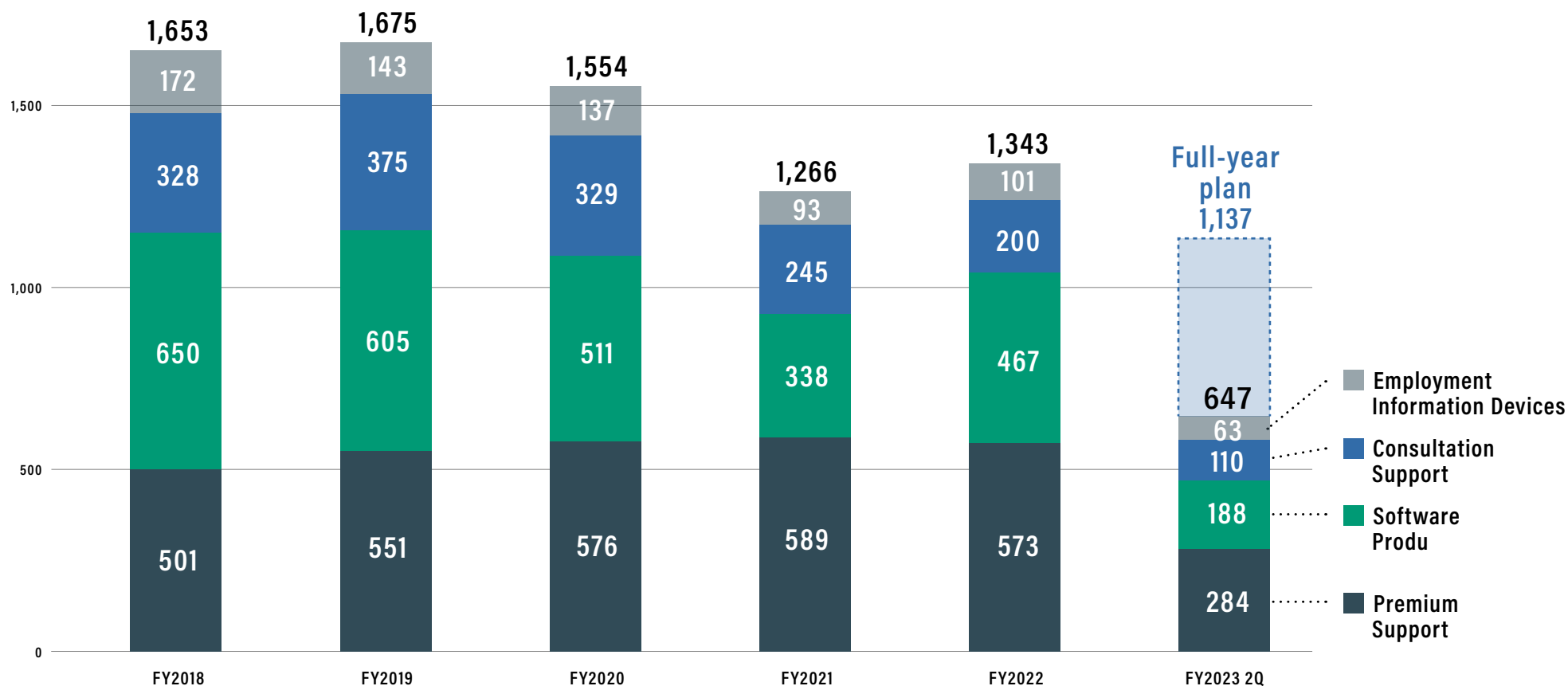


\* Monthly average cancellation rate. Calculated by dividing revenue from customers who cancelled their contracts in the current month by revenue from total customers in the previous month.



# Sales in On-Premises Business

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

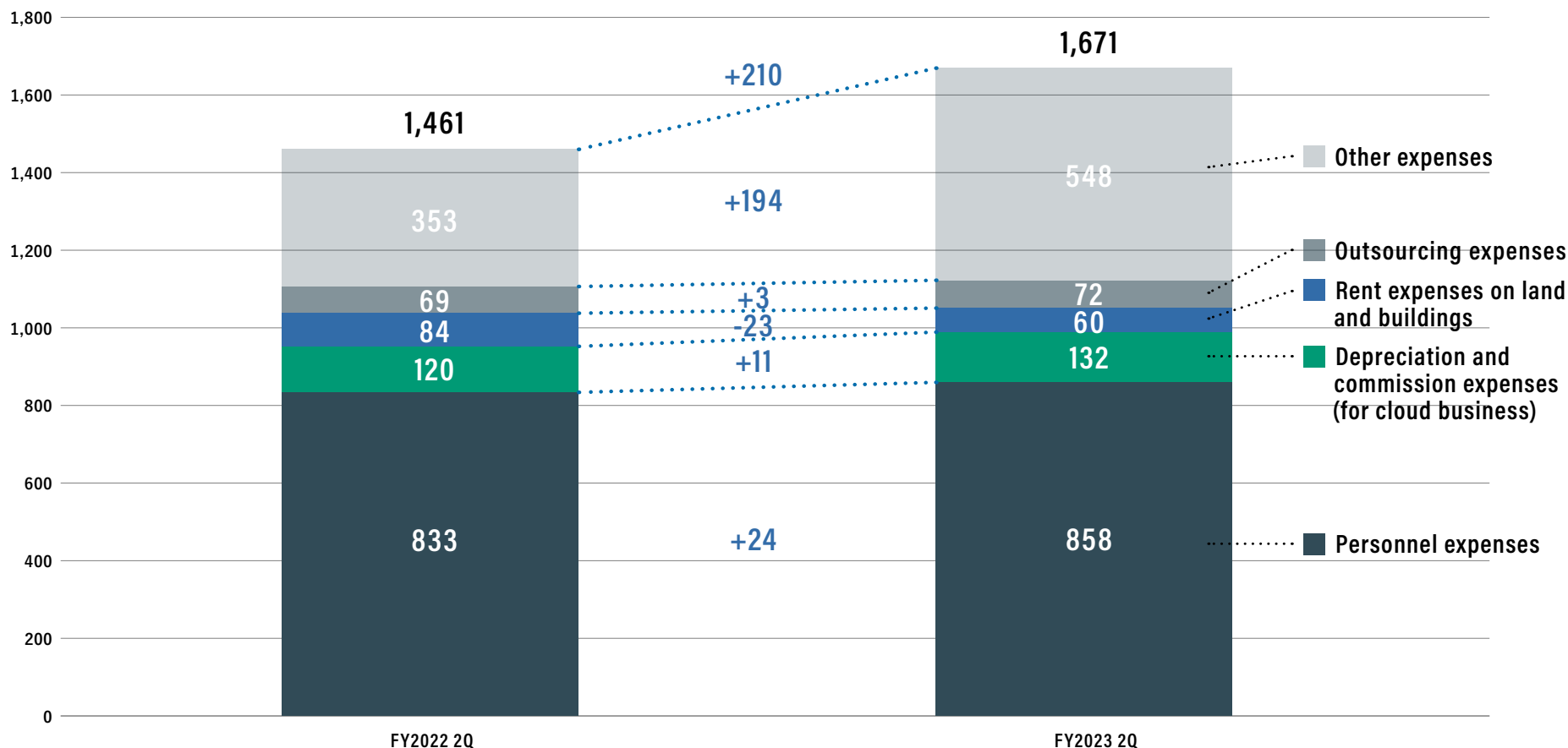


- Premium Support sales decreased by 2% year on year to 284 million yen.
- Software Products sales increased by 11% year on year to 188 million yen.
- Software Consultation Support sales increased by 7% year on year to 110 million yen.

# Cost Structure

## ■ Cost structure for the first half of the fiscal year ending December 31, 2023

Expenses trend (consolidated) (Unit: Million yen)



- Total expenses increased by 210 million yen compared to the costs in FY2022 2Q.
- The increase is attributable to the rise in other expenses (+194 million yen), which included depreciation incurred for the Nagoya headquarters building acquired in November 2022 (101 million yen) and operating expenses for the real estate rental business (40 million yen), as well as an increase in advertising expenses (+20 million yen).

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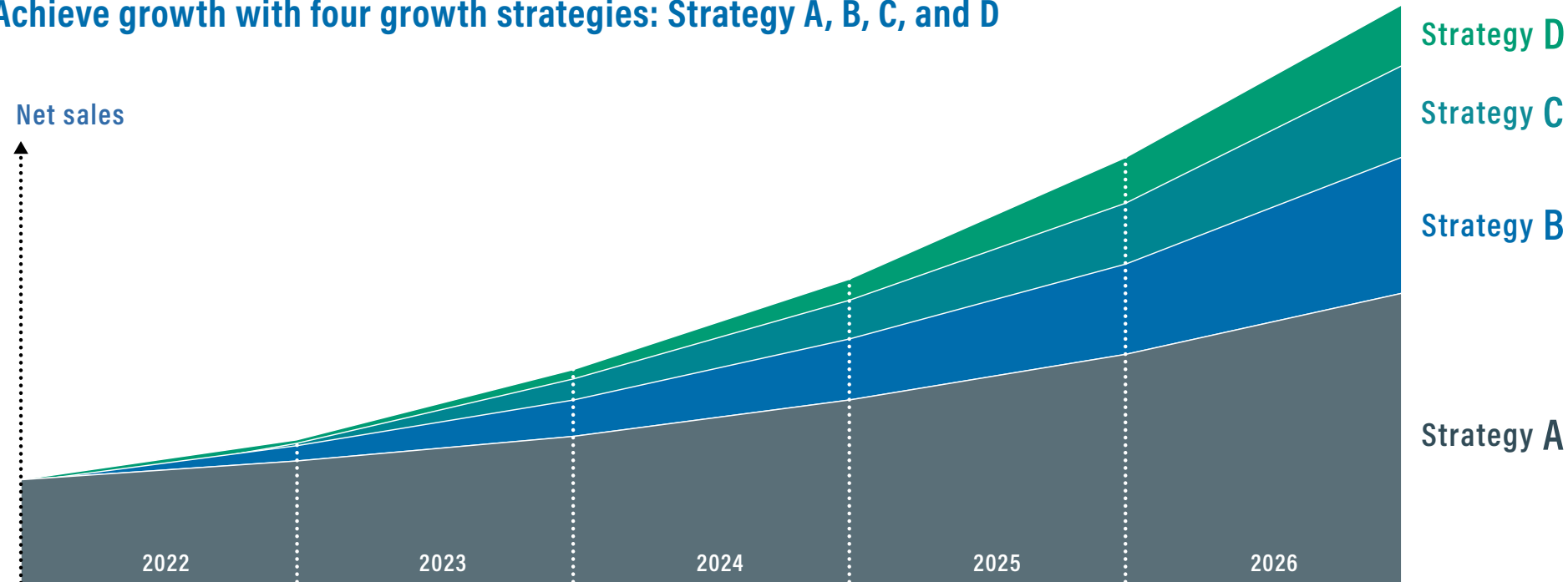
## Growth Strategy

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## Topics

# Sales Growth Strategy

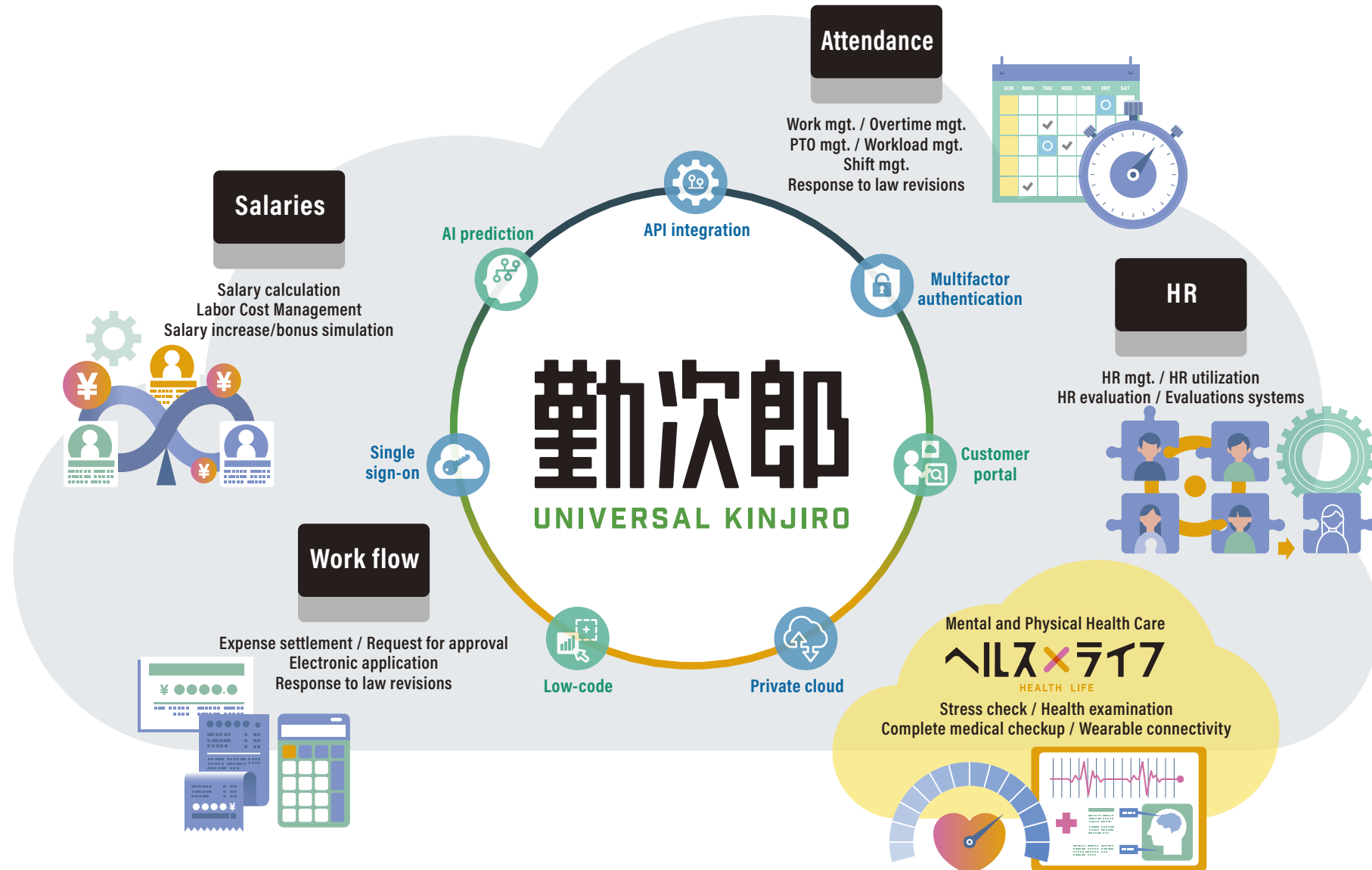
▪ Achieve growth with four growth strategies: Strategy A, B, C, and D



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 380,000 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®)

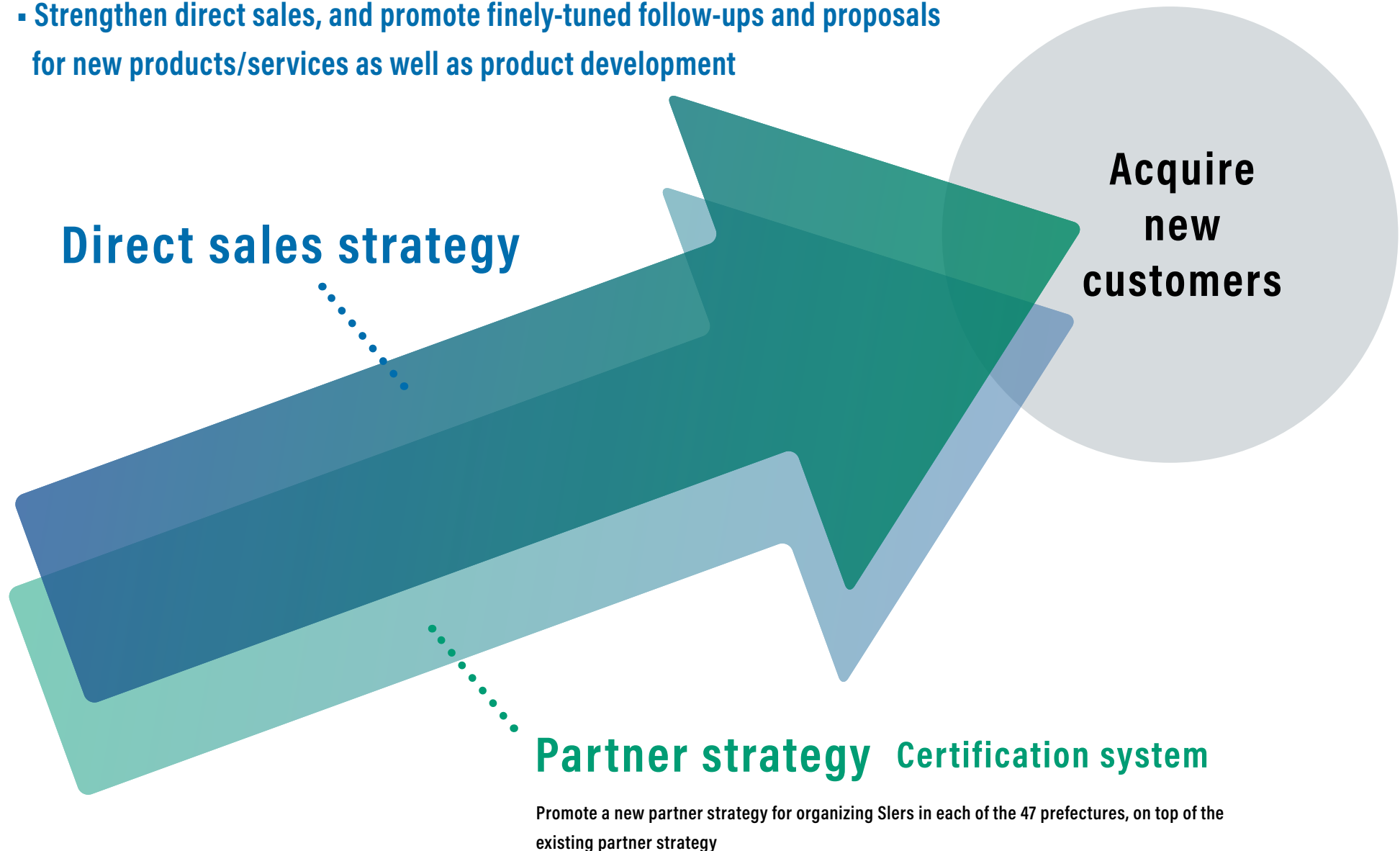
- HRM all-in-one solutions for realizing corporate clients' work style reform and health & productivity management  
Support business growth by enhancing employee labor productivity and work engagement



## Growth Strategy A: How to Acquire New Customers

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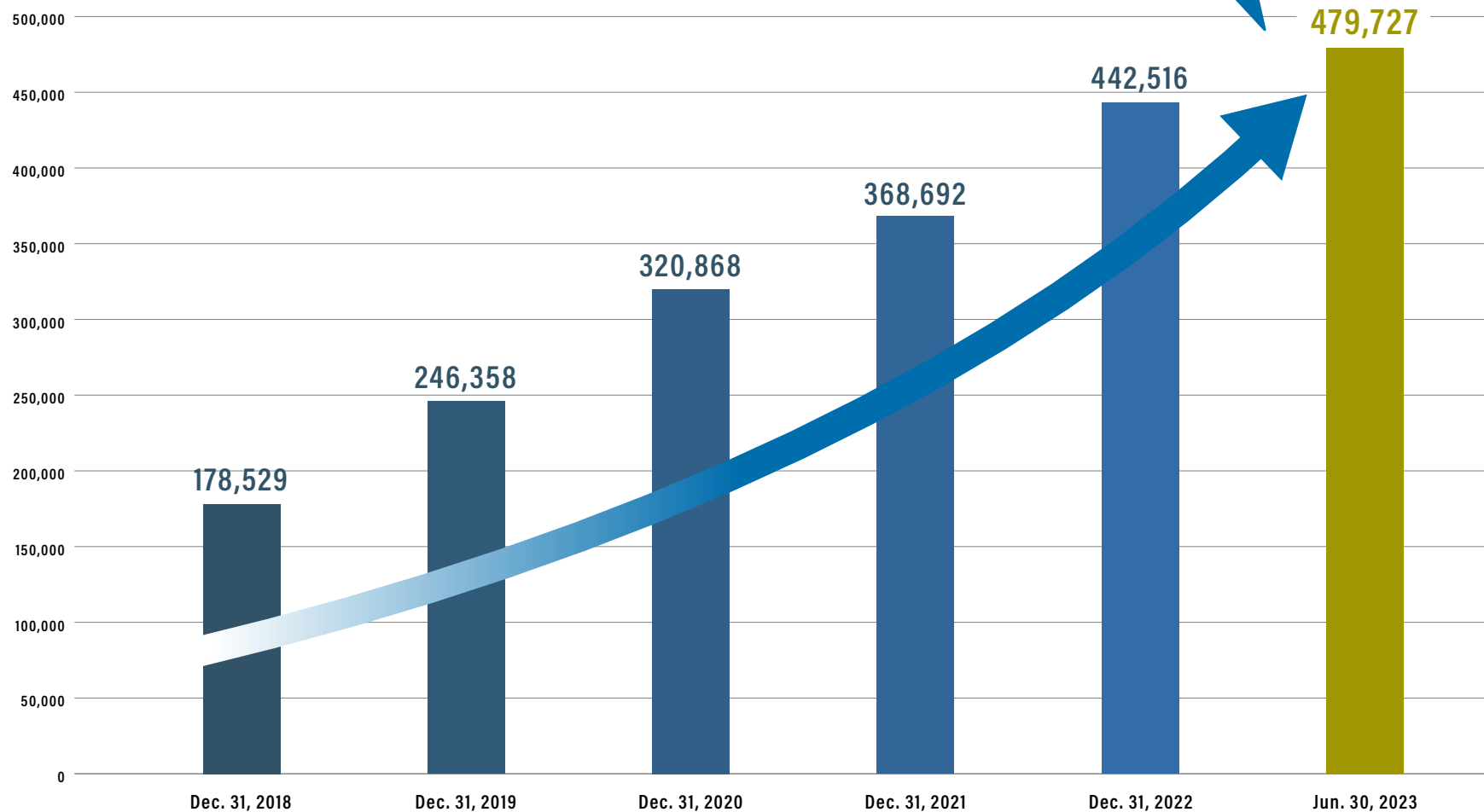
- Strengthen direct sales, and promote finely-tuned follow-ups and proposals for new products/services as well as product development



## 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  
1.14 million\***

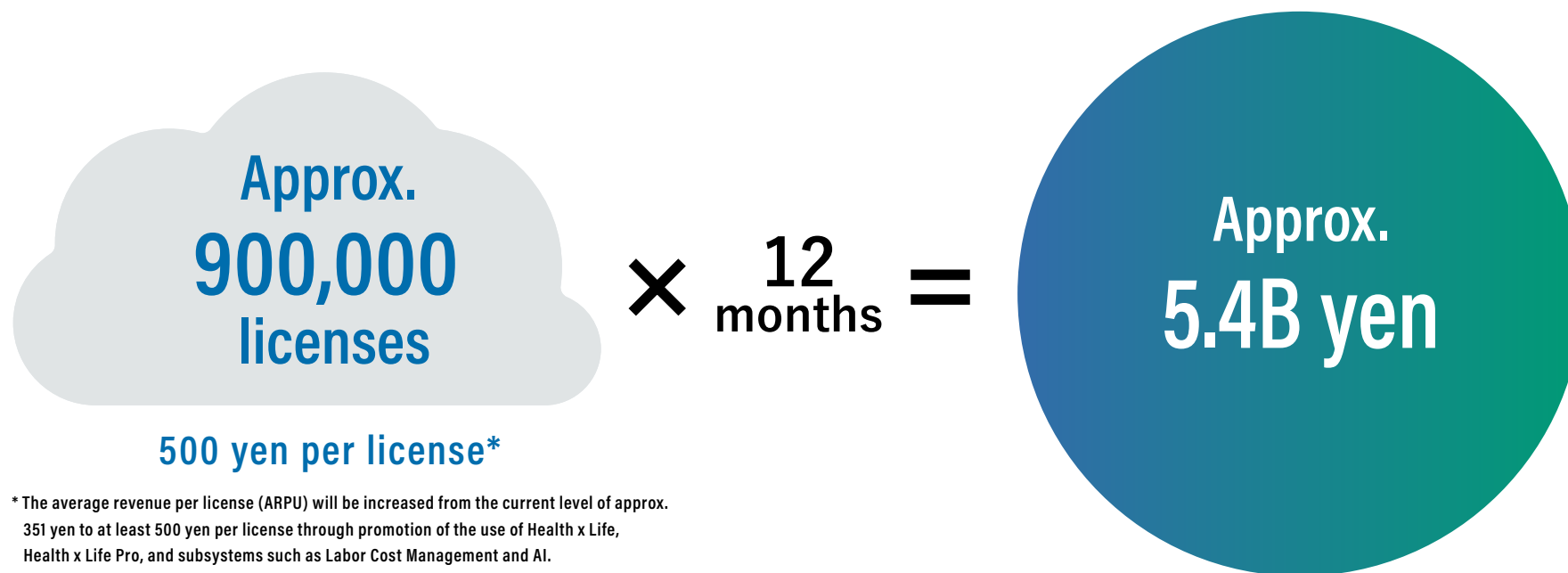
\*Result as of June 30, 2023

- 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

(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

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

- Enhance our services by evolving the cloud base business



勤次郎  
UNIVERSAL KINJIRO

ヘルスライフ  
HEALTH LIFE

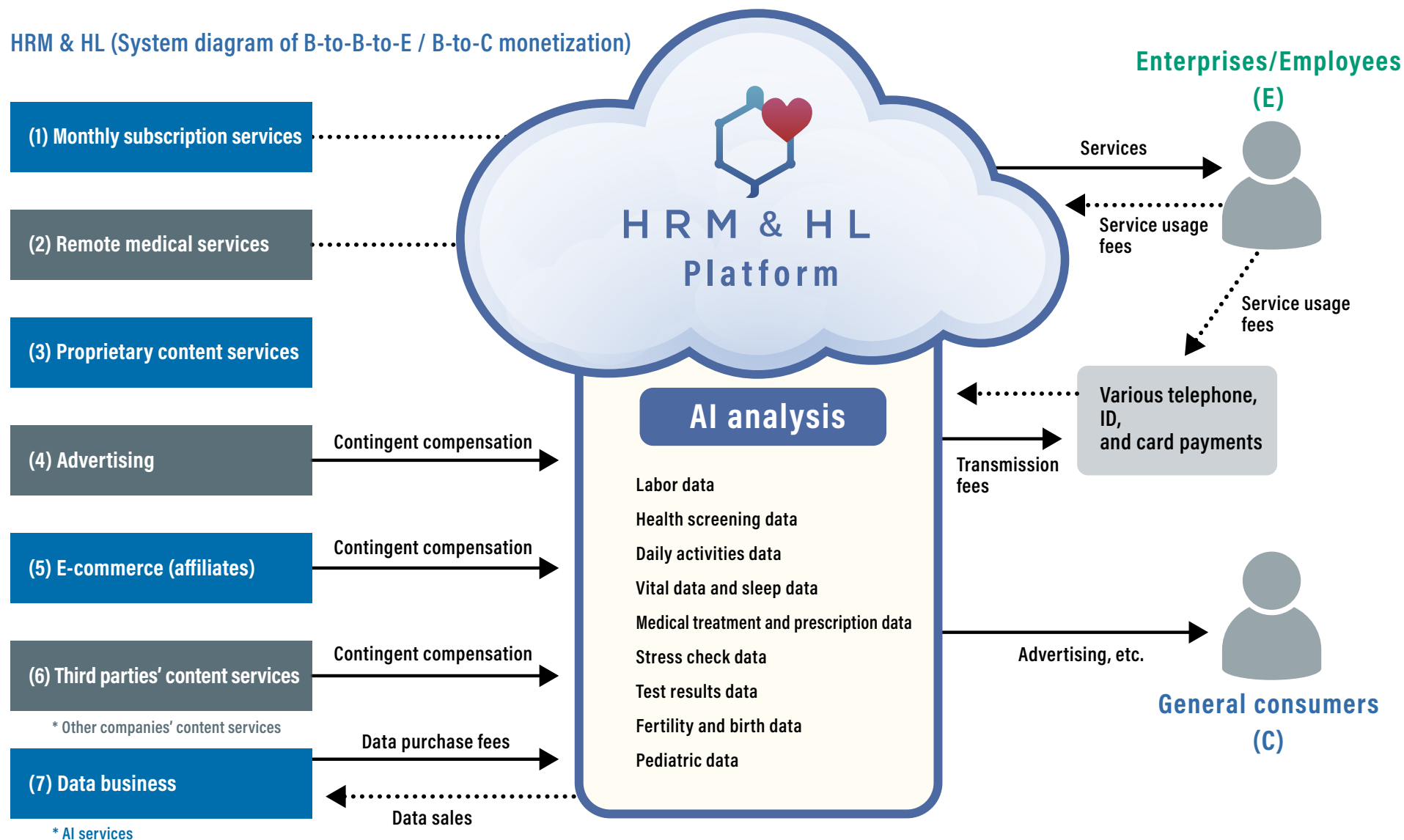
We will maximize contacts with users by utilizing data gathered by our core applications by expanding the menu unique to the cloud-based service, and offer new services that take advantage of data analysis and AI prediction.

We will also further evolve 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 380,000 users

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



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## Growth Strategy

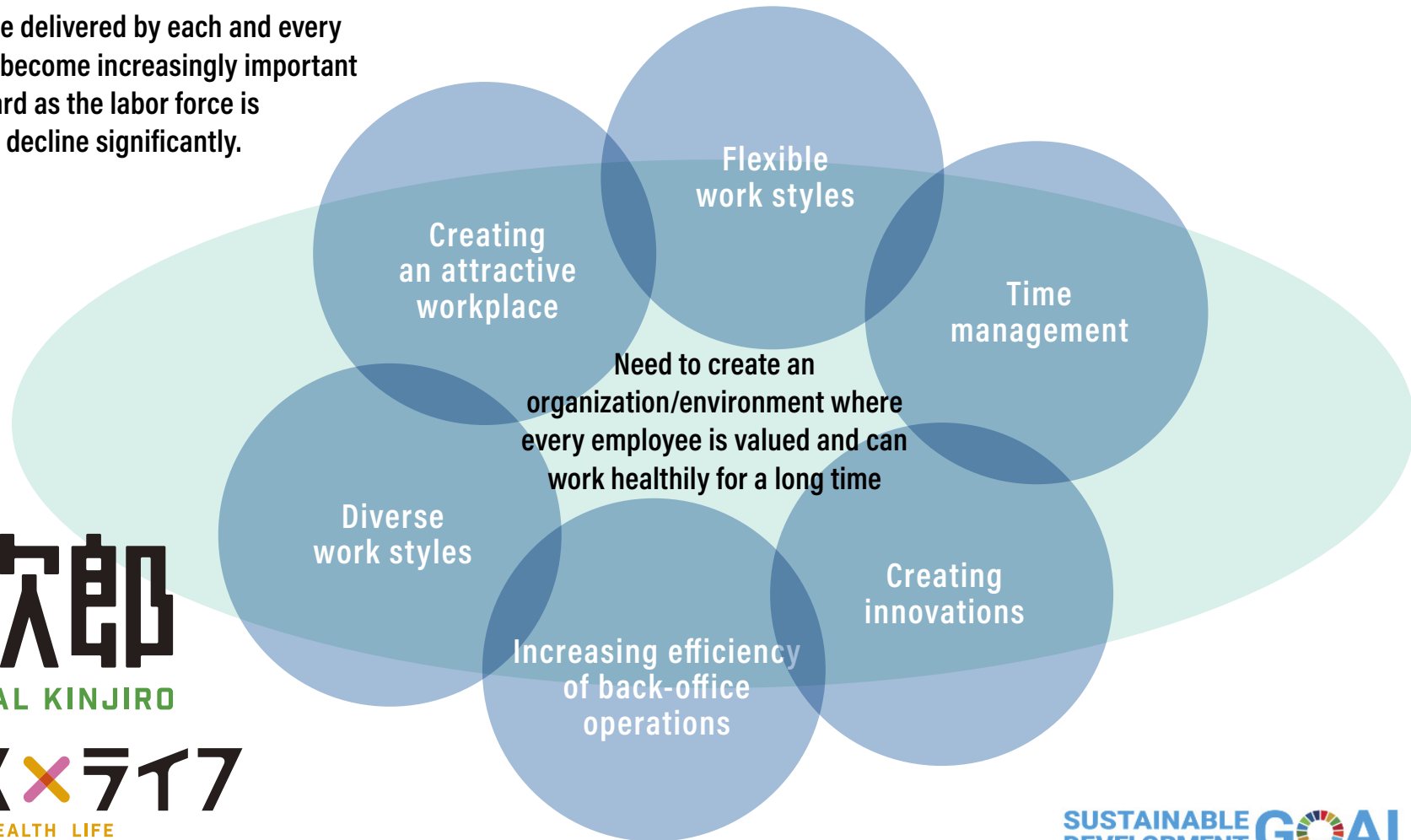
**3**

## Topics

# Kinjiro's Mission and Strength

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

Performance delivered by each and every worker will become increasingly important going forward as the labor force is expected to decline significantly.



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

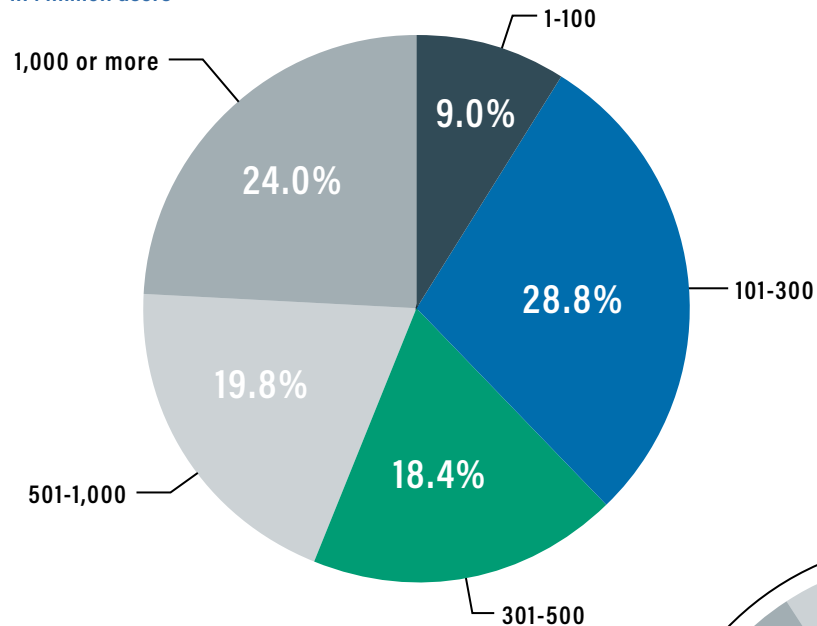
SUSTAINABLE DEVELOPMENT GOALS



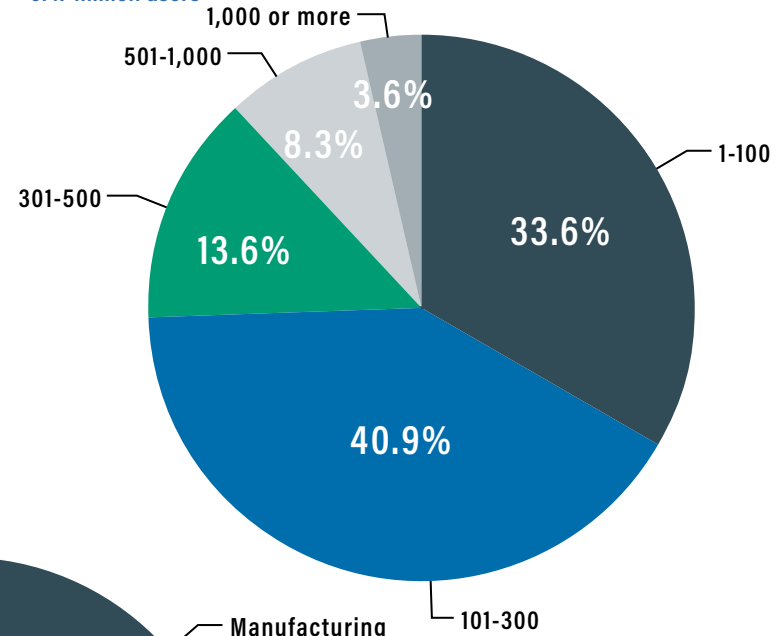
# Kinjiro Enterprise Installations Breakdown by Scale and Industry

- 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

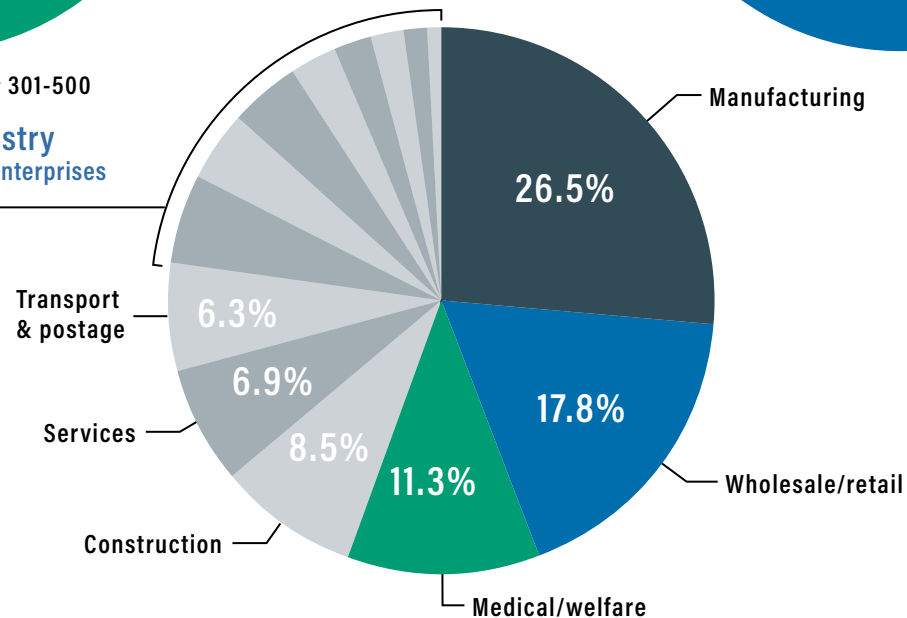


Breakdown of implementation by number of employees (Cloud)  
\*0.47 million users



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: 2.9%  
Lifestyle services & entertainment: 2.3%  
Finance & insurance: 1.9%  
Education & learning support: 1.4%  
Others: 0.6%



\*As of June 30, 2023

# 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 Organizations (White 500)"

## • Health & productivity management initiatives

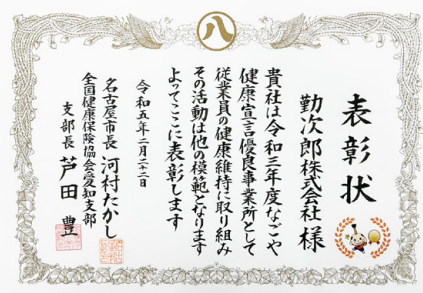
- Measure employees' performance indicators as presenteeism quantitatively in conjunction with every stress check
- Implement a PDCA cycle on a regular basis using work engagement and pulse surveys

## • 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.



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.

Listed

■ Industry type: Information and communications

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

### 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 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
Management philosophy & policy	3	67.4	69.6	68.7	50.7
Organizational structure	2	65.7	67.9	67.4	50.4
Implementation of systems & measures	2	65.3	69.5	68.8	51.3
Evaluation & improvement	3	61.3	68.7	64.9	51.2

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.

The top numerical value is the best score in each criterion. "-" is displayed at "the best score in your industry" only if four or fewer companies responded in your industry.



# Participated in HR EXPO (Nagoya & Tokyo)

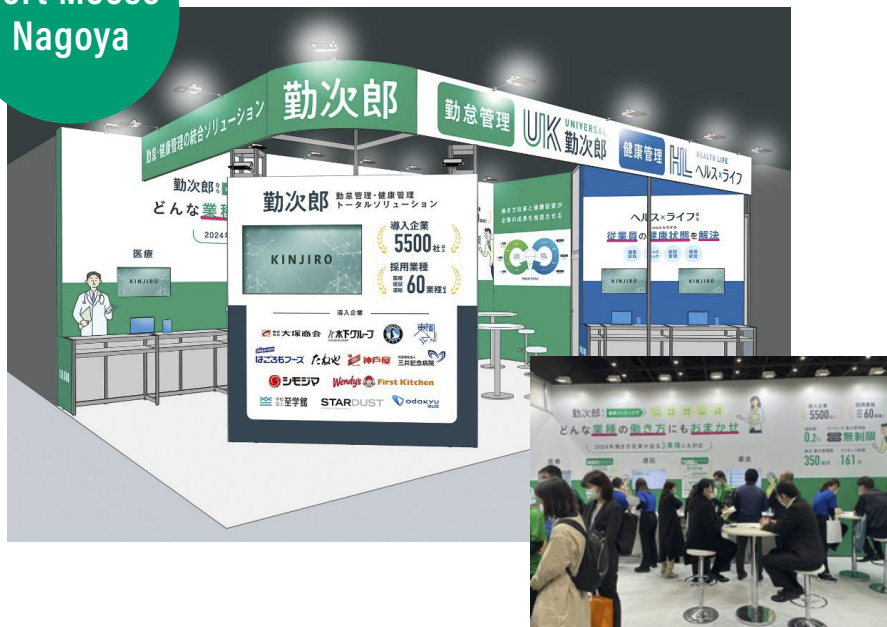
- “5th Nagoya HR EXPO”: We set up a booth at Port Meese Nagoya from February 15 to 17, 2023 (Total number of visitors: 6,638)
- “12th Tokyo HR EXPO”: We set up a booth at Tokyo Big Sight from May 10 to 12, 2023 (Total number of visitors: 36,087)

## Exhibition concept focusing on “Work style reform to enhance work engagement”

Our exhibition aimed to improve corporate recognition and promote direct sales (to win business) by promoting the corporate brand “Kinjiro Co., Ltd.” and its products “Universal Kinjiro” and “Health x Life.”

The booth was designed to simulate an office environment that enhances work engagement among HR, general affairs, management, corporate planning, and other divisions. This helped not only visitors but also explaining staff to relax, allowing them to improve their performance.

Port Meese  
Nagoya



Tokyo  
Big Sight





## FY2023 2Q: Kinjiro Genki Project Activities

### Further enhanced 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.



Achievements



- Total number of steps taken by the Company's employees in the first half of 2023 increased by 27% from the first half of 2022.
- 89% of the employees surveyed said they have more opportunities to exercise.



Health management application  
“Health x Life”

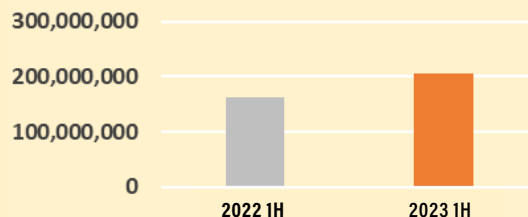
Event  
Physical fitness test in the office



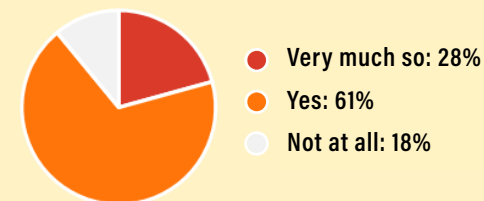
Event  
Exercise seminar



Total number of steps taken by the Company's employees



Do you exercise more often now?



**Thank you for your attention.**

**KINJIRO CO., LTD.**

## Disclaimer

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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.