

Note: This document is a translation of a part of the original Japanese version (<https://finance.logmi.jp/362555>) and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

This is a transcript of FY09/2019 Full Year Consolidated Financial Results by HENNGE K.K. on 18th November 2019.

Overview of consolidated financial results

Overview of consolidated financial results

(unit: Million yen)	FY2018 Results	FY2019 Results	YoY	YoY (%)	FY2019 Forecasts	progress (%)
Net sales	2,835	3,427	+592	+20.9%	3,375	101.5%
(HENNGE One)	2,288	2,916	+627	+27.4%	2,874	101.5%
(Professional service and others)	547	511	-36	-6.5%	501	102.0%
Total cost of sales	631	605	-25	-4.0%	689	87.8%
Gross profit	2,204	2,822	+617	+28.0%	2,686	105.1%
(Gross profit margin)	(77.8%)	(82.3%)		(+4.6pt)	(79.6%)	
Total selling, general and administrative expenses	2,002	2,635	+632	+31.6%	2,533	104.0%
Operating income	202	187	-15	-7.3%	153	122.4%
(Operating income margin)	(7.1%)	(5.5%)		(-1.7pt)	(4.5%)	
Ordinary income	219	178	-42	-19.0%	153	116.0%
Profit attributable to owners of parent	123	110	-13	-10.9%	87	126.3%
(Net income margin)	(4.4%)	(3.2%)		(-1.1pt)	(2.6%)	

1. Net sales rose by **+20.9%** YoY to 3.43 Billion yen. Net sales of HENNGE One rose by **+27.4%** YoY to 2.92 Billion yen.
2. Gross profit margin improved by **4.6pt** YoY to **82.3%**.
3. Profit attributable to owners of parent **decreased** by **15** Million yen to 0.11 Billion yen.

■ HENNGE

4

Ogura Kazuhiro Hello, everyone, thank you for coming today. I'm Ogura, the president of HENNGE K.K.

Today, we'll explain FY09/2019 full-year financial results first, growth strategy second, the outlook of FY09/2020 third. We will also talk about our company overview as much as time allowed.

So, let me talk about FY09/2019 full-year financial results. Net sales was 3,427 million yen, gross profit was 2,822 million yen, operating income was 187 million yen, and profit attributable to owners of the parent was 110 million yen. Net sales increased by 20.9 percent compared to the previous year. Of them, net sales of HENNGE One, our group's main business, increased by 27.4 percent and was 2,916 million yen.

Gross profit margin improved by 4.6pt and was 82.3 percent. Net income decreased by 13 million yen and was 110 million yen.

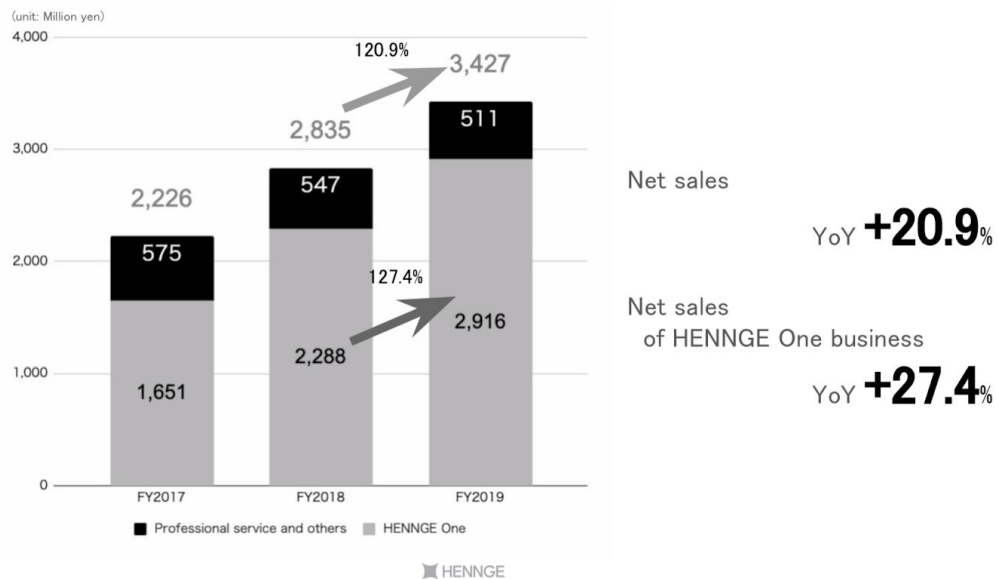
In a comparison of FY09/2019 forecasts, while net sales increased by HENNGE One business moved finely, net income decreased by rising of total selling general and administrative expenses.

Net Sales

Net Sales

Net sales increased by +20.9% YoY to 3.43 Billion yen.

Net sales of HENNGE One, which is our key driver of growth, grew by +27.4% YoY.



5

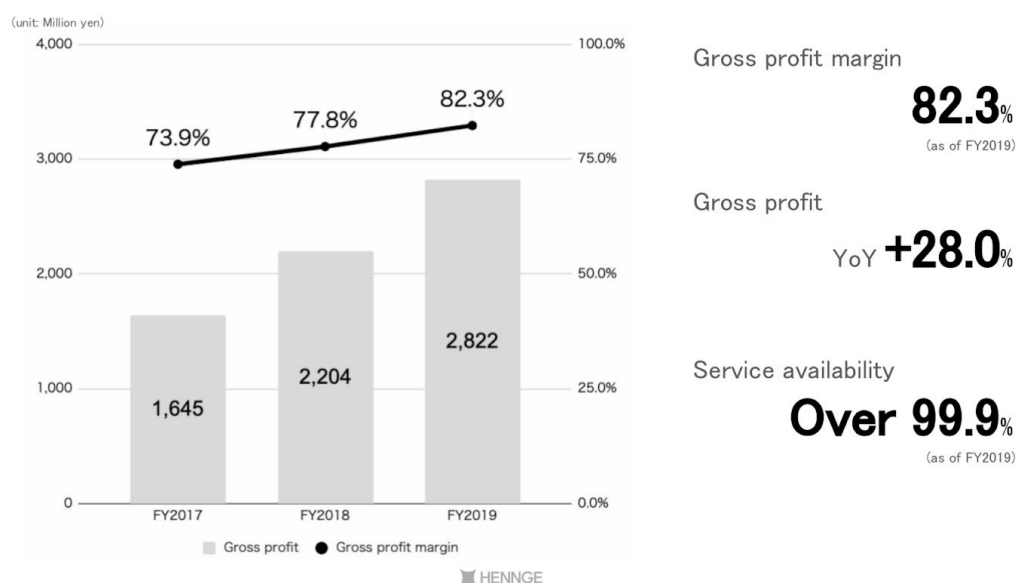
Net sales increased by 20.9 percent compared to the previous year and was 3,427 million yen. Those of HENNGE One, the driver of the sales growth of our company, increased by 27.4 percent.

The proportion of HENNGE One sales has been increasing year by year.

Gross profit and gross profit margin rate

Gross profit and gross profit margin rate

Gross profit margin improved by 4.6pt YoY to 82.3% due to improvement in the HENNGE One foundation system.



6

This is a slide of gross profit and gross profit margin rate. Due to improvement in the HENNGE One foundation system, it improved by 4.6pt compared to the previous year to 82.3 percent. We realized a high marginal profit ratio. Until now, for these three years, the gross profit margin ratio improved by a few points every year.

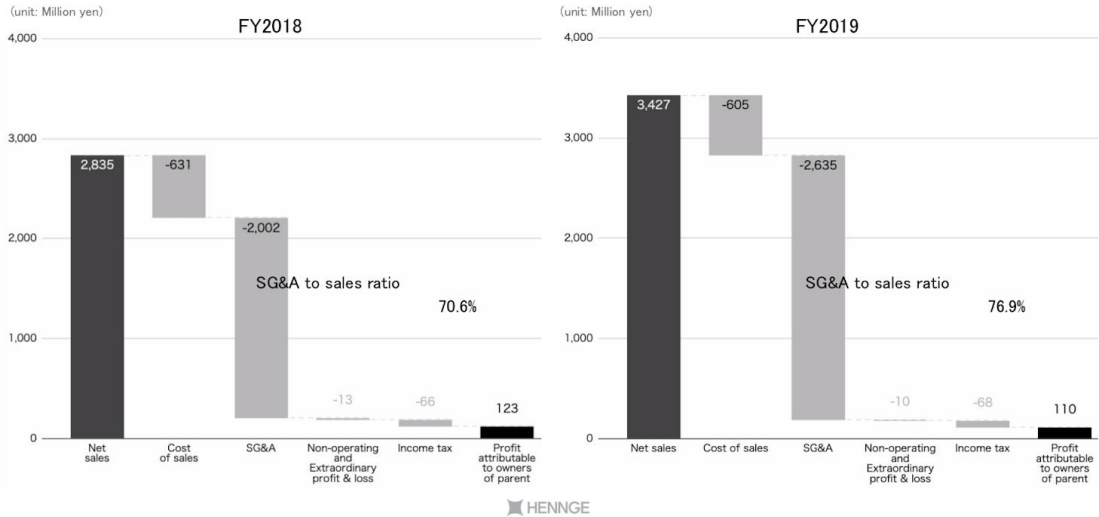
It is thought that the reason is a cost-saving per customer by making a foundation system more efficient.

Just because the cost rate is decreasing does not mean the quality of service gets worse. We've kept service availability 99.9 percent or more.

Profit attributable to owners of parent

Profit attributable to owners of parent

From proactively investing into future growth, the SG&A to sales ratio increased by 6.2pt YoY to 76.9%. Profit attributable to owners of parent decreased by 15 Million yen to 0.11 Billion yen.

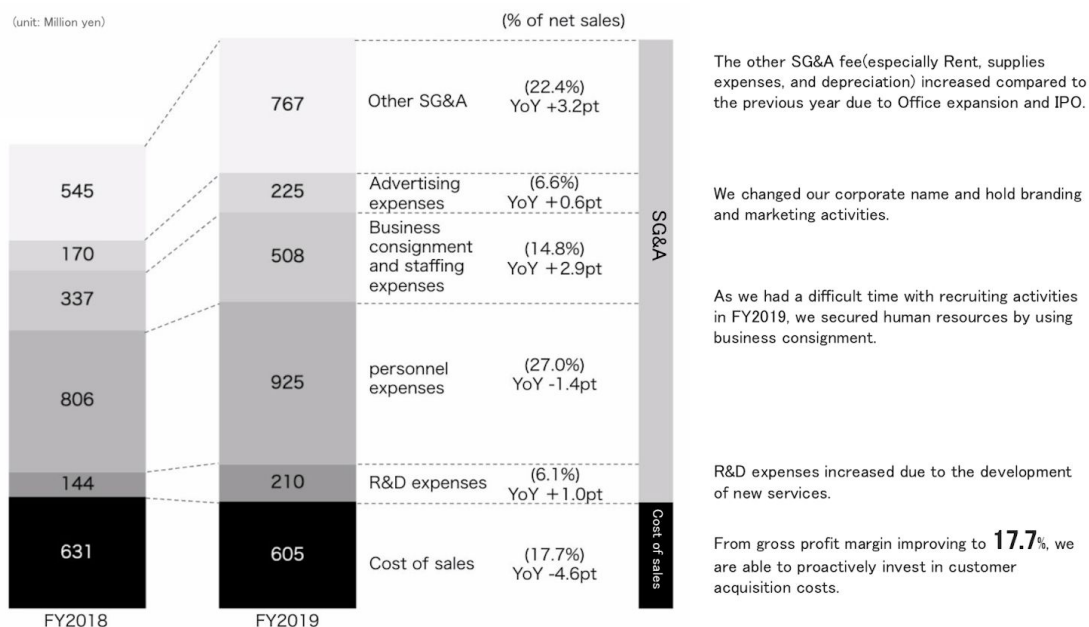


This is a slide of profit attributable to owners of parent. Since we've invested aggressively for our future growth, SG & A increased by 6.2pt compared to the previous year to 76.9 percent, and profit attributable to owners of parent decreased by 13 million yen.

As we run SaaS business, we've invested expenses aggressively to maximize future sales and profit. Especially for this period, we invested more aggressively including temporary expenses.

Structure of Operating expenses (cost of sales + SG & A)

Structure of Operating expenses(Cost of sales+SG&A)



HENNGE

8

Regarding its breakdown, please see page 8. We described the structure of operating expenses (cost of sales and SG & A) with comparing to the previous year.

As you see, the cost of sales decreased. From gross profit margin improving to 17.7%, we can proactively invest in customer acquisition costs.

While the proportion of personal expenses in SG & A decreased by 1.4pt, R & D expenses, business consignment and staffing expenses, advertising expenses, and other SG & A increased. In short, though we've kept a high margin profit rate, investment expenses increased for future growth.

Of them, other SG & A increased compared to the previous year due to the expenses related to office expansion and IPO, such as rent, supplies expenses, depreciation, and so on.

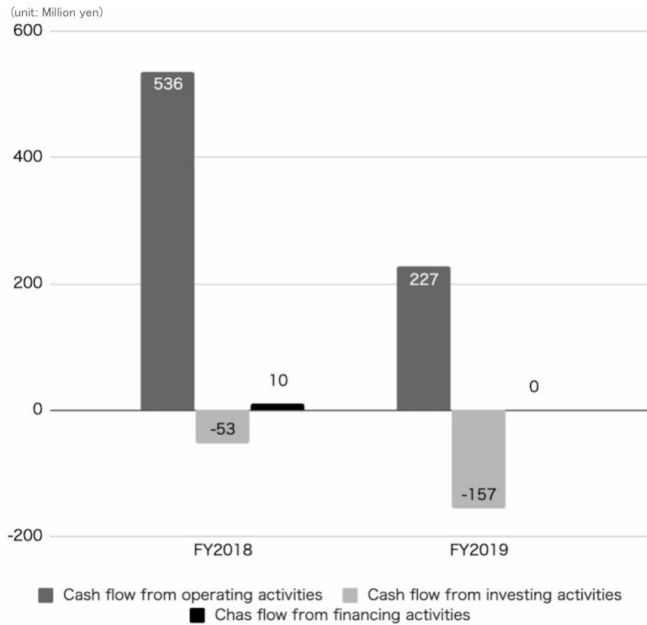
Especially this year, we've also invested proactively in gaining awareness of our brand at the same time of our corporate name change into HENNGE K.K. in February 2019.

Personal expenses and business consignment and staffing expenses account for a large proportion of our total expenses. Especially as we struggled with recruiting in FY09/2019, we made up for it with business consignment and staffing. This is the reason why business consignment and staffing expenses was larger in the total proportion. For this point, we will improve it in FY09/2020 by gaining more trust with status of being listed and becoming a well-known company.

R&D expenses increased due to the development of new services.

Cash flow statement

Cash flow statement



Temporary payments, for example, office expansion fees (security deposit, fixtures and equipment, and so on), IPO related fees, and the shift in salary payment dates.

0.42 Billion yen

The amount of increase compared to the previous year, for example, tax payment, some expenses increased due to IPO.

0.18 Billion yen

HENNGE

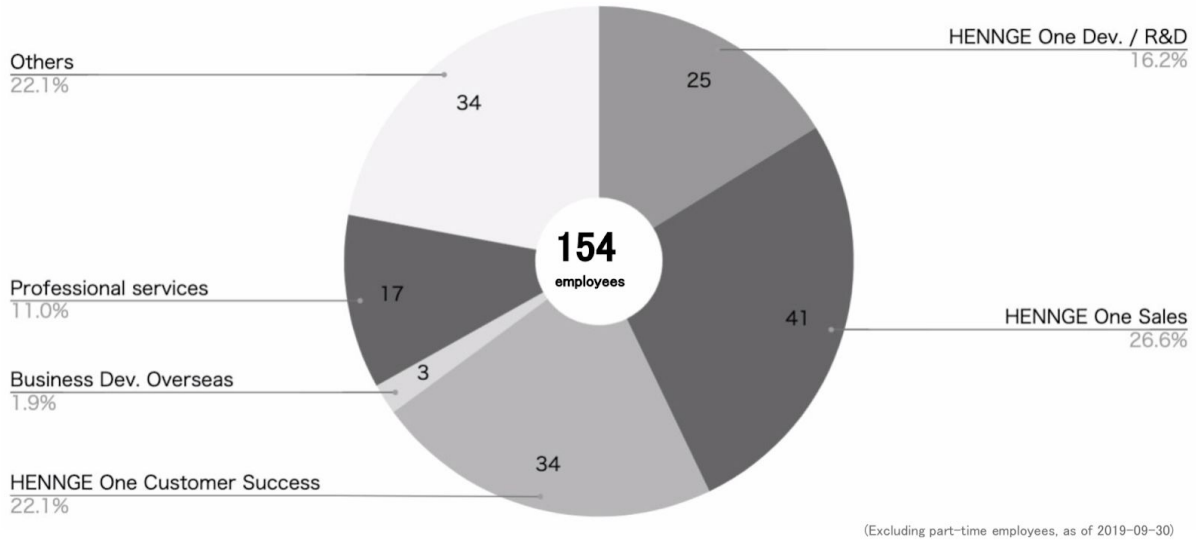
9

The next is a topic of cash flow statement. In FY09/2019, cash flow was deteriorated than the previous year because of payment of office expansion related fees, such as security deposit, purchase of fixtures and equipment, payment of IPO related fees, and a shift in salary payment dates.

The recurring payment, for example, tax payment, rent fee, and some recurring expenses due to being listed are also increased in FY09/2019.

Breakdown of employees

Breakdown of employees



This is the breakdown of employees' statements at the end of the period. Now, we have 154 employees, and here is its ratio. The key component is that 41 people in sales division, 34 people in customer success division, whose role is a support in SaaS or a customer's onboarding, and 25 people in development division. Of the components, those who create our corporate's future sales are 'HENNGE One Sales' members and customer's onboarding members in a part of "HENNGE One Customer Success". These are our investments for our future growth.

Business highlights

Business highlights

- Advertising and Events
 - **Advertisements due to change of company name**
Tokyo, Osaka, Nagoya
 - **Event “HENNGE One Meetup!”**
Held across 6 Japanese cities (Yokohama, Omiya, Shizuoka, Nagoya, Hiroshima, Fukuoka) and Taiwan.
 - **Events with our partner in order to strengthen the relationship**
Held 33 times across 12 Japanese cities(Tokyo, Yokohama, Omiya, Gunma, Shizuoka, Nagoya, Osaka, Kobe, Shimane, Fukuoka, Kumamoto)

- New services
 - **Release of “HENNGE Workstyle”**
 - **Release of “Chromo Education”**

- Other
 - **Change the plan of HENNGE One “HENNGE One Business”**

Let me move to the next topic, Business highlights in FY09/2019. We held advertising and event activities and a corporate advertisement following our name change. To increase brand awareness of our new corporate name ‘HENNGE’, ahead of being listed, we’ve advertised in Tokyo, Osaka, and Nagoya since the beginning of 2019. We held ‘HENNGE One Meetup!’. One of our corporate growth strategies is to hold sales activities of HENNGE One aggressively with the expansion of SaaS in other areas than Tokyo. We held ‘HENNGE One Meetup!’ in six Japanese cities and Taiwan in order to increase our awareness to potential customers who consider the shift SaaS. Also, we held events to strengthen our relationship with our partners. The aim was expansion activities for potential customers in Tokyo and other areas, and we held the events to deepen the relationship with our partners across 12 Japanese cities 33 times.

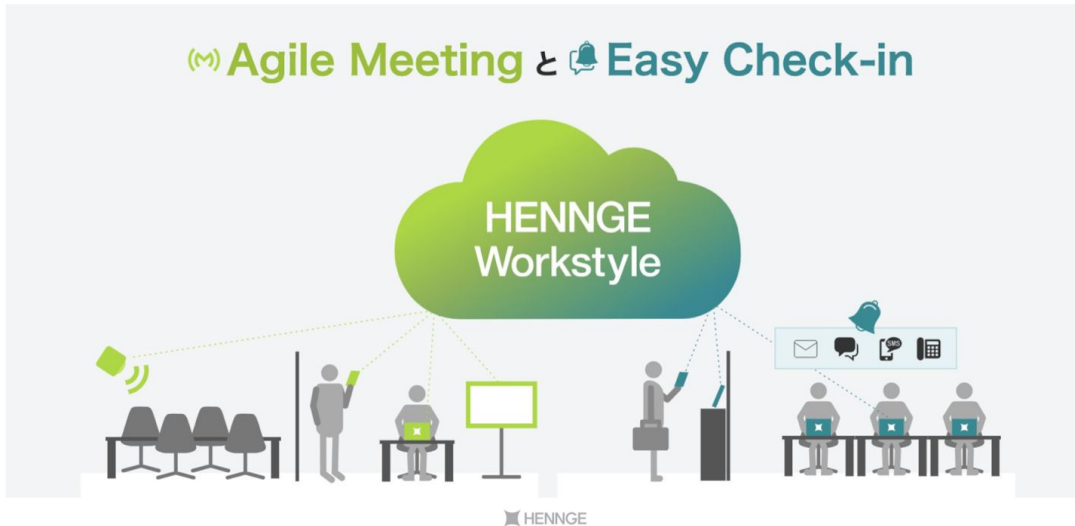
Moreover, we released new services, ‘Chromo Education’ and ‘HENNGE Workstyle’, and started to sell with a new price table ‘HENNGE One Business’ in HENNGE One.

New service (1)

New service

Release of HENNGE Workstyle (Feb, 2019)

Improve your workstyle through IoT and the Cloud



12

I'll explain the new services in detail. We announced 'HENNGE Workstyle' in February 2019 in the process of activities to create a new business that we can sell to existing customers of HENNGE One and others. This service is useful in the expanding IoT in any offices, such as the suggestion of an optimized conference room using IoT sensing and automation of the front desk.

New service (2)

New service

Release of Chromo Education (April, 2019)

Improve communication and engagement
between Local Governments and their residents, especially for kids.



HENNGE

13

We released a new service, 'Chromo Education' in April 2019. This is used for expanding the network among local government, school, citizens, and parents to secure children's safety.

New price table

New plan

Change the plan of HENNGE One (June, 2019)

HENNGE One Secure Access	HENNGE One Standard	HENNGE One Business
SaaSとのシングル・サインオンと端末制御機能を含めた、エンタープライズ向けのプランです。	Office 365/G Suiteや他のSaaSとのSSOにメール誤送信対策を含めた標準プランです。	Standardプランに端末制御に必要なデバイス証明書を追加したエンタープライズプランです。
月額 400 円 (税抜) 1ユーザー/月 (年間契約)	月額 500 円 (税抜) 1ユーザー/月 (年間契約)	月額 750 円 (税抜) 1ユーザー/月 (年間契約)
プラン内容	プラン内容	プラン内容
HENNGE Access Control	HENNGE Access Control	HENNGE Access Control
HENNGE Secure Browser	HENNGE Secure Browser	HENNGE Secure Browser
HENNGE Device Certificate	HENNGE Email Archive	HENNGE Email Archive
※ デバイス証明書発行 (1ユーザー1枚まで) ※ 提供可能ライセンス数 200ライセンス～	HENNGE Email DLP	HENNGE Email DLP
	HENNGE Secure Transfer	HENNGE Device Certificate
	※ デバイス証明書発行 (有償オプション) ※ 提供可能ライセンス数 100ライセンス～	HENNGE Secure Transfer
		※ デバイス証明書発行 (1ユーザー3枚まで) ※ 提供可能ライセンス数 100ライセンス～



14

We revised the price table of HENNGE One from June 2019. The current ARPU is 1,938 yen per year. Since the improvement of ARPU was our corporate problems that must be solved, we launched high ARPU service ‘HENNGE One Business’ for new customers this time.

This HENNGE One Business is a packaged product including a digital certificate for clients. We simplified the price table with three lines, which are ‘HENNGE One Secure Access’, ‘HENNGE One Standard’, and ‘HENNGE One Business’. We plan to adopt this new price table for new customers.

KPI Highlights

KPI Highlights

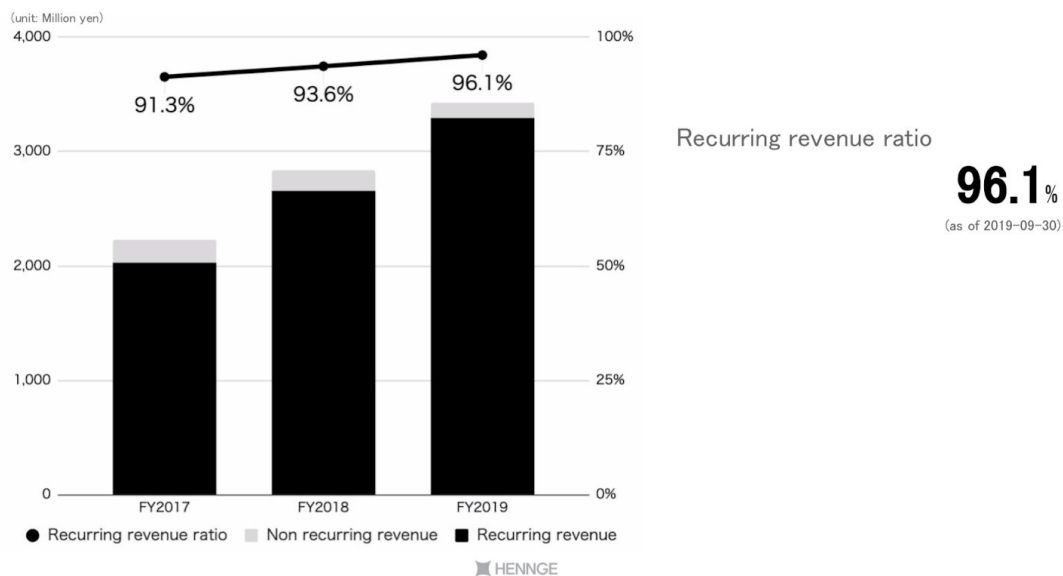
1. Recurring revenue ratio **grew 2.4pt** YoY to **96.1%**.
We continue to achieve a strong and stable recurring revenue model.
2. Average monthly churn rate over the past 12 months for HENNGE One **improved** by **0.03pt** YoY to **0.12%**. This means that the theoretical average lifetime is over 69 years. It remains at a low level.
3. The number of user companies of HENNGE One **increased** by **21.4%** YoY (**+252** companies) to 1,428 companies. The number of users of HENNGE One **increased** by **22.0%** YoY (**+0.301** Million users) to 1.672 Million users. ARR of HENNGE One **increased** by **27.0%** YoY (**+0.69** Billion yen) to 3.24 Billion yen and has grown steadily.

The next is KPI Highlights in FY09/2019. What we focus on as KPI are recurring revenue, revenue ratio, churn rate, the number of user companies, the number of users, and ARR. Let me touch on each topic.

Recurring revenue ratio

Recurring revenue ratio

Recurring revenue ratio grew 2.4pt YoY to 96.1%.
 We continue to achieve a strong and stable recurring revenue model.



16

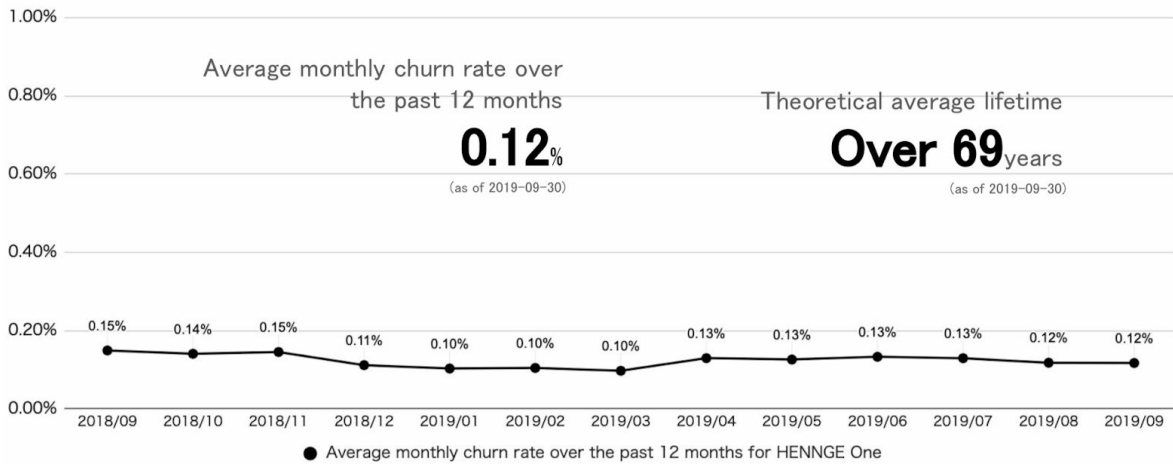
First, recurring revenue supports our corporate stable profit base. Basically, the recurring revenue has the high potential to gain successive annual payment until cancellation. Recurring revenue ratio grew 2.4pt compared to the previous year to 96.1%, and its level is very high.

A high recurring revenue ratio means the figure of continuation of sales in the next fiscal year in case of no investments on expenses to acquire new customers. We're sure it's a fountain of the future operating income of our company, so we try to keep going to enhance it.

HENNGE One: Churn rate

HENNGE One: Churn rate

Average monthly churn rate over the past 12 months for HENNGE One improved by 0.03pt compared to the previous year and remains at a low level. We continue to achieve a stable and sustainable growth model.

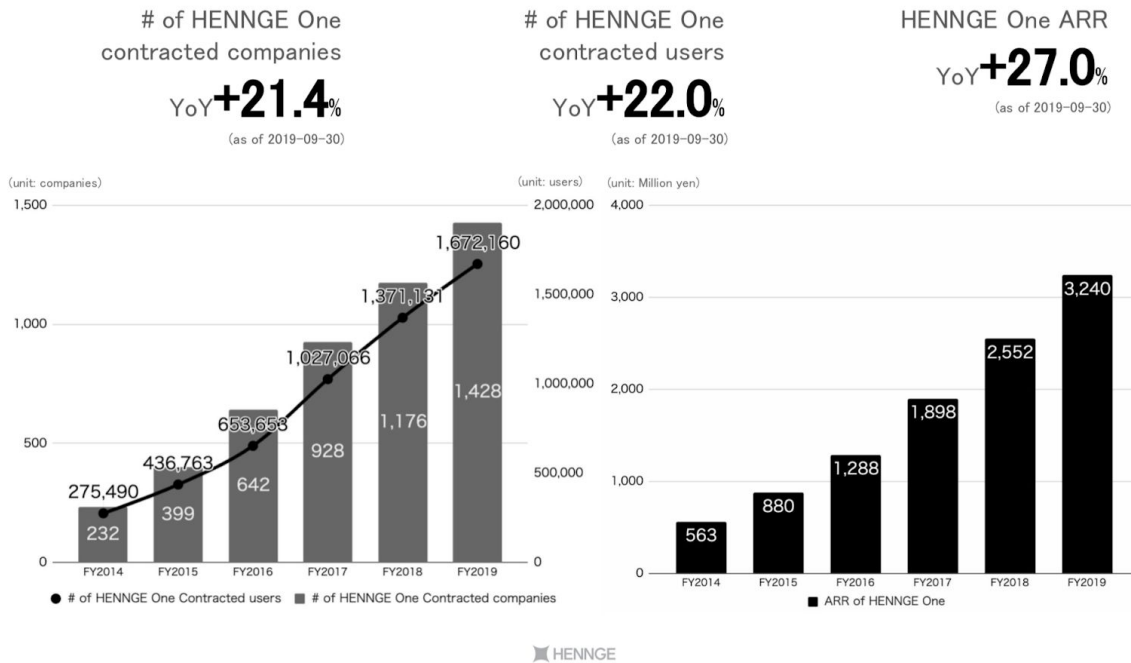


The next is the Churn rate. We are proud of the low churn rate of our service historically. It improved by 0.03pt compared to the previous year to 0.12 percent from 0.15 percent at the end of September.

The formula of 1 divided by the churn rate means the average contract duration in months. When you calculate 1 divided by 0.12 percent, it will be 69 years. So, theoretically, when we acquire one customer, the customer uses our service for 69 years on average. Our lower churn rate shows that our customers are satisfied greatly with our service, and they are most likely to use our service for a long time.

HENNGE One: other KPIs

HENNGE One: other KPIs



I'll touch on the number of other KPIs. The number of contracted HENNGE One increased by 21.4 percent, contracted users increased by 22 percent, and ARR increased by 27 percent compared to the previous year. The higher increasing percentage of ARR than contracted companies means ARR per company increased, and that's a good tendency.

Solid customer base

Solid customer base

HENNGE One is used by 1,428 customers in various industries. (as of 2019-09-30)



✧ HENNGE

19

HENNGE One is supported by a solid customer base used by 1,428 customers across various industries. This service is useful in any industry without specification. However, there is a characteristic of good compatibility with certain large-scale companies. This is because key reasons for introduction of this service are security and improvement of SaaS usage in most cases.

For example, companies who has 10 employees would think that they don't have to use it. However, companies who has 100 - 200 employees will think that they can't handle some business tasks without HENNGE One.

In any case, we're sure that this is available in the whole industry in Japan.

Maximize LTV

maximize LTV

$$\text{LTV} = \text{ARR} \times Y \times r$$

Y = [Average contract duration in years]

r = [Gross profit rate]

$$\text{ARR} = N \times n \times \text{ARPU}$$

N = [# of contracted companies]

n = [Average # of contracted users per contracted company]

ARPU = [Average Revenue Per User]

This is the future growth strategy of our company. Basically, we are going to maximize our future contract value that is called LTV. This formula leads our corporate's future total value. Y means average contract duration in years to ARR, Annual Recurring Revenue. And, the gross profit rate means r.

As I mentioned just before, in the case of our corporate, Y is theoretically 69 years, and r is 82 percent. So, our LTV is the result of the calculation of 69 years times 82 percent at one contract theoretically. As a basic strategy, we think it as key to expanding our future LTV without minding the level of operating income in this fiscal year.

On the other hand, since our Y and r is high enough, we might not improve them drastically. It is hard to achieve drastic changes to them in a few years, for instance, Y goes 120 years, r goes 99 percent. It might not be impossible for a long time, but what we have to focus on in near future is the way how we increase ARR.

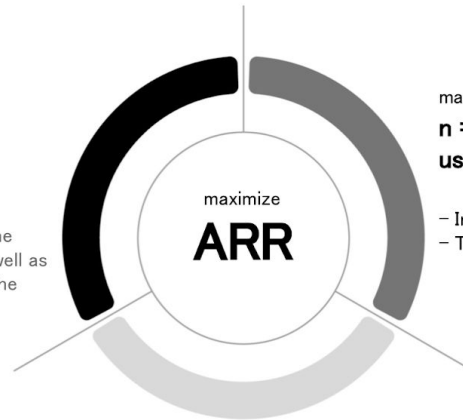
Maximize ARR

maximize ARR

$$\text{ARR} = N \times n \times \text{ARPU}$$

maximize **N**
N = # of Contracted companies

- Increase our sales force
- Expand our business within the Tokai/Kansai/Kyushu area as well as other overseas regions to get the first-mover advantage



maximize **n**
n = Average # of contracted users per contracted company

- Increase our customer success power
- Target large companies

maximize **ARPU**
ARPU = Average Revenue Per User

- Develop new features/services and cross-sell to both new and existing customers

HENNGE

22

The breakdown of this ARR is the formula on page 22. It's the multiplication of the number of contracted companies, the average number of contracted users per contracted company, and ARPU (Average Revenue Per User). I'm sure that the way how we maximize ARR leads to maximize LTV.

There are three elements to maximize ARR: N (the number of contracted companies), n (the average number of contracted users per contracted company), and ARPU. Which elements we should focus on is important.

If we could take a measure to strengthen those three elements at once, sales would increase like cubic function. If two elements, quadratic function. We could increase sales exponentially. If possible, we will do not liner but exponentially, so we'd like to increase those three elements at once in the future.

Although my long-term aim is a cubic-functional growth, my short-term aim is to maximize the number of contracted companies (N) first.

And, my mid-term aim is the improvement of ARPU. In the current statement, ARPU is 1,938 yen, and I have to increase it more.

Taking it into consideration that workstyle with SaaS is now about to be more common, and in fact, many SaaS companies went public in these years, we are facing the new era of realizing workstyle transformation to improve productivity with using multiple SaaS-es. So, as for N, there is still a lot of room we can reach.

Our aim is to increase our sales force and expand the coverage area. Since the cloud service's wave is spreading to other areas than Tokyo, we are considering some

strategies for introduction of HENNGE One when the cloud service will be common in the other areas such as Nagoya, Osaka, and Fukuoka.

As for ARPU, what we can do is just to increase the unit price. We'll raise it by seeking, developing and selling new functions and new services.

Overview of FY09/2020 full-year forecasts

Overview of FY2020 full-year forecasts

	FY2019 Results	FY2020 Forecasts	YoY	YoY (%)
(unit: Million yen)				
Net sales	3,427	4,110	+684	+19.9%
(HENNGE One)	2,916	3,613	+697	+23.9%
(Professional service and others)	511	497	-14	-2.7%
Operating income	187	259	+72	+38.3%
(Operating income margin)	(5.5%)	(6.3%)		(+0.8pt)
Ordinary income	178	259	+82	+45.9%
Profit attributable to owners of parent	110	145	+35	+31.9%
(Net income margin)	(3.2%)	(3.5%)		(+0.3pt)

1. Net sales is expected to grow by **19.9%** on a YoY basis.
2. Operating income is expected to increase by **38.3%** on a YoY basis. Additionally, Ordinary income and Profit attributable to owners of parent are expected to increase compared to the previous year.

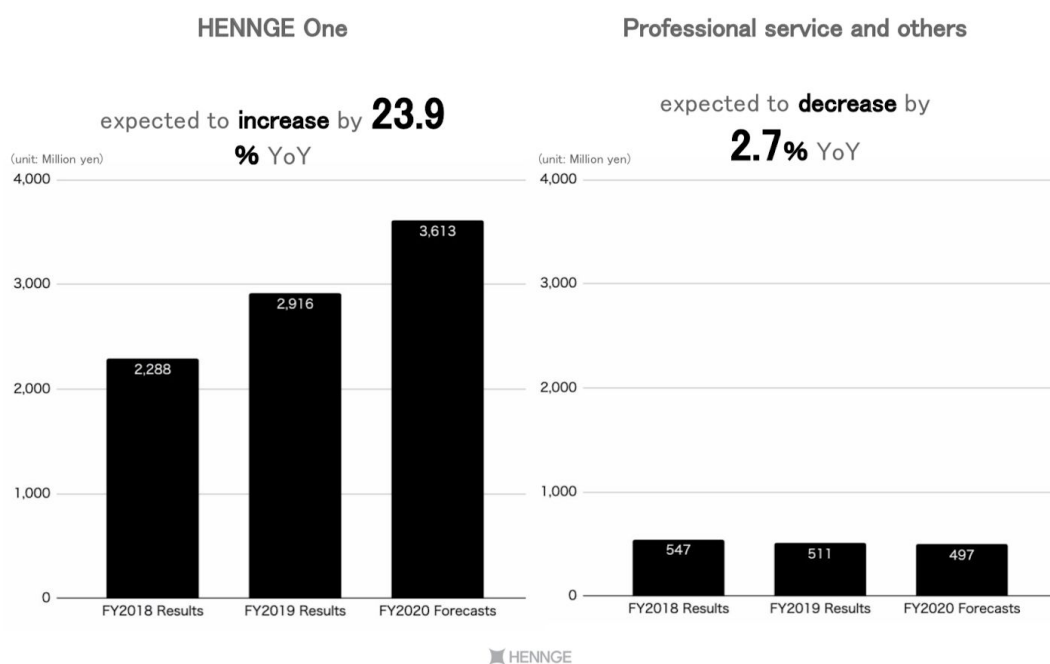
I'll explain the overview of the FY09/2020 full-year forecast based on the results of FY09/2019.

As for net sales, it will increase by 19.9 percent compared to this fiscal year, and operating income will increase by 38.3 percent compared to this fiscal year. Net sales will be 4,110 million yen, operating income will be 259 million yen, and profit attributable to owners of parent will be 145 million yen. Both income and profit is expected to increase compared to this fiscal year.

Naturally, when we get an opportunity to maximize our future income, we will invest aggressively in that period. In consideration of the desired effect of IPO that improves our awareness, we will try to grasp such opportunities proactively.

FY09/2020 forecasts of net sales by business

FY2020 forecasts of net sales by business



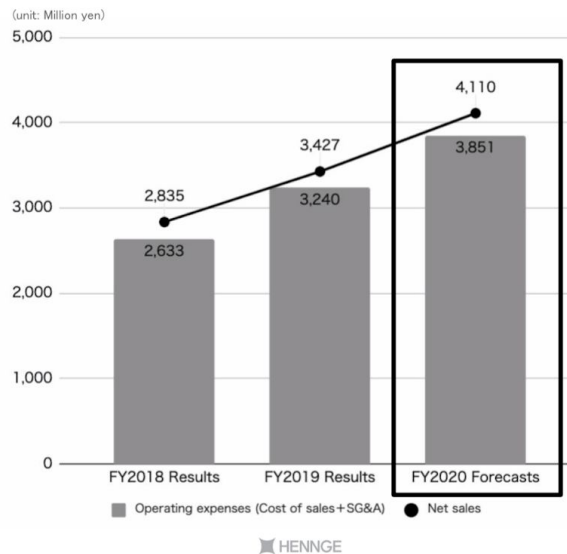
25

Net sales of HENNGE One business will increase by 23.9 percent in FY09/2020 forecasts. On the other hand, that of Professional service and others will decrease by 2.7 percent. We'll strategically terminate some traditional products on a declining trend and invest in HENNGE One that is a new business and the driver of our company's growth.

FY09/2020 forecasts of operating expenses

FY2020 forecasts of Operating expenses

In FH (especially during the 1Q) of FY2020, we plan to invest proactively in IPO related fees (we listed on Oct), recruiting, office expansion, holding the event “HENNGE Now!” and so on.



26

As I explained just before, as for our policy of operating expenses, we'll invest aggressively to increase the future ARR and LTV. Because we run SaaS business, we basically aim at the acquisitions of new customers with proactive investments. Especially in FY09/2020, there is something irregular. As for the first quarter, there are IPO-related expenses because we listed at the beginning of the period. Also, we planned to invest aggressively on any expenses such as strengthening recruiting, office expansion, and holding of our event 'HENNGE NOW!'. As a total, compared to this fiscal year, the proportion of expenses in the first quarter will be larger a bit. We'll invest proactively.

Our growth strategy on and after FY09/2021

Our growth strategy on and after FY2021

Because HENNGE One is an IDaaS,
we will grow together with the SaaS adoption in business.



Establish SaaS Platform

✧ HENNGE

27

As for our growth strategy on and after 2021, HENNGE One holds a unique position because its main function is to federate and manage IDs of SaaS-es. We'll promote to make it the SaaS platform with a role to connect various SaaS-es of various vendors. With the SaaS adoption in our user companies, we will expand HENNGE One to keep as the driver of our company's growth. That is our growth strategy.

FY09/2020 Activities for PR and Advertisement

FY2020 Activities for PR and Advertisement

We will promote the adoption of SaaS within business to increase our future customer bases.



✎ HENNGE

28

Just last week, on 14th November 2019, we held the event 'HENNGE NOW!'. This was our new challenge of the promotion of HENNGE One as the SaaS platform. Inviting many guests and other SaaS vendors, we talked about using BtoB SaaS-es with them. By holding such events, we'll expand potential customers of HENNGE One.

Formula to our growth strategy

Formula to our growth strategy

Focus on increasing # of contracted companies in the short term, while aiming to increase ARPU in the medium to long term.

	ARR			N			n			ARPU			
	ARR	YoY (%)	YoY	# of Contracted companies	YoY (%)	YoY	Average # of Contracted users Per Contracted company	YoY (%)	YoY	Average Revenue Per User	YoY (%)	YoY	
	(Millions of yen)			(companies)			(users)			(yen)			
FY2014	563			=	232		x	1,187		x	2,042		
FY2015	880	+56.5%	+318	=	399	+72.0%	+167	x	1,095	-7.8%	-93	x	2,015
FY2016	1,288	+46.3%	+407	=	642	+60.9%	+243	x	1,018	-7.0%	-76	x	1,970
FY2017	1,898	+47.4%	+611	=	928	+44.5%	+286	x	1,107	+8.7%	+89	x	1,848
FY2018	2,552	+34.4%	+653	=	1,176	+26.7%	+248	x	1,166	+5.3%	+59	x	1,861
FY2019	3,240	+27.0%	+688	=	1,428	+21.4%	+252	x	1,171	+0.4%	+5	x	1,938

HENNGE

29

As for our growth strategy, I told ARR is the multiplication of N (the number of contracted companies), n (the average number of users per contracted company), and ARPU just before. First, please look at the table of an annual trend.

On this table, as for N that I explained just before, our sales force had the power of acquiring almost 250 companies per year, and it was increasing every year.

As for my comment that we'd like to increase N, the strategy for increasing N is to increase with the expansion to other areas than Tokyo.

As for n, it's increasing a bit. Since we've been able to reach to large-scale companies by collaboration with our partners until FY09/2018, n has increased at a certain level and now going up a bit.

As for ARPU, we will increase it by the release of a new sales plan and strengthening of new functions. In FY09/2019, it improved by 4.1 percent compared to the previous period. However, if it could improve by not a little percentage but for example twice with providing new functions to our customers, a more drastic increase would be expected.

As for ARR, the multiplication of these elements, was more than 3.2 billion yen at the end of FY09/2019, and its growth rate was 27 percent.

The growth rate of ARR was 56.5 percent in FY09/2015, but it has been slowing down gradually. That's because the denominator has been increasing with our low churn rate.

The annual increase amount of ARR has also been increasing every fiscal year, but I'm not satisfied with its growth speed. Unless we increase the annual increase amount of

ARR, the ARR growth rate would be slowing down. So, the basis of our growth strategy is to increase N and ARPU for the mid-term.

Corporate profile

Corporate profile

Company name : HENNGE K.K.

Executives:

Kazuhiro Ogura
Representative Director & Chief Executive Officer
Kazuaki Miyamoto
Representative Director & Executive Vice President
Yoshiki Nagatome
Director & Executive Vice President
Fumiaki Goto
Director
Koichi Tamura
Auditor
Akenobu Hayakawa
Auditor
Kunihiro Onai
Auditor

Founded on: 1996/11/05

of employees : 154

(Excluding part-time employees, as of 2019-09-30)



Kazuhiro
Ogura



Kazuaki
Miyamoto



Yoshiki
Nagatome



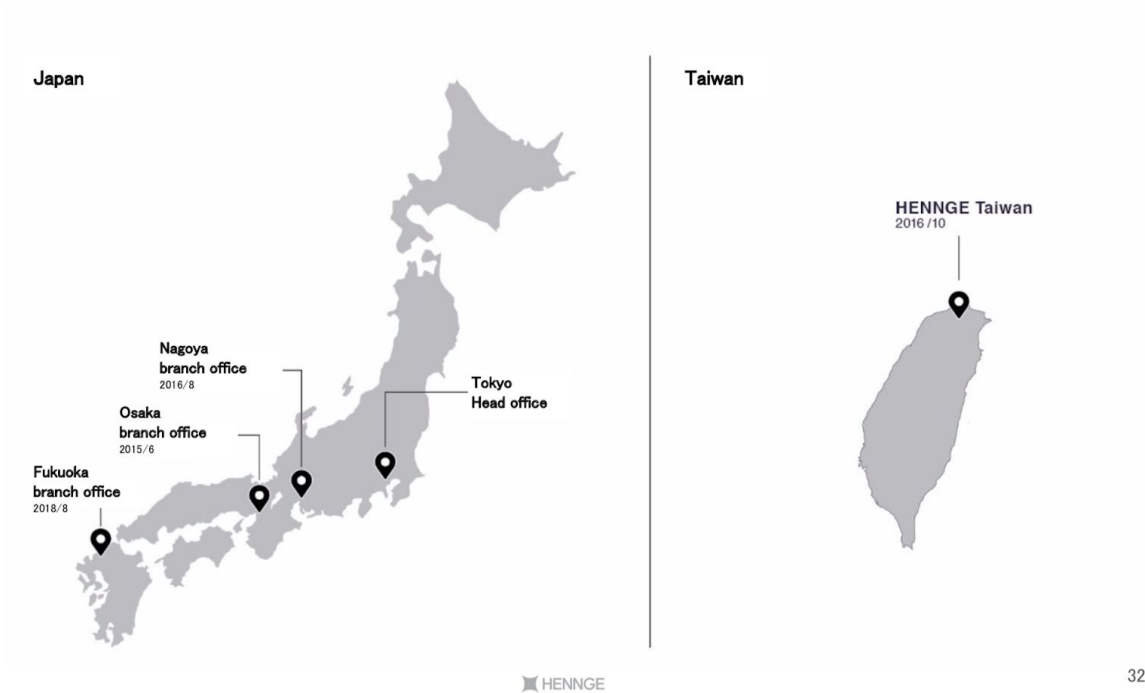
31

As we still have time, I'll touch on our corporate profile.

We are HENNGE K.K. and a little long-established company founded on 5th November 1996. Three persons on the slide are founders and started at their student days 23 years ago. After many twists and turns, around 2011, we changed our field of business to SaaS, and now we are here.

Locations

Locations



In Japan, we have four offices in Tokyo, Nagoya, Osaka, and Fukuoka. Overseas, we have HENNGE Taiwan. Each branch office is sales office, and the development center is at Tokyo HQ. However, as more than 80 percent of our sales force are at Tokyo HQ, we'd like you to recognize that we are now on the way to expand our business in other areas than Tokyo aggressively.

VISION

VISION

We want to deliver the power of technology to as many people as we can.

Liberation of Technology テクノロジーの解放

■ HENNGE

33

Our vision is 'Liberation of Technology'.

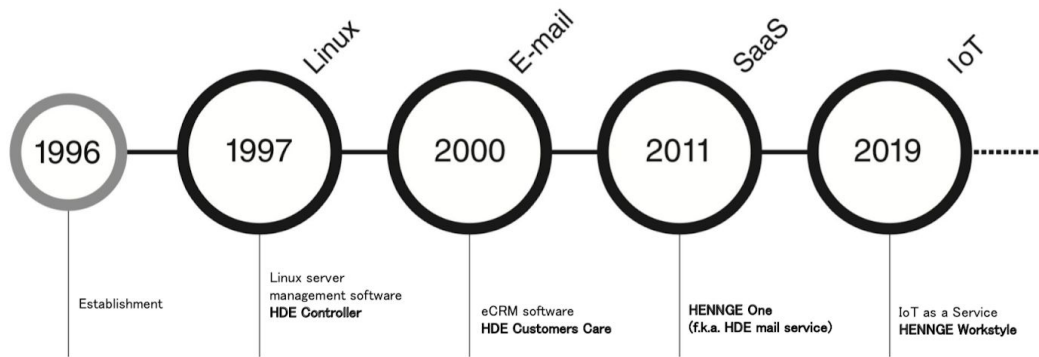
We strongly believe that technology makes people happy. On the business-to-consumer(BtoC) side, a lot of competitions between providers make customers easy to receive new technologies. However, on the business-to-business(BtoB) side, customers are hard to receive them, for example, it takes too much time or there is a gap. We think it as an important issue.

We will deliver new technologies that make customers happy in the BtoB market.

History

History

Our business domain is ever-changing, but our will remains steadfast.



SaaS (Software as a Service) : a model for the distribution of software where customers access software over the Internet.



34

After the establishment in 1996, our corporation has experienced a few pivots. Around 1997, we provided server management software. After that, we ran E-mail and server business, such as E-mail security and CRM, for about 15 years. Resulting from the Great East Japan Earthquake in 2011, many companies, including us, were in for the trouble that employees could not go to the office for work. At that time, we thought that ‘working at home with using the cloud’ would solve this problem, and our corporate changed like that. In the process of the change, since our business had been related to security for 15 years, we found that there were some security risks unacceptable for the companies in the cloud adoption. We thought that the risks would be a barrier of SaaS adoption in future. That was the start of our SaaS business, and the history led to the current service HENNGE One.

HENNGE One (1)

HENNGE One

Identity as a Service (IDaaS)

Provides centralized authentication to various SaaS-es, with Single-Sign-On (SSO) technology.



IDaaS (Identity as a Service) : Identity and access management services which are offered through the cloud or on a subscription basis through SaaS.

HENNGE

35

This is an explanation of HENNGE One. HENNGE One is IDaaS that provides centralized authentication to various SaaS-es with Single-Sign-On technology. Nowadays, a company has started using many SaaS-es in its business. For example, the company uses Office 365, Sansan for business card management, Kaonavi for human resource management, and Chatwork for business chatting, and so on. Like that, companies gradually started to use various SaaS-es nowadays. For example, if your company uses five SaaS-es, you have to set IDs and passwords for each of the five services. When he left the company, you have to delete all his IDs and passwords from each of the five services.

If you forget to delete them, the staff can access the information of your company after the retirement with those IDs and passwords on the view that humans are inherently evil.

More SaaS-es you use, more complicated problem in the management of IDs you face. Also, to your staffs, if there are 10 services in your company, they had to remember 10 IDs and passwords, and your internal IT system section member ordered them to set an indecipherable password or change their passwords once every three months. Consequently, your staffs will become forced to change any one of their passwords every day.

HENNGE One is a service to solve it with two functions; one is the ID Federation, and another is Access Control.

In short, as for the function of the ID Federation, when you login HENNGE One, you can do other SaaS-es without entering IDs and passwords.

Even if there are 10 SaaS-es in your company, you can use these SaaS-es just by making one ID and password of HENNGE One.

Moreover, at the retirement of your staff, just by deleting his ID and password of HENNGE One, it becomes impossible to access the SaaS-es with his ID and password. The solution to the issue that I mentioned just before is this ID Federation.

Although you would think that you could solve all the problems only with this ID Federation, but in fact, the function of Access Control will also be required.

For example, not that it was desirable for the company to let everyone access from everywhere with the same ID and password to all SaaS-es such as Kaonavi, Salesforce, Sansan, Chatwork, and Office 365.

Some companies want to control/manage who, when, and where could access according to the security level of information.

For example, as for business chatting, they want to promote flexible communication with the easier login from the private mobile phone and laptop. On the other hand, not that they want to allow any access to SaaS-es of human resource information management from an abeyant and unknown device at Manga Cafe.

By using HENNGE One, you can set each access policy in every SaaS.

For example, you can set the policy that you allow access to some basic SaaS-es only from the company's device but allow access to business chatting SaaS-es from the worker's home. Or, as for Salesforce, since sales section members need to enter their daily reports from the outside, you can allow access from the company's devices. By using the function of HENNGE One, you can set the access policy individually like this.

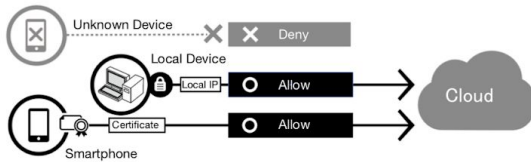
In a combination of ID Federation and Access Control, we support the companies to move to the SaaS workstyle smoothly.

HENNGE One (2)

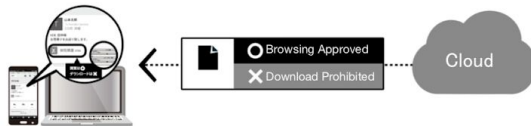
HENNGE One

Also provides useful features that help companies to move their workload onto the cloud.

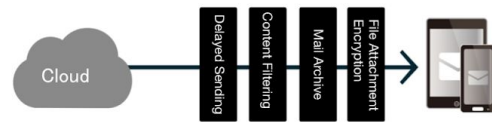
1. HENNGE Access Control



2. HENNGE Secure Browser



3. HENNGE Email DLP



4. HENNGE Email Archive

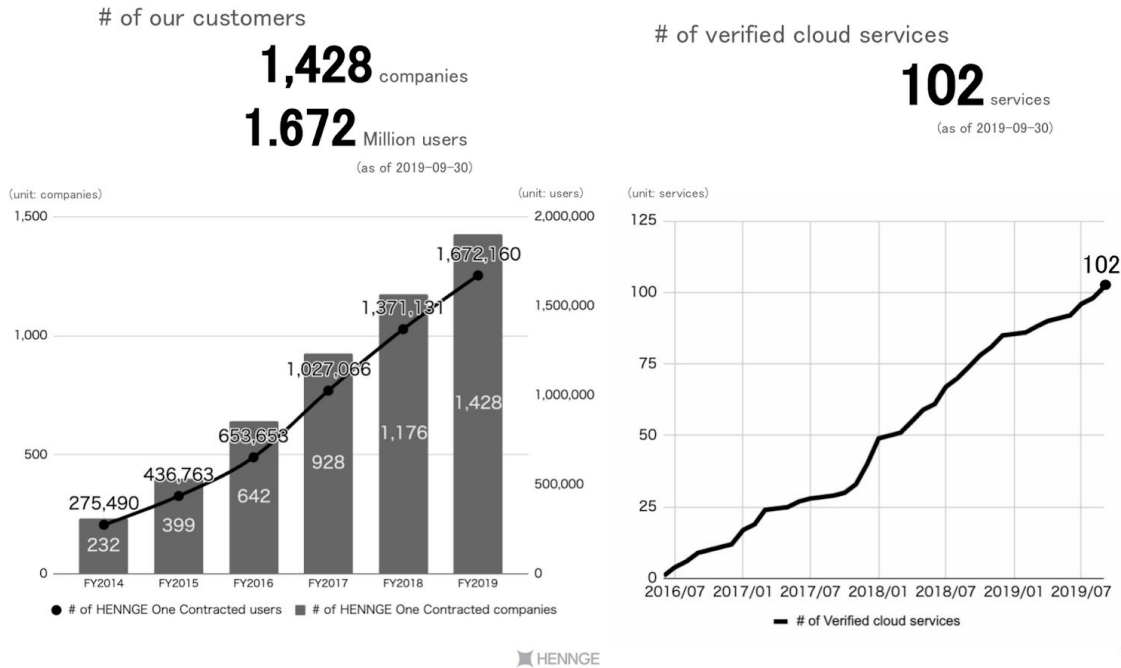
5. HENNGE Secure Transfer

Email DLP (Email Data Loss Prevention / Email Data Leak Protection) : a feature that prevents certain information from leaving the organization via email.

HENNGE One has not only ID Federation and Access Control but also other various functions that our corporation has provided in our 15-years history. We hope to solve all the problems that the company faces at the move to SaaS workstyle as possible; the email security service, the secure browser for smartphones, the email archive, and the service of transfer of a large file, and so on. And, we hope to help the company to manage to improve its productivity with SaaS. From such perspective, we provide various functions with ID Federation mainly, and that's HENNGE One.

HENNGE One (3)

HENNGE One



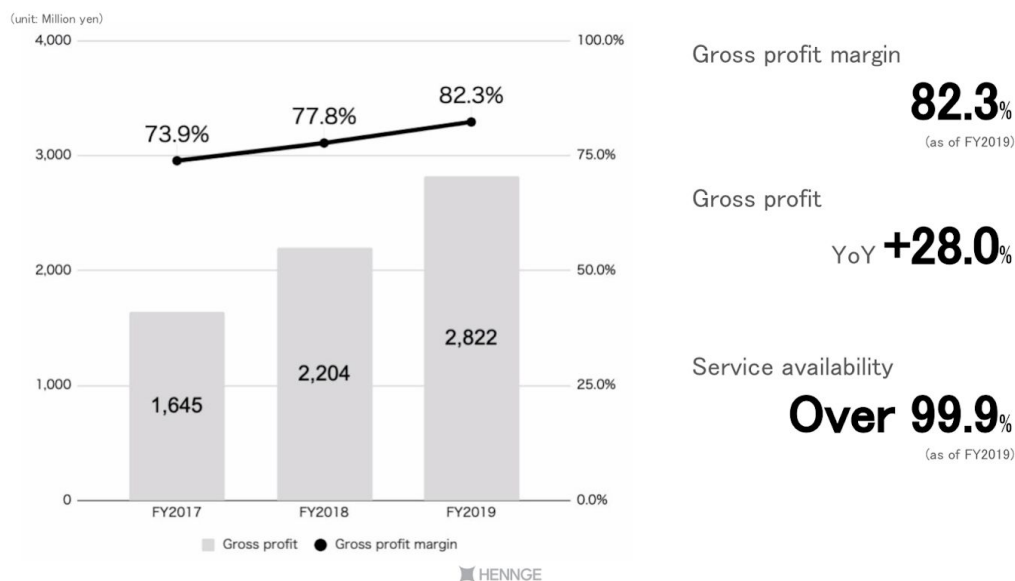
Now, our customers are increasing to 1,428 companies and about 1.67 million users. This service has connected with various cloud services such as not only American SaaS-es including AWS, Office 365, G Suite but also Japanese SaaS-es. HENNGE One is available for almost all the SaaS-es that Japanese companies want to use.

That’s my explanation. Thank you so much for listening.

Q & A : Necessity of advanced investment against service availability

Gross profit and gross profit margin rate

Gross profit margin improved by 4.6pt YoY to 82.3% due to improvement in the HENNGE One foundation system.



6

Questioner 1 Thank you for your presentation. I have three simple questions.

As for the first question, on page 6 of the slide, you mentioned that the reason for the great improvement of gross profit and gross profit margin rate is the efficiency of the foundation system. Let me confirm the meaning of the efficiency of the foundation system. Which is true, improvement of profit rate is only by an increase in sales volume because of a high fixed cost ratio or by some reduction of cost itself? And, although 99.9 percent of service availability is very high, let me make sure that nothing is required to do an advanced investment on it due to sales growth?

Ogura Regarding the improvement of gross profit and gross profit margin rate, you asked which is the reason, the increase in sales and decline of the proportion of fixed cost or other improvements. And, you also asked the necessity of some advanced investments for keeping 99.9 percent of service availability.

First, as for the former question, honest to say, I think that both are true. Although I do not have data for disclosure of its breakdown, our development team indeed improves to make more processes with the same computing power, and also we indeed have a certain server resource needless expansion in case that the number of customers increases. I think that there are multiple factors.

As for the advanced investment to maintain 99.9 percent of service availability, in short, it depends on the structure of computing resources to keep the service available when the customers access.

For example, in a part of our services, we think we need to distribute the service into both Singapore and Tokyo. However, in that sense, it's the fact that we do only in Tokyo if we don't care to be 99.9 percent but 99.5 percent.

But, until now, we do not think that we have to do an advanced investment to maintain the current service availability. And, by keeping the current scale and measure of the foundation system, we could maintain the service level to our customers basically. That's all.

Q & A : Policy of recruiting

Questioner 1 Thank you. As for the second question, you mentioned in the growth strategy that you will increase HENNGE One business in this fiscal year and try to expand in other areas. On the other hand, you mentioned the difficulty of recruiting in FY09/2019. Let me confirm the strategy of recruiting including sales members in this fiscal year.

Amano I'm Amano, Executive Officer. Thank you for your question. In FY09/2020, compared to FY09/2019, we planned to increase in total. As for sales members of them, we will recruit more than this fiscal year; that's about 10 people. However, as Ogura said just before, if there is an opportunity to invest including the recruitment, we will recruit aggressively without clinging to the current plan.

Questioner 1 In light of the current situation, can you succeed in recruiting at a certain cost?

Amano Rather than by the amount of expenses, we are expected to improve in recruiting by strengthening awareness of our company; this is one of our aims to be listed.

Q & A : Temporary irregular expenses

Questioner 1 Thank you. As for the third question, you touched on the temporary irregular expenses in this fiscal year. And I suppose there were also some irregular expenses in FY09/2019. Could you tell us how much the total amount of the temporary irregular expenses was decreased in FY09/2020 compared to FY09/2019 and how much you will add the total amount of them onto the fiscal year plan?

Amano Thank you for asking. As for the temporary irregular expenses in FY09/2019, in the explanation at the listing, we explained about 0.1 billion yen mainly for the company name change, IPO, and office expansion.

And, in FY09/2020, although I said it was temporary, there will still be the aggressive advertising, the proactive investment in recruiting, and office expansion over the fiscal years. And a part of the office expansion fee is the temporary one, but there are an increase based on the office rent fee. So, It is hard to say like this part will be decreased or that part won't be costed.

As for 0.1 billion yen of the temporary irregular expenses in FY09/2019, it won't cost in FY09/2020. But there will be an increase in office rent fee and the temporary

irregular expenses for the new office partly in FY09/2020. Also, since we listed in October, IPO-related expenses will generate partly.

Questioner 1 Thank you.

Q & A : Breakdown of cost of sales

Questioner 2 Thank you for your presentation. As for cost of sales, please show us the breakdown as much as you can. This is my first question.

Amano Thank you for your question. I think that everyone is concerned about the decline in cost of sales compared to FY09/2020. I'm sorry I cannot tell how much it is in detail since we described it as one line in the earnings results briefing.

Please confirm the details of cost of sales in the annual securities report that will be disclosed in the next month.

Basically, as for our cost of sales, development-related labor costs and other expenses are appropriated.

Of them, development-related labor costs are complicated. In the processing of R&D expenses in software accounting, we appropriated a part of it as R&D expenses of SG&A through transfer to other accounts. Please understand that there's a possibility of fluctuating in the figures.

Questioner 2 I got it. Thank you.

Q & A : Forecast of expansion of SaaS

Question 2 This is the second question. I understood that SaaS as various services expanded in these days. I would like to hear about your forecast of whether they will be really standard.

Ogura You asked whether SaaS will become standard in our life. Although I cannot eliminate the hope that will be beneficial to our business in future, but I'm sure that it will be standard. Our company was unrelated to SaaS at all until 2011. However, we decided to change completely from on-premises, and now here we are.

It is because the trend in America is like that, and especially in Japan, there is a great issue of efficiency of productivity and labor shortage. To solve them, acceptance of more diversified human resources is necessary.

For example, in consideration of selecting a high-flexible workstyle such as short-time worker, telecommuting worker, non-full time worker without his desk, since the current on-premises system is binding to the locations, it's impossible to control the access by other way excluding the measure of distinguishing between the office and outside, and the same as for assembly-line production.

Of course, although there are some solutions to access the on-premises system by using VPN and VDI, that kind of technology is, from the point of view of the directionality of technology, essentially for forcing things inside the company to be available outside.

We have two viewpoints regarding it. First, from the viewpoint of reform of workstyle and improvement of productivity, companies will be starting using various SaaS-es

definitely, because the on-premises system is weaker, has more limitations, and is more difficult to keep the service availability I mentioned just before in comparison with the the cloud services and SaaS-es developed on the premise that the employees access to the same data from the different locations.

Second, from the viewpoint of maintaining corporate competitiveness, companies would need to solve with the continuous and quick import of outside innovations. With the current on-premises system, as the only way to import of outside innovations is by the move to the new system, companies will be forced to change step-wisely.

Since it's hard to step the stairs, many people will claim that they will not like the different way from the tradition. Or, the change will be delay due to the hard decision since the transfer takes much money suddenly.

As for SaaS system, unlike on-premises that companies continue to use the unchangeable system, since the vendors of SaaS-es continue to compete and strengthen their functions by themselves, companies can be able to import the results of the vendors' external innovation gradually such as new functions or improvements of operation every quarter.

With understanding it as the structure of stairs vs. escalator, in the sense that companies import the external innovation with the escalator-style way, it's beneficial for the company to adopt SaaS-es and update the latest technology constantly in order to keep their competitiveness.

I think that this era with some listed SaaS companies is just the beginning of the best of the breed. Not only the huge system developed by a single vendor, but there are various SaaS-es provided by various expert companies in various fields around that. In such a way as to import those technologies from SaaS companies that continue to win the competition, like best-of-breed around suites, we may be entering the era for companies to achieve the various benefits from the aspect of cost, productivity, and innovation.

So, my answer to your question as to the adoption of SaaS is positive.

In the slide that we used at the event of 'HENNGE NOW!', we showed how much SaaS-es American companies use. I'm sorry I don't remember the exact figures.

However, it's common for American middle-scale companies to use more than 100 SaaS-es. So, in Japan, I think that it will be the same as it and will be standard to use both suites and best-of-breed.

And when many SaaS-es are used like that, our HENNGE One will sell well. I hope to be so. Sorry, it became a long story.

Questioner 2 That's a really interesting story. Thank you.

This document has been prepared by HENNGE K.K. (the "Company") solely for information purpose. This document does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in Japan, the United States or any other jurisdictions. It is prohibited to offer or distribute securities issued by the Company without due registration, or exemption of registration, required under applicable laws in Japan, the United States, or any other jurisdictions. The information contained herein is based on current economic, regulatory, market trends and other conditions. The Company makes no representation or guarantee with respect to the credibility, accuracy or completeness of the information herein. The information contained herein may change without prior notice. You may not publish or use this document and the contents

thereof for any other purpose without a prior written consent of the Company. Furthermore, the information on future business results is forward-looking statements. Forward-looking statements include but not limited to expressions such as "believe", "expect", "plan", "strategic", "expect", "anticipate", "predict" and "possibility", as well as other similar expressions to explain future business activities, achievements, events and future conditions. Forward-looking statements are predictions about the future that reflect management's judgment based on currently available information. As such, these forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by the forward-looking statements. Therefore, you may not rely entirely on forward-looking statements. The Company does not assume any obligation to change or correct any forward-looking statements in light of new information, future events or other findings. This document and its contents are confidential and are being provided to you solely for your information and may not be retransmitted. This presentation is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. In giving this presentation, the Company does not undertake any obligation to provide the recipient with access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information which may become apparent. Information on companies other than the Company and information provided from third parties are based on public information or sources. The Company has not independently verified the accuracy and appropriateness of such data and indicators used herein, nor assume any responsibility for the accuracy and appropriateness of such data and indicators presented in this document.