

Note: This document is a transcript of the movie of 2Q FY09/2020 Consolidated Financial Results (https://youtu.be/i8_jxIshBxc), which is a translation of Japanese version (<https://youtu.be/UuVgAhlSnO0>). This is provided for reference purposes only. In the event of any discrepancy between the Japanese original and the English translation, the Japanese original shall prevail.

This is a transcript of 2Q FY09/2020 Consolidated Financial Results explanation movie by HENNGE K.K. on 13th May 2020.

Ogura Kazuhiro Hello, I'm Kazuhiro Ogura, the CEO of HENNGE K.K. Thank you so much for watching our video today. Let's go through our consolidated financial results of the second quarter of 2020.

Before going through the slides, I would like to say thank you to all the medical workers and all the people who are doing their hard work to fight against the novel coronavirus under this difficult situation. Thank you very much.

Our Business Model

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Our Business Model

Our business model is characterized by the followings;

- **Recurring revenue model**

97.3% of net sales is recurring revenue in this quarter.

We have achieved a strong and stable recurring revenue model.

- **Annual upfront payment model**

87.9% of net sales is that of HENNGE One business in this quarter.

As HENNGE One is provided basically with an annual upfront payment contract, a part of the future services fee is recorded as unearned revenue. We have built a strong financial foundation.

- **IDaaS**

Our HENNGE One is IDaaS (Identity as a Service) ,which provides centralized authentication to various SaaS-es with Single-Sign-On (SSO) technology. It supports companies in various ways of working, such as remote work.

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So let me start with the COVID-19 impact to our business and how we are responding to it. First things first, I'd like to talk about our strong business model. We picked up three points. The first thing I picked up is that we have a recurring revenue model. As of the end of the second quarter, 97.3 percent of our revenue is comprised of annual recurring revenue, which makes our revenue base stable.

The second point we picked up is that we have an all upfront payment model. As of the end of the second quarter, HENNGE One accounts for 87.9 percent of the total

revenue. HENNGE One is basically provided with an annual upfront payment contract, which brings in a strong cash inflow to us.

And the third point is that we have an IDaaS. HENNGE One, our main business, is an IDaaS that provides ID Federation, single sign-on and cloud security for companies who want to use multiple cloud services to accelerate their businesses. We think there will be a certain demand for a service like ours under the current COVID-19 situation in which many companies are seeking to implement work from home.

Given those factors, we think that our business model remains strong even if the world entered the recession phase in the future or even under a situation that most of the company workers are working from home. However, it is true that there are many factors that will impact our business. So, I would like to explain those.

Impact of COVID-19

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Impact of COVID-19

While recruitment and customer acquisition activities will be affected to a certain extent in the short term, we anticipate that the demand related to diverse working styles will accelerate in the future over the medium to long term.

■ Short term impact

Impact on new customers acquisition

- Some events and seminars for customer acquisition might be postponed.
- Some impact on lead generation and customer acquisition due to offline activity limitations.
 - However, the impact during this fiscal year is expected to be limited because our business negotiations take relatively long lead time.

Impact on our existing customers

- Increase in up-selling and cross-selling of HENNGE Device Certificate and other products from existing customers who promote diverse working styles, such as remote work.
- Concerns about the decrease in # of contracted users due to the decrease in # of employees at user companies etc. in the future economic recession.

■ Mid to long term impact

We believe the demand related to diverse working styles will accelerate.

We picked up short term impacts and mid to long term impacts. So first, about the impact on new customers acquisition. We do BtoB sales and we do physical BtoB sales. The typical way to get sales lead is from events or seminars. We have events and seminars, we gather leads, we contact our customers, and we go to sell things. So, if events or seminars get canceled or get postponed, that would impact our future sales leads.

However, our sales lead time is not very short. Our customers typically plan yearly or annually, so the lead time is not days, it's not weeks, but it is months. So, even if our

seminars or events got canceled or got postponed right now, it's not something that would immediately affect our business for this fiscal year.

But it might affect our future lead building. So we would like to supplement this by accelerating our online sales activities as well as our online marketing activities.

Regarding the impact on our existing customers, I think we have both good things and bad things. We do have some products that we might be able to expect upselling and cross-selling like HENNGE Device Certificate which directly helps our customers who are trying to implement work from home or remote working.

On the other hand, if the world enters the recession phase and if in case our customers are going to decrease the number of their employees, that would affect our revenue because we bill based on the number of employees inside our customers company who are using our product.

Mid to long-term impact. This is not just about us but about all SaaS companies. But now that all companies in the world are seeking to implement work from home. We are sure that the demand towards SaaS products will be growing steadily. It's just like what happened after the 2011 earthquake in Japan. We provide a secure access platform for the companies who are trying to implement multiple SaaS products in their work. So we believe that our potential market is going to grow steadily after this calms down.

Our Response to COVID-19 (1)

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Our Response to COVID-19

To prevent the spread of COVID-19 and to ensure safety, we are working on the followings;

- We have been experimenting with non-territorial office and remote work about one day a week for some employees.
- After establishing the basic policy for COVID-19 response in Feb 2020, the request level was gradually increased in response to changes in circumstances. As of late April, almost all employees were working from home.



(Mar 2020 Board of Directors meeting held completely remotely)



(Captured from a webcam in the Tokyo office)

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Next, I would like to talk about our response to COVID-19, how we are working right now and how we are doing right now.

We are a kind of a company that is looking forward to experimenting new ways of working so we've been implementing non-territorial office or teleworking. But it wasn't like everyone is working from home nobody comes to the office before this COVID-19, so we do have some challenges. But basically we are extending our working from home policy day by day. So it's not like something very new to us we are just expanding the level.

Basically, we are trying to fulfill the request from the Metropolitan Government or the Japanese government to reduce the number of people who are working at the office every day. So right now it's like the picture on the right side of this slide, there's basically no one in the office and we are all working from home.

So I'm also working from home. I bought a greenback at Amazon. We're taking videos exchanging information online and having meetings to make this kind of video. So we are trying new things every day. The picture on the left side is our first full remote board meeting.

Our Response to COVID-19 (2)

Our Response to COVID-19

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

- Free online forum for information sharing and problem solving among Internal IT persons of HENNGE One user companies
- Free cloud-based communication platform to support smooth communication for local governments

We believe that more and more companies will take up remote work solutions in the future, so we will appeal the affinity between remote work and SaaS adoption and seize business opportunities.



(Free online forum)

So, how are we helping our customers. Our vision is the liberation of technology. We love technology and we want to bring the power of technology to as many people as we can. We want to help our customers to adopt the technology to make the world a better place.

Under the current situation, it means to help our customers utilize the power of cloud technology to adapt to the new world order and continue doing their business.

For example, we are providing a free online forum for the IT managers to exchange information regarding COVID-19 to solve problems together and we also provide a free cloud-based communication platform to the local governments to support smooth communication with the residents.

So, we would like to find what we can do to help our customers under this difficult situation.

But if we look at our future business, there will be a tremendous opportunity in this area. So we would like to show our customers what they can do by utilizing the SaaS power to adopt work from home style, telework style, and we would like to capture future opportunities.

Net Sales

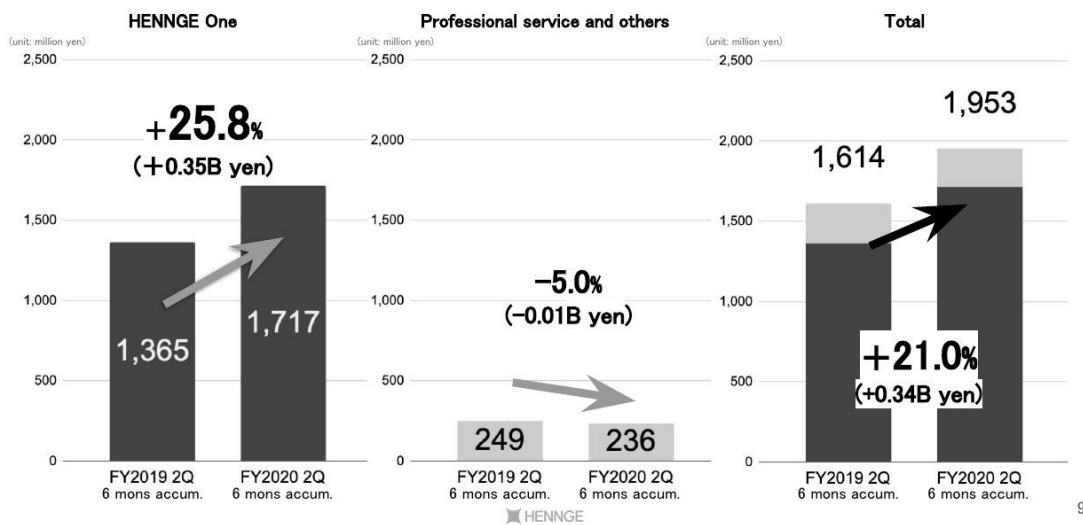
HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Net Sales

(YoY, 6 months accumulated comparison, vs 2Q FY09/2019 accumulated)

Net sales increased by 21.0% YoY to 1.953 billion yen.

Net sales of HENNGE One, which is our key driver of growth, grew by 25.8% YoY.



Next, I would like to talk about our financial results. First, net sales. Please consult the slides for the detailed numbers. Our business progressed stably during this period.

Overview of Consolidated Financial Results

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Overview of Consolidated Financial Results

(YoY, 6 months accumulated comparison, vs 2Q FY09/2019 accumulated)

| (unit: million yen) | 2Q FY09/2019 6 mons accum. | 2Q FY09/2020 6 mons accum. | YoY | YoY (%) | FY09/2020 Forecast | progress (%) |
|--|-------------------------------|-------------------------------|------|----------|-----------------------|--------------|
| Net sales | 1,614 | 1,953 | +339 | +21.0% | 4,110 | 47.5% |
| (HENNGE One) | 1,365 | 1,717 | +352 | +25.8% | 3,613 | 47.5% |
| (Professional service and others) | 249 | 236 | -13 | -5.0% | 497 | 47.5% |
| Total cost of sales | 292 | 357 | +65 | +22.3% | | |
| Gross profit | 1,322 | 1,596 | +274 | +20.7% | | |
| (Gross profit margin) | (81.9%) | (81.7%) | | (-0.2pt) | | |
| Total selling, general and administrative expenses | 1,314 | 1,469 | +155 | +11.8% | | |
| Operating income | 8 | 127 | +119 | 1510.2% | 259 | 49.1% |
| (Operating income margin) | (0.5%) | (6.5%) | | (+6.0pt) | (6.3%) | |
| Ordinary income | 4 | 127 | +123 | 2951.9% | 259 | 49.2% |
| Profit attributable to owners of parent | -6 | 51 | +57 | - | 145 | 35.5% |
| (Net income margin) | - | (2.6%) | | - | (3.5%) | |

1. Net sales **rose** by **21.0%** YoY to **1.95 billion yen**. Net sales of HENNGE One **rose** by **25.8%** YoY to **1.717 billion yen**.
2. Total selling, general and administrative expenses **increased** by **11.8%** (0.155 billion yen) YoY to **1.469 billion yen**.
3. Profit attributable to owners of parent **increased** by **57 million yen** YoY to **51 million yen**.

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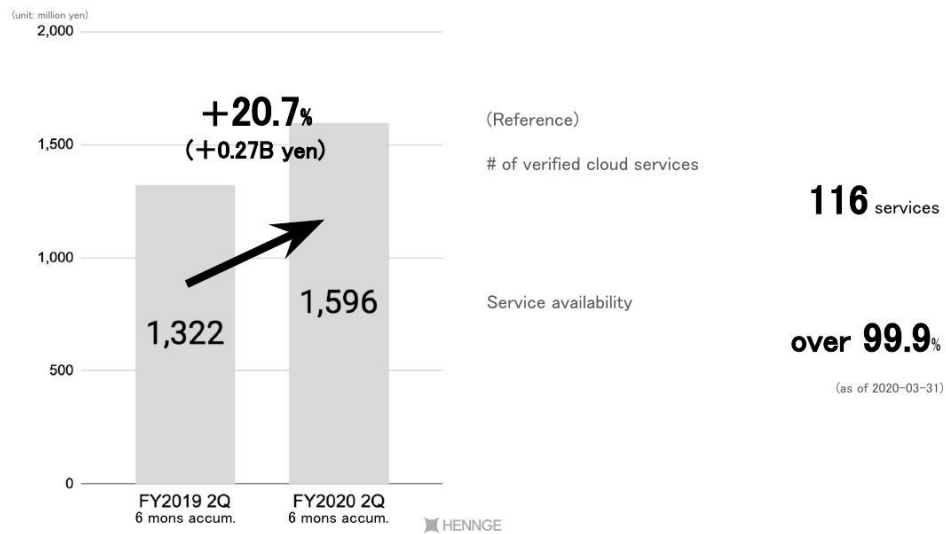
Our consolidated financial results were like this. Profits were also strong this time.

Gross Profit

Gross Profit

(YoY, 6 months accumulated comparison, vs 2Q FY09/2019 accumulated)

Gross profit increased by 0.274 billion yen YoY to 1.596 billion yen.
Gross profit margin improved by 0.2pt YoY to 81.7%. It remains at a high level.



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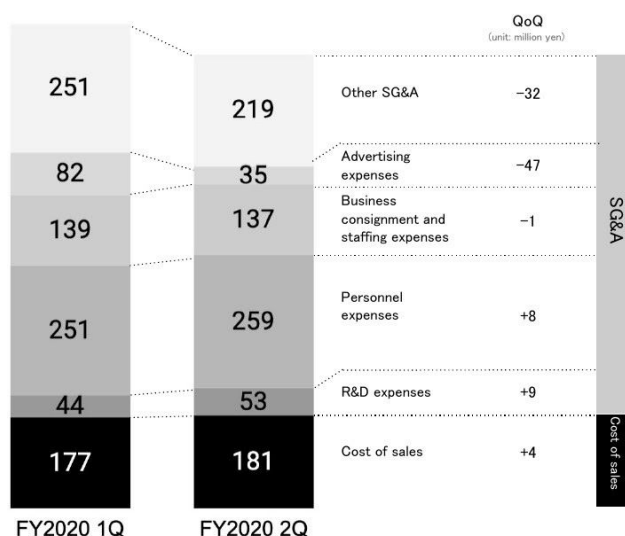
Regarding gross profit, our gross profit margin remained at a high level.

Structure of Operating Expenses

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Structure of Operating Expenses (QoQ, vs 1Q FY09/2020)

(unit: million yen)



As for **the other SG&A fees**, traveling and transportation expenses and entertainment expenses decreased due to COVID-19 impact, while recruiting expenses, marketing-related fees, and system usage fees increased due to proactively investing in recruiting, sales, and operational efficiency. There were temporary expenses for office expansion and IPO in the previous quarter.

Advertising expenses decreased as a result of no large event such as the one held in the previous quarter. However, we continued to hold some events and to do some transportation advertisements.

The sum of **cost of sales** and **R&D expenses** increased by 13 million yen QoQ due to the increase in net sales of HENNGE One and so on.

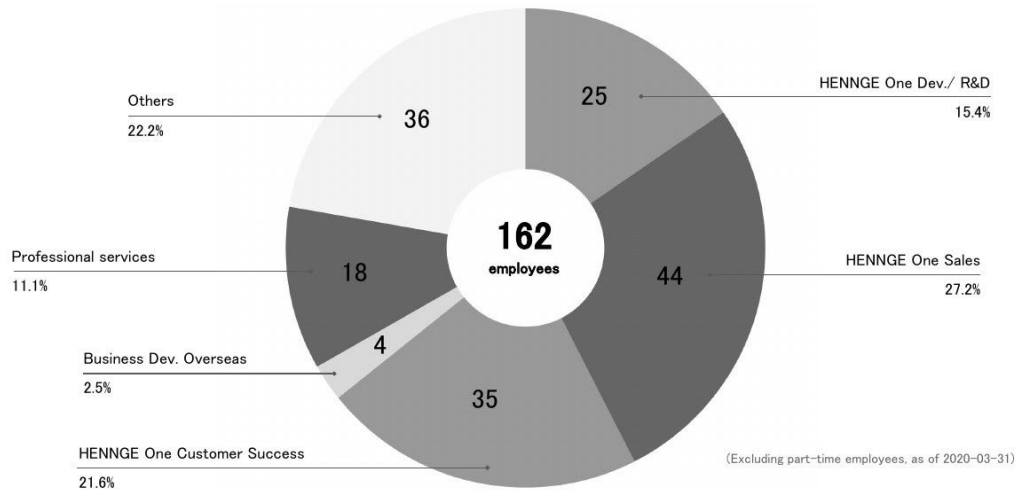
Operating expenses declined compared to the first quarter. As to the impact of COVID-19, some accounts like traveling and transportation expenses or entertainment expenses decreased due to the impact of COVID-19, while other accounts like recruiting expenses marketing related fees or system usage fees increased due to proactively investing in recruiting sales and operational efficiency.

Overall, although we had some ups and downs, the total cost we spent during this period was as we planned beforehand.

Breakdown of Employees

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Breakdown of Employees



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The number of our employees is 162. We'd like to continue to reinforce our workforce, especially for sales and customer success roles.

Business Highlights

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Business Highlights

- Advertising and events
 - **Proactively promotion and recruitment in Tokai and Kansai (Jan to Feb 2020)**
Participated in ‘Japan IT Week 2020 Kansai’ and started sponsoring ZIP-FM, a popular radio station in the Tokai area
 - **Events with our partners and SaaS companies (Jan to Feb 2020)**
Held some joint events with our partners and SaaS companies
 - **Event for recruiting (Jan to Feb 2020)**
Participated in career forums held in California(US), Singapore and so on
- Others
 - **Strengthened support for local governments/companies trying to fight against COVID-19 (from Feb 2020)**
 - Free online forum for information sharing and problem solving among Internal IT persons of HENNGE One user companies
 - Free cloud-based communication platform to support smooth communication for local governments
 - **Survey on the correlation between SaaS usage and remote work (Mar 2020)**

Next, our business highlights. Highlighted some of our activities on the slide. COVID-19 started to affect our marketing events starting from March, but this time we didn't have any big events planned in March. So it did not affect us very much during this quarter.

Advertising and Events

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Advertising and Events

Proactive promotion and recruiting in Tokai and Kansai (Jan to Feb 2020)

In addition to strengthening relationships with partners and leveraging recruitment agents to enhance recruitment, we participated in ‘Japan IT Week 2020 Kansai’ and started sponsoring ZIP-FM, a popular radio station in the Tokai area



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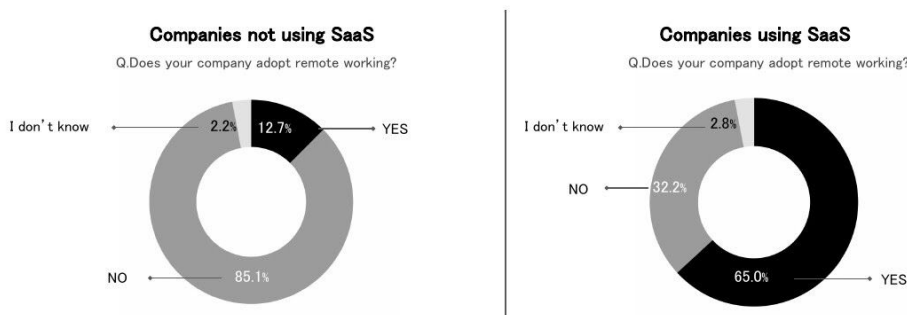
To strengthen our activities in the Kansai region, we exhibited in ‘Japan IT Week 2020 Kansai’.

Our Survey

Our Survey

Survey on correlation between SaaS usage and remote work (Mar 2020)

According to our survey results,
17.2% of companies are using more than one SaaS, and
65% of companies using SaaS adopt remote working, while only 12.7% of companies not using SaaS do it.



Survey overview: Survey on correlation between SaaS usage and remote work
Number of valid responses: 1030
Survey date: March 10, 2020 – March 12, 2020
Survey method: online survey (Research by Macromill, Inc.)
Survey target: People between the ages of 20 and 65 who work for a company with 50 or more employees



Because we want to promote that SaaS will help to adopt work from home, we conducted an online survey. And I think that we got an interesting result. It's as expected but it's quite interesting.

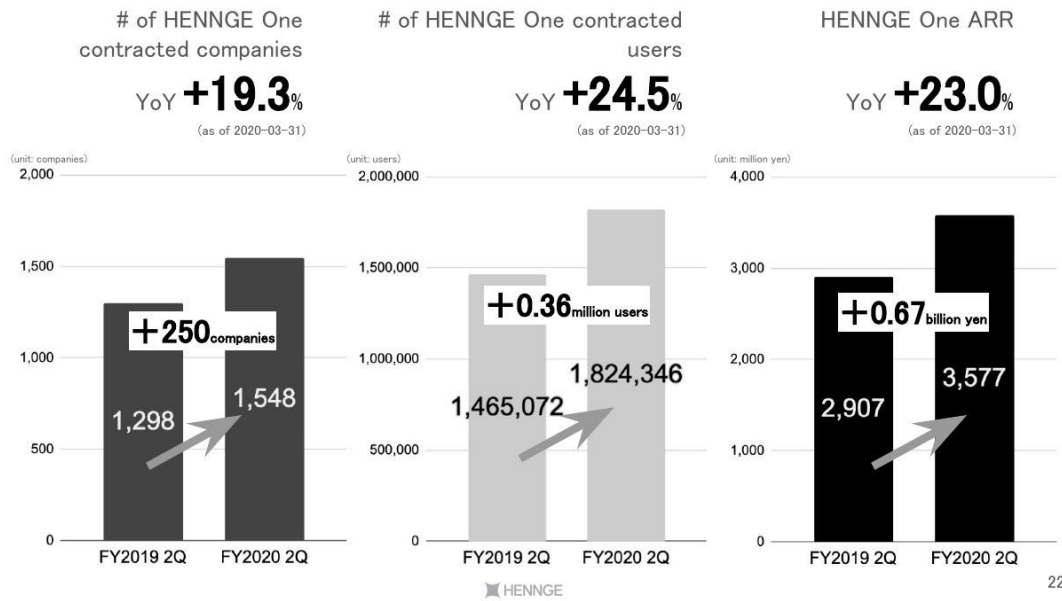
Our survey shows that there is a clear difference in the adoption of working from home between the SaaS using companies and non-SaaS using companies. Only 12.7 percent of the non-SaaS using companies adopt remote working or working from home, whereas 65 percent of the SaaS using companies already adopted. Now, it is clear that SaaS helps to adopt work from home, so we'd like to continue promoting the fact to capture our future growth opportunity as a SaaS platform vendor.

HENNGE One KPI

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

HENNGE One KPI

(YoY, vs the end of 2Q FY09/2019)



Let's move on to the KPI results. If we compare the numbers year-on-year, it will be like this. But since this is half-year, let's check the progress for these six months.

HENNGE One KPI Highlights

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

HENNGE One KPI Highlights

(compared to the end of the previous fiscal year, vs the end of FY09/2019)

1. Average monthly churn rate over the past 12 months for HENNGE One **rose** by **0.06pt** compared to the end of FY09/2019 to **0.18%**. It remains at a low level.
2. The number of user companies of HENNGE One **increased** by **120 companies** compared to the end of FY09/2019 to **1,548 companies**. The number of users of HENNGE One **increased** by **0.152 million users** compared to the end of FY09/2019 to **1.824 million users**.
ARR of HENNGE One **increased** by **0.337 billion yen** compared to the end of FY09/2019 to **3.577 billion yen** and has grown steadily.
3. ARPU of HENNGE One **increased** by **22 yen** compared to the end of FY09/2019 to **1,961 yen** (per user in annual).

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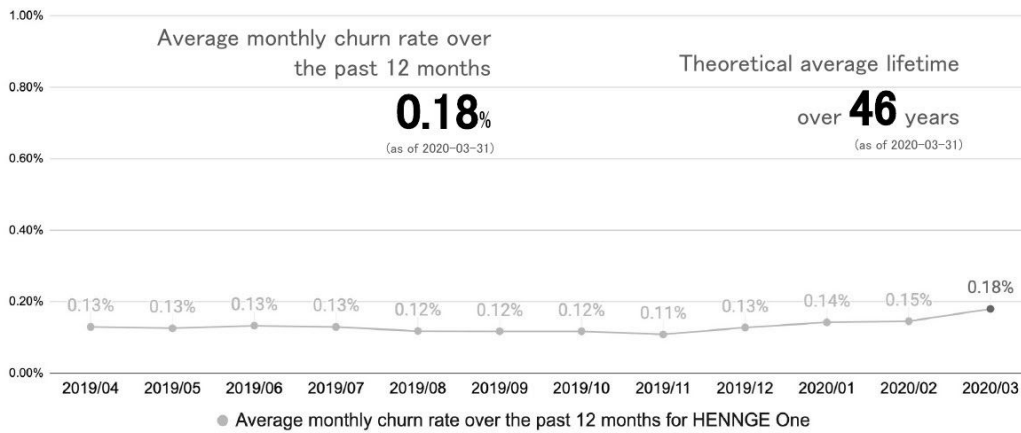
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HENNGE One's average monthly churn rate rose by 0.06 points to 0.18 percent compared to six months ago. It remains at a low level. During these six months, the number of companies using HENNGE One increased by 120 to 1,548. The number of users using HENNGE One increased by 0.152 million to 1.824 million. ARR of HENNGE One increased by 0.337 billion yen to 3.577 billion yen, growing steadily. ARPU of HENNGE ONE increased by 22 yen to 1,961 yen.

HENNGE One Churn Rate

HENNGE One Churn Rate

Average monthly churn rate over the past 12 months for HENNGE One rose by 0.05pt QoQ to 0.18%. It remains at a low level. We continue to achieve a stable and sustainable growth model.

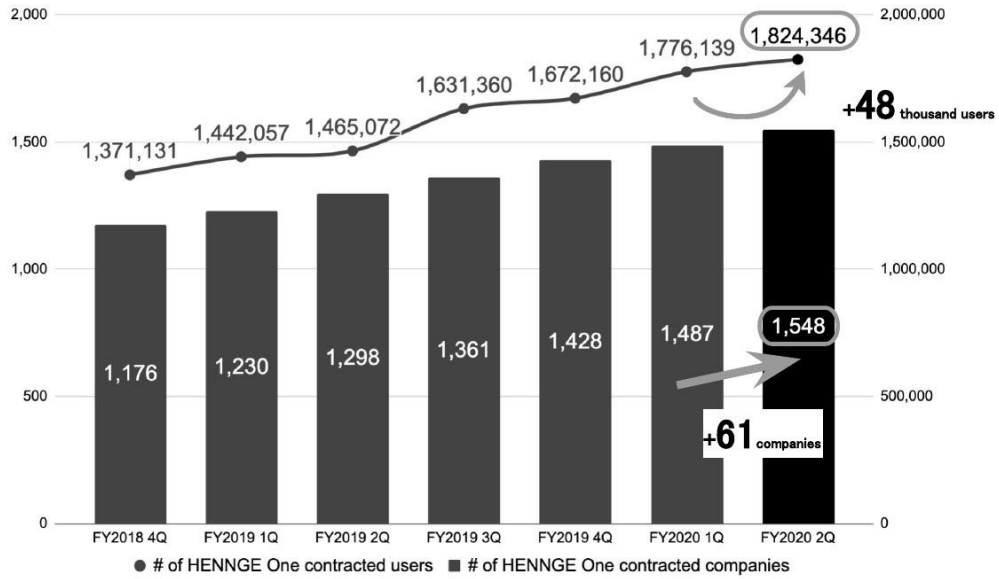


This slide shows the monthly transition of our average churn rate. This time is rising towards March which is the ending month of many company's fiscal years in Japan. But, regarding its rate or its absolute churn amount, we think that it's still at a low level. We will continue our efforts to keep our churn rate at a low level.

HENNGE One Contracted Companies & Users

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

HENNGE One Contracted Companies & Users



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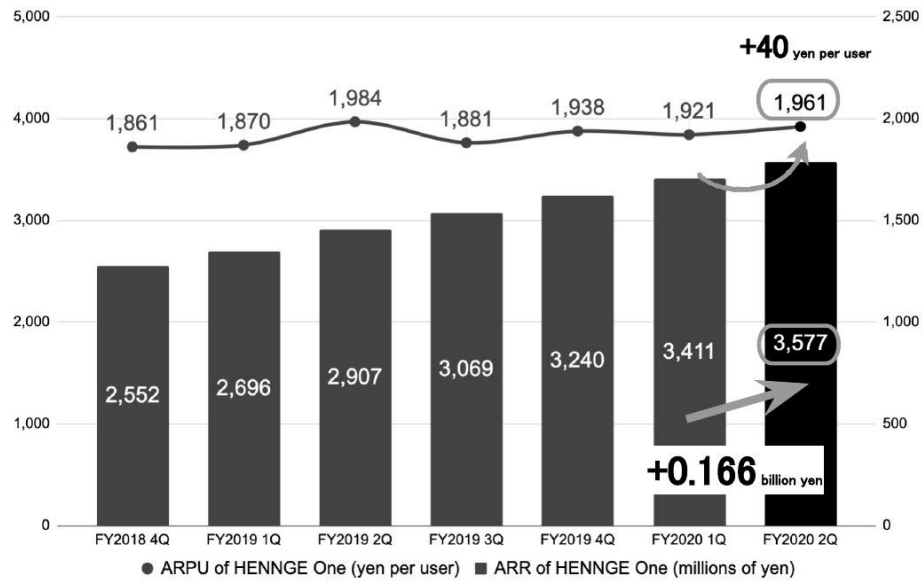
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The number of users is growing steadily over months.

HENNGE One ARR & ARPU

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HENNGE One ARR & ARPU



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ARPU rose a bit.

Overview of FY09/2020 Full-year Forecasts

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Overview of FY09/2020 Full-year Forecasts

| (unit: million yen) | FY09/2019 Result | FY09/2020 Forecast | YoY | YoY (%) |
|--|---------------------|-----------------------|------|----------|
| 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. There is no change to our full-year forecast from the announcement at the beginning of the fiscal year.
2. Net sales is expected to grow by **19.9%** on a YoY basis. 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.

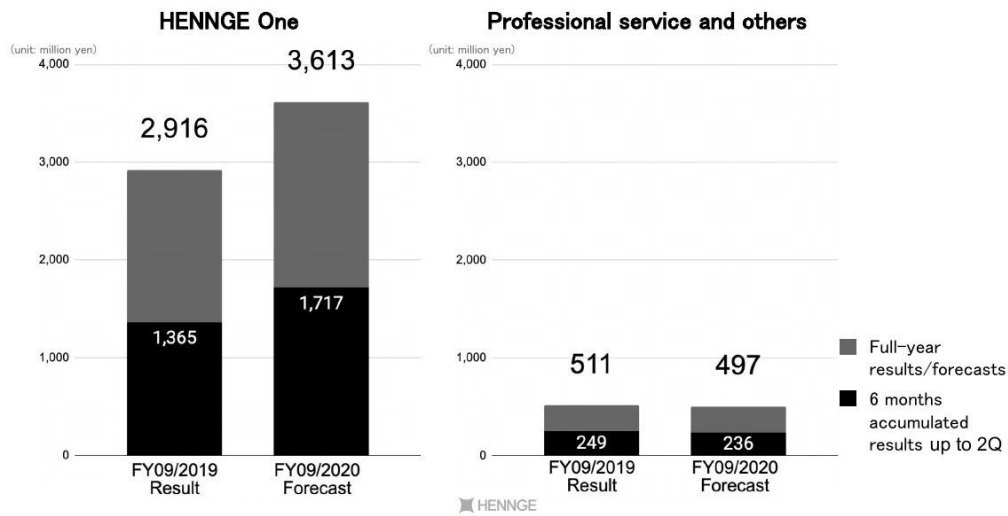
There is no change to our full-year forecast from the announcement at the beginning of the fiscal year.

FY09/2020 Forecasts of Net Sales by Business

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

FY09/2020 Forecasts of Net Sales by Business

The progress rate of this quarter's net sales of HENNGE One towards the full-year forecast was 47.5%.



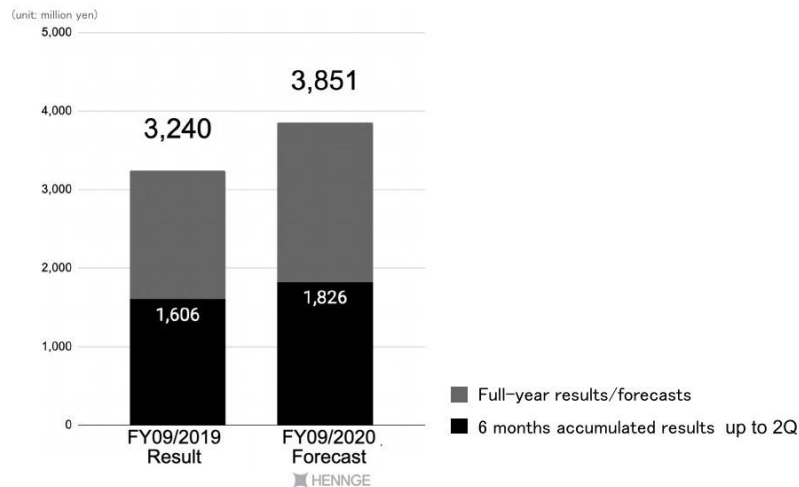
Both sales and the expenses are progressing accordingly to the forecast.

FY09/2020 Forecasts of Operating Expenses

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

FY09/2020 Forecasts of Operating Expenses

The progress rate of this quarter's operating expenses towards the full-year forecast was 47.4%. Although there may be a decrease in upfront investments for future growth due to the postponement of events in order to prevent the spread of COVID-19 and ensure safety, we plan to continue to invest proactively.



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Regarding expenses, there is some uncertainty ahead caused by the COVID-19. For example, we might not be able to have offline marketing events as planned. But we are trying to adapt to the new world, for example by adding more online contents or starting online consultations as our new sales activities. We'd like to continue actively investing in our opportunities to increase our future revenue.

Maximize LTV

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

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]

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It's our growth strategy. Our growth strategy is to maximize LTV. LTV is the lifetime value, the total value of the contracts we have. Our SaaS service HENNGE One is contracted annually, and it also has a very low churn rate.

So, for example, if we got the 1 million yen contract, that just doesn't mean 1 million yen value. The value is 1 million yen multiplying by years, the following decades that our users are going to use our service. More precisely speaking, it might be the gross profit that we brought in for the following decades.

The LTV can be calculated by multiplying three factors. “ARR”, annual recurring revenue and “Y”, the average contract duration in years, and “r”, the gross profit rate. However, the average contract duration in years is already high because of the low churn rate, and also the gross profit rate is at a high level. So if we want to raise the LTV, we need to raise the ARR. And the ARR could be calculated by three factors, the number of companies using HENNGE One, the average number of users per company, and the ARPU. So, we need to care about these three factors to have our future growth.

Maximize ARR

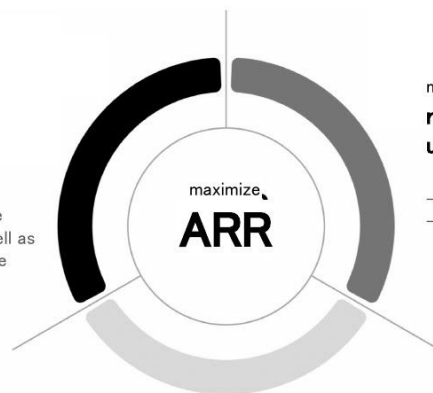
Maximize ARR

$$ARR = N \times n \times ARPU$$

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

This chart shows those three growth factors. The factor that we want to focus on our short term is “N”, the large n, number of contracted companies. Our sales power is now still concentrated in Tokyo because the cloud computing or SaaS adoption started from Tokyo after the earthquake in 2011. However, now that the wave of cloud adoption is reaching other regions as well, we would like to deploy more sales power and customer success power into other regions outside of Tokyo to capture future opportunities.

In the midterm, we would like to raise our ARPU as well. This could be achieved by adding more attractive features or functions to our service that our customers would be willing to pay us more. We would like to keep reinforcing our development power so that we can continue improving our service and adding more features and functions that will benefit our customers.

The last factor to explain is the small “n,” the number of users per contract. Our service is targeted toward BtoB users for business customers. So, for example, if our customers hire more people, generally speaking, this small “n” will rise a bit. On the other hand, we might be targeting on smaller customers in the future, and in that case, this small “n” might decrease a bit. There is some uncontrollable feature regarding this parameter. So, currently, we expect this to remain flat or to increase slightly.

Progress of Our Growth Strategy

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Progress of Our Growth Strategy

(HENNGE One)

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) | | |
| FY09/2014 | 563 | | | = 232 | | | x 1,187 | | | x 2,042 | | |
| FY09/2015 | 880 | +56.5% | +318 | = 399 | +72.0% | +167 | x 1,095 | -7.8% | -93 | x 2,015 | -1.3% | -27 |
| FY09/2016 | 1,288 | +46.3% | +407 | = 642 | +60.9% | +243 | x 1,018 | -7.0% | -76 | x 1,970 | -2.2% | -45 |
| FY09/2017 | 1,898 | +47.4% | +611 | = 928 | +44.5% | +286 | x 1,107 | +8.7% | +89 | x 1,848 | -6.2% | -122 |
| FY09/2018 | 2,552 | +34.4% | +653 | = 1,176 | +26.7% | +248 | x 1,166 | +5.3% | +59 | x 1,861 | +0.7% | +13 |
| FY09/2019 | 3,240 | +27.0% | +688 | = 1,428 | +21.4% | +252 | x 1,171 | +0.4% | +5 | x 1,938 | +4.2% | +77 |
| ^{2Q} FY09/2020 | 3,577 | | | = 1,548 | | | x 1,179 | | | x 1,961 | | |

HENNGE

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This slide shows the progress of our growth strategy, showing those factors that I have explained. On the leftmost column, you will find the ARR and you can see that it is growing every year constantly. For example, in the fiscal year 2017, we piled up 611 million yen. In the fiscal year 2018, we piled up 653 million yen, and in the fiscal year 2019, we piled up 688 million yen.

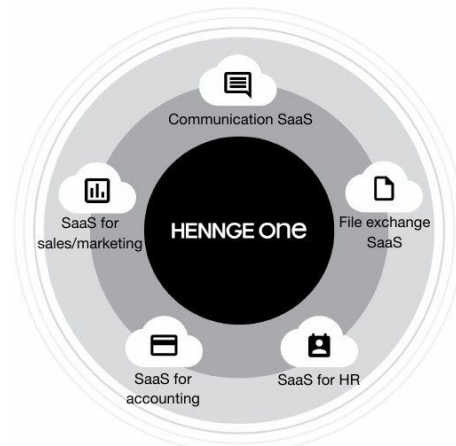
To maintain a high level of growth rate, we need to increase the growth of each year. For the large “N”, the number of companies you can see that we are approximately acquiring around 250 customers every year. We want to accelerate this speed by gaining more sales power outside of Tokyo. As to the ARPU, we would like to keep adding features and functions that will help our customers to keep this slightly increasing trend. Lastly, the small “n” is now slightly increasing. But as I mentioned before, it has some uncontrollable nature so we would like to expect flat or slightly increasing growth.

Our Growth Strategy on and After FY09/2021

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Our Growth Strategy on and After FY09/2021

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



Establish SaaS platform

HENNGE

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Our growth strategy on and after the fiscal year 2021. HENNGE One is an IDaaS which has a strong and unique positioning. Compared to other vertical SaaS products, it's a horizontal solution which bridges different multiple SaaS products. We'd like to keep improving it and keep promoting it as an essential SaaS platform so that it will be adopted by more and more customers under the ongoing SaaS adoption.

Corporate Profile

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

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: November 5, 1996

of employees: 162

(Excluding part-time employees, as of 2020-03-31)



Kazuhiro
Ogura



Kazuaki
Miyamoto



Yoshiki
Nagatome

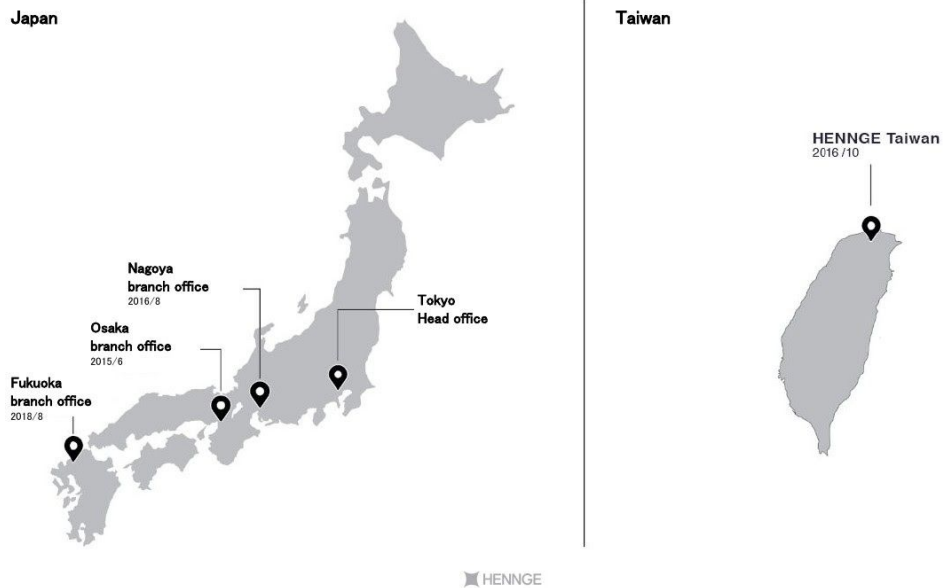


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Let's move on to our corporate overview. We are HENNGE K.K. You might want to read it “hendge”. But actually, we are “hen-geh”(with hard “g”). HENNGE means “to change” in Japanese. Our company name used to be “HDE” until 2019. But we changed our name in February 2019 to make sure that we will keep changing ourselves earlier than our customers, make mistakes earlier than our customers, and find the solutions that we can deliver to our customers. The pictures on the right side are the founders of this company including me. We started this company in 1996 when we were university students and are running the company together for over 23 years.

Locations

Locations



We have four offices within Japan, Tokyo, Nagoya, Osaka and Fukuoka, and one office in Taipei. However, most of our workforce is centralized in Tokyo. Currently, we are in an expansion stage to expand to regions outside of Tokyo to catch our future growth opportunities.

Vision

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

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

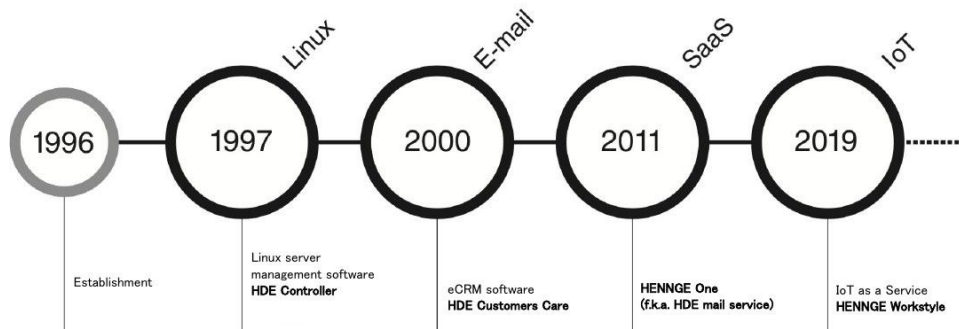
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Our vision is “Liberation of Technology”. We love technology and we believe in the power of technology. We want to bring the power of technology to as many people as we can. However, we also know that technology is sometimes not instantly available to the customers. We want to liberate it. We want to bridge it. We want to bring the power of innovative technology to our customers. We also want to bring our technologies to the customers to help them and to make the world a better place.

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.

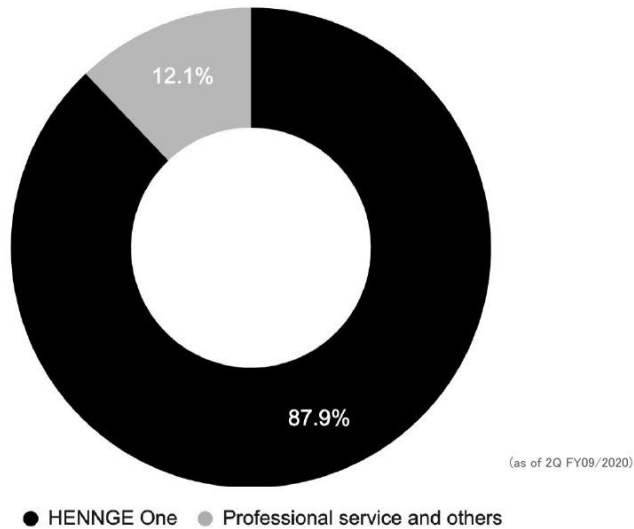
Our brief history. Since we were founded in 1996, we've been liberating cutting edge technology in various fields. In the 20th century, we were a BtoB software vendor providing Linux, email and server security kinds of products. We pivoted into SaaS in 2011 after the earthquake hit Tokyo.

Sales Structure by Business

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

Sales Structure by Business

87.9% of net sales is that of HENNGE One business in this quarter.



(as of 2Q FY09/2020)

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Most of our revenue is coming from our SaaS product HENNGE One. Around 88 percent of our revenue is brought from HENNGE One business, whereas 12 percent of revenue is brought from mainly our software business which we are running for over 20 years.

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.

Let me explain our main business HENNGE One. HENNGE One is an identity as a service. It's called IDaaS. It's a kind of SaaS product.

We started this business around 2011 after the earthquake hit Tokyo. Because of the earthquake, Tokyo almost lost electricity, and the train stopped, and many employees could not commute to their companies. Many companies had to adopt work from home at that moment, and the only answer for that was to adopt cloud computing.

We as a software company also try to work from home, switching to a cloud computing system. We noticed two things. One, cloud computing is very powerful. Two, it's not easy for a company to switch to cloud computing because of some small problems. We wanted to solve that so that the companies can adopt cloud computing or SaaS to their business. That is why we implemented HENNGE One and started selling it.

It has mainly two features. On the left side, you can see ID Federation. On the right side, you can see Access Control. Let me explain first from ID Federation. Imagine that the company wants to use five SaaS services together. Maybe sales force management or HR management or name card management or email or chat.

Whenever the company hires a new person and the employee enters the company, the IT division has to issue five different IDs and passwords for each SaaS services to that employee. And the employee has to manage all those five IDs and passwords

every day to remember it and to change passwords when required, and so on. But the worst part comes when the employee leaves the company.

The company or the IT division has to be sure that they are deleting all those five different IDs. Otherwise, theoretically speaking, the employee might be able to access the company data even after they left the company. So when the company adopts multiple SaaS services, it gets tedious for the IT division or the IT managers. ID Federation feature solves this problem.

This brings in the technology called Single Sign-On so that the employee has to remember only one ID and one password. That is the ID and password of HENNGE One. Once they log into HENNGE One, now they can access other SaaS-es without entering IDs and passwords of those services. So the employees don't have to remember all those IDs and passwords and the IT manager is now free from the worries that they might forget to delete IDs and passwords from SaaS-es.

Another feature on the right side is Access Control. Unfortunately, ID Federation doesn't solve all of the problems. Usually, companies using multiple SaaS-es want to have different access level for each SaaS-es. For example, they might want to limit access to the HR database because it contains some confidential information. Maybe from only from a specific user group or from a specific place.

On the other hand, they might want to open the access to business chat. Maybe allowing to access it from their personal cell phones to encourage communication and collaboration. For Salesforce management, maybe they want to allow the salespeople to access confidential data from the company provided laptop from wherever in the world.

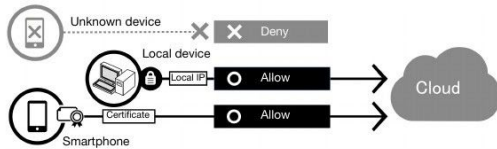
HENNGE One Access Control allows the company to do this. It allows the company to set fine-grained security policy for each SaaS-es they are using. So these two features are the main features of HENNGE One, which makes it an IDaaS.

HENNGE One (2)

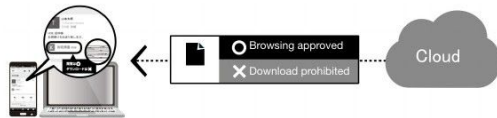
HENNGE One

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 also provides various features that help companies to move their workload onto the cloud. We want to remove all the obstacles that are ahead of the company which are trying to move on to the cloud-based working style.

HENNGE One Solid Customer Base

HENNGE K.K. (4475:TYO) Q2 FY09/2020 Consolidated Financial Results

HENNGE One Solid Customer Base

HENNGE One is used by 1,548 customers in various industries,
and used by 1.824 million users. (as of 2020-03-31)



■ HENNGE

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Thanks to cloud adoption, HENNGE One’s customer base is also growing. It is now used by over 1,500 customers in various industries, and it's used by over 1.8 million users. By doing some math, you will find that the average number of employees per one customer is around 1,200. That is how our average customer looks like, but we also have larger customers as well as smaller customers. That was our corporate profile.

Thank you so much for watching this video.

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