



*Note: This is a translation of part of the original Japanese version and is provided for reference purposes only.
In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

Q2 FY09/2022

Consolidated Financial Results

HENNGE K.K. (4475 : TYO)
May 12, 2022

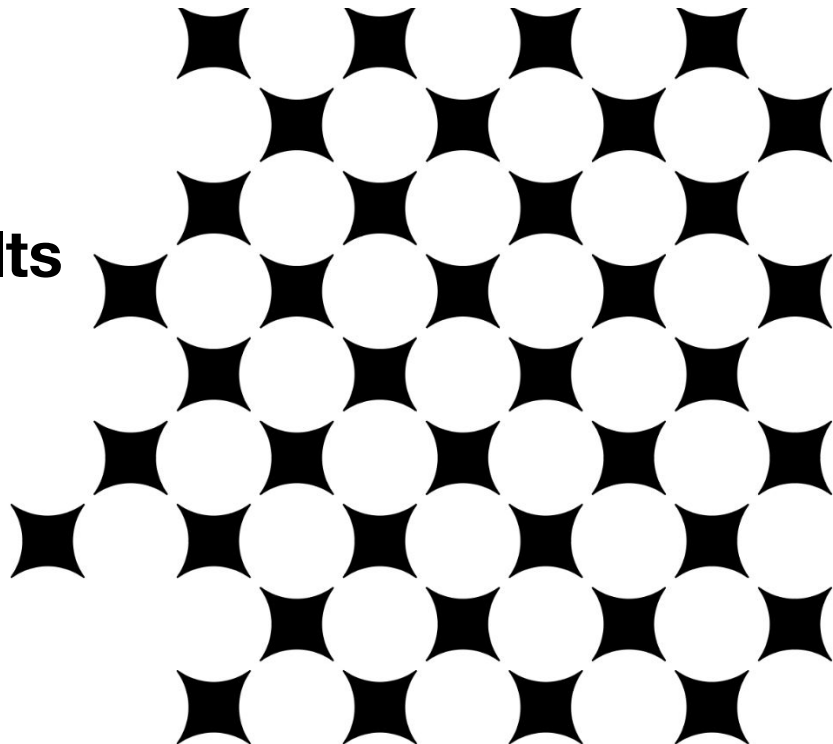
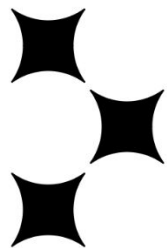


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Q2 FY09/2022
Consolidated Financial Results
(Financial Results)

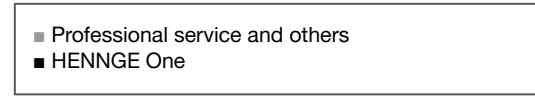
Overview of Consolidated Financial Results

(YoY, 6 months accumulated comparison)

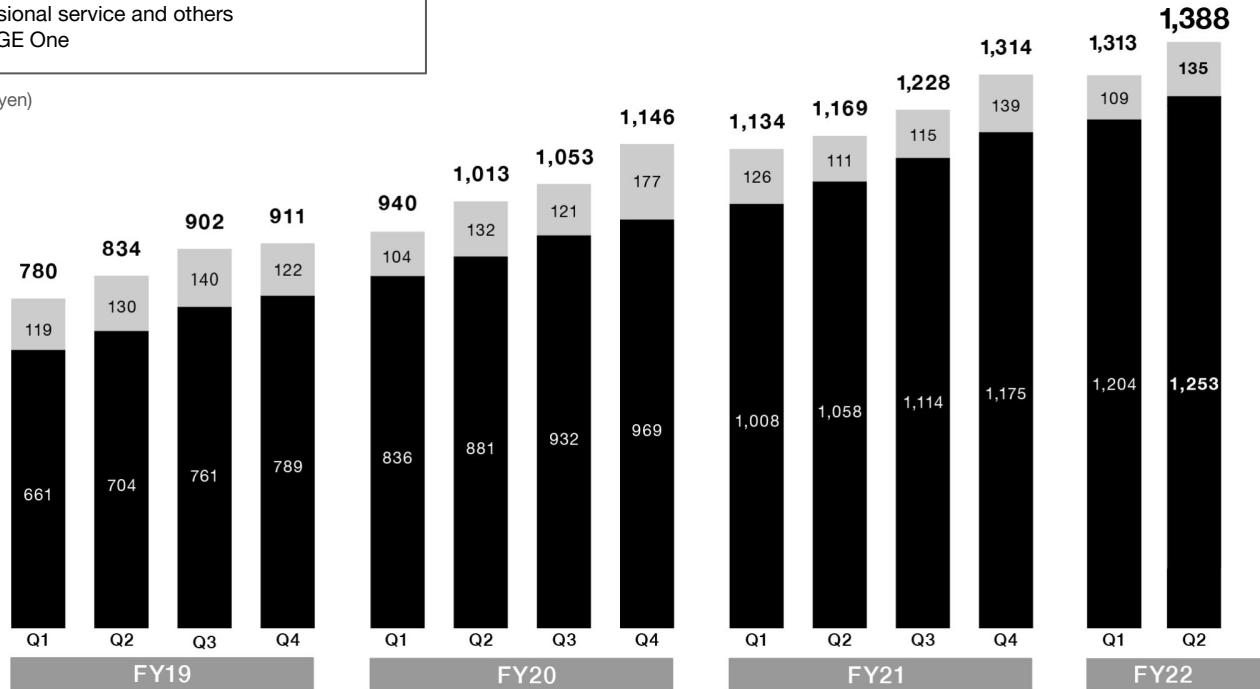
(unit: million yen)	Q2 FY21	Q2 FY22	YoY	YoY (%)	FY22 Forecast	Progress (%)
Net sales	2,303	2,701	+398	+17.3%	5,782	46.7%
(HENNGE One)	2,066	2,457	+391	+18.9%	5,305	46.3%
(Professional service and others)	236	244	+7	+3.0%	476	51.1%
Total cost of sales	390	415	+25	+6.5%		
Gross profit	1,912	2,285	+373	+19.5%		
(Gross profit margin)	(83.1%)	(84.6%)		(+1.6pt)		
Total selling, general and administrative expenses	1,935	1,936	+0	+0.0%		
Operating income	-23	350	+372	-	434	80.5%
(Operating income margin)		(12.9%)		-	(7.5%)	
Ordinary income	-20	339	+359	-	434	78.1%
Profit attributable to owners of parent	-20	228	+248	-	273	83.3%
(Net income margin)	-	(8.4%)		-	(4.7%)	

1. The net sales **rose** by **17.3%** YoY to **2.70B** yen. The sales of HENNGE One **rose** by **18.9%** YoY to **2.46B** yen.
2. The total SG&A **increased** by **0.00%** (**+0.00B** yen) YoY to **1.94B** yen.
3. The profit attributable to owners of parent **increased** by **0.25B** yen YoY to **0.23B** yen.

Quarterly Trend of Net Sales



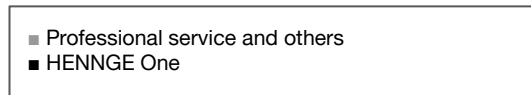
(unit: million yen)



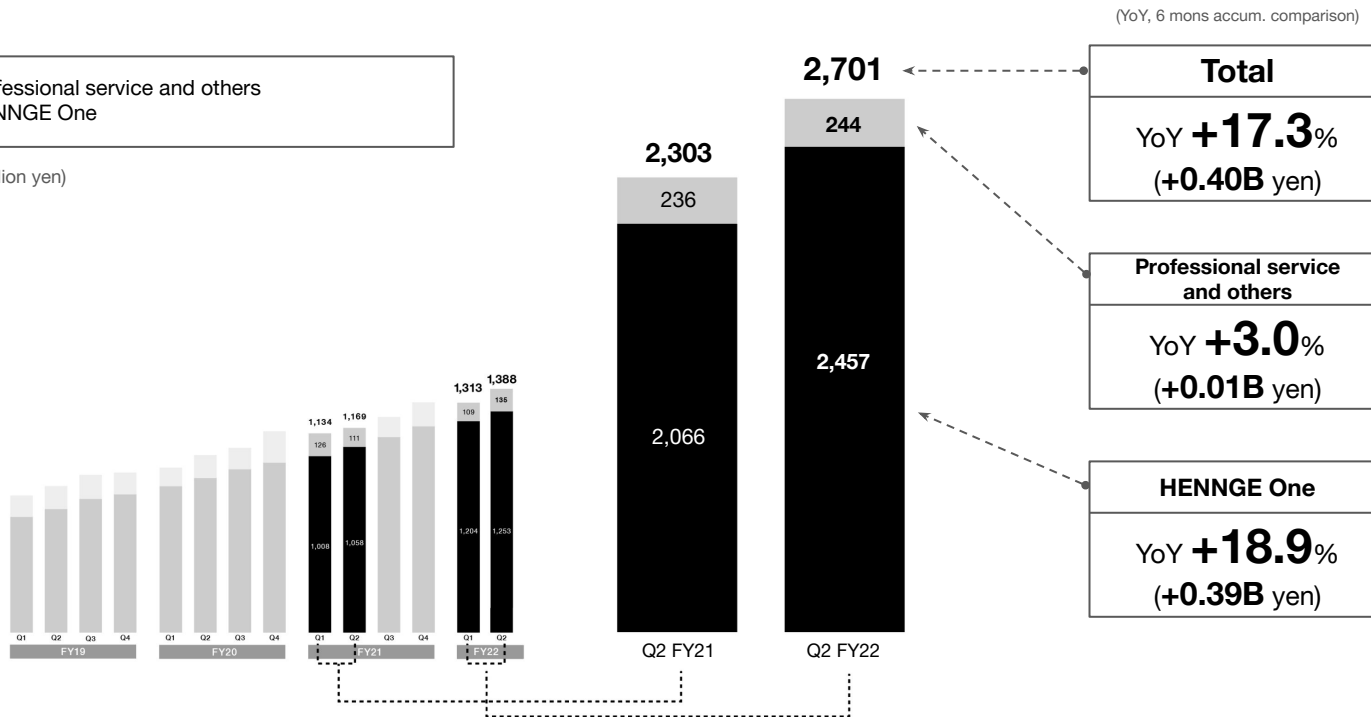
Net Sales

The net sales increased by 17.3% YoY to 2.70B yen.
 The sales of HENNGE One, our key driver of the growth, grew by 18.9%.

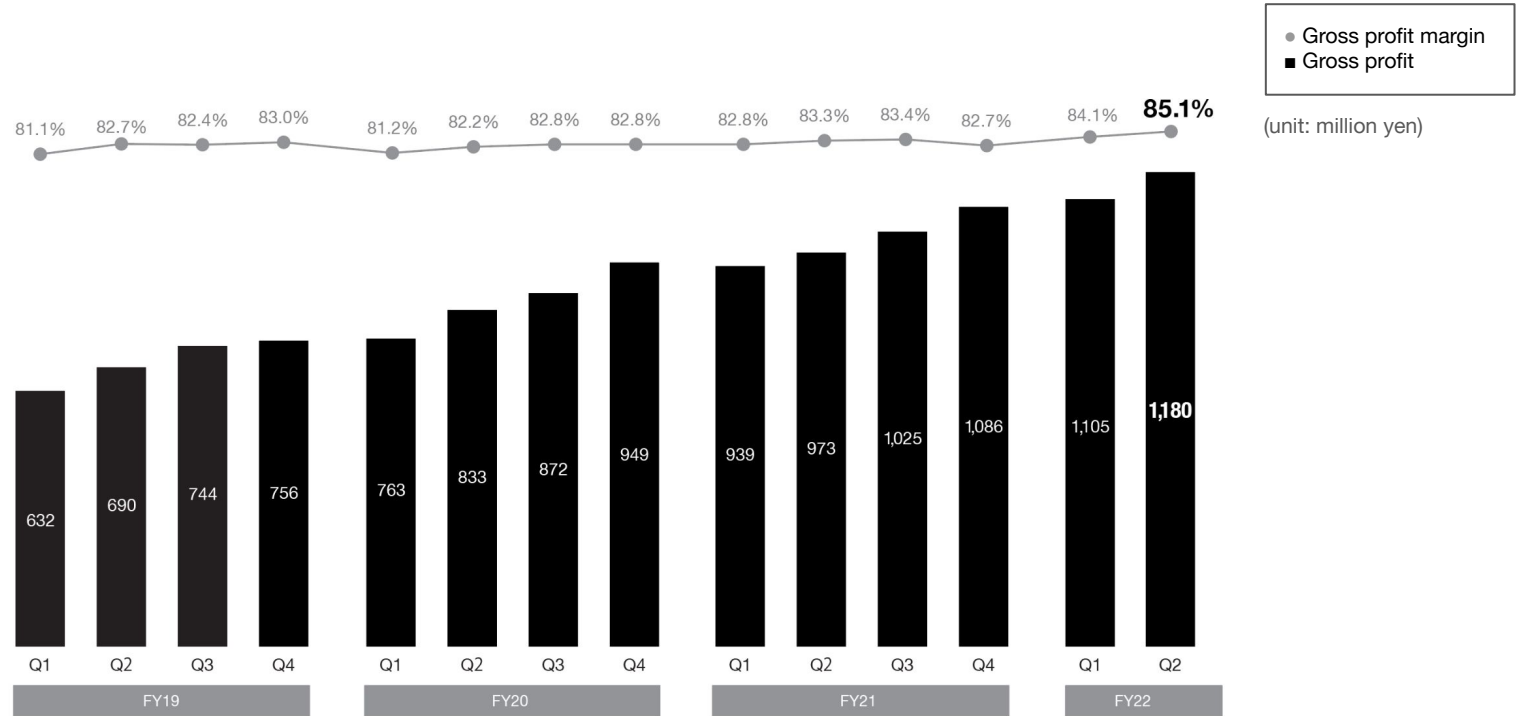
(YoY, 6 months accumulated comparison)



(unit: million yen)



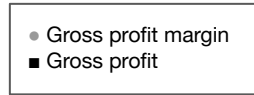
Quarterly Trend of Gross Profit



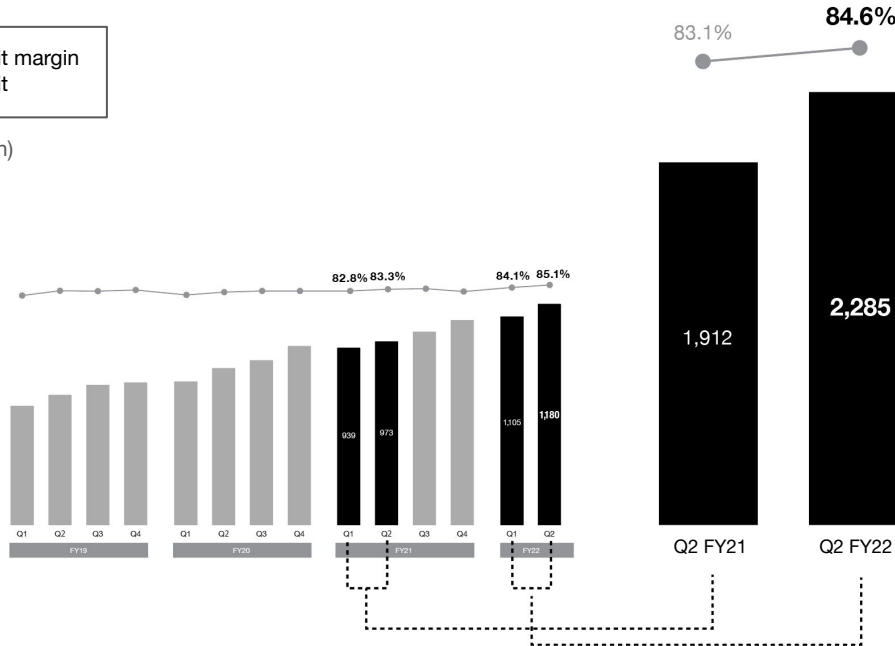
Gross Profit

The gross profit increased by 0.37B yen YoY to 2.29B yen.
 The gross profit margin increased by 1.5pt YoY to 84.6%, and remains high.

(YoY, 6 months accumulated comparison)



(unit: million yen)

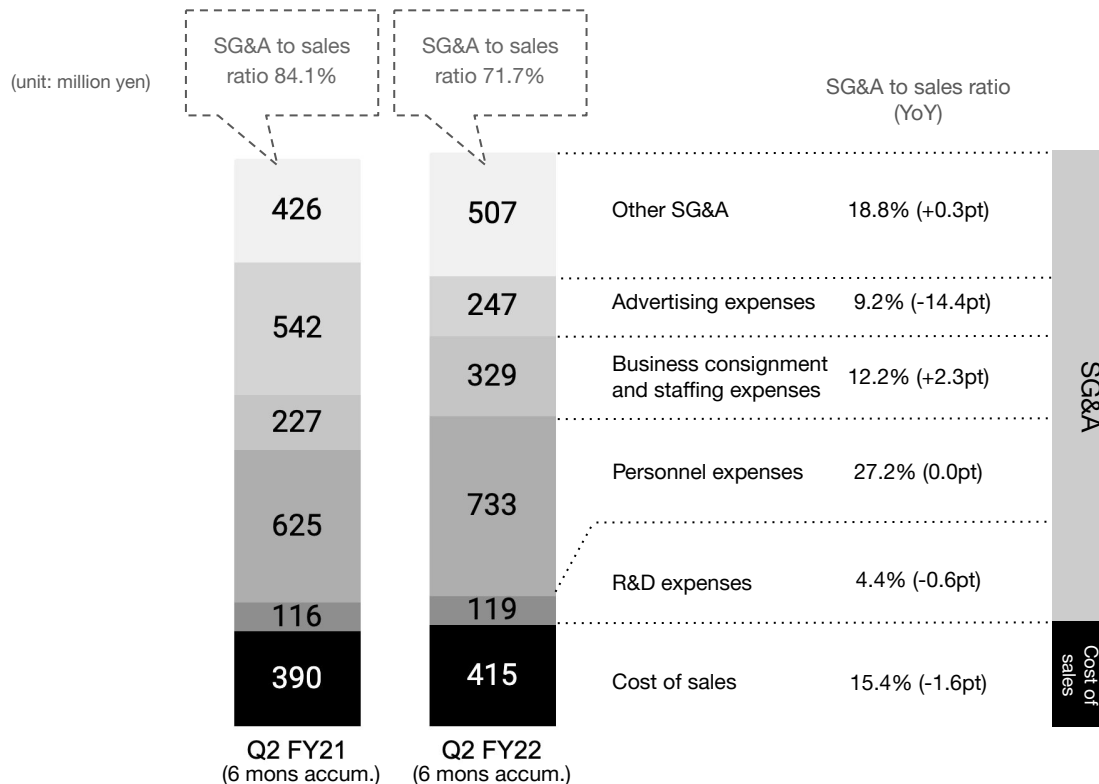


(YoY, 6 mons accum. comparison)

Gross profit
YoY +19.5% (+0.37B yen)

Structure of Operating Expenses

(YoY, 6 months accumulated comparison)



Other SG&A increased mainly due to enhanced recruitment activities and additional internal system usage fees to accommodate increased employees.

Advertising expenses decreased significantly despite that advertising activities were carried out, such as for HENNGE One's new features or creating contents for TV commercials, during Q2 FY22, there was no large events held like as in FY21.

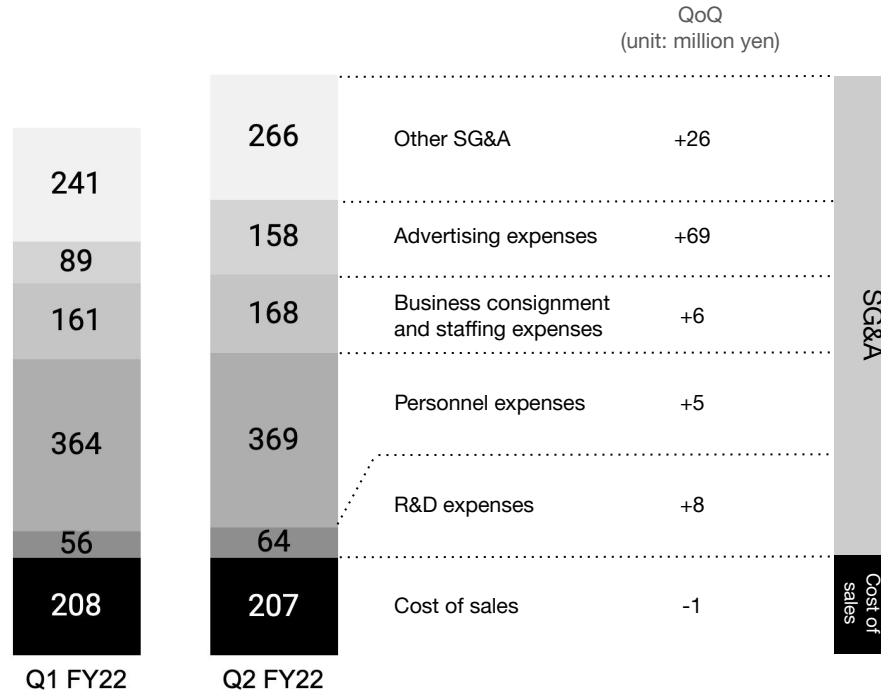
Business consignment and staffing expenses increased due to enhancement of sales and customer success activities.

The cost of sales ratio remained at a low rate of **15.4%**, which enables proactive investment in customer acquisitions.

Structure of Operating Expenses

(QoQ comparison of Q1 FY09/2022 & Q2 FY09/2022)

(unit: million yen)

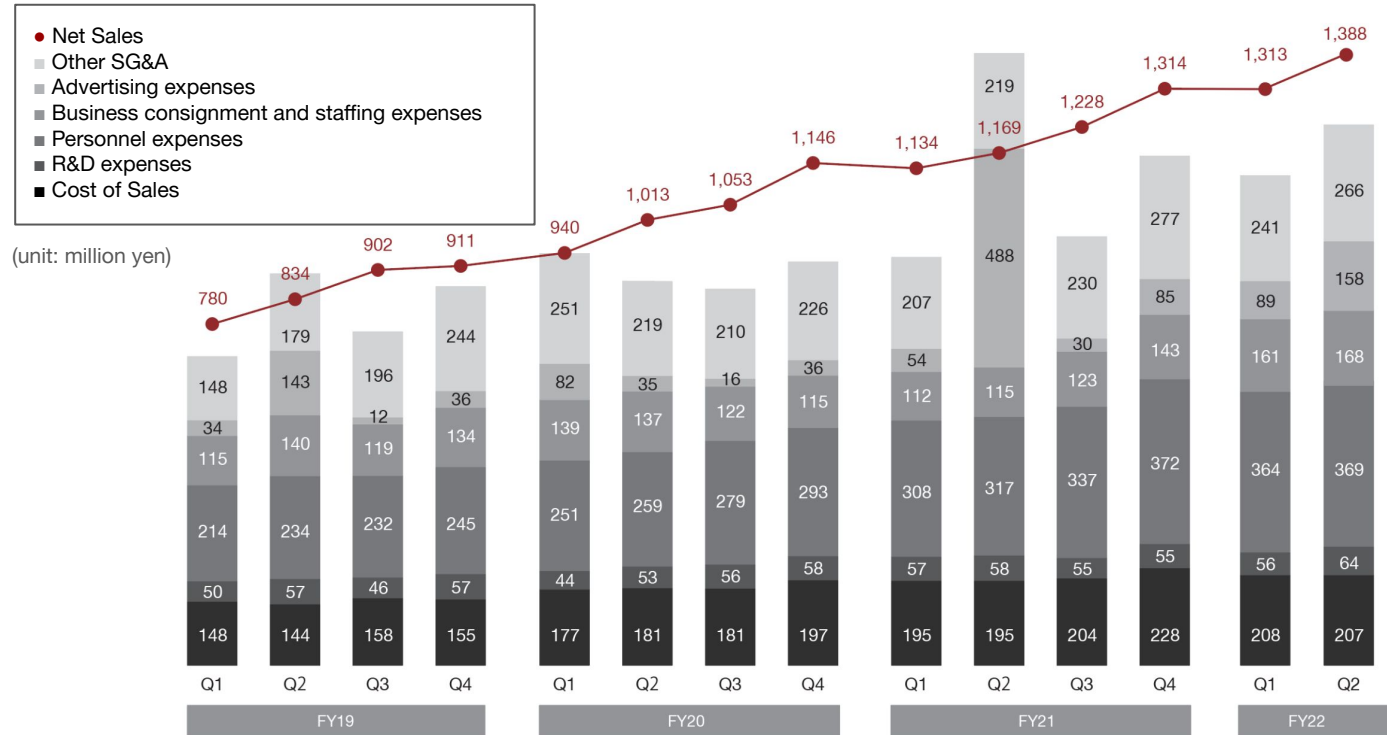


Other SG&A increased QoQ mainly due to an increase in recruitment costs associated with active recruitment activities.

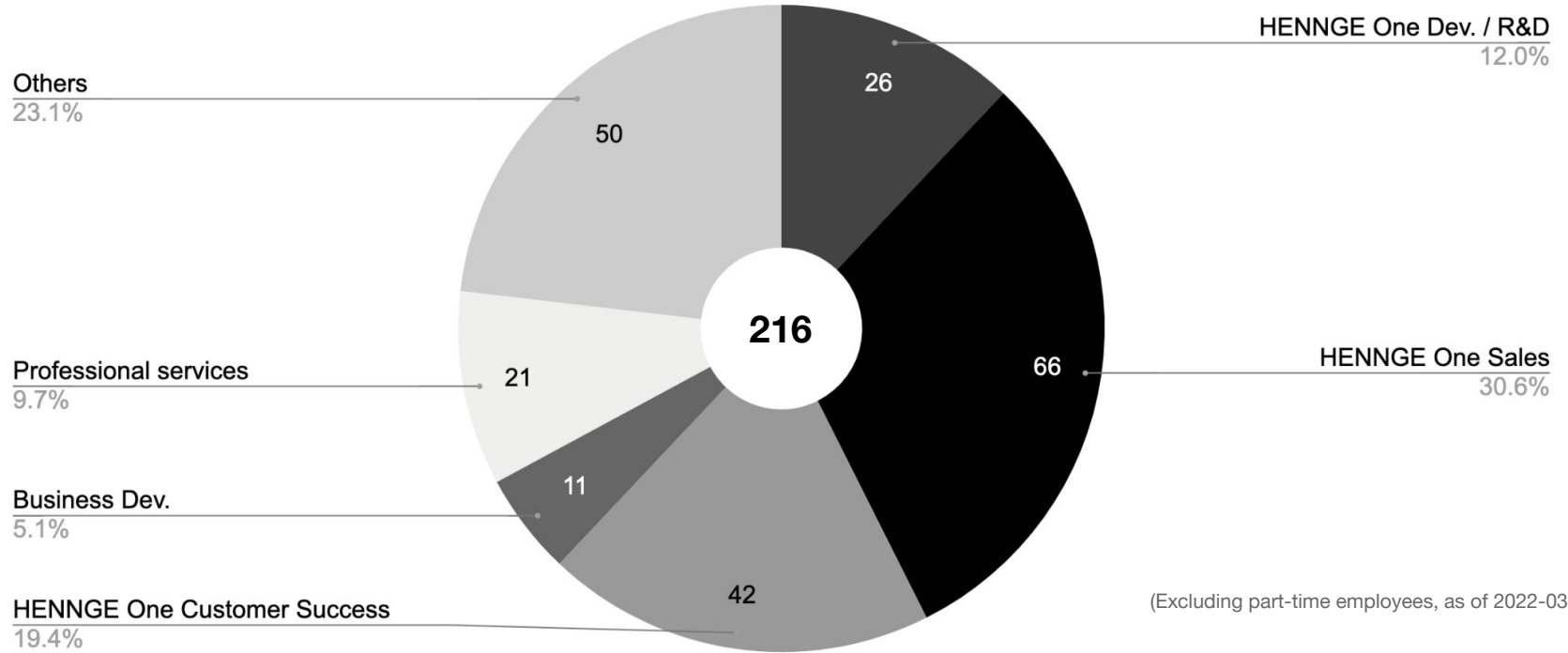
Advertising expenses increased QoQ mainly due to the creation of contents such as for TV commercials.

Personnel expenses increased slightly as a result of changes in the employees' joining and leaving ratio.

Quarterly Trend of Net Sales and Operating Expenses



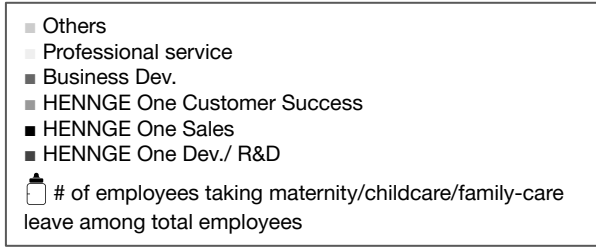
Breakdown of Employees by Function



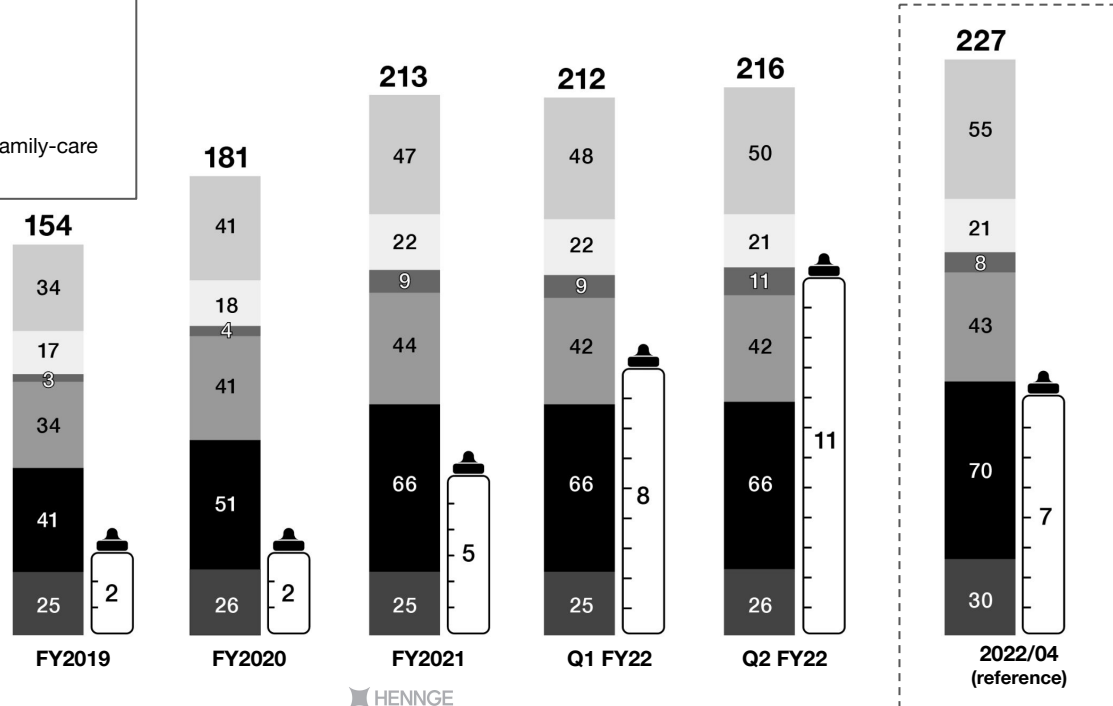
(Excluding part-time employees, as of 2022-03-31)

Number of Employees

In Q2, # of employees increased by 3 compared to the end of FY21, however, at the end of April 2022, it increased by 14. Recruitment activities will be further accelerated in order to achieve our plan to increase 50 headcounts.

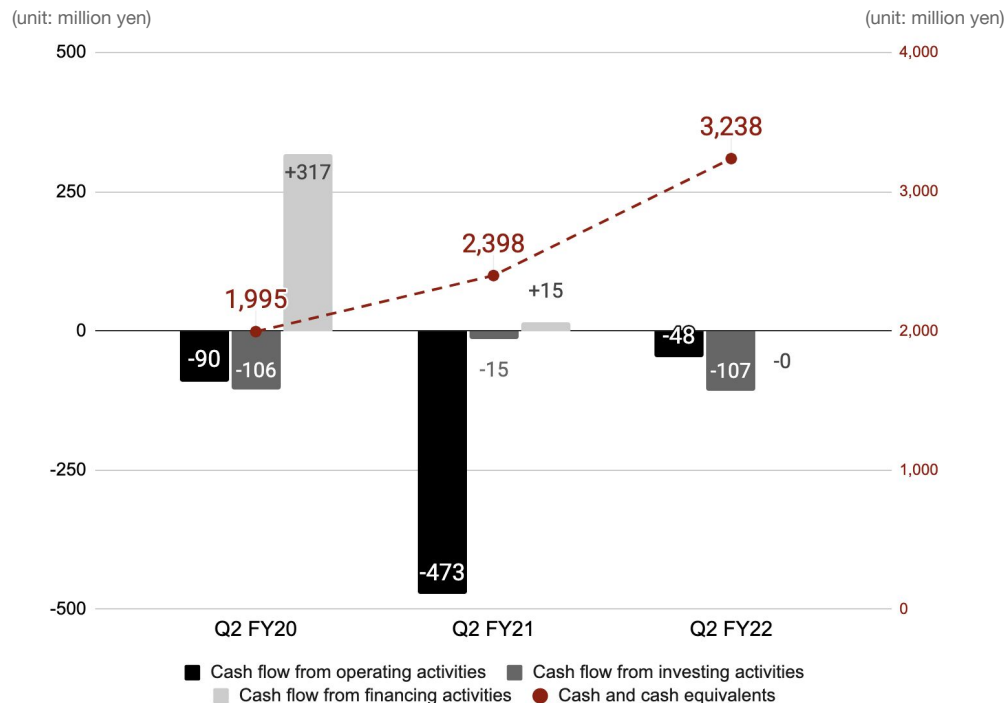


(unit: employee, Excluding part-time employees)



Cash Flow Statement

(YoY, 6 months accumulated comparison)



CF from operating activities

In the previous fiscal year, there was a large cash out mainly due to the payment of advertising expenses, however, as there was no large cash out in the current fiscal year, it increased by 425 million yen YoY.

CF from investing activities

Decreased by 92 million YoY mainly due to the investment in new businesses.

CF from financing activities

There was no significant fluctuation.

Q2 FY09/2022
Consolidated Financial Results
(Business Activities)

Business Highlights

- **Advertisements and events**
 - **Hosting “HENNGE MEET UP! 2022”** (Feb. to Mar. 2022)
in a hybrid way, physically in Tokyo, Nagoya, Osaka, Fukuoka and online.
 - **Hosting, sponsoring and participating in various events** (Jan. to Mar. 2022)
- **Others**
 - **Release of new feature “HENNGE Connect”** (Mar. 2022)
 - **Investing in kickflow, Inc., which provides a cloud-based approval and workflow service “kickflow”** (Mar. 2022)
 - **Donation to the National Center for Global Health and Medicine to support medical efforts to combat Covid-19** (Jan. 2022)
 - **Achieving 100% renewable energy for electricity used in the Tokyo head office** (Feb. 2022)
 - **Donation to Japanese Red Cross Society for Ukrainian humanitarian assistance** (Mar. 2022)

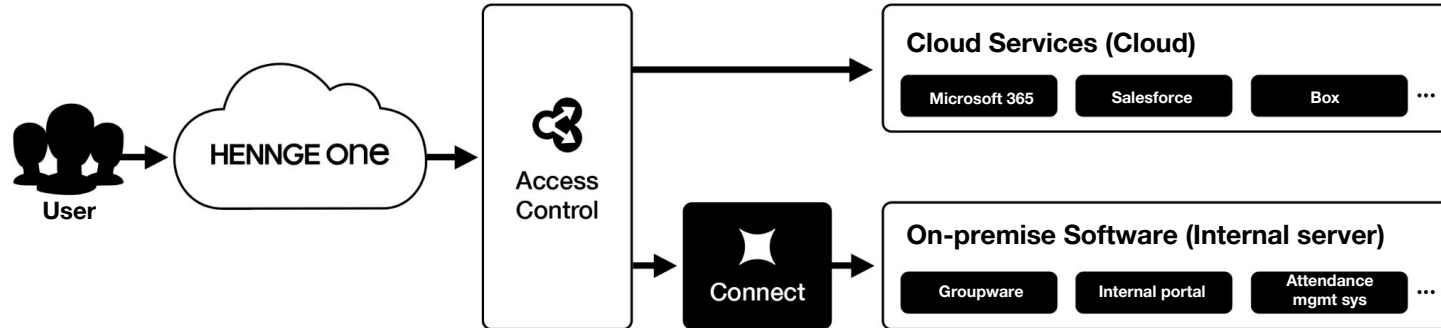
Advertisements and Events

“HENNGE MEET UP! 2022” was hosted in a hybrid way, physically in Tokyo, Nagoya, Osaka, Fukuoka and online. Attendees could try all the features of HENNGE One to feel how the actual access control works or how sending emails to the wrong addresses can be prevented.



New Features for HENNGE One, “HENNGE Connect”

“HENNGE Connect” has been launched as a feature of HENNGE IdP Pro and HENNGE One Pro in April 2022. Enables seamless access management in a hybrid environment of on-premise and cloud.



Q2 FY09/2022
Consolidated Financial Results
(KPI Results)

HENNGE One KPI Highlights

(Progress in 6 months, compared to the end of FY09/2021)

of user companies (N)

2,056 companies
increased by **104** companies
(from the end of FY21)

of contracted users

2.24M users
increased by **101K** users
(from the end of FY21)

ARR

5.13B yen
increased by **0.39B** yen
(from the end of FY21)

ARPU

2,290 yen
increased by **73** yen
(from the end of FY21)

Average # of users (n)

1,089 users
decreased by **6** users
(from the end of FY21)

**Average monthly churn rate
over the past 12 months**

0.27%
rose by **0.02**pts
(from the end of FY21)

HENNGE One KPI

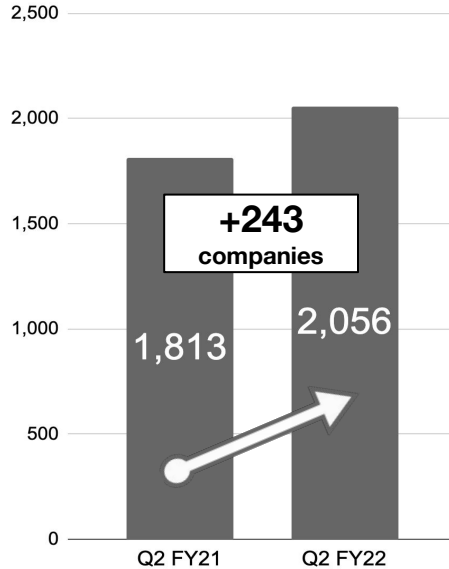
(YoY, compared to the end of Q2 FY09/2021)

of contracted companies

YoY **+13.4%**

(as of 2022-03-31)

(unit: companies)

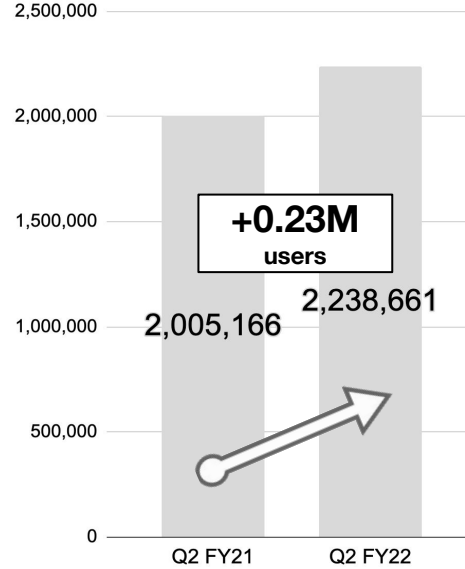


of contracted users

YoY **+11.6%**

(as of 2022-03-31)

(unit: users)

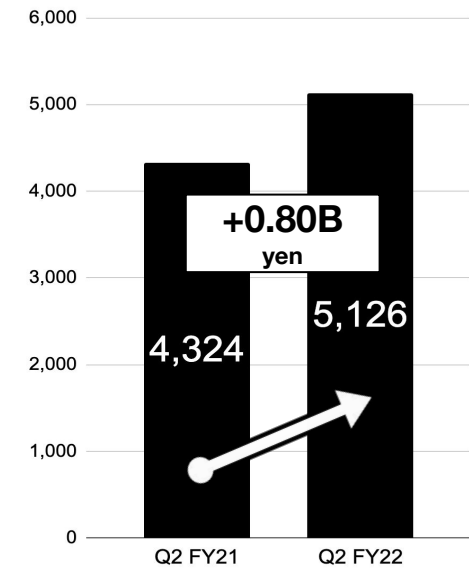


ARR

YoY **+18.5%**

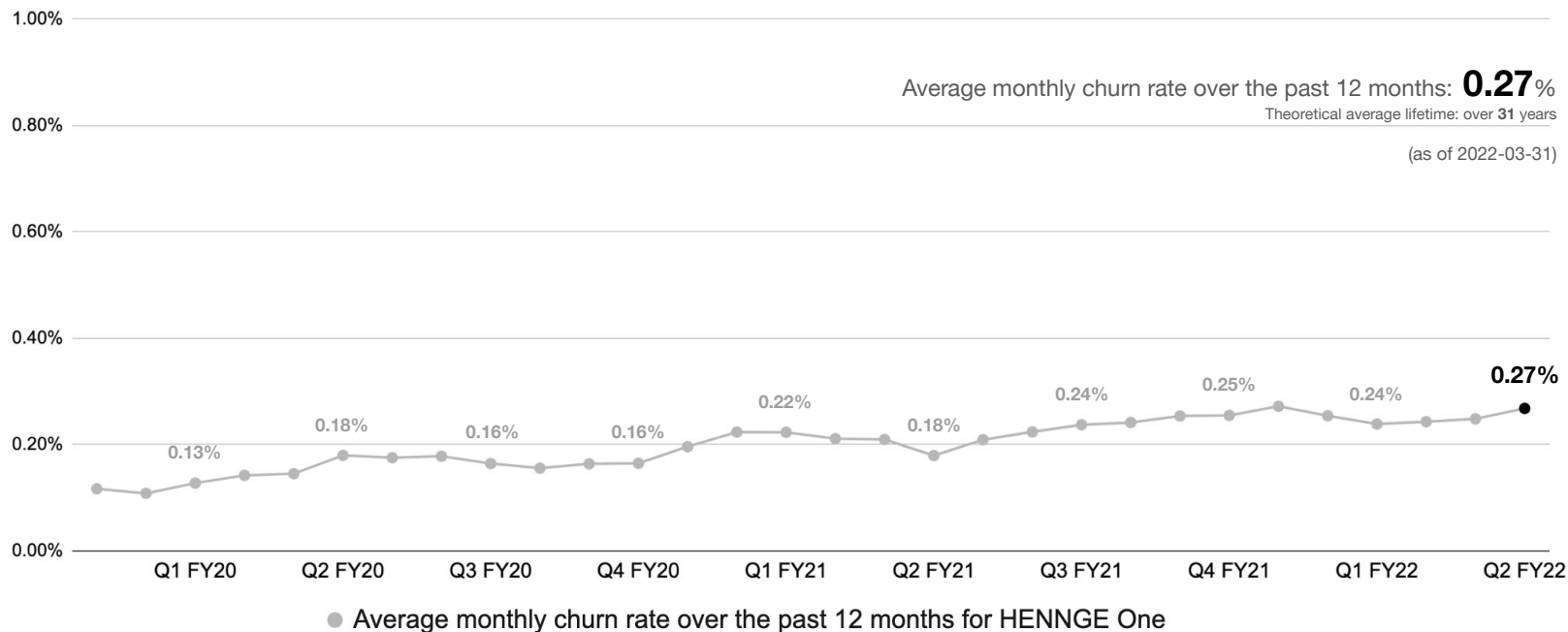
(as of 2022-03-31)

(unit: million yen)

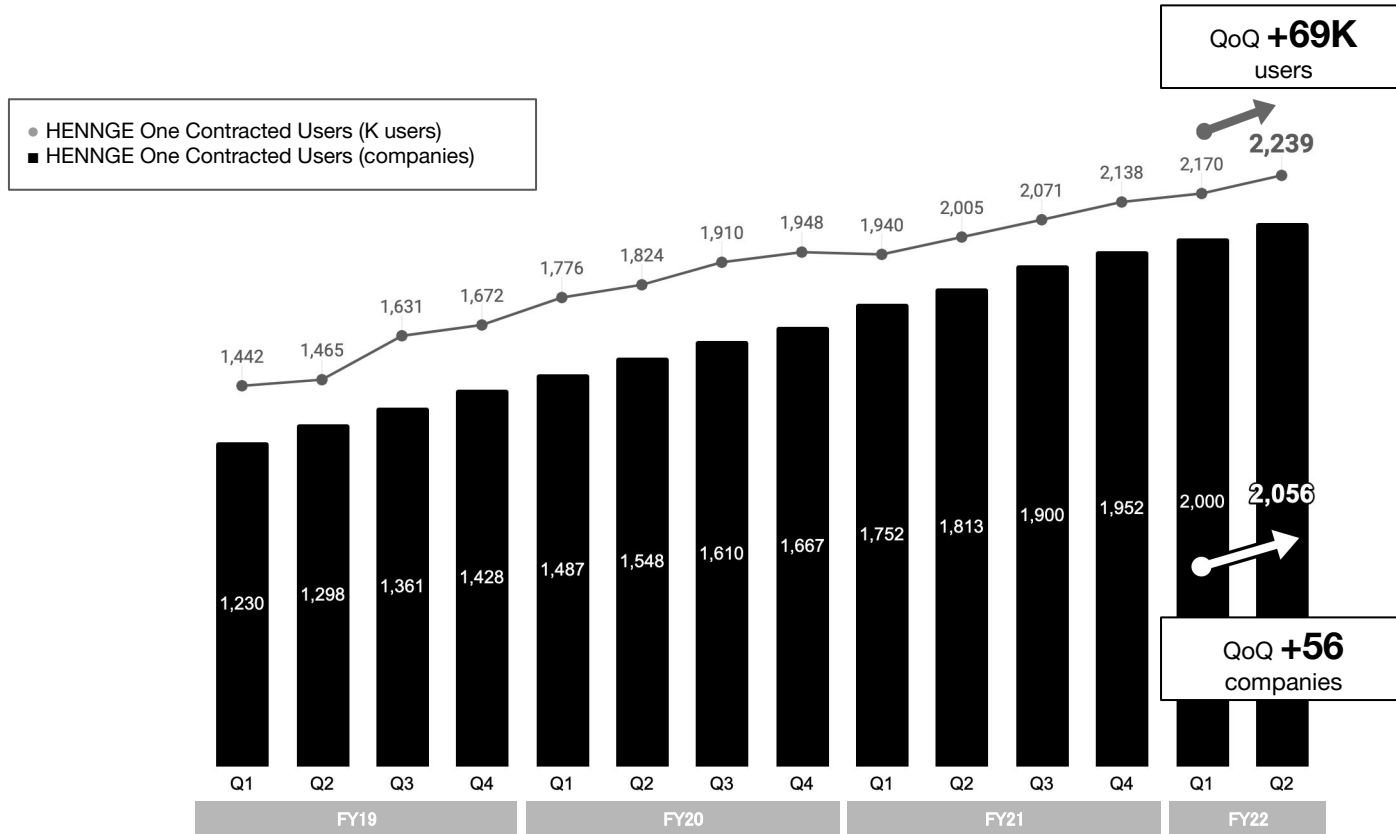


HENNGE One Gross Revenue Churn Rate

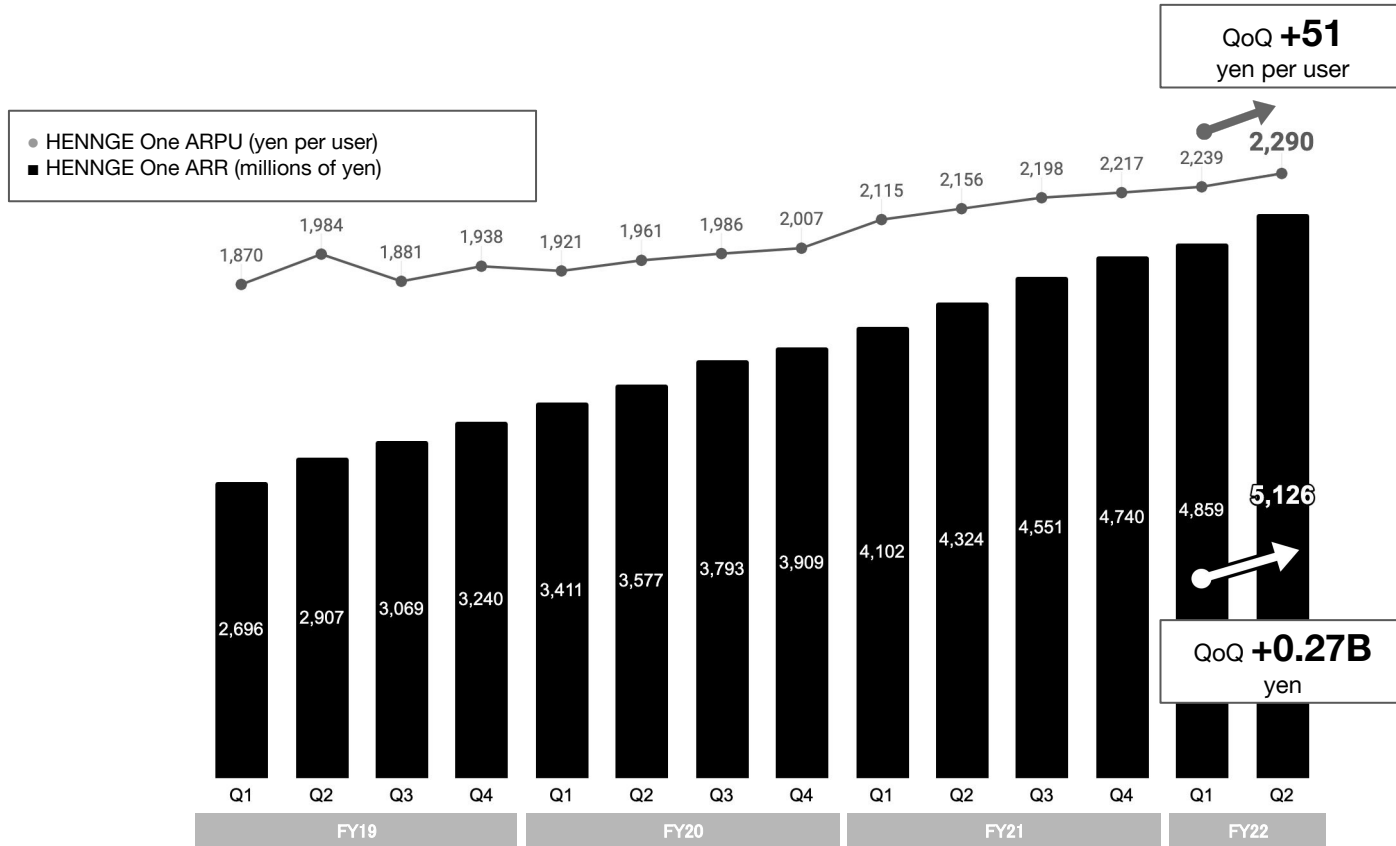
Continuously maintained a stable and sustainable growth model with a low churn rate.



HENNGE One Contracted Companies & Users



HENNGE One ARR & ARPU



Progress of FY09/2022 Full-year Forecasts

Our Policy of FY2022

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

HENNGE One Business

Achieve the sustained annual growth of more than 20% for ARR by increasing the number of contracted companies(N) and ARPU.

Marketing Activities

Continuously carry out advertisements (web, print advertisements, out-of-home advertising, TV commercials, etc.) to raise recognition of our new services. Attempt a multi-layered approach, such as holding both physical and online events considering the situation of the post-COVID-19.

Personnel plan

Actively recruit in each function and aim to increase a total of 50+ headcounts. In order to actively promote our new service lineup from October 2021, we will prioritize on securing the resources for Sales and Customer Success positions through recruitment and, at the same time, consider of utilizing outsource where necessary to capture the business opportunities.

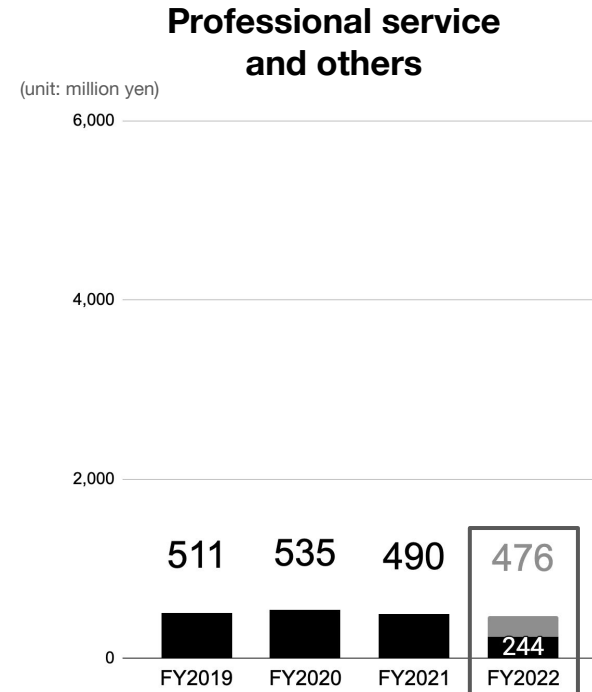
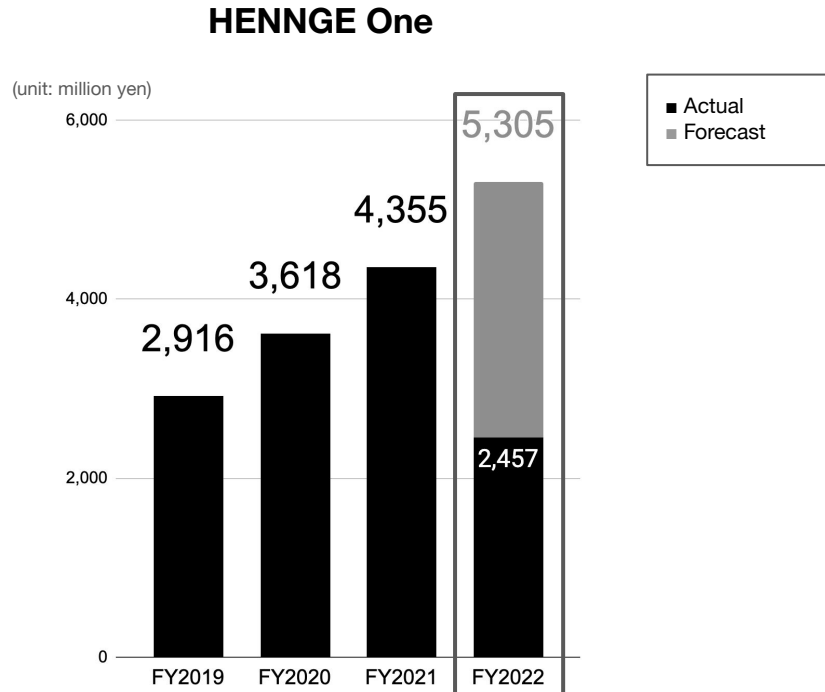
Overview of FY2022 Forecasts

(unit: million yen)	FY20 Result	FY21 Result	FY22 Forecast	YoY	YoY (%)
Net sales	4,153	4,845	5,782	+937	+19.3%
(HENNGE One)	3,618	4,355	5,305	+950	+21.8%
(Professional service and others)	535	490	476	-13	-2.7%
Operating expenses	3,614	4,465	5,347	+882	+19.8%
Operating income	539	380	434	+54	+14.2%
(Operating income margin)	(13.0%)	(7.8%)	(7.5%)		(-0.3pt)
Ordinary income	535	383	434	+51	+13.3%
Profit attributable to owners of parent	355	224	273	+49	+22.1%
(Net income margin)	(8.5%)	(4.6%)	(4.7%)	(5.3%)	(+0.1pt)

1. The sales of HENNGE One, our key driver of growth, is expected to **grow** by **21.8%** YoY. The sales of Professional service and others is expected to **decrease** by **2.7%** YoY.
2. The net sales is expected to **grow** by **19.3%** YoY, and the operating income is expected to **increase** by **14.2%** YoY.

FY2022 Forecasts of Sales by Business

The progress rate of HENNGE One's sales was at 22.7% against the full-year forecast.

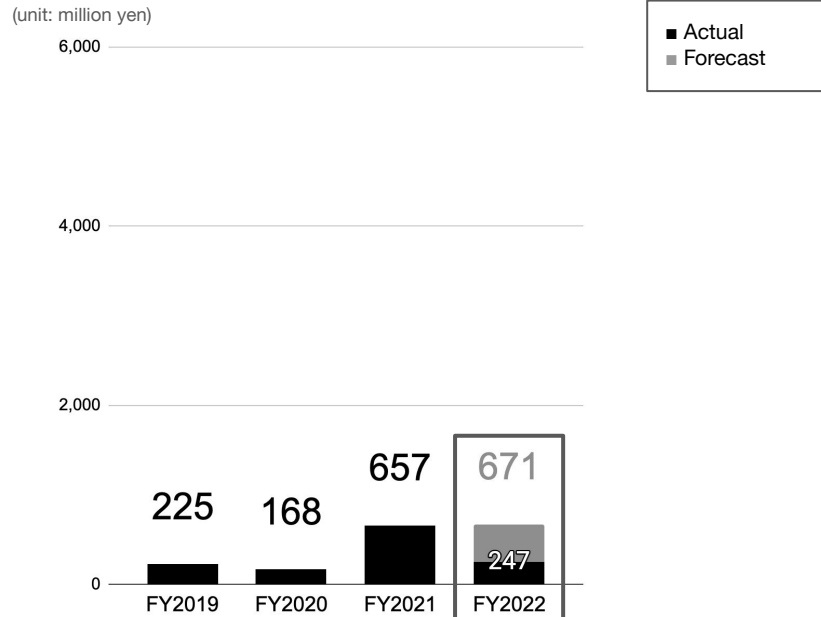


FY2022 Forecasts of Operating Expenses

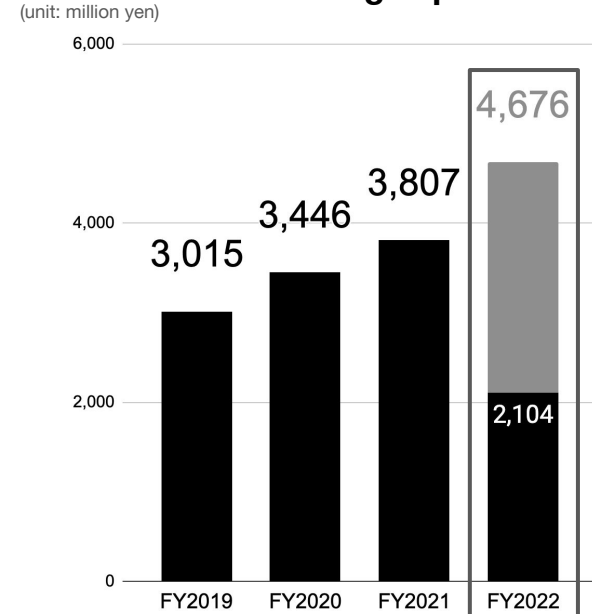
The progress rate of advertising expenses was at 36.8% against the full-year forecast.

The progress rate of operating expenses excl. advertising expenses was at 45.0% against the full-year forecast.

Advertising expenses



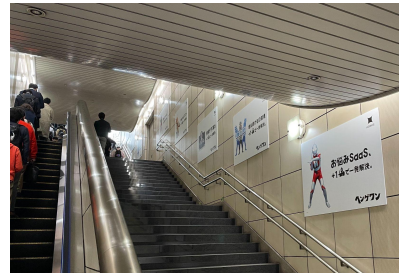
Operating expenses excl. advertising expenses



Advertising Activities On and After Q3 FY2022

On and after Q3 FY22, we are carrying out the following multi-layered advertising activities in line with the initial plan for the current fiscal year.

Exhibiting at Japan IT Week spring and accompanying out-of-home advertising
(April 2022)



TVCM
(From April 2022)



Growth Strategy

Vision

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

Liberation of Technology

テクノロジーの解放

Maximize LTV

Our growth strategy is to maximize LTV.

Currently, Y and r are already in a high number, therefore our focus is to maximize ARR.

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

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]

Maximize ARR

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

maximize **N**

N = # of contracted companies

- Increase our sales force
- Extend our presence in a wider region
- Strengthen the partnership with our resellers



maximize **n**

n = Average # of contracted users per contracted company

- Target large companies
- Promote customer success activities

maximize **ARPU**

ARPU = Average Revenue Per User

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

Progress of Our Growth Strategy

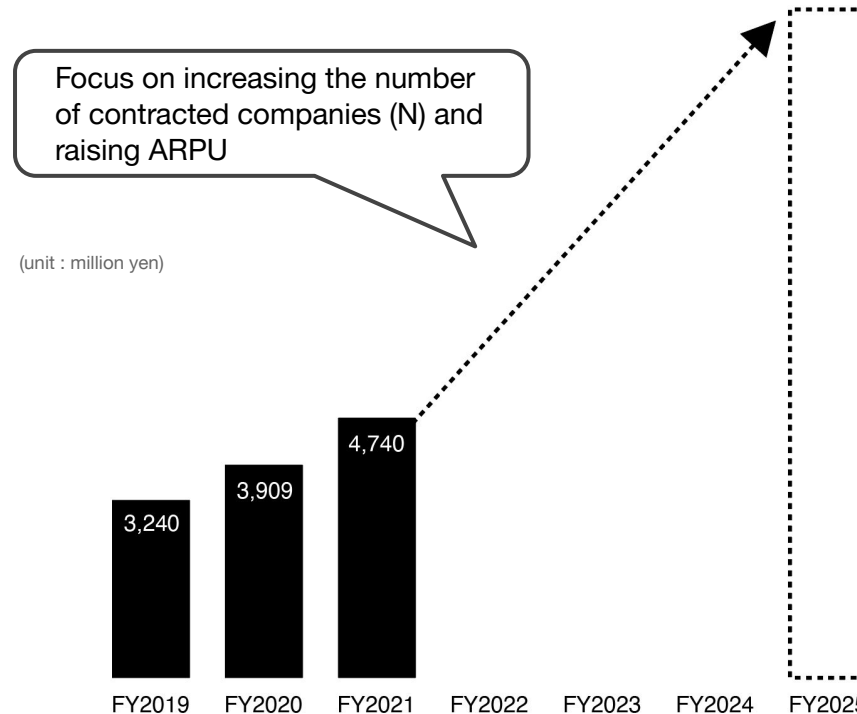
(HENNGE One)

Aim to accelerate ARR growth by focusing on increasing N in the short term while increasing ARPU in the mid/long term.

	ARR			N			n			ARPU		
	ARR (millions of yen)	YoY (%)	YoY	# of contracted companies (companies)	YoY (%)	YoY	Average # of contracted users per contracted company (users)	YoY (%)	YoY	Average Revenue Per User (yen)	YoY (%)	YoY
FY2015	880		=	399		x	1,095		x	2,015		
		+56.5%	+318		+72.0%	+167		-7.8%	-93		-1.3%	-27
FY2016	1,288		=	642		x	1,018		x	1,970		
		+46.3%	+407		+60.9%	+243		-7.0%	-76		-2.2%	-45
FY2017	1,898		=	928		x	1,107		x	1,848		
		+47.4%	+611		+44.5%	+286		+8.7%	+89		-6.2%	-122
FY2018	2,552		=	1,176		x	1,166		x	1,861		
		+34.4%	+653		+26.7%	+248		+5.3%	+59		+0.7%	+13
FY2019	3,240		=	1,428		x	1,171		x	1,938		
		+27.0%	+688		+21.4%	+252		+0.4%	+5		+4.2%	+77
FY2020	3,909		=	1,667		x	1,169		x	2,007		
		+20.7%	+670		+16.7%	+239		-0.2%	-2		+3.5%	+68
FY2021	4,740		=	1,952		x	1,095		x	2,217		
		+21.2%	+830		+17.1%	+285		-6.3%	-73		+10.5%	+210
Q2 FY22	5,126		=	2,056		x	1,089		x	2,290		

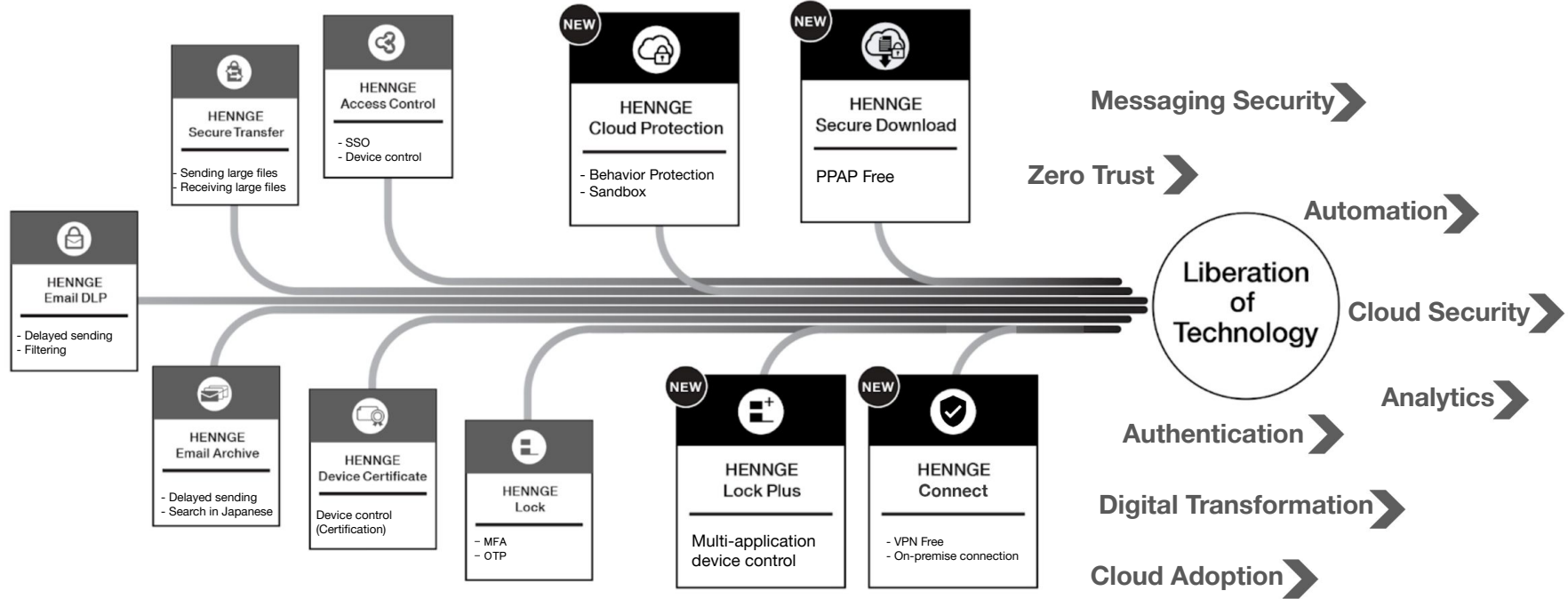
Growth Strategy on and After FY2022

By FY25, having HENNGE One ARR growth at mid-20% in CAGR, we aim to exceed 10B yen for HENNGE One ARR.



HENNGE One, Supporting Customers' Change

Supporting customers' SaaS utilization and continuously liberate technology.



HENNGE One as a SaaS Platform

HENNGE One will grow as the global SaaS market expands.



Currently integrates with
Over **210** Cloud services

Appendix (Corporate Overview)

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

Outside Director

Mio Takaoka

Outside Director

Michiko Kato

Outside Director

Koichi Tamura

Auditor

Akenobu Hayakawa

Auditor

Kunihiro Onai

Auditor

Founded on : November 5, 1996

of employees : 216 (as of 2022-03-31, excluding part-time employees)



Kazuhiro Ogura



Kazuaki Miyamoto



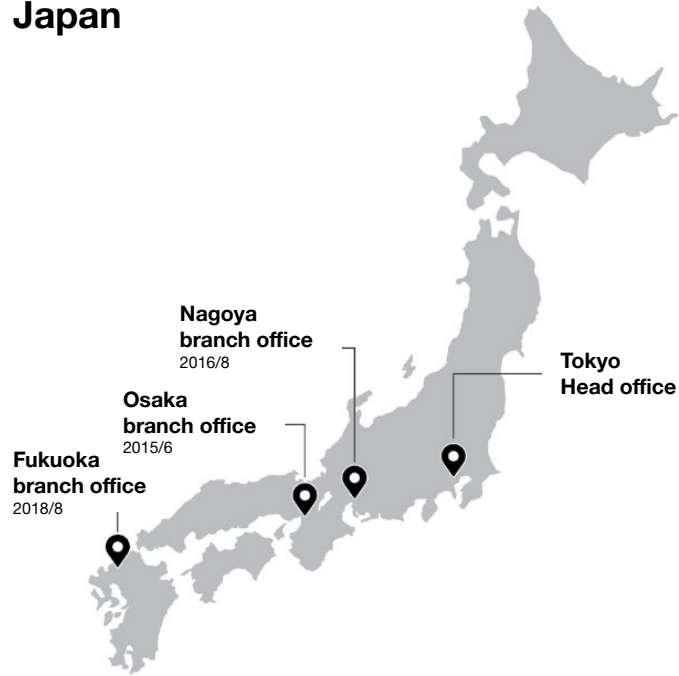
Yoshiki Nagatome



Haruo Amano

Locations

Japan



Taiwan



Vision

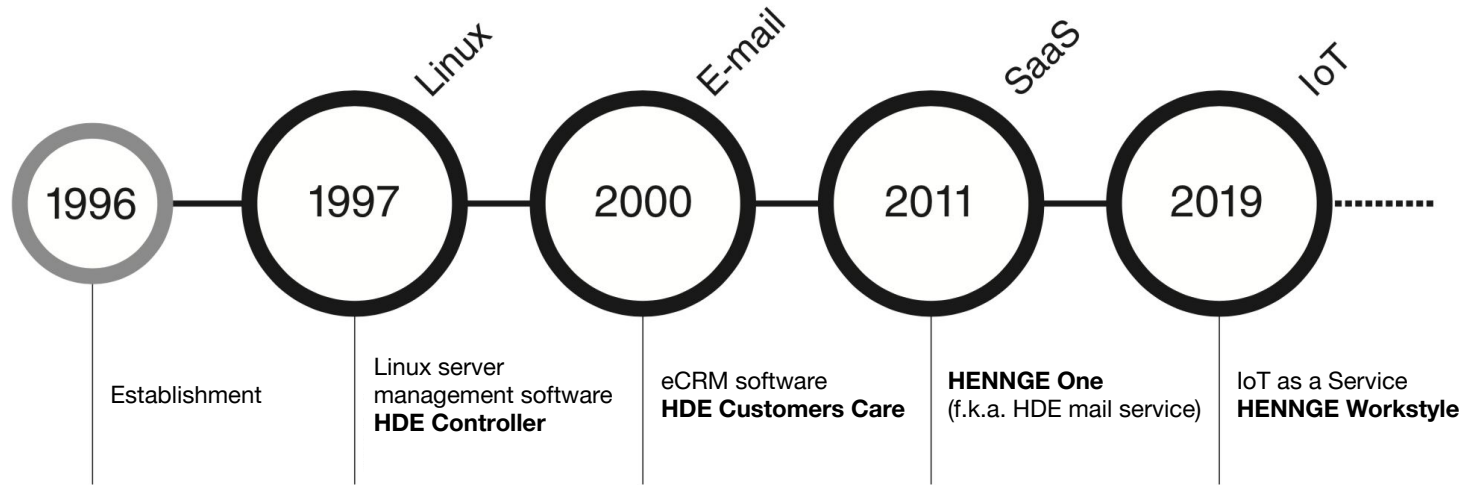
We want to deliver the power of technology as many people as we can.

Liberation of Technology

テクノロジーの解放

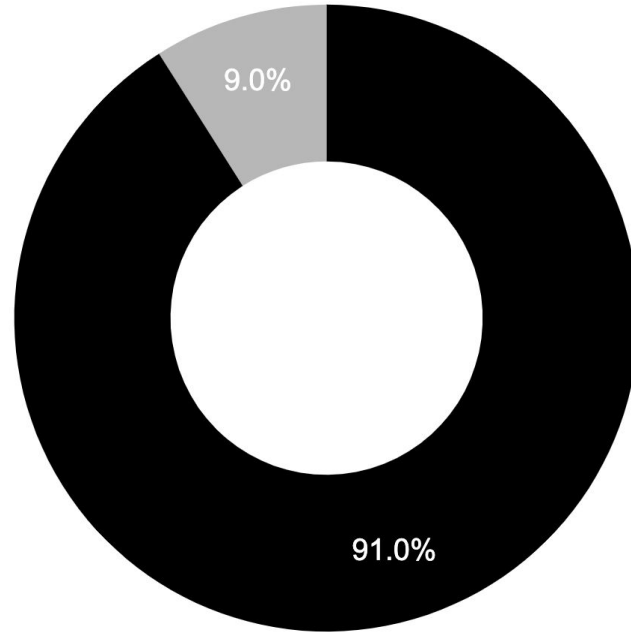
History

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



Sales Structure by Business

91.0% of the net sales comes from HENNGE One business.



(as of Q2 FY2022)

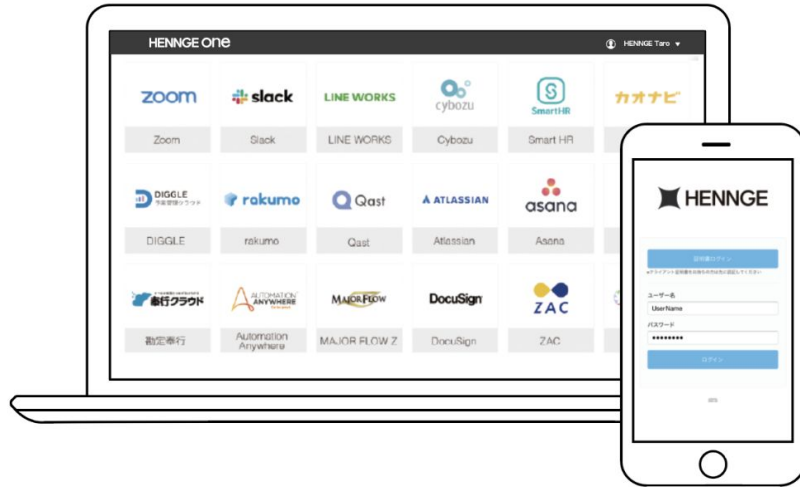
● HENNGE One ● Professional service and others

HENNGE One

Identity as a Services (IDaaS)

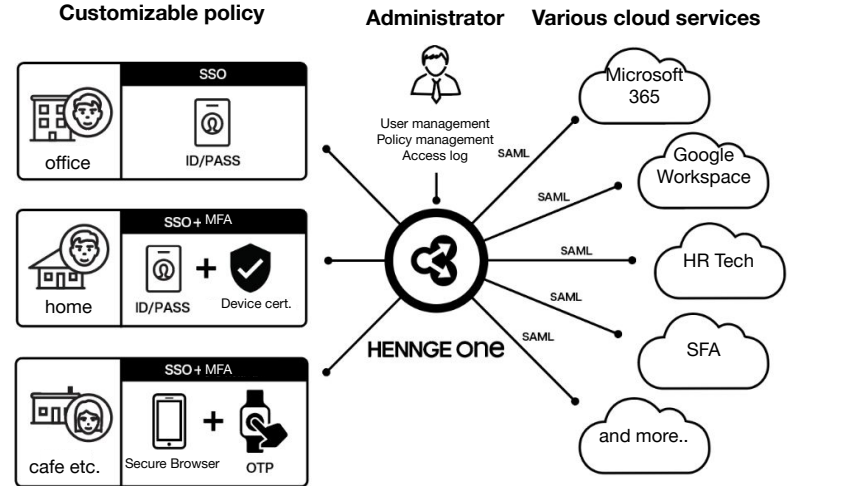
Provide centralized authentication to various SaaS-es, with Single Sign On (SSO) technology

ID Federation



HENNGE One's service availability rate: **over 99.9%**
(as of 2022-03-31)

Access Control

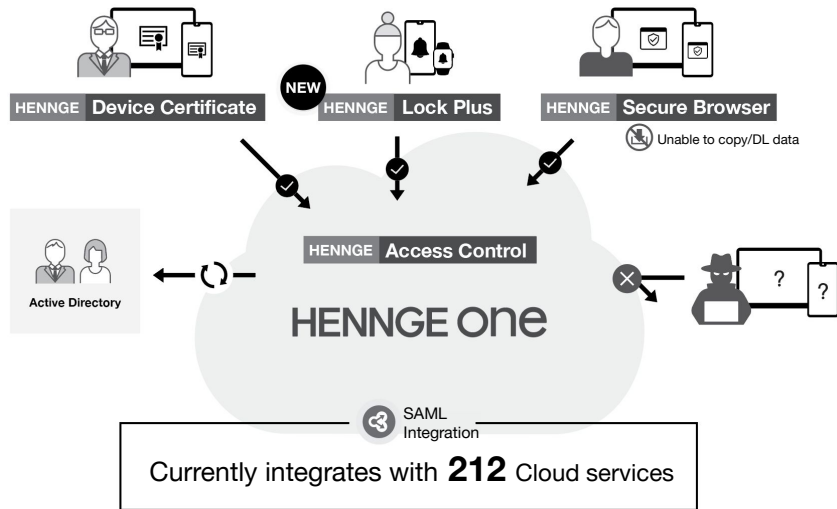


Currently integrates with **212** Cloud services

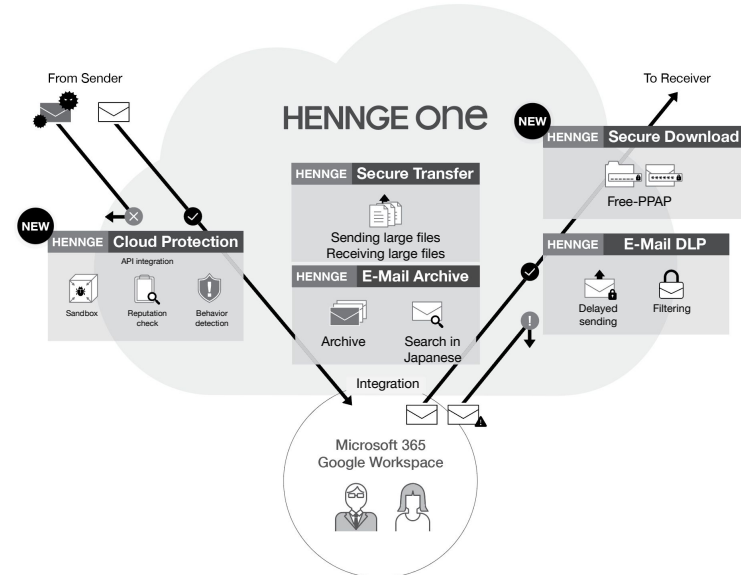
HENNGE One

Support cloud usage with a balanced convenience and security through IdP features, which provide IP restrictions, device certificate, secure browser, and multi-factor authentication, and E-Mail security features, which provide integrated mail security for both sending and receiving that can be linked to cloud mail.

IdP Features



E-Mail Security Features



HENNGE One Solid Customer Base

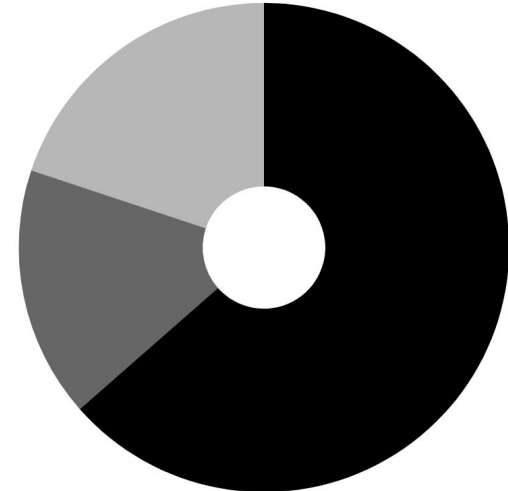
HENNGE One is used by 2,056 customers in various industries, and has 2.24 million users.
Average number of contracted users per contracted company is approximately 1,089. (as of 2022-03-31)



and more

Approx. **15.3%** of listed companies on TSE are using HENNGE One.

Breakdown by contracted Users Size (ARR Base, FY2021)



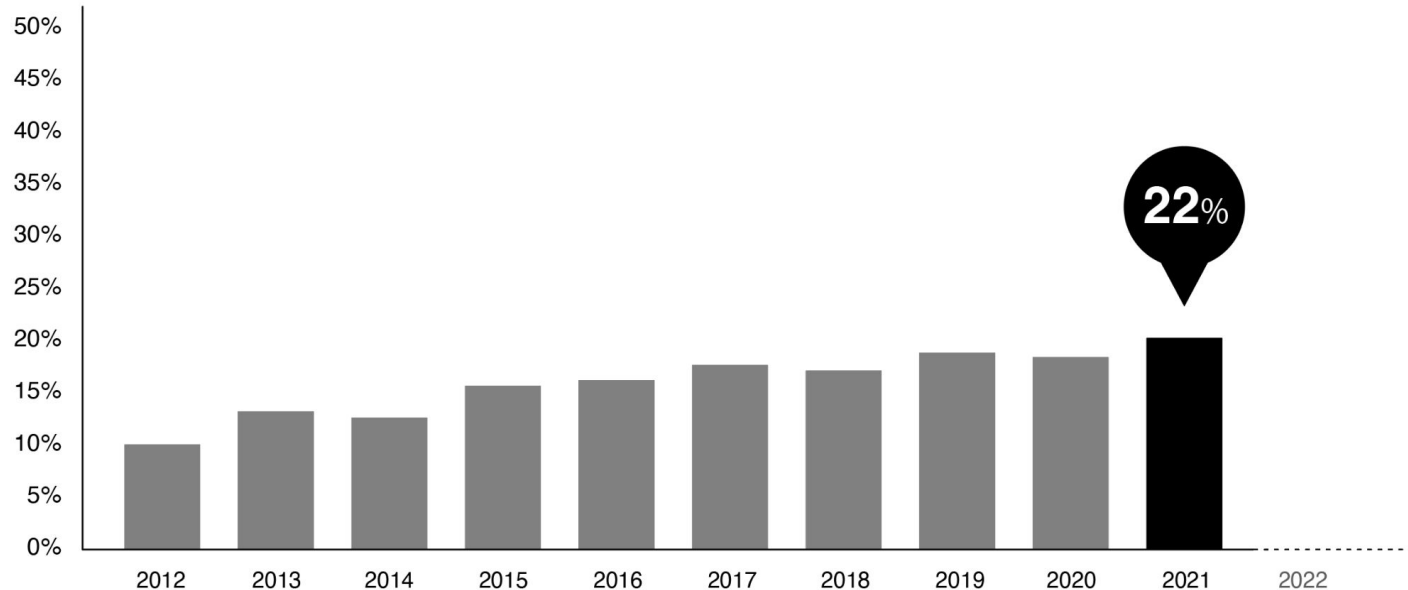
- 300 - 5000 users
- Less than 300 users
- Over 5000 users

Appendix

(Total Addressable Market)

Cloud Adoption Rate in Japan

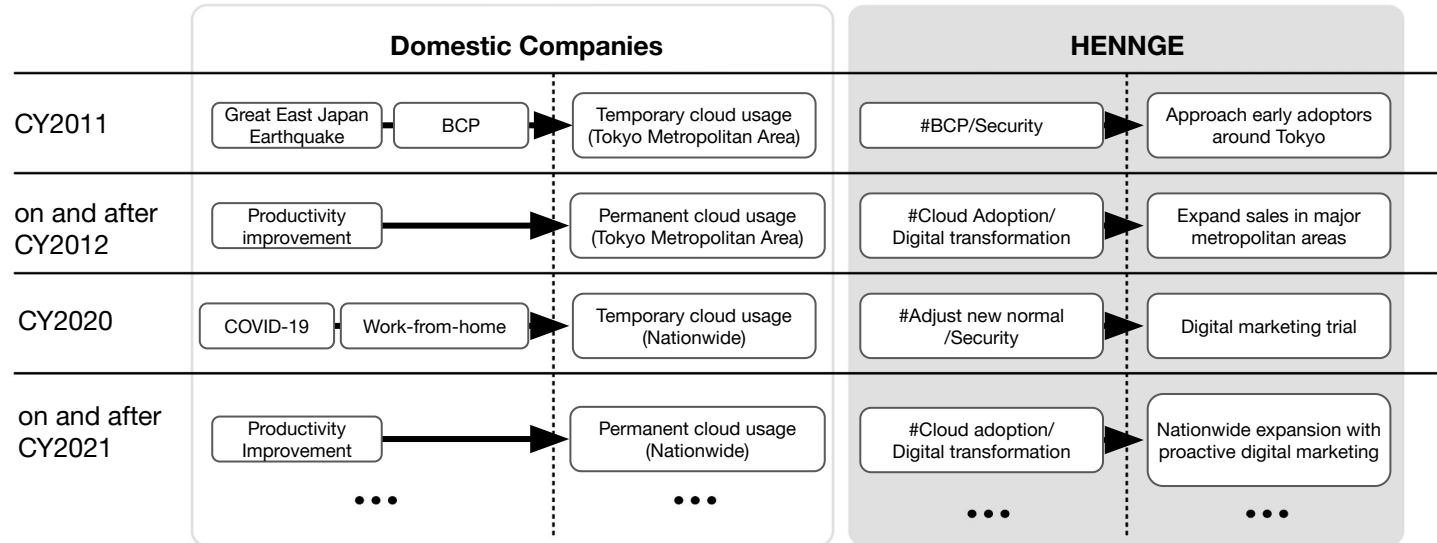
Cloud Adoption Rate in Japan has increased by 4.0pt to 22% from 2021.



(Reference: Press release 'Average Cloud Computing Adoption Rate in Japan' in June 2021 by Gartner, Inc.
URL of the original release is <https://www.gartner.co.jp/ja/newsroom/press-releases/pr-20210614>)

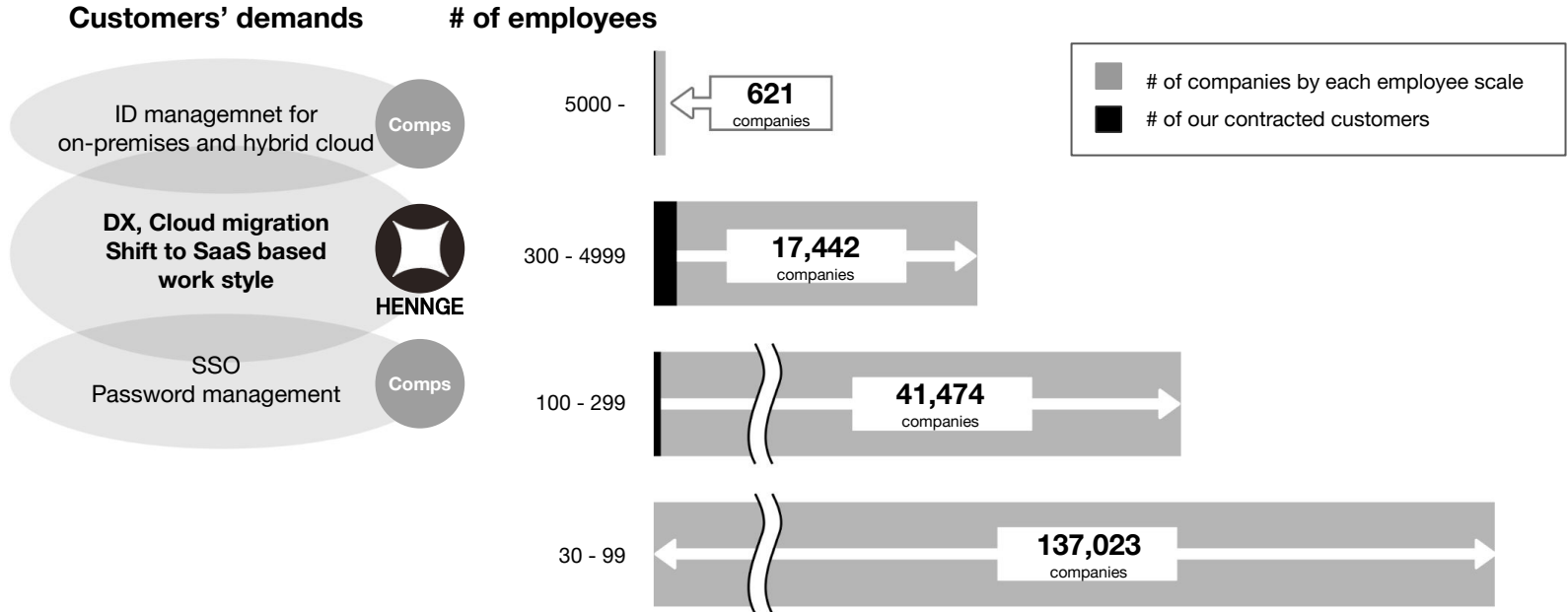
Change in the Market Environment

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



Number of Companies by Employee Size in Japan

There is a huge potential market because cloud adoption will continue to accelerate.



Calculated by HENNGE Group based on the total number of companies with 30 or more employees in Japan as the number of our potential customers if cloud computing become more widespread in Japan in the future.
 (References: 'Economic Census -Activity Survey Results' by Ministry of Economy, Trade and Industry of Japan in 2016)

Regional Split in the number of companies

Japan has number of metro areas other than Tokyo. Our focus is to expand the business not only in Tokyo but also within other metro areas, such as Nagoya, Osaka, Fukuoka, and others.



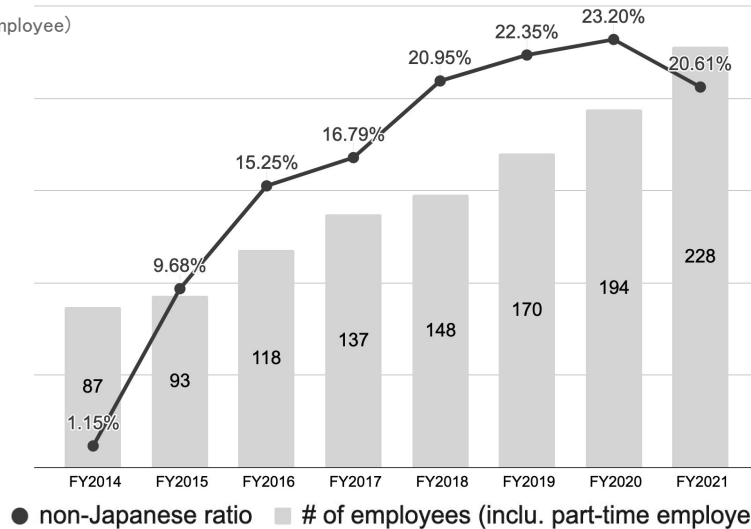
Appendix (Others)

Diversity and Inclusion

Focusing our efforts on the Global Internship Program (GIP) to not only provide career development opportunities for the most talented candidates from all over the world, but also to be the precedent organization of diversity and inclusion that utilize the power of digital transformation to overcome social issues.

Non-Japanese ration and # of employees (including part-time employees)

(Unit: employee)



GIP applications (accum.) :

163 countries and regions

17,924 applicants

Interns (accum.) :

24 countries and regions

107 interns

(Accumulated since 2012, as of 2021-09-30)

Employees (including part-time employees) :

from more than **20** countries and regions

Business Investments and New Business Development

We are approaching business fields adjacent to current businesses through both business investment and new business development, along with R&D activities in current businesses.

Business investments

Invested in B2B startups/fund that own proprietary elements and technologies, and that are also in sync with our existing businesses.

- Our portfolio



(rakumo Inc.)
[TSE:4060]



(DIGGLE Co., Ltd.)



(any Inc.)



(sitateru Inc.)



(DNX Ventures)



(kickflow, Inc.)

New business development

Regularly holding a sessions across divisions to develop ideas for new businesses based on our mission, 'Making the world a better place through technology by continuing to change and challenge.'



新規事業アイデアコンテスト

Inspire Matsuri

(インスパイア祭り)

Past Materials (New Services, etc.)

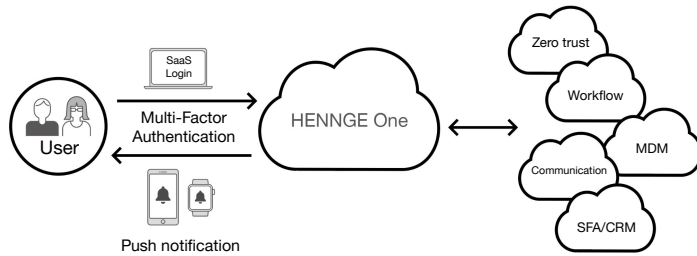
New Features for HENNGE One

HENNGE One’s new features providing more secure file transfer, smartphone access security, and e-mail protection from targeted attacks were launched in Oct 2021.

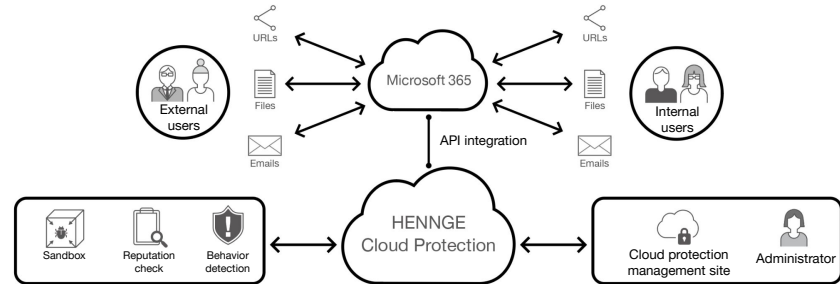
HENNGE Secure Download



HENNGE Lock Plus



HENNGE Cloud Protection



Renewal of Service Lineup for HENNGE One

Service lineups were renewed from Oct 2021. Approaching varieties of customers with high value-added suite plans, as well as setting up single-function plans for light users.

Set plan	Description	Price
HENNGE One Basic	A set plan that offers the best value when implementing all the features of HENNGE One at once (with limited use of Certificates, Lock Plus, and Cloud Protection)	@JPY600/mon
HENNGE One Pro		@JPY1,000/mon

Single-function plan	Description	Price
HENNGE IDP Lite	SSO/IP address control/OTP/AD Connect etc.	@JPY150/mon
HENNGE IDP	Lite function/Device certificates/Support Plus/Lock Plus etc.	@JPY300/mon
HENNGE IDP Pro	IDP/Secure browser/Additional device certificates etc.	@JPY500/mon
HENNGE DLP	Delayed sending/Filtering etc.	@JPY300/mon
HENNGE ARC	Archive etc.	@JPY300/mon
HENNGE Cloud Protection	Behavior detection/Sandbox etc.	@JPY200/mon

HENNGE One Business

License lineup for HENNGE One announced in June 2019 (From June 2019 to Sep 2021)

※ New contracts taken into place after Oct 2021 will apply new licence lineup which was announced in Aug 2021.

HENNGE One Secure Access	HENNGE One Standard	HENNGE One Business
<p>SaaSとのシングル・サインオンと端末制御機能を含めた、エンタープライズ向けのプランです。</p>	<p>Office 365/G Suiteやその他SaaSとのSSOにメール誤送信対策を含めた標準プランです。</p>	<p>Standardプランに端末制御に必要なデバイス証明書を追加したエンタープライズプランです。</p>
<p>月額 400 円 (税抜) 1ユーザー/月 (年間契約)</p>	<p>月額 500 円 (税抜) 1ユーザー/月 (年間契約)</p>	<p>月額 750 円 (税抜) 1ユーザー/月 (年間契約)</p>
<p>プラン内容</p> <ul style="list-style-type: none"> HENNGE Access Control HENNGE Secure Browser HENNGE Device Certificate <p>※ デバイス証明書発行 (1ユーザー1枚まで) ※ 提供可能ライセンス数 200ライセンス～</p>	<p>プラン内容</p> <ul style="list-style-type: none"> HENNGE Access Control HENNGE Secure Browser HENNGE Email Archive HENNGE Email DLP HENNGE Secure Transfer <p>※ デバイス証明書発行 (有償オプション) ※ 提供可能ライセンス数 100ライセンス～</p>	<p>プラン内容</p> <ul style="list-style-type: none"> HENNGE Access Control HENNGE Secure Browser HENNGE Email Archive HENNGE Email DLP HENNGE Device Certificate HENNGE Secure Transfer <p>※ デバイス証明書発行 (1ユーザー3枚まで) ※ 提供可能ライセンス数 100ライセンス～</p>

HENNGE One Business

HENNGE One for Education (Since July 2020)

In response to GIGA School Program advocated by the Japanese Ministry of Education, Culture, Sports, Science and Technology (MEXT), HENNGE One for Education has become available from July 1, 2020, to all elementary, junior high, and high schools nationwide. We will support to establish a safe and secure learning environment for children through this service.

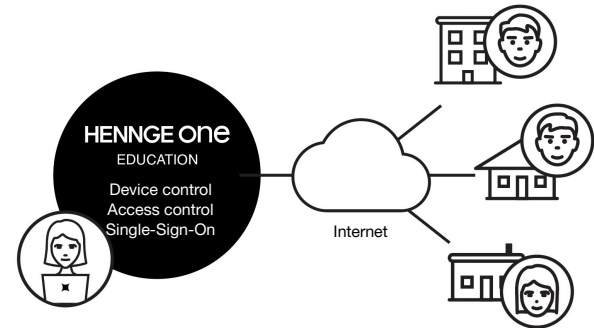
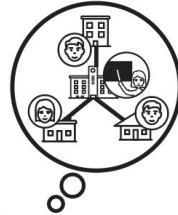
Increase in OS/Device management



Multiple ID/password management



Teachers' working style reform



Professional Service and Others Business

SumaMachi (Since Aug 2020)

SumaMachi is a communication service that enables smooth two-way communication with community residents to municipalities nationwide.

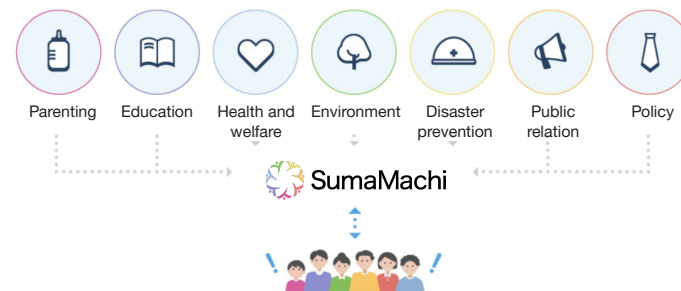
(Previously named as “CHROMO”, which is renamed in Oct 2021.)

Municipalities (Issues that municipalities are facing)



The delivery of information is divided between different departments. It's one-way communication and difficult to receive the needs of local residents.

Municipalities (What SumaMachi can do)

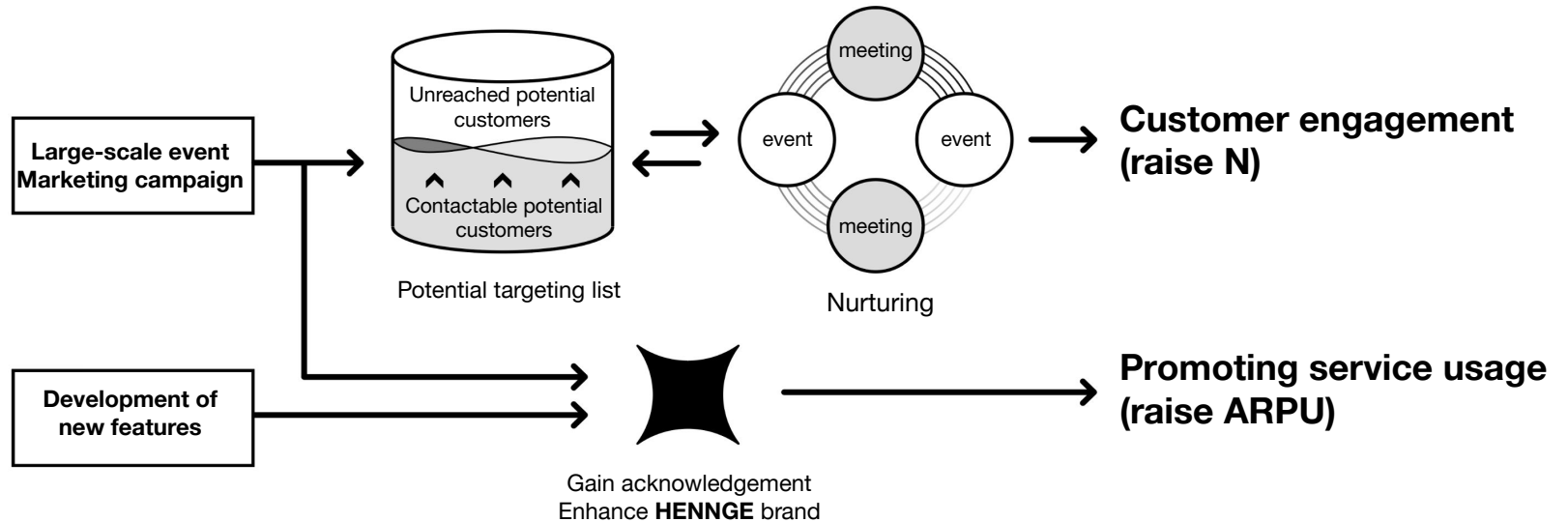


With SumaMachi, it's easy to centralize management of information transmission and revitalize local communities through interactive communication.

Past Materials (Marketing)

Marketing Activities for HENNGE One

Conducting various activities to acquire customers (N) and improve ARPU in the mid-term.



HENNGE NOW! and its Marketing Campaigns

Held the large-scale digital event HENNGE NOW! in Q2 FY21. Spent approximately 490 million yen on advertising expenses and aggressively carried out the advertising activities such as TV commercials, out-of-home advertising and web advertisements for the purpose of attracting customers to the event. Consequently, the number of visitors to the HENNGE NOW! exceeded 10,000.



Reference) the physical event HENNGE NOW! held in November 2019: about 1,149 visitors



HENNGE NOW! details



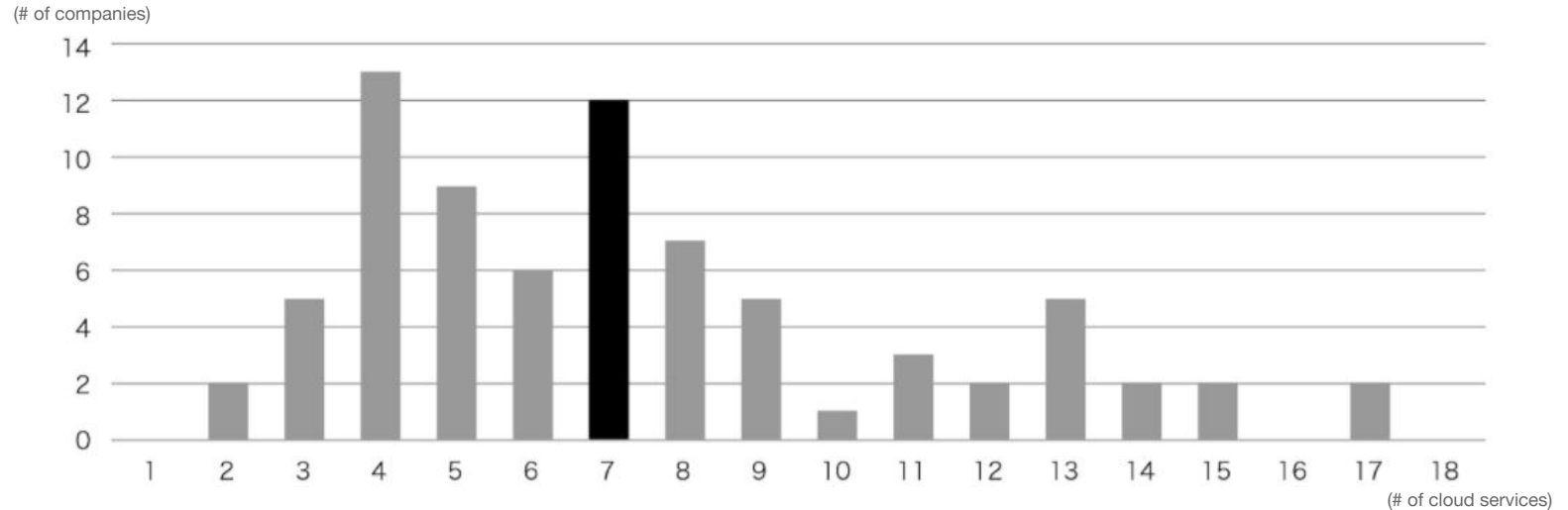
HENNGE One Video ad.



Past Materials (Our Surveys, etc.)

SaaS usage survey to our customers (on Nov 2019)

On average, our customers are using 7 cloud services per company, and 24% of them are using 10 cloud services.



Survey overview: SaaS usage survey in business

Number of valid responses: 72

Survey date: November 14, 2019

Survey method: Analysis based on the above 72 valid responses to our usage survey from our HENNGE One users.

Glossary

ARR (Annual Recurring Revenue)

refers to revenue, normalized on an annual basis, that a company expects to receive from its customers for providing them with products or services of subscription-based model.

ARPU (Average Revenue Per User)

refers to the average annual contract amount per contracted user.

CAGR (Compound Average Growth Rate)

refers to a geometric progression ratio which provides a constant rate of return over a period of time.

Email DLP (Email Data Loss Prevention / Email Data Leak Protection)

prevents confidential information loss/data leakage when sending an e-mail externally.

Gross Revenue Churn Rate

is calculated based on the decrease in contract value due to service cancellations, etc.

IDaaS (Identity as a Service)

is an Identity and Access Management solution delivered in the form of a cloud-based service.

LTV (Life Time Value)

is the total worth to a business of a customer over the whole period of their relationship.

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