

# Human Capital Initiatives

(The information and metrics presented in the "Human Capital Initiatives" section pertain solely to HENNGE K.K. on a stand-alone basis, excluding the group companies. The term "employee" as used herein refers to, unless explicitly stated, permanent and contract employees.)

## 1. Strategy

In order to continuously grow our business over the long term based on our corporate philosophy of "Liberation of Technology" and make society a better place, we believe that we must be a company that continues to change along with, or even ahead of, societal changes. For us, people and the organization are the most important elements that drive change.

Since our founding in 1996, we have learned that it is most important to continue to change ourselves, while being tossed about by the rapidly changing social conditions such as the collapse of the internet bubble and the Lehman Shock. We have also learned that a "culture of continuous challenge to change without fear of failure" is necessary as a foundation for this. We believe that the key to fostering this culture and sustainably producing business results is having an organization where a diverse group of individuals who share core values actively collaborate towards a common goal and co-create exceptional value. In order to achieve this, we are implementing various initiatives.

In 2013, we started global recruitment, and talents with diverse backgrounds and values began to join us. In 2016, we officially adopted English as our primary language, and all employees worked hard to learn English and build a new corporate culture in order to transform ourselves from a control-oriented organization that restricts diversity to a trust-oriented organization that embraces diversity.

In parallel, we are implementing multifaceted measures in a wide range of areas. This includes strengthening our recruitment capabilities to continuously acquire excellent talents, continuously raising compensation, and refining evaluation criteria. We also implement measures that contribute to collaboration beyond roles and individual growth, which are necessary for co-creating business value.

To connect the power of people and the organization to sustainable business growth, we particularly emphasize the following four themes:

1. Ensuring diversity and inclusion
2. Collaboration that focuses on value and winning as "One HENNGE"
3. Recruitment without compromising on quality or quantity
4. Individual learning and growth as an organization

We strategically and comprehensively make investments in human capital related to these important themes, aiming to achieve sustainable growth of our business and organization.

## **(1) Ensuring diversity and inclusion**

### **(1.1) Ethnic and cultural diversity**

When people with different backgrounds deepen discussions on issues from various angles, innovation occurs, and innovative product value is born. For our company, which advocates the "Liberation of Technology," diversity is the driving force of change and an essential foundation for growth. We believe that our culture, which systematically tries to ensure comprehensive diversity, including race, ethnicity, and culture, in addition to region, age, and gender, and in which everyone tries to respect everyone else, is a breeding ground for each individual to take on enthusiastic challenges, learn from failures, and change and grow as an organization as a whole, while resisting the homogenizing forces within the organization. Moreover, in order for each diverse individual to not only demonstrate their performance in their respective fields but also connect their individual perspectives and abilities to the performance of the entire organization and ultimately to business results, collaboration beyond their respective areas is indispensable. We consider fairness and inclusion to be important themes for achieving these goals.

As a key driver for ensuring diversity and accelerating inclusion, we are particularly focusing on ethnic and cultural diversity. By having members with diverse cultural backgrounds from all over the world join us, a variety of values and norms on various themes are brought into the organization, and multifaceted perspectives and ways of thinking, such as different views on gender, religion, and life, spread within the organization. We believe that accelerating inclusion and incorporating the existence of diverse values as a major premise for the organization will lead to the promotion of diversity in a broad sense, both essentially and effectively. At our company, in order to grasp the state of ethnic and cultural diversity, we monitor the diversity of countries and regions of origin as an approximate indicator.

Since we started global recruitment in 2015, people from various countries and regions have become our colleagues, and currently, we have employees from about 25 countries and regions. The ratio of foreign employees to all employees is about 20%, however, we have experienced both the wonders and difficulties of diverse talents with different languages and values working together. Among the lessons we have learned, we particularly emphasize the importance of transparency and fairness of information. We do not operate our organization on a strict chain of command and discipline. Instead, we prioritize autonomy and self-discipline. This fosters an environment where diverse ideas are generated, issues are raised, and discussions and decision-making take place organically throughout the company. We believe in order to prevent communication, information sharing, and decision-making processes from becoming obscured or inaccessible—"black boxes"—all employees need to remain committed to maintaining transparency and continually invest in it. This commitment will ensure equal access to information for everyone. We believe that equal access to information, regardless of employee attributes, is important as a foundation for diverse talents to think and act autonomously.

For example, we are exploring various internal best practices regarding communication and information sharing, such as promoting the "Public by default" concept, where communication on Slack, our internal communication tool, is conducted on public channels unless it involves sensitive or confidential information, and making the calendars of all employees including executives and managers public, recommending a subscription-type communication style where

employees are expected to opt-in to information sources they want to follow, and making meeting rooms glass-walled to eliminate closed spaces within the company as much as possible.

In addition, on "Transparency Talk," a communication platform for transparent direct dialogue between employees and the company, employees can anonymously and freely post questions and opinions about the company, along with the monthly engagement pulse survey.

Management and other appropriate personnel provide public responses to all posted comments every month.

	FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Number of employees' countries/regions of origin	18	24	25
Ratio of foreign employees	18.14%	19.42%	19.67%
Number of Transparency Talk comments posted	115	106	170

### (1.2) Diversity of gender, generation, and life stage

In Japan, where a declining workforce is a concern, it is also important to consider how to embrace the diversity of life stages, such as those raising children or caring for family members, and how to connect this to business results for sustainable business operations. In particular, since employees in their 20s and early 30s account for approximately 50% of our total workforce, we believe that creating an environment where future leadership talents can return after taking childcare leave or maternity leave and reach their full potential regardless of gender is one of our important themes. We are focusing on making it easier to take childcare leave, return to work, and thrive after returning. At the end of the fiscal year ended September 2024, we expanded our support systems for employees who wish to work vigorously regardless of gender, generation, or life stage. These include the introduction of a flextime system for those working shortened hours due to childcare responsibilities, a new return-to-work support allowance of up to 1.2 million yen paid under certain conditions upon return from childcare leave, and a new childcare leave returnee supporter allowance provided to all team members of an employee returning from childcare leave.

		FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Employee ratio by generation	20s	30.8%	28.42%	23.93%
	30s	40.93%	45.32%	45.9%
	40s	24.47%	22.66%	25.57%
	50s	3.8%	3.6%	4.59%
Number of childcare leave takers*2	Male	9	7	5

	Female	4	4	6
Childcare leave utilization rate*2	Male	90%	100%	35.7%
	Female	100%	66.7%	120%
Average number of childcare leave days taken*2	Male	43	114	40
	Female	346	359	284
Childcare leave return-to-work rate*2	Male	100%	88.9%	100%
	Female	80%	100%	80%

The gender pay gap is 78.7 (female employees' wages are about 21% lower than male employees' wages). The reason for this gap is recognized as the gender imbalance in the upper job grades\*3. We have introduced an ability-based grading system, and in the upper job grades, leadership is required to involve those around them. However, the ratio of females in these upper job grades is 17.31%, which is low compared to the ratio of female employees of 40.33%. Also, the ratio of females in management positions is 29.63%, which is also low compared to the ratio of female employees in the entire company. At our company, the compensation level is linked to the job grade and not to the position. Therefore, the gender imbalance in management positions does not necessarily explain the gender pay gap. However, considering the fact that many of those in higher positions hold high job grades, we believe there is a correlation between the two phenomena.

	FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Ratio of female employees	39.66%	39.21%	40.33%
Ratio of female in upper job grades*3	12.99%	15.29%	17.31%
Ratio of female in management positions	18.37%	23.21%	29.63%
Gender pay gap	74.7	80.7	78.7










We recognize that the fundamental factors causing such imbalances in generation and gender are rooted in the sense of role division in society as a whole, including our company. However, we believe that promoting ethnic and cultural diversity will help us resolve these issues. In an organization rich in ethnic and cultural diversity, awareness of differences in attributes themselves fades, fostering a natural desire to support colleagues who work hard and cultivating borderless respect and empathy that transcends cultural, gender, ethnic, racial, and age barriers. Also, various views on gender are "imported" from around the world. With these, we want to overcome the conventional age- and gender-based role-division awareness that has been ingrained, whether we like it or not, in the subconscious of both men and women who grew up in Japanese society from the Showa to Heisei eras.

Along with such organizational awareness reform, we also believe that it is important to physically engage with the individuals involved and their surroundings, and to directly conduct awareness-raising activities. We are actively integrating gender diversity perspectives into our practice. This includes recruitment, management selection, and key decision-making processes. We are also providing mentoring sessions by external female advisors to some female employees who wish to participate, with an eye towards developing the next generation of female leaders. At the same time, a variety of learning opportunities related to women's empowerment and diverse gender perspectives are being widely created, including company-wide events celebrating International Women's Day and Women's History Month, sponsorship of WomenHack Tokyo, and bottom-up initiatives such as the establishment of a women's affinity group by volunteers and participation in Pride parades.

While the imbalance in the gender ratio in upper job grades, the ratio of female in management positions, and the gender pay gap has been improving year by year, we will continue to work on reforming awareness as an organization, promoting understanding of women's empowerment and diverse gender perspectives, and ensuring equal opportunities for success beyond gender, generation, and life stage to further improve these areas in the future.

## (2) Collaboration that focuses on value and winning as "One HENNGE"

To connect the power of people and the organization to business results, it is important to clearly define the values and purpose that everyone should share, while welcoming diversity, and to work together towards achieving goals. At our company, we have articulated our company-wide behavioral guideline as the HENNGE WAY, which is also reflected in the criteria for hiring and promotion. The HENNGE WAY is designed to be updated as needed, and it has been revised three times since the initial version was released in 2019, leading to the current version, HENNGE WAY 2024. In the latest update, a new guideline, "Win Together," was added to further promote collaboration that focuses on winning and transcends individual roles.

<p><b>01</b></p>  <p><b>Love technology</b></p> <p>Love and use technology.</p>	<p><b>02</b></p>  <p><b>Eat unripe fruits</b></p> <p>Take on challenges and learn from mistakes early.</p>	<p><b>03</b></p>  <p><b>Be a learnaholic</b></p> <p>Be endlessly curious. Get addicted to learning.</p>
<p><b>04</b></p>  <p><b>Lead yourself with passion</b></p> <p>Take the initiative with passion.</p>	<p><b>05</b></p>  <p><b>Help passionate HENNGE people</b></p> <p>Support people who are passionate about igniting changes.</p>	<p><b>06</b></p>  <p><b>Respect differences</b></p> <p>Differences are natural. Stay diverse.</p>
<p><b>07</b></p>  <p><b>Keep it open</b></p> <p>Share information and opinions openly.</p>	<p><b>08</b></p>  <p><b>Track and trust</b></p> <p>Act with speed, wisely taking acceptable risks.</p>	<p><b>09</b></p>  <p><b>Win together</b></p> <p>You can't win alone. The mountain is high. So, what do we do?</p>

As a prerequisite for working together towards goals, we believe that "good relationships among members" and "mutual understanding between each division and role" are important. Through various initiatives, we are actively creating opportunities for cross-functional and vertical communication, relationship building, and mutual understanding. We support relationship building beyond teams and positions at work through initiatives such as Communication Lunch (a monthly luncheon open to the whole company), fun donuts (a system where several randomly selected members are automatically invited to a 30-minute casual talk every week), and Bukatsu (a system where the company partially subsidizes the cost of off-the-job gatherings and activities by members who share the same hobbies and interests). We also deepen mutual understanding in the context of work and business through business focused initiatives such as Inspire Matsuri

(an annual in-house business idea contest) and Unity & Insight (a company-wide meeting held every quarter for each division to present their information). In addition, various attempts are being made throughout the company, including initiatives planned and operated bottom-up, such as Location Does Not Matter (an exchange meeting with business trips for the purpose of exchanging opinions between different offices) and in-house hackathons.

Furthermore, we believe that physical communication and collaboration are effective for uniting as an organization to co-create product value and achieve high business goals. While there are certainly situations and life stages where remote work, which is not bound by time or place, is effective, there are also things that are more effective when done physically onsite, such as in-depth discussions that generate enthusiasm and the demonstration of leadership that involves others. We believe that a state in which physical and direct communication is firmly in place within the company is the foundation for improving product value and creating future ARR, and in July 2023, we introduced a "Physical Communication Allowance" that is paid according to the number of business days on which employees have face-to-face communication with colleagues and customers.

		FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Number of Bukatsu activities held		-	10	168
Physical communication occurrence rate*1	Monthly average	-	37.70%	50.61%
	As of fiscal year end	-	41.43%	57.56%

Our employees are colleagues who work together to drive the growth of our business and HENNGE as a whole. With the desire to share the fruits of growth with everyone, we operate an employee stock ownership plan with a 35% incentive. In October 2022, we also introduced a stock option system for all employees, and in February 2023 and July 2024, we granted stock options to all employees who were employed at specific times.

As “One HENNGE”, we remain dedicated to co-creating value and winning.

### (3) Recruitment without compromising on quality or quantity

It goes without saying that in order to grow our business rapidly, it is important to acquire talents with the necessary skills and experience in a timely manner. However, at our company, which provides value to customers through SaaS products with an average usage period of several decades, it is particularly important to focus on recruiting individuals who can co-create value from a long-term perspective. We believe it is crucial for the recruitment team and each division to work together as one to meet the growing demand for talent, while remaining focused on hiring individuals who are a good fit for our culture, our internal work environment, and with the potential for mid- to long-term value creation. To effectively compete for top talent, we are undertaking comprehensive efforts to strengthen our recruitment competitiveness, including expanding our recruitment capacity, improving the recruitment process, raising awareness of our company, and reviewing our compensation system.

In addition, we track gross profit per employee as one of the key indicators. This indicator reflects how effectively we leverage the individual abilities amplified by learning (described later) and collaboration to generate value for our customers and drive business results. This, in turn, allows us to offer competitive compensation and attract highly skilled individuals, which will further fuel our business growth. The average annual salary at our company in the fiscal year ended September 2024 was about 8.27 million yen.

We believe that, in addition to recruiting experienced personnel, conducting recruitment activities that can contribute to ensuring diversity in human resources is another distinctive feature of our recruitment. To pioneer a new era of change, we believe that it is important to ensure diversity in generations and values by continuously bringing in new generations of talents with new values, and we position new graduate recruitment as one of the means to achieve this. Furthermore, since 2013, we have been recruiting engineers from all over the world and conducting initiatives regarding internationalization. In order to recruit engineers globally based on their skills rather than their Japanese language ability, we operate the "Global Internship Program" throughout the year, a work experience program for engineering students around the world. Many of the foreign engineers working at our company joined us through this program. Recruitment that is not limited to specific countries or regions has expanded beyond engineers and designers to mid-career recruitment for back-office positions as well. This plays a major role not only as a means of continuously acquiring talents essential for product development but also as a means of bringing diverse cultures and values to the organization.

	FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Gross profit per employee	¥20,063,458	¥20,328,777	¥22,977,575
Average annual salary	¥7,949,928	¥7,896,970	¥8,270,113
Number of employee hires	58	63	56
Number of mid-career hires	51	54	48



Number of new graduate hires	7	9	8
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Recruitment is an area in which we proactively invest. We will continue to strengthen our recruitment capabilities by pursuing various challenges and improvements in our recruitment measures and strategies.

#### (4) Individual learning and growth as an organization

In addition to recruiting excellent talents, we believe that continuous learning for each employee and growth as an organization are essential for continuously embodying our corporate philosophy, and so we provide various opportunities to accelerate individual learning. This spirit of continuous learning is also enshrined in our behavioral guidelines, the HENNGE WAY, as "Be a learnaholic." In addition to company-wide opportunities such as compliance training and management training, we also provide training and workshops on specific soft and hard skills, as well as on individual topics, all of which divisions or individuals may make requests to attend. The aim is to provide effective learning opportunities that are directly related to each individual's responsibilities, role, and the challenges they face.

In particular, we recognize the importance of English for effective collaboration in our global environment, and therefore we provide comprehensive support for English language development. As a result, the overall English proficiency within the company is steadily improving. In 2021, we adopted CEFR-J, an indicator of practical language skills, as our English proficiency assessment standard. Under the supervision of Professor Yukio Tono of the Tokyo University of Foreign Studies, we formulated the "CEFR-J HENNGE Descriptor," which indicates "Can do" statements (what one can do using English) assuming specific work and communication situations within our company. To strengthen our ability to acquire talents with high English proficiency and to incentivize improving English proficiency within the company, we are undertaking comprehensive initiatives, such as adding English proficiency as a requirement for promotion and establishing the English Allowance (120,000 to 1,560,000 yen per year).

	FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024
Education cost*4	¥43,610,255	¥47,598,592	¥54,498,661
Education cost per employee	¥184,010	¥171,218	¥178,684
English-related education cost*4	¥16,112,904	¥11,735,592	¥10,796,483
Number of English learning program users*4	142	127	140
English-related education cost per English learning program user	¥79,427	¥61,675	¥55,047

In addition to providing these standardized learning opportunities, we are also proactively working to create non-standardized learning and development opportunities, such as providing coaching services and organizing Fail Fail Fail LT Night (an event where individuals share their failures and lessons learned through lightning talks, contributing to organizational learning).

## 2. Metrics and targets

To achieve sustainable business growth, we monitor various metrics related to people and organization to ascertain the status of and progress in the four themes we particularly emphasize: "Ensuring diversity and inclusion," "Collaboration that focuses on value and winning as 'One HENNGE'," "Recruitment without compromising on quality or quantity," and "Individual learning and growth as an organization."

		FY ended Sep. 2022	FY ended Sep. 2023	FY ended Sep. 2024	
Basic informatio n	Number of employees	237	278	305	
	Ratio of female employees	39.66%	39.21%	40.33%	
	Employee ratio by generation	20s	30.8%	28.42%	23.93%
		30s	40.93%	45.32%	45.9%
		40s	24.47%	22.66%	25.57%
		50s and over	3.8%	3.6%	4.59%
	Average age	34.9	34.9	35.6	
	Average annual salary	¥7,949,928	¥7,896,970	¥8,270,113	
	Paid leave utilization rate*2	73.7%	73.7%	72.2%	
	Average monthly overtime hours	3.52	3.3	2.93	
Average length of service	4.6	4.6	4.8		
Gross profit per employee	¥20,063,458	¥20,328,777	¥22,977,575		
1. Ensuring diversity and inclusion	Ratio of employees holding upper job grades*3	32.49%	30.58%	34.1%	
	Number of employees' countries/regions of origin	18	24	25	
	Ratio of foreign employees	18.14%	19.42%	19.67%	
	Number of Transparency Talk comments posted	115	106	170	
	Ratio of foreign employees holding upper job grades*3	18.18%	20%	22.1%	
	Ratio of female employees holding upper job grades*3	12.99%	15.29%	17.31%	

	Ratio of female in management positions		18.37%	23.21%	29.63%	
	Gender pay gap		74.7	80.7	78.7	
	Ratio of employees holding upper job grades*3 by generation	20s	3.9%	8.24%	5.77%	
		30s	38.96%	34.12%	36.54%	
		40s	50.65%	50.59%	50%	
		50s and over	6.49%	7.06%	7.69%	
	Number of childcare leave takers*2	Male	9	7	5	
		Female	4	4	6	
	Childcare leave utilization rate*2	Male	90%	100%	35.7%	
		Female	100%	66.7%	120%	
	Average number of childcare leave days taken*2	Male	43	114	40	
		Female	346	359	284	
	Childcare leave return-to-work rate*2	Male	100%	88.9%	100%	
		Female	80%	100%	80%	
2. Collaboration that focuses on value and winning	Monthly engagement pulse survey response rate		72%	60%	73%	
	Overall score of monthly engagement pulse survey		78	77	77	
	Number of Bukatsu activities held		-	10	168	
	Physical communication occurrence rate*1	Monthly average		-	37.7%	50.61%
		As of fiscal year end		-	41.43%	57.56%
3. Recruitment without compromising on quality or quantity	Number of employee hires		58	63	56	
	Number of mid-career hires		51	54	48	
	Number of new graduate hires		7	9	8	
	Number of boomerang employees		6	7	9	
	Turnover rate		13.94%	8.44%	10.43%	

	Net increase in employees	29	41	27
	Growth rate in number of employees	13.94%	17.3%	9.71%
4. Individual learning and growth as an organizati on	Education cost*4	¥43,610,255	¥47,598,592	¥54,498,661
	Education cost per employee	¥184,010	¥171,218	¥178,684
	English-related education cost*4	¥16,112,904	¥11,735,592	¥10,796,483
	Number of English learning program users*4	142	127	140
	English-related education cost per English learning program user*4	¥79,427	¥61,675	¥55,047

In addition to contributing to the creation of a better society through our business based on our corporate philosophy of "Liberation of Technology," we also aim to achieve an organizational state where diverse talents who share our core values actively collaborate towards a common goal and co-create overwhelming value. To this end, we will continue to engage in challenging initiatives related to human capital and broadly share the many failures and lessons learned with businesses and society.

\*1 This is the ratio of business days on which employees had face-to-face communication with colleagues, customers, etc. through coming to the office or visiting external stakeholders, to the total number of business days at our company.

\*2 The paid leave utilization rate and childcare leave-related indicators are calculated using a specified method for workers who meet the specified aggregation criteria (including part-timers), based on guidelines provided by the Ministry of Health, Labour and Welfare.

\*3 Our ability-based grading system is designed to require the demonstration of leadership at certain job grades and above. Here, job grades that require the demonstration of leadership are expressed as "upper job grades," and job grades below them are expressed as "lower job grades."

\*4 The education cost includes training programs, etc that are open to part-timers as well. English language learning programs are also available to part-timers, and the English-related education cost and the number of English learning program users include part-timers.