

Note: This document is a translation of a part of the original Japanese version (<https://finance.logmi.jp/376086>). 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 1Q FY09/2021 Consolidated Financial Results Briefing by HENNGE K.K. on 10th February 2021.**

**Ogura:** Hi. I'm Kazuhiro Ogura, the CEO of HENNGE. Thank you for watching our video today. Today, I'd like to go through our financial results of 1Q FY2021.

## Net Sales

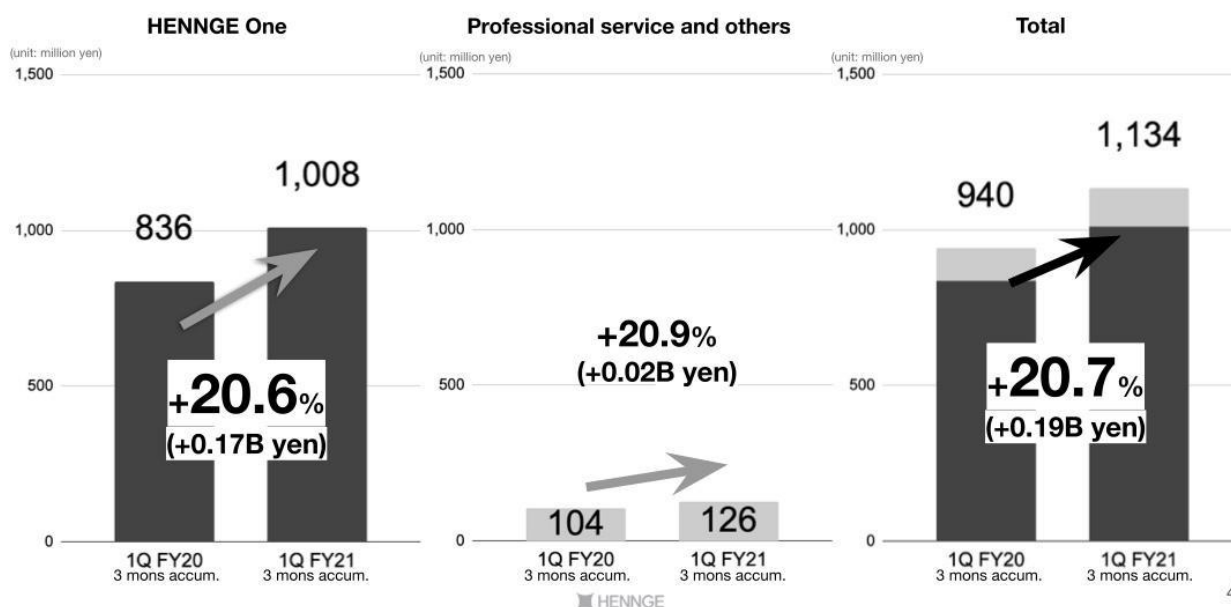
HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### Net Sales

(YoY, 3 months accumulated comparison, compared to 1Q FY09/2020 accumulated)

The net sales increased by 20.7% YoY to 1.134 billion yen.

The sales of HENNGE One, our key driver of growth, grew by 20.6% YoY.



Let me first explain about our financial results of 1Q. Our consolidated net sales expanded steadily, as shown on this slide.

# Overview of Consolidated Financial Results

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Overview of Consolidated Financial Results

(YoY, 3 months accumulated comparison, compared to 1Q FY09/2020 accumulated)

(unit: million yen)	1Q FY20 3mons accum.	1Q FY21 3mons accum.	YoY	YoY (%)	FY2021 Forecast	progress (%)
<b>Net sales</b>	940	1,134	+194	+20.7%	4,841	23.4%
(HENNGE One)	836	1,008	+172	+20.6%	4,388	23.0%
(Professional service and others)	104	126	+22	+20.9%	453	27.8%
Total cost of sales	177	195	+18	+10.2%		
<b>Gross profit</b>	763	939	+176	+23.1%		
(Gross profit margin)	(81.2%)	(82.8%)		(+1.6pt)		
Total selling, general and administrative expenses	766	738	-28	-3.6%		
<b>Operating income</b>	-3	201	+204	-	310	64.8%
(Operating income margin)		(17.7%)			(6.4%)	
<b>Ordinary income</b>	-2	204	+206	-	310	65.7%
<b>Profit attributable to owners of parent</b>	-5	137	+143	-	193	71.2%
(Net income margin)		(12.1%)			(4.0%)	

1. The net sales **rose** by **20.7%** YoY to **1.13 billion yen**. The sales of HENNGE One **rose** by **20.6%** YoY to **1.01 billion yen**.
2. The total selling, general and administrative expenses **decreased** by **3.6%** (**-0.03 billion yen**) YoY to **0.74 billion yen**.
3. The profit attributable to owners of parent **increased** by **0.14 billion yen** YoY to **0.14 billion yen**.

■ HENNGE

5

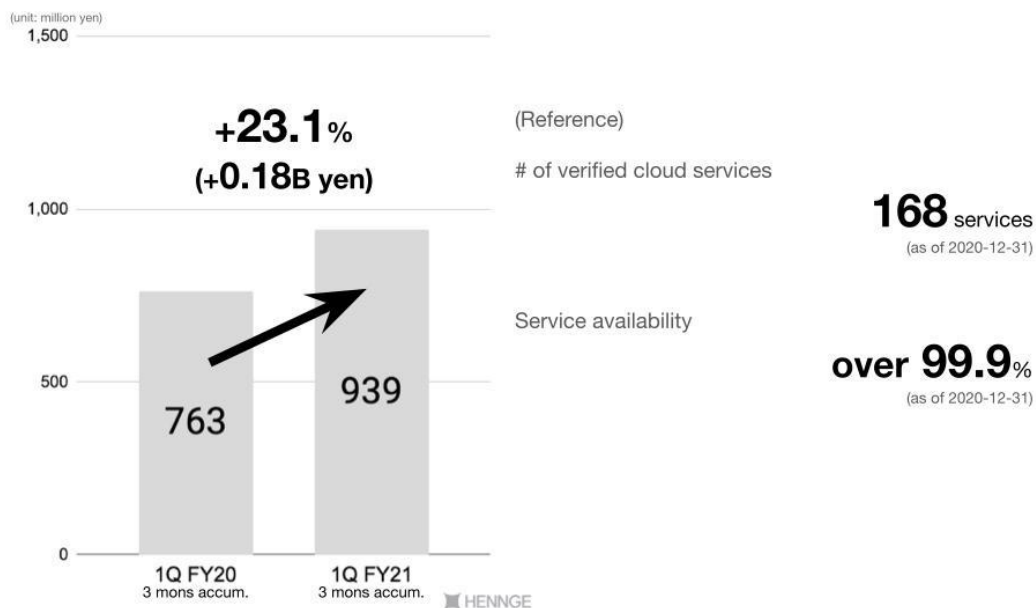
This is the summary of our consolidated financial results. In 1Q, we performed steadily compared to the full-year forecast disclosed on November 13.

# Gross Profit

## Gross Profit

(YoY, 3 months accumulated comparison, compared to 1Q FY09/2020 accumulated)

The gross profit increased by 0.18 billion yen YoY to 0.939 billion yen.  
The gross profit margin improved by 1.6pt YoY to 82.8%, and remains high.



6

Gross profit margin remained high.

# Profit Attributable to Owners of Parent

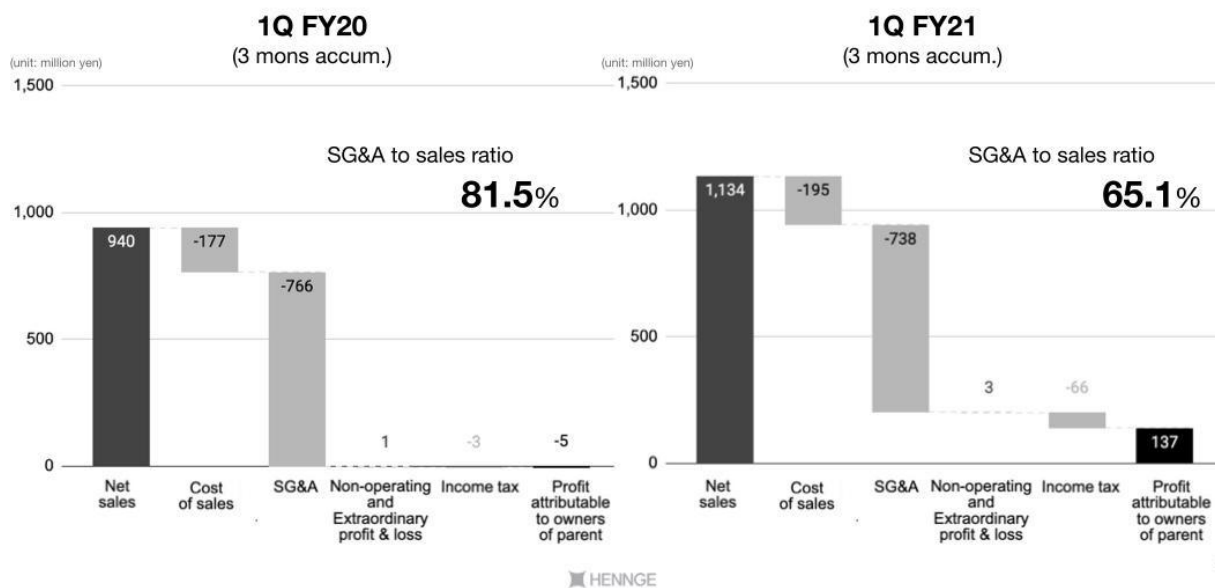
HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Profit Attributable to Owners of Parent

(YoY, 3 months accumulated comparison, compared to 1Q FY09/2020 accumulated)

The SG&A to sales ratio decreased by 16.4pt YoY to 65.1%.

The profit attributable to owners of parent increased by 143 million yen YoY.

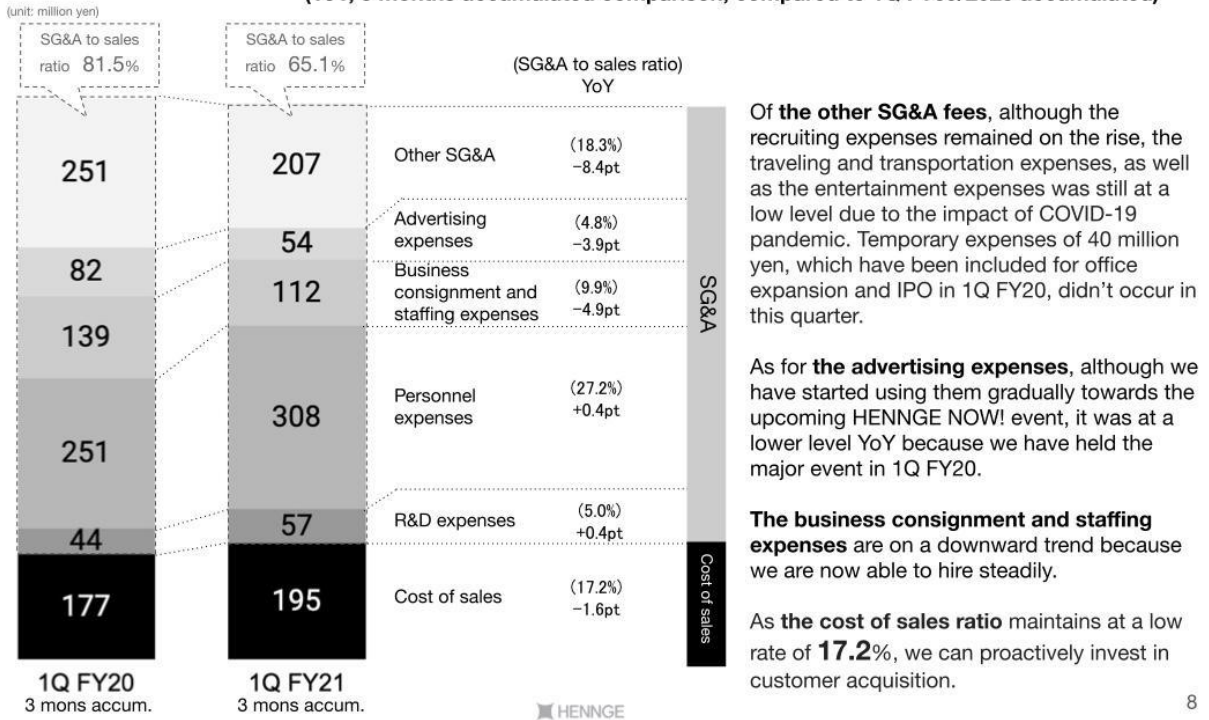


These figures show a YoY comparison of our profit.

# Structure of Operating Expenses (YoY)

## Structure of Operating Expenses

(YoY, 3 months accumulated comparison, compared to 1Q FY09/2020 accumulated)



This is a YoY comparison of the breakdown of operating expenses.

# Structure of Operating Expenses (QoQ)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Structure of Operating Expenses

(unit: million yen)

(QoQ compared to 4Q FY09/2020)

		QoQ (unit: million yen)		
4Q FY20	1Q FY21			
226	207	Other SG&A	-19	SG&A
36	54	Advertising expenses	+18	
115	112	Business consignment and staffing expenses	-3	
293	308	Personnel expenses	+15	
58	57	R&D expenses	-1	Cost of sales
197	195	Cost of sales	-2	

**The Other SG&A fees** decreased QoQ due to the decreasing of the recruiting expenses and the elimination of one-time expenses incurred during the previous quarter.

As for **the advertising expenses**, we have started using them gradually towards the upcoming HENNGE NOW! event.

The sum of **the cost of sales and the R&D expenses** decreased by 2 million yen QoQ, while the sales of HENNGE One increased steadily.

The main reasons are;

- (1) the decreased outsourcings in Professional service and others business, and
- (2) the improving efficiency of the cloud server infrastructure of HENNGE One, which mitigates our cloud spendings.

HENNGE

9

This page shows QoQ changes in the breakdown of operating expenses. Let me explain in a little more detail here. In addition to recruiting expenses, other SG&A expenses decreased compared to the previous quarter. The reason for that is that the one-time expenses incurred in the last quarter didn't occur in this quarter.

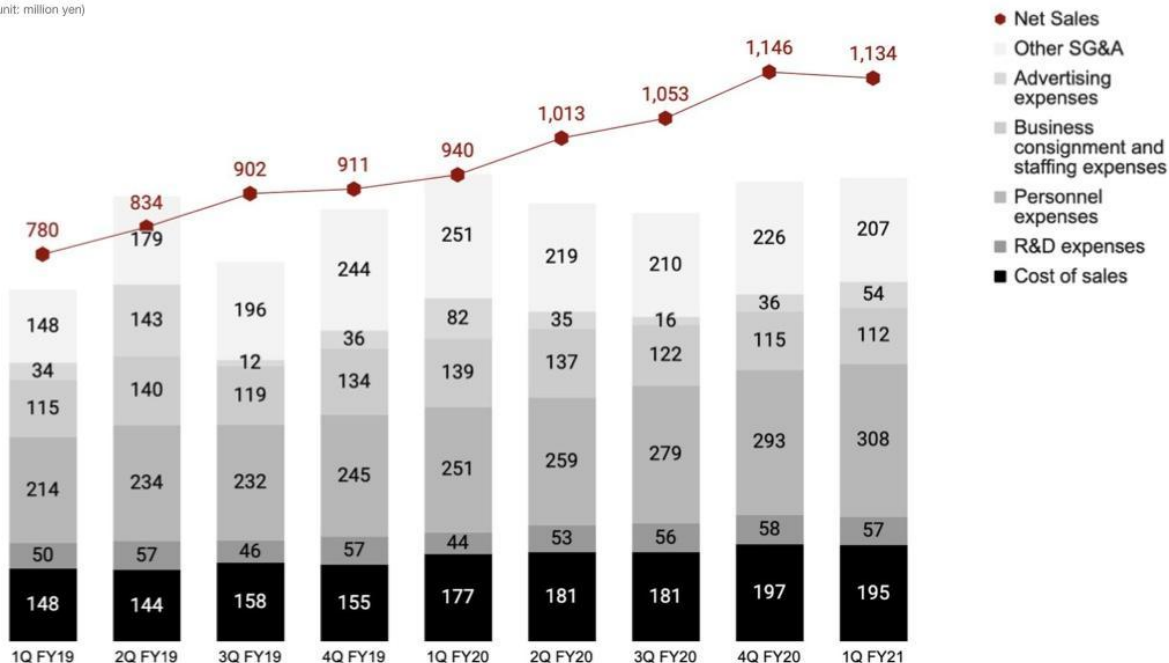
As for advertising expenses, we have started using them gradually towards the upcoming HENNGE NOW! Event. While the sales of HENNGE One increased steadily, the sum of the cost of sales and R&D expenses decreased by JPY 2 million QoQ. The main reasons are that, firstly, the outsourcings in the Professional service and others business decreased, and secondly, the efficiency of the Cloud service infrastructure of HENNGE One improved, mitigating our cloud spendings.

# Net Sales and Operating Expenses

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Net Sales and Operating Expenses

(unit: million yen)



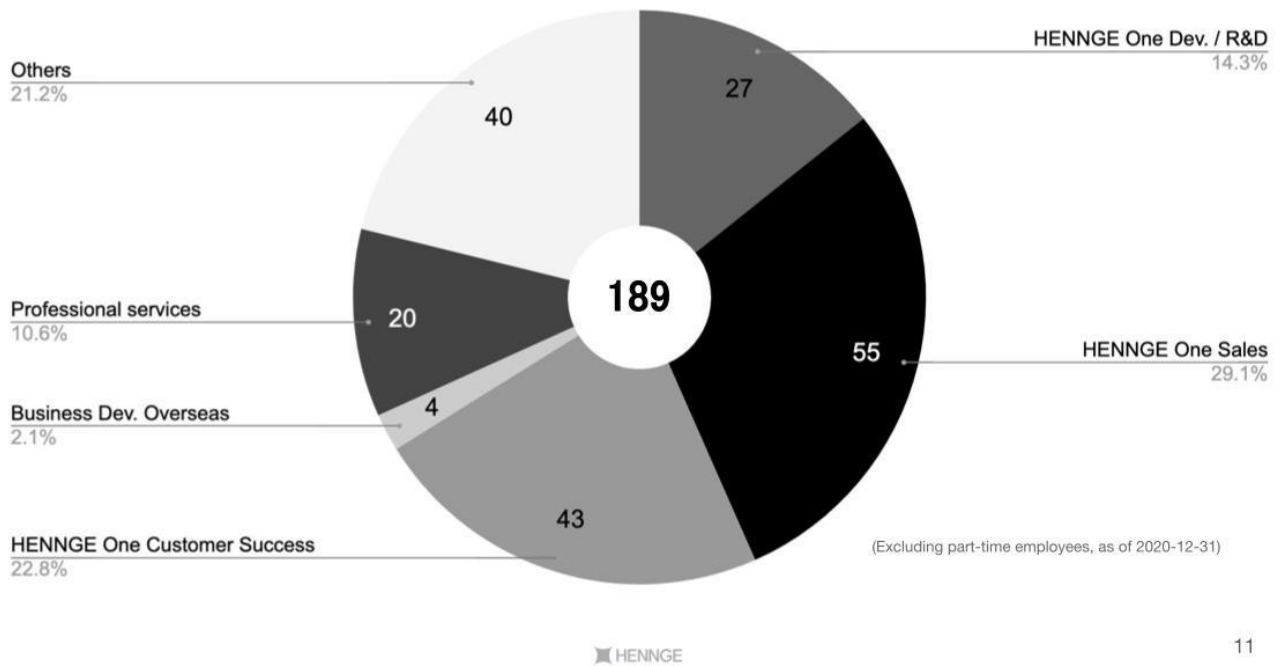
HENNGE

10

This slide shows quarterly trends in net sales and operating expenses. The reason for the decline in net sales in this quarter is that we had a large amount of sales of systems integration services in the previous quarter in our Professional service and others business. Sales of HENNGE One Business, which has a recurring nature, increased on a quarterly basis, as in the previous quarters.

# Breakdown of Employees

## Breakdown of Employees

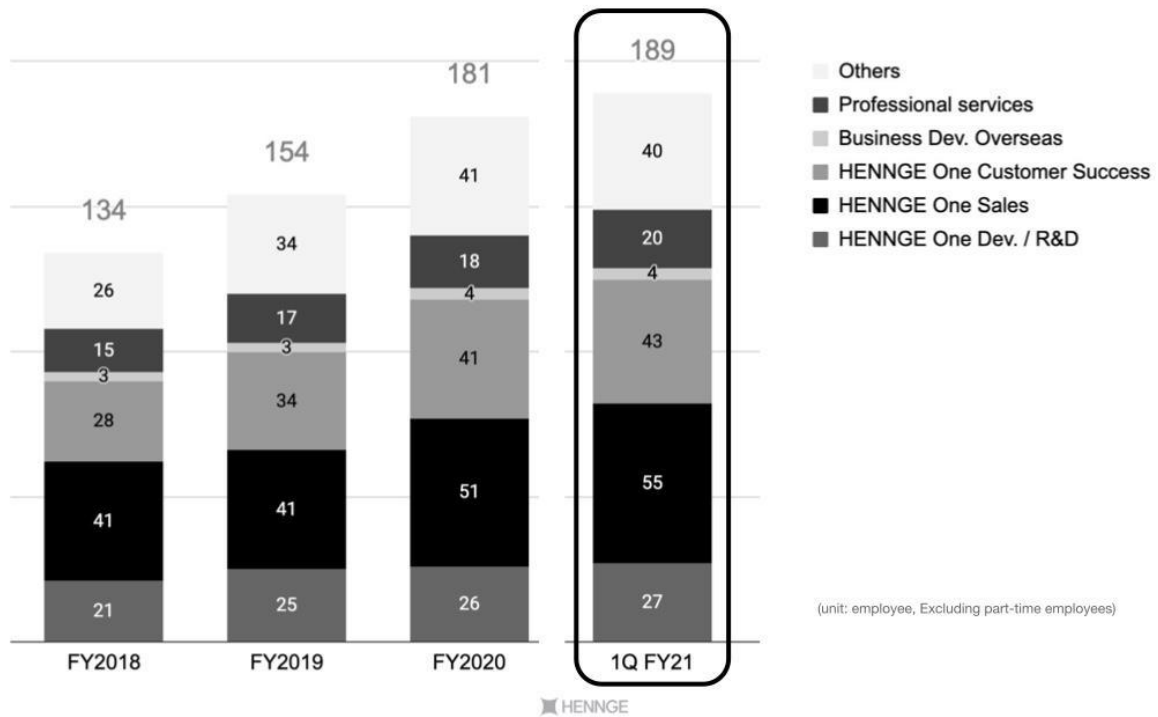


As to the employees, currently, we have 189 employees. The percentage breakdown is as shown in the slide.



# Number of Employees

## Number of Employees



The growth in our workforce is displayed here.

# Business Highlights

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Business Highlights

- Advertising and events
  - **Sponsoring and participating in some online events (Oct to Dec 2020)**  
SoftBank World 2020, Digital Innovation 2020 Online, etc.
  - **Corporate advertising at SMBC Japan Baseball Series (Nov 2020)**
  - **Out-of-home advertising at Tokyo Station (Dec 2020)**
  
- Other
  - **Launch of HENNGE One Product Alliance Program (Nov 2020)**  
23 companies and 26 services are participating in this program. We hope to solve the issues of ID/password management in user companies by proactively promoting technical cooperation on SSO integration with HENNGE One.
  - **Release of HENNGE Lock (Nov 2020)**  
This is our first move to achieve a secure passwordless environment. Via HENNGE Lock, smartphones and smartwatches can be used as additional authentication factors. When used in combination with HENNGE Device Certificate, customers can even login without having to enter a password at all.



14

Next, let's see our business activities in 1Q. This is an overview of our business highlights.

# Advertising and Events

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Advertising and Events

### Various advertising

#### SMBC Japan Baseball Series (Nov 2020)



#### Tokyo Station (Dec 2020)



☒ HENNGE

15

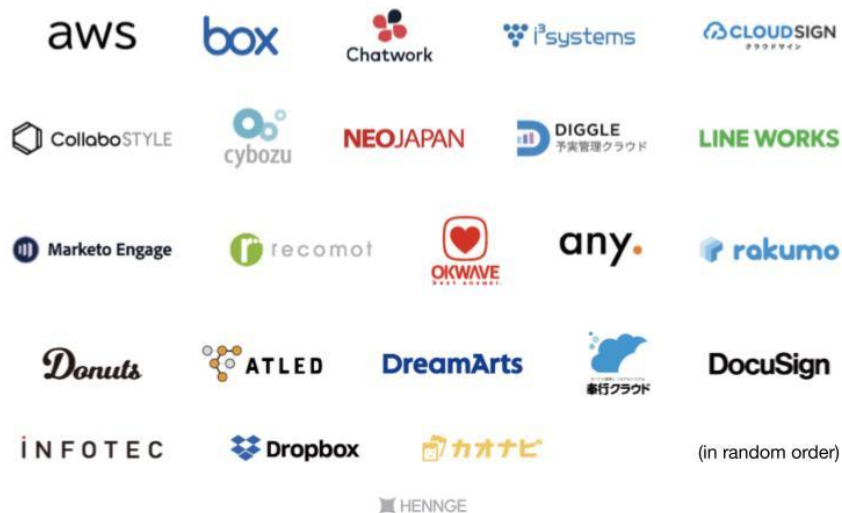
We have started an advertising campaign for the large-scale virtual event HENNGE NOW!, scheduled to be held in 2Q. Also, we have tried corporate advertising at the SMBC Japan Baseball Series and also tried out-of-home advertising at Tokyo Station. In this fiscal year, we aim to improve our brand awareness among a wide range of people nationwide.

# New Program

## New Program

### Launch of HENNGE One Product Alliance Program (Nov 2020)

We hope to solve the issues of ID/password management in user companies by proactively promoting technical cooperation on SSO integration with HENNGE One.



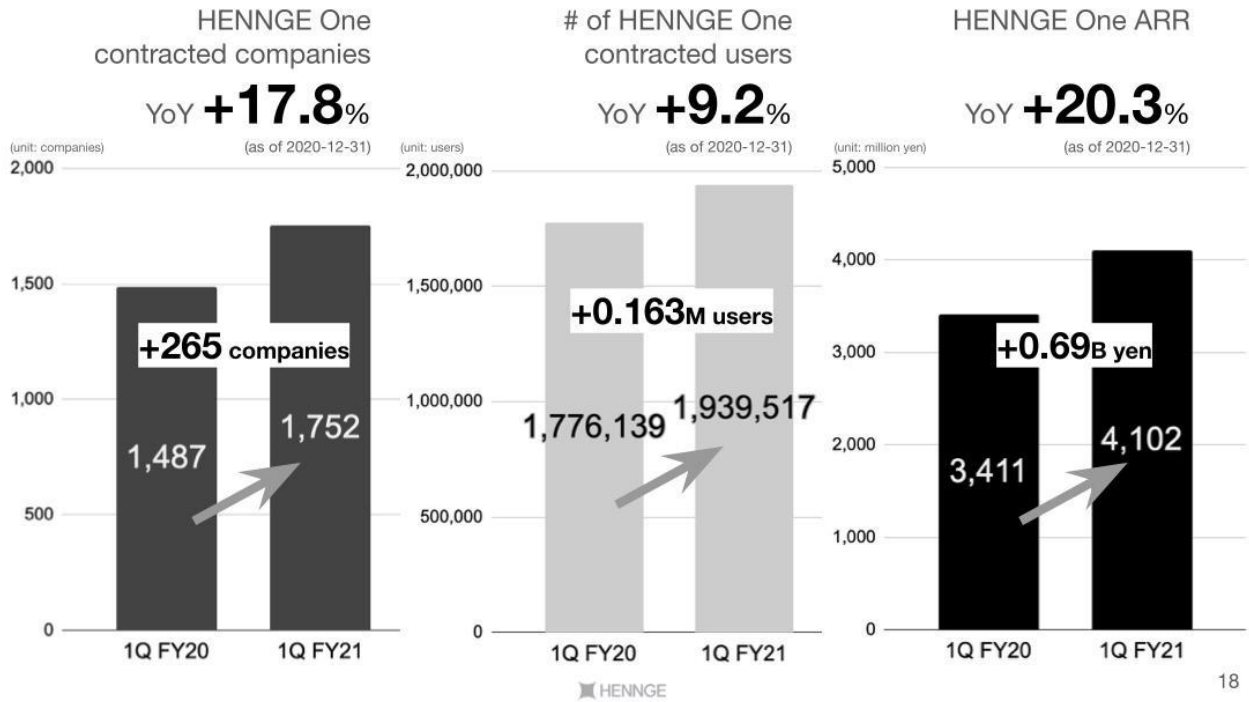
16

In November 2020, we launched the HENNGE One Product Alliance Program. Since the launch of the program, many brilliant SaaS companies have joined us. And we hope to solve the issues of IT password management in user companies by proactively promoting technical cooperation on SSO integration with HENNGE One.

# HENNGE One KPI

## HENNGE One KPI

(YoY, compared to the end of 1Q FY09/2020)



Next, let's take a look at our KPIs in 1Q. This slide shows a YoY comparison of the KPIs of HENNGE One.

# HENNGE One KPI Highlights

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## HENNGE One KPI Highlights

(compared to the end of the previous fiscal year)

1. Average monthly churn rate over the past 12 months rose by **0.06pts** to **0.22%** compared to the end of FY2020 and remains low.
2. The number of user companies increased by **85** to **1,752 companies** compared to the end of FY2020.  
The number of contracted users decreased by **86K** to **1.94M users** compared to the end of FY2020.  
ARR increased by **0.193B** to **4.102B yen** compared to the end of FY2020 and has grown steadily.
3. ARPU increased by **108yen** to **2,115 yen** (per user in annual) compared to the end of FY2020.

■ HENNGE

19

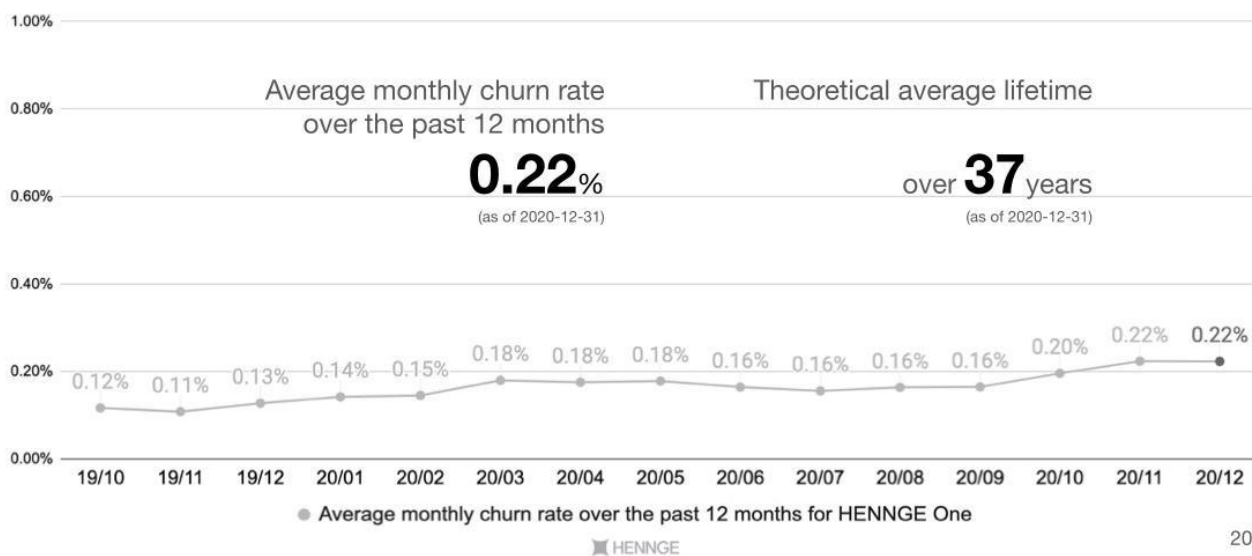
This is an overview of the KPI results of 1Q.

# HENNGE One Gross Revenue Churn Rate

## HENNGE One Gross Revenue Churn Rate

Average monthly churn rate over the past 12 months for HENNGE One rose by 0.06pt QoQ to 0.22% and remains low.

\* Gross Revenue Churn Rate is calculated based on the decrease in contract value due to service cancellations, etc.

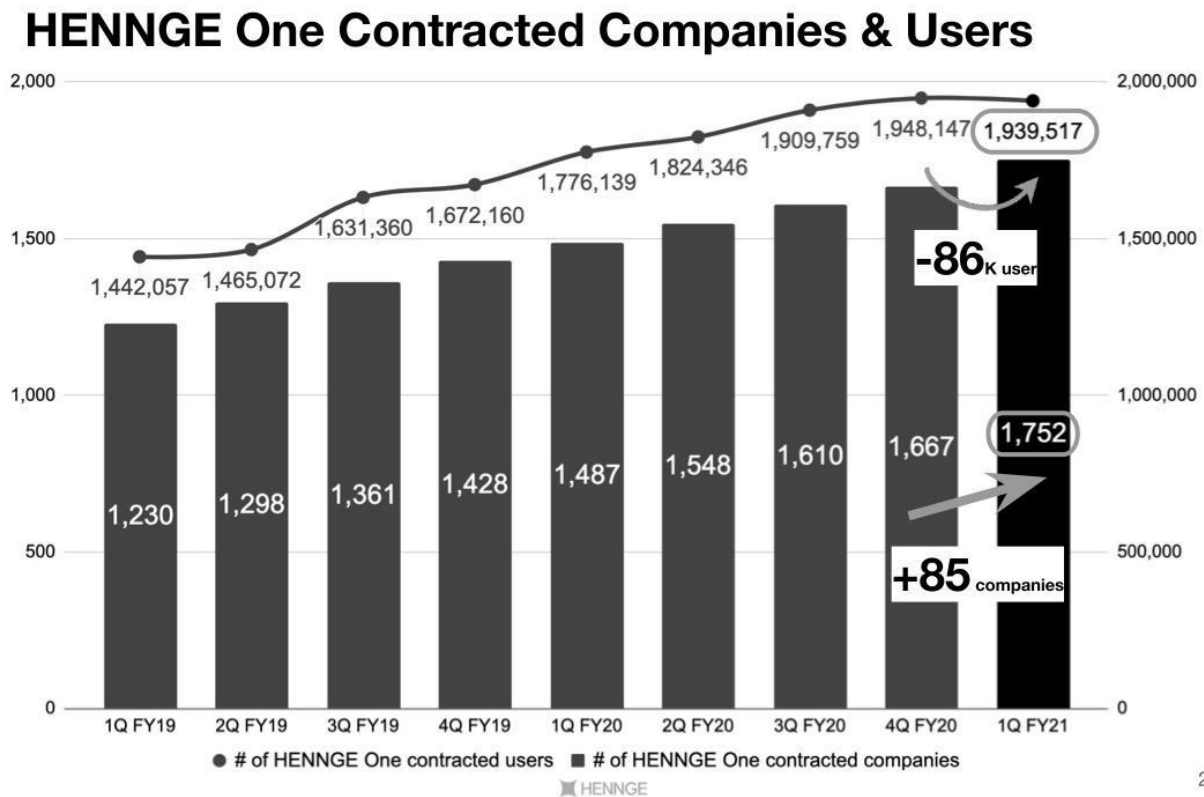


20

Our average monthly churn rate rose 0.06 points to 0.22% from the end of the previous quarter, but still remains low in its absolute level.

# HENNGE One Contracted Companies & Users

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results



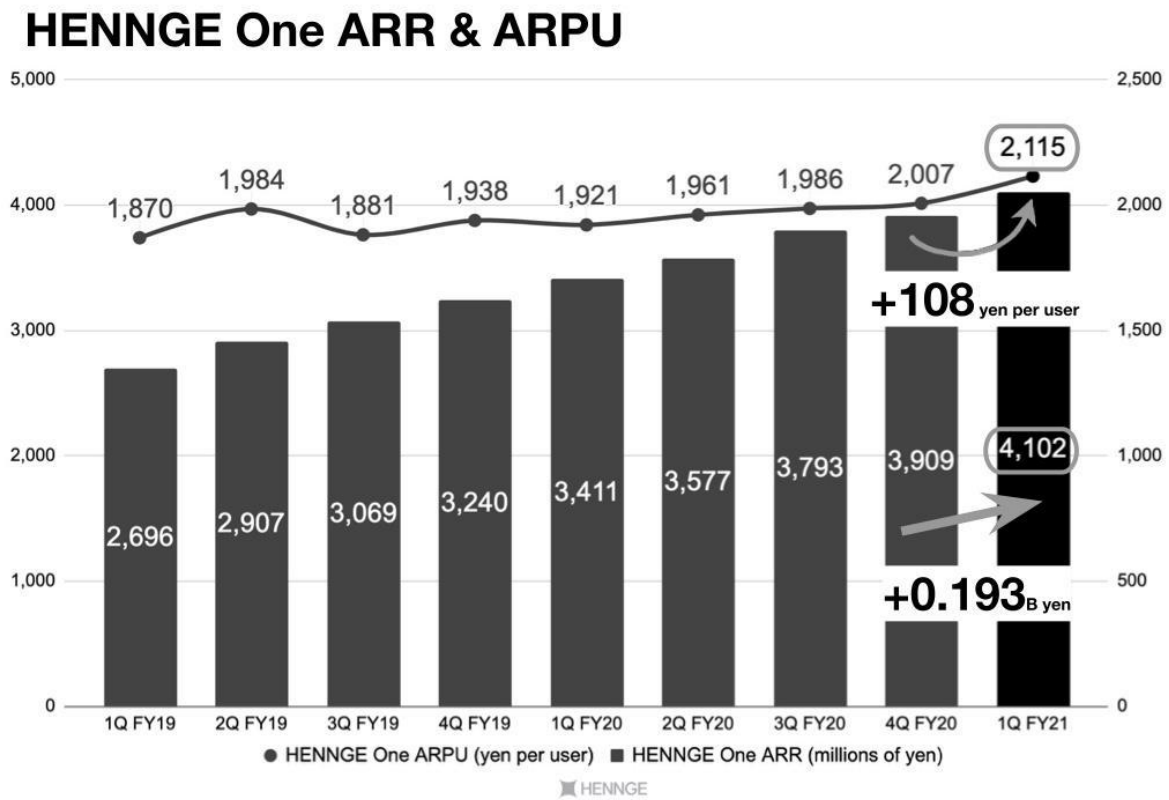
21

This slide shows quarterly trends in the number of contracted companies and the number of contracted users. The growth in the number of contracted companies in 1Q was larger than the previous levels. This is mainly due to two facts. Firstly, many projects queued for activation at the end of the previous fiscal year were put into service in this quarter. Secondly, we saw more closing sales deals than before. We want to keep our eyes on our sales activities for a while before judging whether this is a permanent acceleration influenced by the work-from-home trend or not.

The total number of contracted users at the end of 1Q decreased compared to the previous fiscal year. This is due to a special factor. We will come back to this topic later.



# HENNGE One ARR & ARPU



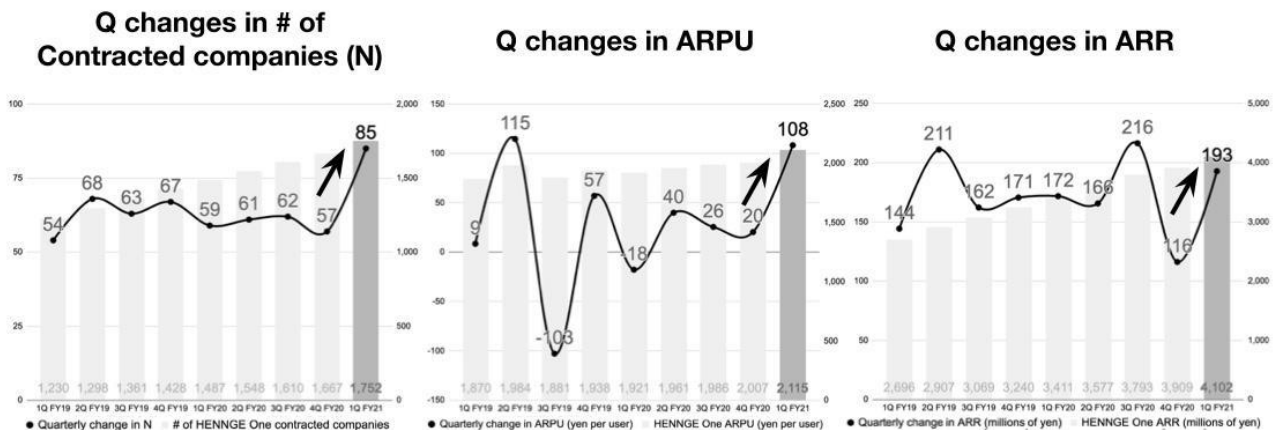
Our ARR is growing steadily. ARPU has been on a gradual upward trend in the past, but due to a special factor, it increased to a larger extent.

# Decrease in # of HENNGE One Contracted Users

## Decrease in # of HENNGE One Contracted Users

The number of contracted users declined QoQ. This was mainly due to the cancellation of one customer (approx. 80,000 users) who had been using our service for relatively uncommon purposes mainly for email service.

New customer acquisition activities are progressing well.



Let me explain in a little more detail. As I explained, the number of contracted companies in ARR grew steadily, and the ARPU grew more rapidly than usual. However, the number of users declined over the quarter, which is unusual compared to the past quarters' trend. The decline in the number of users in the rapid growth in the ARPU is mainly due to one customer's cancellation, which I mentioned earlier as a special factor. Back in the early days of HENNGE One, when we hadn't yet found our winning strategy, we tried to sell it in various ways. This time in this quarter, one customer who had been using HENNGE One since those early days in a way not common these days, mainly for email security purposes, unfortunately, cancelled the contract. There are three charts on this slide, showing the quarterly changes in the number of contracted companies, N, ARPU and ARR. The customer who stopped using HENNGE One had a relatively large number of users, approximately 80,000.

So, the total number of users has declined, as I mentioned. But on the other hand, ARPU has significantly risen, as shown on the chart. As you can see, the decline in the total number of users doesn't mean that our future growth is slowing down. We view that the trend of the steady growth of our business is ongoing. Our new customer acquisition activities are progressing well. We will keep focusing on maximizing our LTV, which means piling up our future ARR, by increasing N and ARPU, following our growth strategy. So, without the special factor, all these charts might have looked more appealing with more steady and smooth growth. But yes, things don't go well all the time.

# Our Policy of FY09/2021

## Our Policy of FY09/2021

The main elements of our policy regarding the consolidated financial outlook are as follows;

**Accelerate medium-term growth in HENNGE One ARR  
by aggressively investing in marketing and  
capture growth opportunities in the new normal.**

### Sales of HENNGE One

Create an inflection point in HENNGE One ARR growth in FY2020 by increasing the number of contracted companies (N) and ARPU, and achieve the sustained annual growth of 20% or more for HENNGE One ARR from FY2021 onward.

### Advertising expenses

Hold a digital event ten times the size of previous events, and conduct an associated large-scale advertising campaign within the FH. A diverse group of companies, educational institutions, government municipalities and SaaS providers will join our digital event to discuss the utilization of SaaS in the new normal.

### Personnel plan

Increase a total of 30+ headcount for mainly Sales and Customer Success positions.

Let's move on to our full-year outlook for FY2021. The business is progressing as planned, and there have been almost no updates on our plan since the last time we explained. However, since there are plans for large-scale investments in advertising expenses, let me explain our policy of FY2021 again. In the FY2021, we aim to accelerate mid-term growth in HENNGE One ARR by aggressively investing in marketing and capturing growth opportunities in the new normal. We plan to create an inflection point in ARR growth by increasing both the number of contracted companies and ARPU. We aim to achieve a sustained annual growth of 20% or more for HENNGE One ARR from 2021 onward.

As to advertising expenses, in February, we will hold a large-scale digital event, which is a virtual event, called HENNGE NOW! that will be almost 10 times the size of the previous HENNGE NOW! events we held physically. Specifically speaking, we want to get 10,000 registrars to the event. We also plan to raise the HENNGE brand profile among a broader customer segment than before, including decision-makers and partner companies nationwide, by having an associated large-scale advertising campaign together. We believe this will contribute to both N and ARPU.

As a personal plan, we aim for a net increase of 30 or more employees across the Company with a focus on sales and customer success members.

# Overview of FY09/2021 Forecasts

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Overview of FY09/2021 Forecasts

Accelerate medium-term growth in ARR from HENNGE One by investing aggressively in marketing and capture growth opportunities in the new normal.

	FY2019	FY2020	FY2021	YoY	YoY (%)
	Result	Result	Forecast		
(unit: million yen)			(disclosed on 2020/11)		
<b>Net sales</b>	<b>3,427</b>	<b>4,153</b>	<b>4,841</b>	+689	+16.6%
(HENNGE One)	2,916	3,618	<b>4,388</b>	+770	<b>+21.3%</b>
(Professional service and others)	511	535	<b>453</b>	-82	-15.3%
<b>Ordinary income</b>	<b>3,240</b>	<b>3,614</b>	<b>4,531</b>	+917	+25.4%
<b>Operating income</b>	<b>187</b>	<b>539</b>	<b>310</b>	-229	<b>-42.4%</b>
(Operating income margin)	(5.5%)	(13.0%)	(6.4%)		(-6.6pt)
<b>Ordinary income</b>	<b>178</b>	<b>535</b>	<b>310</b>	-225	-42.1%
<b>Profit attributable to owners of parent</b>	<b>110</b>	<b>355</b>	<b>193</b>	-162	-45.6%
(Net income margin)	(3.2%)	(8.5%)	(4.0%)		(-4.6pt)

1. The sales of HENNGE One, which is our key driver of growth is expected to grow by **21.3%** YoY. The sales of Professional service and others is expected to decrease by **15.3%** YoY.
2. The net sales is expected to grow by **16.6%** YoY, but the operating income is expected to decrease by **42.4%** YoY.

■ HENNGE

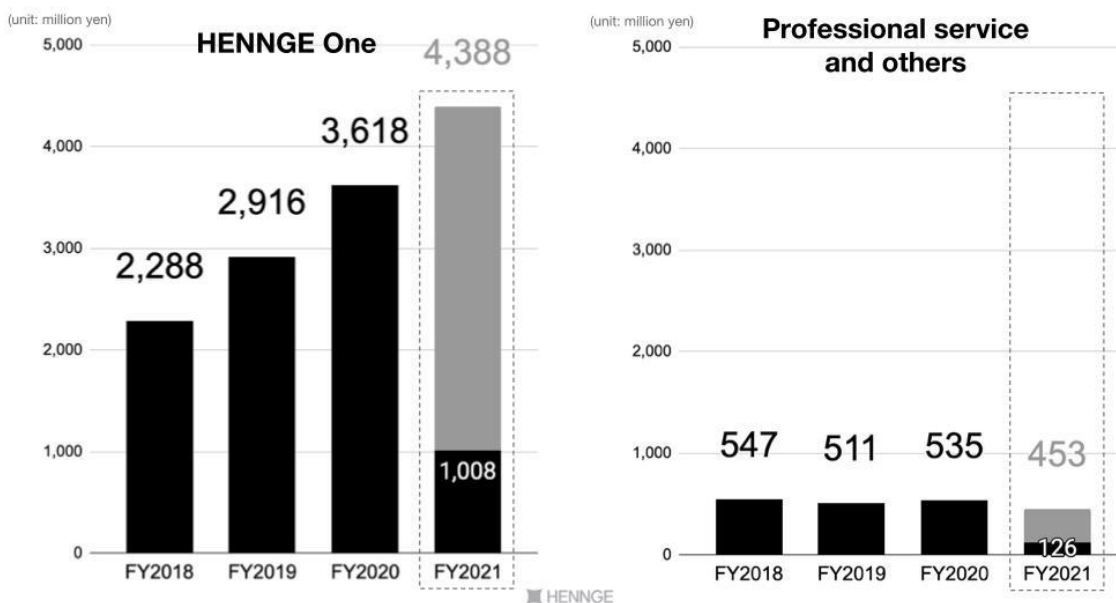
26

There is no change to our full-year forecast from the announcement at the beginning of the fiscal year. As for HENNGE One Business, we will aim for above 20% annual growth. For sustained growth onward, we want to create an inflection point through our aggressive marketing activities. For this reason, the operating income will be lower than the previous fiscal year.

# FY09/2021 Forecasts of Sales by Business

## FY09/2021 Forecasts of Sales by Business

The progress rate of HENNGE One's sales of this Q was at 23.0% towards the full-year forecast.



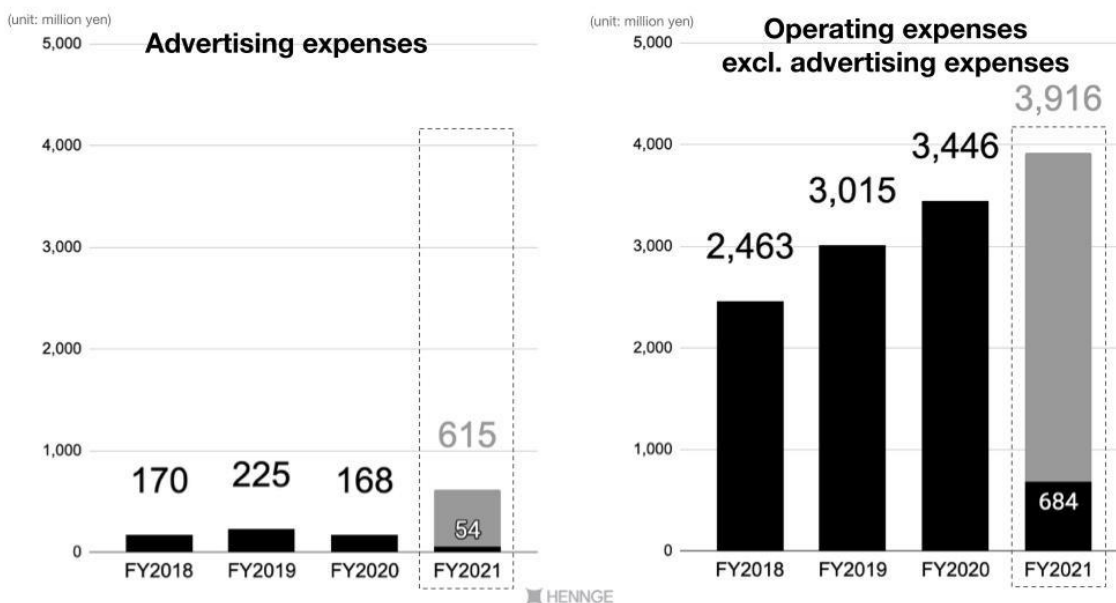
27

These charts show the transition of our sales by business over the last few years. Sales are progressing steadily according to the forecast.

# FY09/2021 Forecasts of Operating Expenses

## FY09/2021 Forecasts of Operating Expenses

The progress rate of the advertising expenses was at 8.8% towards the full-year forecast. The advertising expenses will increase mainly in the 2Q when our large-scale digital event is held.



28

On this slide, you can see the transition of our advertising expenses and operating expenses since the FY2018. While the quarter's progress on advertising may appear to be a little slow, advertising expenses are expected to be spent heavily on 2Q, in which our large-scale digital event will be held.

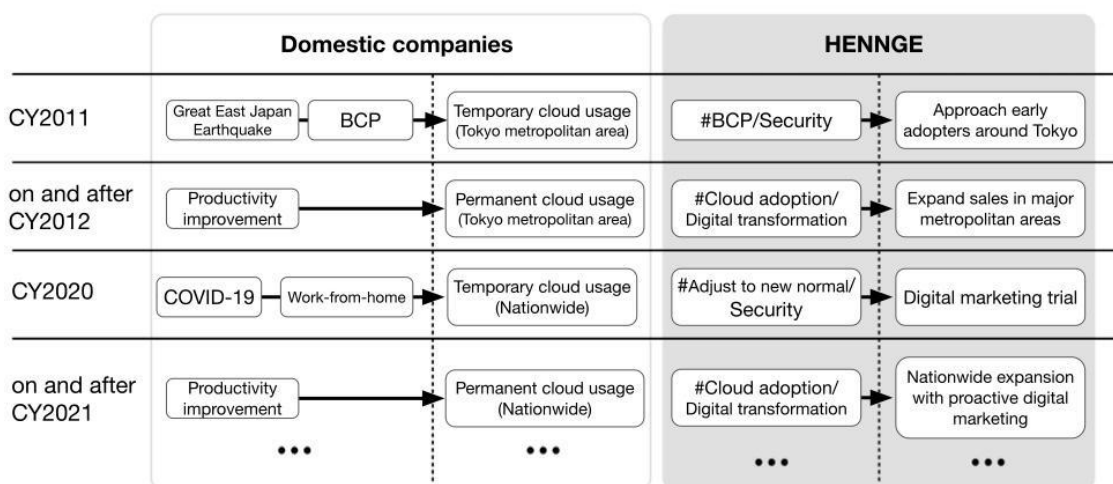
As you can see, we plan to actively spend money on advertising more than the previous fiscal years. Let me explain the background to this plan again. We have been concentrating on maximizing our LTV and our future ARR, but we have remained relatively conservative about spending on marketing until this fiscal year. This is because we thought that we could grow together with a strong and steady market expansion in an organic way while staying as a leader.



# Changes in the Market Environment

## Changes in the Market Environment

The number of companies using cloud services in Japan is expected to rapidly increase due to the impact of COVID-19.



However, we think the market environment is under a significant change because of the COVID-19. The Japanese government declared a state of emergency in April 2020 to counter the spread of COVID-19, and Japanese companies across the country were forced to adopt work-from-home. This rapidly raised the profile of SaaS. We think this brought us a huge business opportunity only seen once in a decade.

HENNGE One is a security service that enables secure access and single sign-on to a range of cloud services used by companies. We believe we can help many companies in this country that are about to start using SaaS under this situation. To take advantage of the opportunities in this new norm, we plan to aggressively market our services to companies that are already using SaaS and companies seeking to expand their internal usage of SaaS.

SaaS adoption gained traction in Japan, especially in the Tokyo metropolitan area, shortly after the Great East Japan Earthquake in 2011. We feel the recent outbreak of COVID-19 has further accelerated SaaS adoption, not only in the Tokyo metropolitan area, but across the country. The conditions in the Tokyo metropolitan area in 2011 drove growth in the Cloud market from 2013 onward. This trend gave birth to many successful Japanese SaaS companies, and as you know, many SaaS companies succeeded in achieving growth enough to go public in recent years.

A similar situation is unfolding now. This time not locally around Tokyo, but throughout the country at a larger scale. This environmental change presents significant opportunities for HENNGE and other SaaS providers. Until this year, it was said that the SaaS adoption among Japanese companies has been proceeding slowly compared to countries such as the US. We think this might be changed by COVID-19, bringing cloud adoption nationwide, just like how

the earthquake changed Japanese companies' behavior in the Tokyo area after the earthquake back in 2011, creating a sustained cloud adoption trend. Nowadays, face-to-face events are no longer held as before because of the COVID-19 pandemic, but participating in digital events has become a common thing since the Japanese government declared a state of emergency last April.

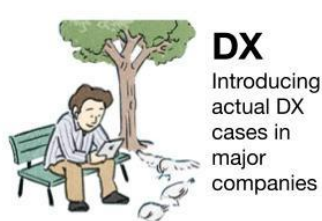
Taking this as a unique opportunity to efficiently promote our services to customers nationwide, we plan an online SaaS festival called HENNGE NOW!. The event will be 10 times the size of previous events, and we aim to attract 10,000 visitors. We will establish new sales and marketing methods effective in the new normal and would like to capture opportunities in the rapidly expanding market.

## Large-scale Digital Event 'HENNGE NOW!' (1)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### Large-scale Digital Event 'HENNGE NOW!'

Starting on February 15th, more than 40 companies, municipalities, and educational institutions will speak at this six-day event, which will feature over 50 sessions on DX, SaaS, security, the digitization of education and municipalities, etc. The goal is to promote the future of SaaS in Japan and seize the opportunity by sharing the perspectives of both users and providers on SaaS utilization.



(Snap the above QR code for the details of HENNGE NOW!  
Japanese only)



TV commercials and video ads are also being run in association with this event.



(Snap the above QR code for the video ad;  
Japanese only)

HENNGE

30

Let me briefly explain about this online SaaS festival HENNGE NOW! In the past, HENNGE NOW! was held as a physical event. For example, the one held in 2019 was a physical event. This year, it will be held as a virtual event for the first time. Starting on February 15th, more than 40 companies, municipalities, and institutions will speak at this six-day event, which will feature over 50 sessions on various topics, such as DX, SaaS, security, the digitization of education and cities, and so on. Not only user companies, but also the SaaS companies, will participate and will share knowledge, such as how to adapt to the new norm, how to stay productive, or how to boost productivity under the new norm.



# Large-scale Digital Event ‘HENNGE NOW!’ (2)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Large-scale Digital Event ‘HENNGE NOW!’



(Partially in random order)

■ HENNGE

31

The event will be 10 times the size of previous events, and we aim to attract 10,000 visitors. We will also conduct a large-scale advertising campaign related to this event. We'd like to further energize the SaaS market in cooperation with many other companies. In addition to the SaaS companies shown on the slide, many user companies will also be speaking at the event.

# Maximize LTV

## Maximize LTV

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

Y = [Average contract duration in years]

r = [Gross profit rate]

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

N = [# of contracted companies]

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

ARPU = [Average Revenue Per User]

Next, let me explain our growth strategy. The core of our growth strategy is to maximize our LTV. Our users have signed up for our services with a very long theoretical average lifetime of several decades, as shown on the previous slide. For example, when we secure a contract of JPY1 million per year in the current fiscal year, that does not just mean an additional JPY1 million to our sales. It means JPY1 million in sales every year for the following decades, as long as the user continues to use our service.

For this reason, we do not focus too much on the near-term operating profit level. Instead, in our growth strategy, we focus on maximizing our LTV through aggressive spending to secure future sales. LTV can be calculated by multiplying the three factors shown at the top of the slide. ARR stands for annual recurring revenue. Y represents the average contract duration in years, and R means gross profit margin. We consider the product of these three factors as the total lifetime value of the contracts we have.

However, since the theoretical average contract duration in years is already over 35 years, we do not think it is meaningful to attempt to make it longer. Similarly, lowercase r, small r, gross profit margin is already high. Therefore, we think growth in ARR will be the key driver to maximize LTV.

# Maximize ARR

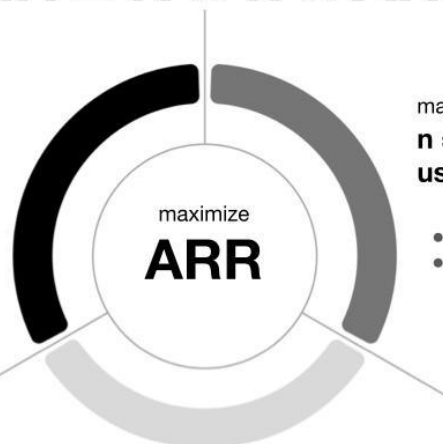
## Maximize ARR

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

maximize **N**

**N = # of contracted companies**

- Increase our sales force
- Expand our business within the Tokai/Kansai/Kyushu area and overseas regions for the first-mover advantage
- Strengthen the partnership with our partner companies



maximize **n**

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

- Target large companies
- Increase our customer success power

maximize **ARPU**

**ARPU = Average Revenue Per User**

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

ARR can be broken down into three factors. The big N, capital N, means the number of contracted companies, and the small n represents an average number of users per contracted company. That is how many users are using it inside a company on average. ARPU stands for average revenue per user. The production of these three parameters will be our ARR. We'd like to pile up as much ARR as we can as our growth strategy. We do not focus too much on the near-term operating profit level, but we focus on maximizing LTV through aggressive spending to secure future sales. To achieve that, we need to raise either large N, small n, or ARPU. But if we can raise at least two out of these three factors simultaneously, we can increase ARR exponentially. Our basic tactics are to focus mainly on getting more customers to raise large N in the short term, while aiming to raise ARPU in the mid-term. For small n, we regard it as an uncontrollable parameter, and expect it to stay flat or to increase slightly.

# Progress of Our Growth Strategy

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## Progress of Our Growth Strategy

(HENNGE One)

With FY2021 as an inflection point, aim to accelerate ARR growth from FY2022 by focusing on increasing # of contracted companies (N) in the short term while increasing ARPU in the mid 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)		
4Q FY14	563			= 232			x 1,187			x 2,042		
4Q FY15	880	+56.5%	+318	= 399	+72.0%	+167	x 1,095	-7.8%	-93	x 2,015	-1.3%	-27
4Q FY16	1,288	+46.3%	+407	= 642	+60.9%	+243	x 1,018	-7.0%	-76	x 1,970	-2.2%	-45
4Q FY17	1,898	+47.4%	+611	= 928	+44.5%	+286	x 1,107	+8.7%	+89	x 1,848	-6.2%	-122
4Q FY18	2,552	+34.4%	+653	= 1,176	+26.7%	+248	x 1,166	+5.3%	+59	x 1,861	+0.7%	+13
4Q FY19	3,240	+27.0%	+688	= 1,428	+21.4%	+252	x 1,171	+0.4%	+5	x 1,938	+4.2%	+77
4Q FY20	3,909	+20.7%	+670	= 1,667	+16.7%	+239	x 1,169	-0.2%	-2	x 2,007	+3.5%	+68
1Q FY21	4,102			= 1,752			x 1,107			x 2,115		

HENNGE

35

This slide shows the actual progress of those three factors. In our FY2020, the delta, or YoY change, for large N and ARR narrowed by some irregular situation, but it does not indicate a structural down-trend. We believe we can continue increasing the ARR and the delta onward, as the market expands.

The real structural challenge is of slowing growth rate even with the increasing delta. Our services have an extremely low churn rate, which means the denominator increases as our business grows. Therefore, even if we steadily increase the YoY change, this alone will not be sufficient to overcome the slowdown in growth. We want to keep it above 20%, and we want to have sustained growth in HENNGE One ARR for the midterm.

The inflection point I mentioned before refers to ARR growth. Growth in ARR has slowed down to date. We aim to accelerate ARR growth from FY2022 with the FY2021 as an inflection point. As for the large N, we aim to increase this by expanding our sales force and collaborating with the sales partners, as the previous fiscal year.

We also plan to implement measures to improve ARPU from FY2021 decisively. We want to create an inflection point through aggressive marketing activities. We revised our pricing structure in June 2019, and the ARPU from new customers has improved significantly over the last year. As we advance, we expect overall ARPU to trend upward, as we continue to secure new customers.

To further improve ARPU, we plan to provide new applications and strengthen our brand power. We have recently enhanced our HENNGE One service by releasing the

groundbreaking HENNGE Lock application. HENNGE Lock allows users to break free from password management.

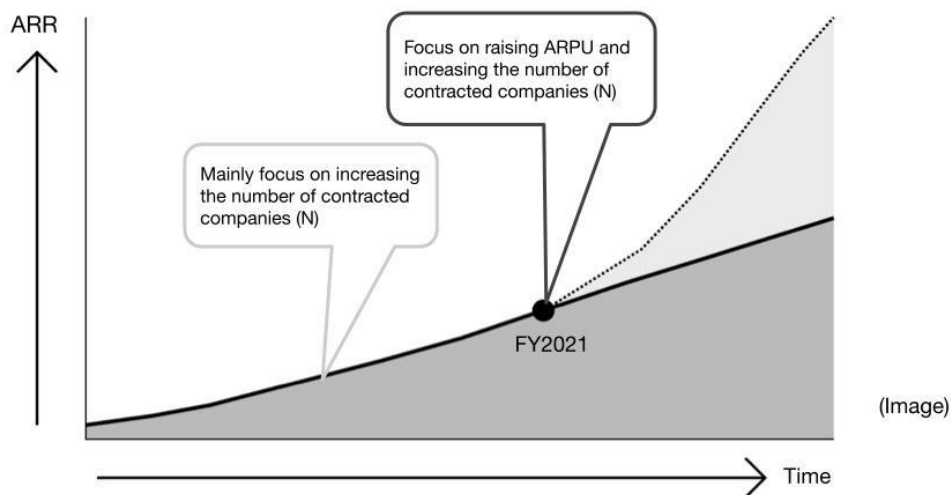
We aim to increase ARPU by continually enhancing our service features and broadly promoting our services innovation to the market through aggressive advertising. Regarding small n, in the second right column of this slide, which represents the number of users per contracted companies, we think we have relatively little control over this parameter. If we continue to secure large customers, this small n will increase. However, if we start selling our services to smaller customers that we have not approached in the past, small N will decline. For this reason, we expect small n will either remain flat or increase modestly.

## Growth Strategy on and After FY09/2021 (1)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### Growth Strategy on and After FY09/2021

Create an inflection point in ARR growth by increasing the number of contracted companies (N) and ARPU.



HENNGE

36

This is the growth trajectory we envisioned from 2021 onward. HENNGE mainly operates a Subscription Model Business. Barring any cancellations, the contracts secured this year should continue to generate sales and become the foundational sales from next year. Basically, our Subscription Business will grow steadily, as shown by the solid black line in this chart, but the growth rate is bound to slow over time.

To create an inflection point in its growth rate, we need to raise ARR to a certain level, as shown by the dotted line on the slide. Then we want to shift it to a gradual growth trend. This is not an easy task, but if there is ever a time that is best to do something to achieve this task, it will be no other fiscal year but this fiscal year. COVID-19 changed how people work, and companies in Japan are finally about to adopt the SaaS-powered work style.

In light of the current major changes in the market environment, we aim to create an inflection point in ARR growth from 2021 onward. In FY2021, we plan to hold our largest

digital event ever to raise the HENNGE brand profile among a broader segment of customers, including decision-makers and partner companies across the country. Our goal is to create an inflection point, which affects both large N and ARPU.

## Growth Strategy on and After FY09/2021 (2)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### Growth Strategy on and After FY09/2021

With IDaaS platform HENNGE One as our core business, we grows as SaaS adoption expands.



Currently integrates with

over **160** Cloud services

### Establish SaaS platform

HENNGE

37

HENNGE One currently integrates with over 160 third-party SaaS's. Through integration with HENNGE One, SaaS providers can allow their customers to break away from password management without developing functionalities such as multi-factor authentication, single sign-on, or password-less login by themselves. In other words, we already provide those features to their users. HENNGE One is an IDaaS, a kind of special SaaS, that works across multiple SaaS that the user is using. It becomes more valuable as the use of various types of SaaS increases. As we advance, we would like to encourage the acceleration of cloud service adoption in companies in this country, not only by ourselves, but also by cooperating with various SaaS providers. We'd like to promote and grow us as a SaaS platform and expand our business further.



# 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

Haruo Amano

Director & Executive Vice President

Fumiaki Goto

Director

Koichi Tamura

Auditor

Akenobu Hayakawa

Auditor

Kunihiro Onai

Auditor



Kazuhiro Ogura



Kazuaki Miyamoto



Yoshiki Nagatome



Haruo Amano

Founded on: November 5, 1996

# of employees: 189

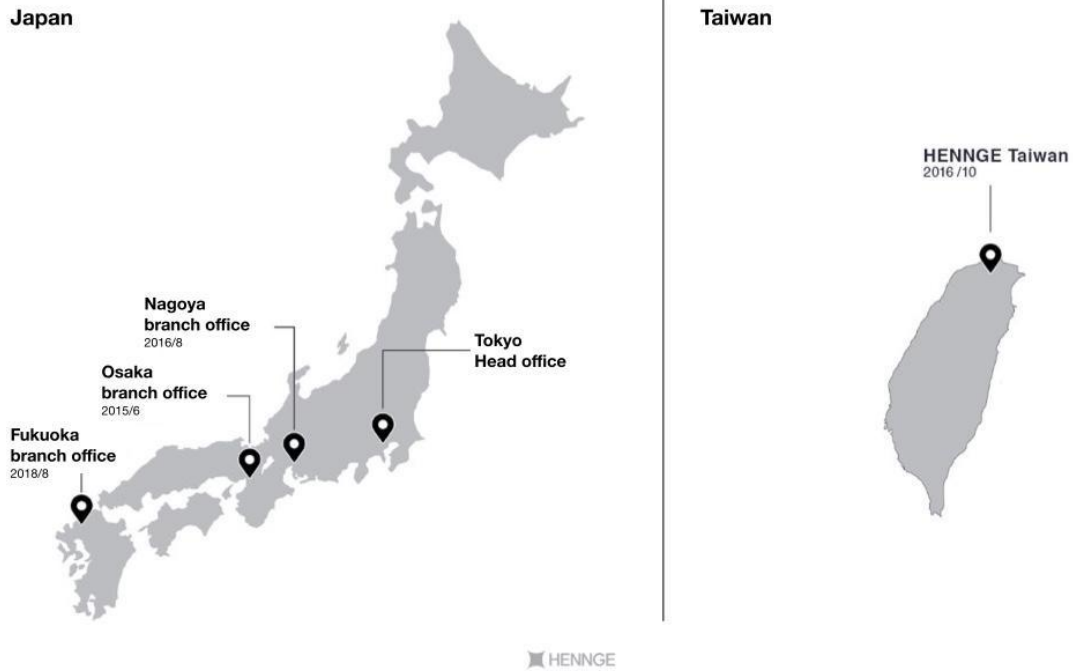
(as of 2020-12-31, excluding part-time employees)



I would like to provide a general overview of our Company. It was established in 1996 by three university students, Ogura, Miyamoto, and Nagatome, who are now serving as Directors, as shown on the slide. FY2021 will be our 25th term since the establishment. Haruo Amano has been appointed as a Director after the resolution of the annual general meeting of shareholders held in December last year.

# Locations

## Locations



At present, we have 189 employees. We have four offices in Japan and one 100% subsidiary in Taiwan. However, most of our employees are still based in Tokyo. We established these offices in Nagoya, Osaka, Fukuoka, and Taiwan to step up sales activities in these regions, where we expect SaaS demands to grow. In other words, we are in the process of expanding regionally from Tokyo.



# Vision

HENNGE K.K. (4475:TYO) 1Q FY09/2021 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

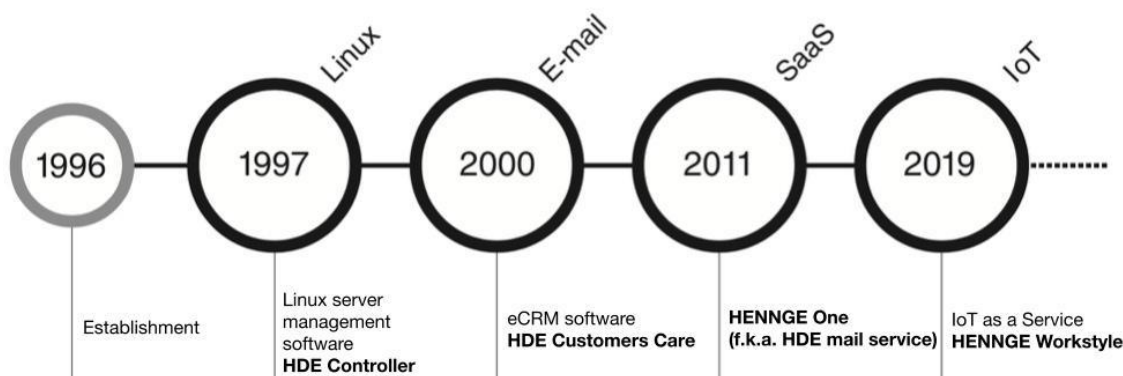
41

Our corporate philosophy is liberation of technology. We love technology. We believe in the power of technology, and we want to deliver the power of technology to as many people as we can. We want to change the world into a better place.

# History

## History

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



We have been liberating technology in various domains. Since the establishment of HENNGE in 1996, our Company has provided technology to our customers, shifting its business domains from Linux to email security to SaaS and to IoT. In 2011, we launched HENNGE One service, our present growth driver. The HENNGE One Business generates roughly 89% of our total net sales. It is our current mainstay business.

We launched HENNGE One in 2011, shortly after the Great East Japan Earthquake. At that time, the sudden earthquake prevented many people from going to work. As companies sought ways to sustain their operations through work-from-home, they adopted SaaS one after another. However, security was an obstacle that prevented many companies from making the switch to SaaS. To remove such an obstacle, we launched HENNGE One as a service to support customers' smooth transition to cloud-based work styles.

HENNGE One mainly provides ID federation and access control. In the aftermath of the earthquake, access control became an issue. Prior to that, companies were using, not cloud services, but on-premises systems, and those systems were physically located on companies' premises. Employees could only access Company data by commuting to the offices or by using a VPN, so the companies could ensure that the building is appropriately locked and no strangers coming into the building to be sure about their data security.

On the other hand, through cloud solutions, the Company data will be distributed on the Cloud. So, anyone can access Company data from any location worldwide, and this is exactly what makes cloud solutions so powerful. You can now collaborate from anywhere on the globe. It boosts the productivity of the Company workers. It is a strong and innovative feature of the Cloud, but this also presents security risks from the standpoint of access

control. Companies were naturally concerned that some stranger might be able to access their data from somewhere over the world, and that worry was preventing those companies from moving on to the SaaS. That was a problem, because at that moment they had to find some way to continue their business, letting everyone collaborate from their home. As a software vendor working on security for over 10 years, we wanted to do something to solve this problem. We wanted to liberate and deliver the power of cloud technology to the customers.

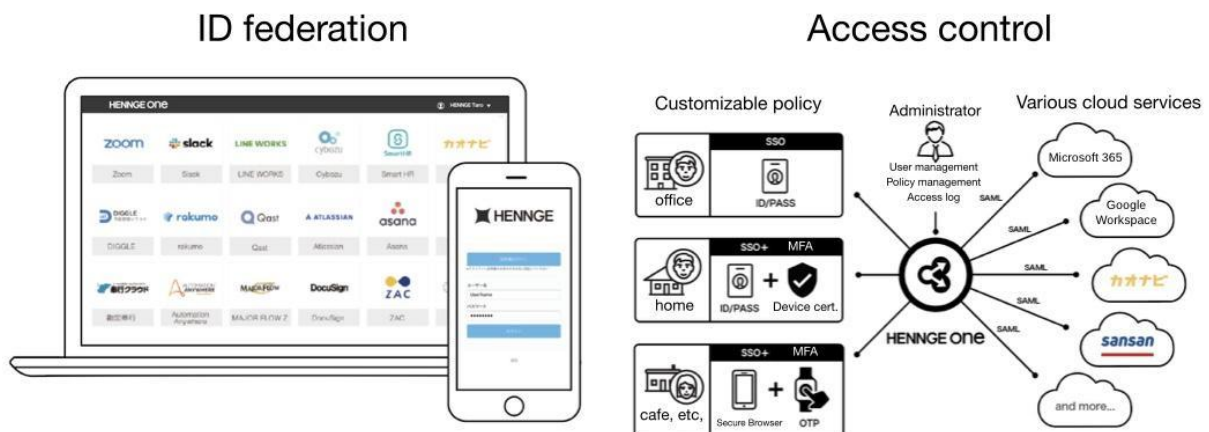
## HENNGE One (1)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### HENNGE One

Identity as a Service (IDaaS)

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



HENNGE

44

This is why we developed HENNGE One. HENNGE One has mainly two features. On the right side of this slide, the access control feature is illustrated. On the left side, there is the ID federation feature. Access control is a feature that directly solves the problem I mentioned. It allows the customers to configure access policies for each SaaS provider they use and control who can access which services, when, and from which devices.

For example, customers can limit access to HR related SaaS to HR staff only, or business card management applications or sales management services only to sales staff with access restrictions. They can also limit access only to Company-provided computers and block access from PCs for household use or PCs at cafes. By configuring who can access when and from which locations for each service, companies can transition to work styles that leverage cloud services without concerns over access security.

The left side of this slide illustrates the ID federation functionality. This integrates multiple IDs and passwords of multiple services into one authentication, utilizing single sign-on technology. After the Company switches to the SaaS-based work style, they typically start to

adopt many SaaS solutions. Then, they need to configure IDs and passwords for the users for each service, and it starts to become complicated.

That's where the ID federation functionality comes in. For example, if a Company uses 10 SaaS solutions, it needs to create 10 IDs and passwords for each new employee who joins the Company. When employees leave the Company, their IDs and passwords need to be deleted completely. Otherwise, the former employee, for example, could possibly still access data with their old login credentials, and memorizing and managing 10 sets of IDs and password is, of course, cumbersome for employees. So, they tend to reuse their passwords when they have to manage 10 sets of IDs. That is regarded as a bad habit, because it leads to unauthorized access if that password leaks.

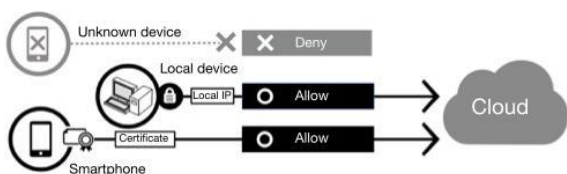
## HENNGE One (2)

HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

### HENNGE One

Provides a balanced work environment of both convenience and security through five key features

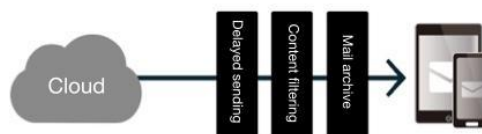
#### 1. HENNGE Access Control



#### 2. HENNGE Secure Browser



#### 3. HENNGE Email DLP



#### 4. HENNGE Email Archive

#### 5. HENNGE Secure Transfer

The ID federation functionality of HENNGE One allows employees to log into multiple SaaS with one ID and password. It also relieves companies from troublesome ID management, allowing them to transition to work styles that utilize SaaS with a sense of security. We aim to remove all of the typical obstacles companies face when they move into a cloud-based work style. Along with access control, HENNGE One offers various other features, such as secure browsing of cloud data from smartphones or email security or secure file transfer as a SaaS suite.

# HENNGE One Solid Customer Base

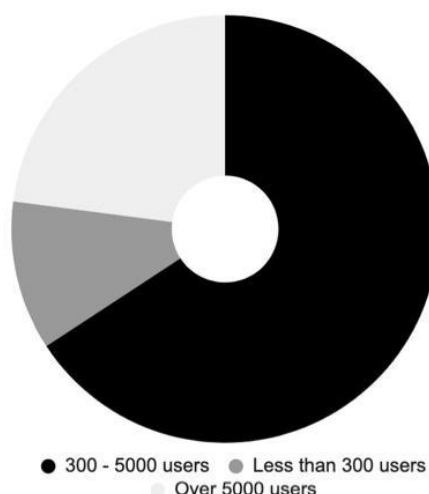
HENNGE K.K. (4475:TYO) 1Q FY09/2021 Consolidated Financial Results

## HENNGE One Solid Customer Base

HENNGE One is used by 1,752 customers in various industries, and has 1.94 million users.  
(as of 2020-12-31)



Breakdown by Contracted Users Size  
(ARR Basis, FY2020)



HENNGE

46

We provide this service, HENNGE One, on a per-user, per-month basis to companies. At present, we provide HENNGE One to more than 1,750 companies of various sizes in a variety of industries. Its user account has reached roughly 1.94 million, and as shown on the previous slide, the average number of users per contracted company is around 1,100. Our sales staff are mainly targeting companies with 300 to 5,000 employees. The chart shows a breakdown of our customer accounts by ARR as of the end of the previous fiscal year. As you can see here, 300 to 5,000 is the biggest portion, but we also have smaller customers with fewer than 300 employees and larger customers with more than 5,000 employees.

This concludes our video today. Thank you for watching.

## Q&A (1): About our thoughts on the growth rate of sales on a consolidated basis

**Ogura:** We will now have a question-and-answer session. Do you have any questions? We have disclosed 1Q financial results Q&A this time. While waiting for your questions, we'd like to take a look at this. If you have any questions, please raise your hand.

The first question is about our thoughts on the growth rate of sales on a consolidated basis. The sales growth rate was 20.6%, making good progress against the full-year forecast. However, as we explained in the video, if we don't gradually increase the ARPU and the number of contracted companies, the growth rate may fall below 20% in the future. We want

to create an inflection point to deal with such a situation, in order to achieve sustainable growth at 20% or more. Thank you.

I received a question. Thank you. You can ask your questions in the Q&A section, or you can type them in instead of raising your hand. In that case, I would like to read out the questions.

An anonymous user asked about the background of the decrease in recruiting costs (compared to the previous quarter). We also received a question asking about the current acceptance situation and environment. Thank you.

Today, Mr. Amano, the Director in charge of the Administrative Division, is here, so he will answer.

**Amano:** Thank you for your question. As for hiring cost, rather than seasonality, it differs for each quarter. In the quarter under review, we hired fewer people than in the previous quarter, so we did not incur so many expenses.

We have a plan to hire more than 30 people on a net basis for the full-year, and we are making good progress toward that goal. However, as you know, due to COVID-19, there have been some delays in the entry into Japan for prospective employees living outside Japan. The situation is a little negative on this, but it is slowly improving. That's all.

## **Q&A (2): About the cancellation of 80,000 users**

**Ogura:** Thank you. We received a second question.

“Regarding the cancellation of 80,000 users, is it correct to understand that the ARPU was much lower than the Company average? As for new customers, what is the level of ARPU? Please tell us as far as you can.” Thank you.

We don't disclose the ARPU of the cancelled accounts, but I think it is possible to deduce it based on the figures that are available, so I will speak frankly. This was a customer from the early period, which had not used SSO and only wanted to ensure email security for a large number of users. Therefore, we had offered a rather drastic discount. As a result, ARPU has gone up in the calculation due to the cancellation of such users.

Regardless of that, as I have said before, ARPU is basically going up gradually by reviewing the plan price table. In addition to such trends, such cancellations in the quarter under review have made the price seem to be rising even more unnaturally and rapidly. Thank you.

## **Q&A (3): About the bottlenecks to further increase the pace of growth**

Thank you for your next question.

“Globally, Okta is growing at 40% to 50% despite being almost 20 times the size of sales, so why is HENNGE targeting 20%? What are the bottlenecks to further increase the pace of growth?” Thank you.

I think there are two reasons for this. The first is that the market environment is different. In a market like the US, where even companies with less than 100 people are using an average of 100 SaaS products, I think they can expect a good return on their investment. Our current understanding of the market is that, in Japan, there was a strong traction to switch to the Cloud for a few years after the earthquake disaster in 2011, but after that, cloud SaaS has been spreading slowly but strongly with keywords such as DX and work style reform. I think that the spread hasn't had such a strong momentum, at least not until now.

However, this is about to change, and we would like to set a higher target than the current 20%. We are hoping to create an inflection point here to create a higher growth rate than we have now. The reason why it's not 40% or 50% is simply because the market is not yet in a state where everyone is using 100 SaaS products.

We do not think that 20% is the limit, but if we continue to build up on our current pace, we will have to discuss how to increase the rate from 20%. We would like to ambitiously increase the growth rate, but as we have not yet produced the results of increasing the growth rate, we cannot say too much. Of course, we would like to create inflection points as the market changes and aim for the highest possible growth rate.

Another reason is that we have different ideas about how to spend money. For the first time this fiscal year, we are making a rather drastic investment in advertising and marketing expenses to raise the sales growth rate and ARR growth rate, while thinking about an effective approach to the market with growth. However, we are not in the phase of spending money without worrying about the profit level like Okta.

So if you ask me what the bottleneck is to further increase the pace of growth, one answer is the maturity of the market.

The other is our thinking on the cost. I believe that each market has a best balance between growth rate and cost effectiveness. In the Japanese market, customers tend to want to know how much business continuity a company has for services that they will use permanently. We create the best balance taking into account the customers' tendencies. However, we are planning to approach the market in the most cost efficient and clever way to eventually take a dominant position, of course. Thank you.

## **Q&A (4): About the competitors**

We have received one more question.

“Can you comment on the competitive situation? In Japan, there are competitors, such as Active Directory, Okta, TrustLogin, and CloudGate UNO. How will you differentiate yourself?” Thank you.

As I've been saying many times, I think this is a very marketable and highly regional business and what customers purchase is not the functionality, but the cloud experience including support. Customers are considering from the perspective of how they can install a service that can be used stably for decades, rather than simply installing because of the high functionality. Therefore, a simple comparison of functions or price will not be enough to decide the introduction of a system. As I mentioned earlier, decades may be an exaggeration, but the product may be used for about 10 years, so the most important thing is to be able to receive appropriate support for the period.



I think one of the main reasons for this is that IDaaS is difficult to switch to other services, compared to other SaaS services. For example, if it's the type of SaaS where everyone can switch from SaaS A to SaaS B in a day, or use SaaS A and SaaS B at the same time and select the good one, I think customers would just buy online without thinking so much and would try using both products. However, once you use an IDaaS, it's hard to switch to other services, and you can only use one at a time.

For example, if 1,000 employees use a service and you want to shift to another one, it's not enough to just change the login screen for 1,000 employees starting tomorrow. You need to make announcements several months in advance that customers need to reset their password by what month and day from this screen, as the login screen and the password will be changed in a few months. However, you will receive a lot of inquiries by phone on that day.

IDaaS is a service that tends to be relatively conservatively chosen because it is not easy to switch. Therefore, I believe that this is a market where we need to compete with comprehensive strength, not functionality.

In that sense, the first thing that differentiates us now is our track record. We believe that our track record as the number one provider is itself a major differentiating factor. In addition, in terms of functions, for example, we offer email security, smartphone security, and file transfer functions that are included in the product, which is a major differentiating factor. I think the biggest factors are our support and track record.

## **Q&A (5): About the digital transformation of our sales activities**

**Questioner1:** I have three questions.

First of all, please tell us how are you confident in the digital transformation of your sales activities? If possible, I would like to know about the lead acquisition and the closing. I would like to know if you have seen any improvement with your new sales structure.

**Ogura:** Thank you very much. In terms of the digital transformation of our sales activities, I feel that it has become quite common, not only because of our own effort, but also because of the overall market trends and changes in the business practices of our customers.

As I mentioned earlier, we were doing well in 1Q, while the biggest problem for us was not being able to meet customers in person and it was challenging in the beginning. On the sales front, we are getting able to communicate with customers, make contacts, and proceed with business negotiations even when almost no one is at work under the state of emergency. In this respect, I don't feel much of a hindrance at the moment, but I am starting to see new possibilities.

In addition to that, we are doing extensive promotion for "HENNGE NOW!" event to reach out to a wider range of people than before and use that as an excuse to contact customers. I believe that these activities are progressing in a generally positive manner, and we feel good responses at the moment. It was a continuing process of trial-and-error last year, but this year we are moving on to the practical phase, including exposure through events like this. Thank you.



## Q&A (6): About the core values of HENNGE One

**Questioner1:** Thank you very much. Secondly, I would like to ask you about the HENNGE One product. I feel that the core values of your Company's HENNGE One are mainly security and identity federation, and there have not been many significant changes from here. I would like to know your thoughts on whether platformization will lead to a constant increase in value, or whether something else will lead to an increase in value for this HENNGE One.

**Ogura:** Thank you very much. As digital transformation progresses and customers are going to use a variety of SaaS, the question will be how do we provide SaaS and new value using SaaS. To be honest, before the COVID-19 pandemic, we thought that we had entered the stage of discovering new core values. However, in this situation, this is not the case overall of course, but in a sense, I believe that the situation is like a recurrence of 2011 which is the year of occurrence of the Great East Japan Earthquake.

As you can see in the slide, we are currently focusing not on DX, but rather on BCP, or business continuity using the Cloud, and how we can replace the existing work styles with the Cloud. I don't think we're in the phase where we're going to be able to further improve our productivity by using multiple SaaS, and become more efficient in the way we work. As I mentioned earlier, it differs from the situation in the US, where 100 of SaaS are used.

However, on the other hand, I also believe that the current market situation is that there is a rapidly growing demand for the use of the Cloud in order to continue business. At the moment, while we are, of course, promoting DX and productivity improvement, but more importantly, I think we are in a phase where we need to emphasize our core value that can be used safely to convert existing business operations to the Cloud toward the customers who will start to use the Cloud.

So we are continuing to focus on security and ID federation in our product offerings.

We are also making progress in collaboration with SaaS companies, and we are seeing advanced case studies and usage by our customers. We are also getting hints for new functions and new forms of collaboration from these hints. This is the next stage in the process of further developing the platform.

We are pushing forward with technology development, expansion, and collaboration so that we can provide better value in the next two to three years, even in a world where the market situation evolves to improve DX productivity, rather than from the perspective of business continuity. Thank you.

## Q&A (7): About the monetization of CHROMO

**Questioner1:** Thank you very much. That was a very interesting answer. Thirdly, I would like to ask you about the new service. I know it's difficult to talk about the details of CHROMO's monetization and the profit contribution, but please tell us about the overall situation such as other pipelines.

**Ogura:** Thank you very much. CHROMO is positioned as a new business in our Professional service and others business. However, if this is combined with the Cloud, which is expanding into the education sector, there may be synergies with HENNGE One.

We have a strong email distribution service for local governments, schools, and public organizations, which we had been doing before we started HENNGE One in 2011. This will slowly fade out as the era of on-premise services is over. This is the situation in the Professional service and others business.

We started the business in the purpose to replace this strength with the Cloud and realize a new era of communication for local governments and public organizations, not sending short emails to feature phones. To be frank, there are customers to approach, but we are still in the process of improving our functions by taking in the opinions of our customers while trying to figure out what we can offer and how we can get paid for it. In terms of monetization, in that sense, rather than trying to do something completely new, we would like to offer something that can be provided in the Cloud to the same commercial channels and targets that we have been able to do on-premise, while hopefully creating synergies with HENNGE One.

As for the other businesses you mentioned as pipelines, we are still in the process of trial and error, and we are continuing to work internally to create new businesses called Inspire Festival. It is quite difficult to create a new service during the COVID-19 pandemic, but we have been able to come up with some interesting ideas and try them out. Although we will not see immediate results in a span of six months or a year, I feel that there are seeds that will definitely be a good fruit in the future. Sorry, this is a qualitative answer, but that's all. Thank you.

**Questioner1:** Thank you very much for your answer.

## **Q&A (8): About the large customers with low ARPU and low usage**

**Ogura:** Thank you very much. We received questions as a text message.

“Are there any other large customers with low ARPU and low usage, such as the customer of large cancellation? Also, what percentage of the existing users account for those users? How are you conducting the activities of the customer success to upsell to those customers?”

As we were making the meeting materials, we were thinking that this was definitely an area of concern, but it was difficult to disclose information of customers.

The customer has started to use our service in the really early period, when we were discussing whether to focus on SSO, mail archiving, or mail filtering, and were approaching various customers greedily. This was in the trial-and-error period in 2012, 2013, and 2014.

It is difficult to answer directly how many customers there are, but we have been gaining customers in the current direction since about 2014, so if there are such users, they are customers from before then. At least in terms of the percentage of sales and ARR, it is not that large and there are no such customers in the recently accumulated ARR, but there are some such customers among the users who have been using our services since the early days.

I guess the reason for this question is that without knowing this, it is difficult to understand the reliability of the overall N, small n, and ARPU parameters. In that sense, this is a very extreme example, where the number of users is extremely large and the ARPU is extremely small, so we believe that there are not that many users like this. Sorry, this is a bit confusing.

## **Q&A (9): About the projects with cut-off error and the ARPU excluding the cancellation factor**

Next, “How many implementations have been delayed from 4Q, out of those 85 contracted companies? What is the ARPU excluding the cancellation factor? I believe that your business is a business with delayed effects that will be adopted after the introduction of cloud computing, and significant growth is expected in 2022 to 2023 and beyond. Shouldn’t we look at the number of subscribers in 1Q as a standard?” Thank you.

As for the number of projects with a cut-off error, we do not consider them to be a cut-off error, so we cannot comment on that. It is difficult to say how much the ARPU would be if the cancellation factor is excluded, so I would like you to look at the future trends. Qualitatively speaking, if we exclude the cancellation factor, we do not see any significant change in the pace or trend of gradual increase in ARPU.

This IDaaS is a business with delayed effects as HENNGE One will be introduced after the introduction of cloud computing. So as for the number of subscribers in 1Q, we would like to see whether this trend is continuing or not.

At the moment, our sales team is rather energetic, and they have learned how to communicate with our customers. We are actively advertising, which makes it easier for us to approach our customers, so we are expecting that we will have a tailwind for a while. However, we are not the type to optimistically say that we will grow rapidly from here. Our current feeling is that we will conduct a large-scale promotion in 2Q, and from there, we will be able to generate a response from customers, and our business will accelerate with a lead time of about six months.

## **Q&A (10): About the SaaS services that can be deployed on the HENNGE One platform**

“In terms of ARPU growth, I think the first step is to increase new users, but as you think about discontinuous growth, is it possible to develop SaaS services that can be deployed on the HENNGE One platform as an option in the future?”

We are always looking for new ideas to raise the ARPU of HENNGE One. For example, I think there are elements that can be charged separately from the current HENNGE One, and elements that are demanded by customers. While actively seeking out these kinds of things, we would like to increase the number of customers, and at the same time create products that people will purchase. We are always looking for ways to generate discontinuous ARPU increases, and we will continue to look for them, of course, in a way that is beneficial to our customers. Thank you very much for taking time out of your busy schedule to join us for this long meeting. We have disclosed possible questions in the form of “Q & A for the first quarter of the fiscal year ending September 2021” from this time, please take a look at it. We would like to create inflection points in the SaaS market and work with other SaaS companies to make SaaS more exciting. Thank you very much for your support.

## Disclaimer

This document has been prepared by HENNGE K.K. (the "Company") solely for information purposes. 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 are 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.