1Q FY09/2021 Q&A

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1. About Consolidated Financial Results

1.1. What are your thoughts on the sales growth rate of HENNGE One, which is your key driver of growth?

The sales growth rate of HENNGE One business in the current quarter was 20.6% year-on-year, making good progress against the full-year forecast. We would like to create an inflection point in HENNGE One ARR growth in FY09/2020 by increasing the number of contracted companies and ARPU, to achieve the sustained annual growth of 20% or more for HENNGE One ARR from FY09/2021 onward.

- 1.2. What are the reasons for the decrease in SG&A expenses compared to the same quarter of the previous year?
 - (1) The traveling and transportation expenses, as well as the entertainment expenses, was still at a low level due to the impact of the COVID-19 pandemic.
 - (2) Tentative expenses, which have been recorded in 1Q FY09/2020 for office expansion, IPO, and the major marketing events, didn't occur in this quarter.

2. About Full-year Forecasts

2.1. In which quarter do you plan to spend the advertising expenses most in this fiscal year?

We are planning to spend our advertising expenses mainly in the 2Q when our large-scale digital event will be held.

2.2. When do you expect to see the effects of the advertising expenses you invest in this fiscal year?

HENNGE One's lead time from the start of business negotiations to the receipt of orders is approximately 6 months. Therefore, we believe that most of the effects of the advertising expenses during FY09/2021 will be reflected in the net sales in and after FY09/2022.

2.3. What are the reasons for the forecast decrease in sales of Professional service and others?

The majority of the sales in Professional service and others currently come from on-premise products and their support services that we have been selling for many years. We plan to discontinue selling most of these products gradually. Although we are developing SaaS-type services, as for the sales of Professional service

and others, we forecast a decrease in the sales due to the impact of the termination of the sales of on-premise products.

2.4. The operating income progress rate is 64.8%. Aren't you going to revise the full-year forecast upward?

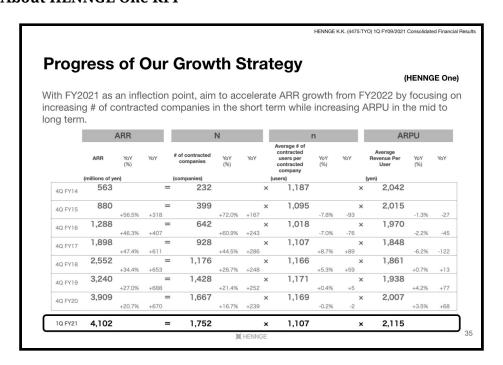
Including the HENNGE NOW! related advertising spendings, we expect to invest aggressively from the 2Q onward to maximizing our future ARR. Therefore, we believe that the operating income is on track toward our full-year forecast target.

3. About Progress of our Business

3.1. Are there any impacts of the COVID-19 pandemic?

Although we are slightly struggling with training new employees, the WFH style has taken root in our company. On the other hand, we face delays in hiring international personnel and accepting international interns because of travel restrictions. We continue to pay close attention to the situation as we cannot rule out potential service cancellations or reduced service usage in the event of an economic downturn.

3.2. About HENNGE One KPI



3.2.1. What are the reasons for the large increase in the number of HENNGE One contracted companies (N)?

- (1) Many projects that queued for activation at the end of the previous fiscal year were put into service during this quarter.
- (2) We saw more closing sales deals than before.

We would like to keep our eyes on our sales activities for a while before judging whether this is a permanent acceleration influenced by the WFH trend or not.

3.2.2. What are the reasons why HENNGE One churn rate has risen? Are you losing customers to the competition?

A customer (approx. 80,000 users) who had been using our service for relatively uncommon purposes, mainly for email security, left our service. As long as we understand, this case was not a switch to a competitor. Although we do not currently observe any major changes in the competitive environment, we will continue to make daily efforts to provide better services that the users will choose.

3.2.3. What are the reasons for the decrease in the number of HENNGE One contracted users from the end of the previous fiscal year?

A customer (approx. 80,000 users) who had been using our service for relatively uncommon purposes, mainly for email security, left our service.

3.2.4. What are the reasons for the significant increase in HENNGE One ARPU?

While the unit price of newly acquired contracts continued to rise, the growth in this quarter was much greater than that of the previous quarter due to the cancellation of one customer (approx. 80,000 users) who had been using the service at a relatively low unit price for relatively uncommon purposes.

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