

# HEROZ

## Presentation Material for FY04/2024 Q 1 Financial Results

September 8, 2023

HEROZ, Inc. | 4382 |

### Notice

This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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# 01



## Financial Highlights

## FY04/2024 First Quarter Performance Summary

- Net sales were 1,118 million yen (+198%, YoY), and EBITDA was 170 million yen (+309%, YoY), and Operating Profit was 73 million yen (+410% YoY).
- Growth was driven by two M&As and organic growth mainly in the B-to-C business.
- Inquiries related to LLM are increasing, and we expect further sales growth from the Second Quarter of this fiscal year onward.

## Initiatives for FY04/2024 First Quarter

- We aggressively focus not only in the LLM field, but also in various fields as building new businesses and making new products.
- As initiatives with the two M&A companies, promoted AI SOC with VarioSecure, and started AI implementation in StrategIT's product "JOINT".
- We will continue to work to expand synergies among group companies.

## Initiatives of LLM Group

- Decided to release beta version of "HEROZ Knowledge System built with ChatGPT"
- Our LLM products are tuned by reading industry-specific knowledge, laws and regulations, as well as each company's rules, case studies, and know-how, to improve the efficiency of our customers' on-site operations.
- In addition, as an in-house application of LLM, we have developed an in-house product that automatically categorizes various inquiries received from users at "Shogi-Wars" and generates responses. We plan to develop this product as a CS solution for our group companies and the gaming industry in the future.

# 02



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## **FY04/2024 First Quarter Performance (Consolidated)**

## Performance Indicators for Business Profitability

EBITDA

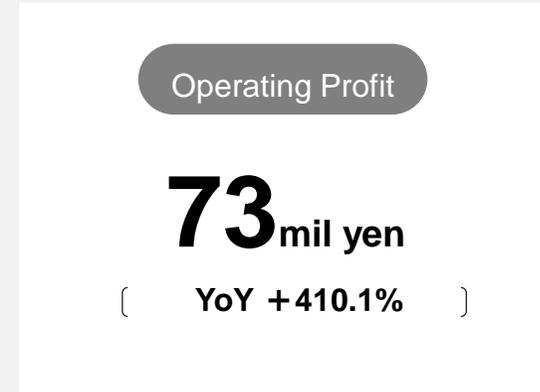
- We have set EBITDA, a measure of cash generation, as a key performance indicator and aim to sustainably increase corporate and share value through EBITDA growth.
- Formula: Operating profit + amortization and other non-cash expenses (amortization of goodwill, security deposits, stock compensation expense, etc.)
- Years of depreciation
  - Investment in servers for machine learning: Mainly 5-year useful life and declining-balance method
  - Amortization period of goodwill (amount)  
VarioSecure, Inc. 14 years (2,180 million yen) ,StrategIT, Inc. 9years (219 million yen)

## Performance Indicators for AI SaaS Business

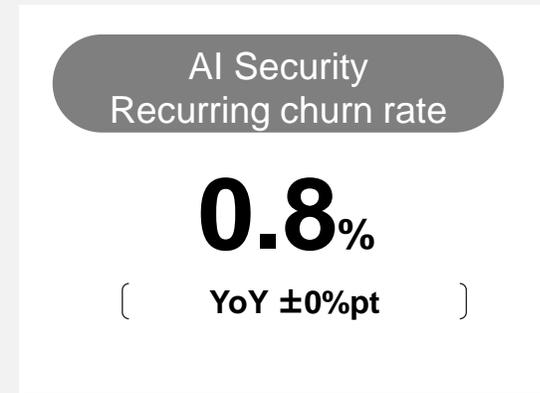
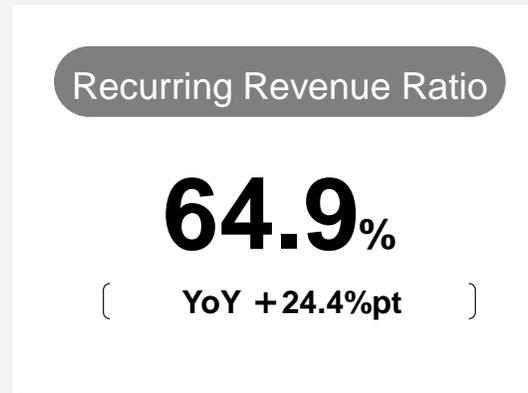
ARR  
Recurring Revenue Ratio  
Churn rate

- We intend to address more generic problem solving with AI SaaS as our group strategy. We will focus our management efforts on the following indicators that are important to our AI SaaS business model.
- ARR (Annual Recurring Revenue)  
An important indicator essential for understanding the growth and profitability of SaaS businesses. Estimated as 12 times the last month of the quarter.
- Recurring Revenue Ratio  
Indicator of ongoing sales that can be booked on a regular monthly basis.
- Churn rate  
The churn rate of existing customers is an important indicator of the stability of the above recurring sales.

## HEROZ Group Consolidated (FY04/2024 Q1)



## AI SaaS KPI



\* Recurring Revenue is the sum of HEROZ's BtoB recurring sales and BtoC subscription sales, VarioSecure's managed security services sales, and StratelIT's subscription sales and maintenance sales.

\*\* Recurring churn rate is the churn rate for managed security services in the AI Security service.

# Performance Overview (May-2023-July 2023)

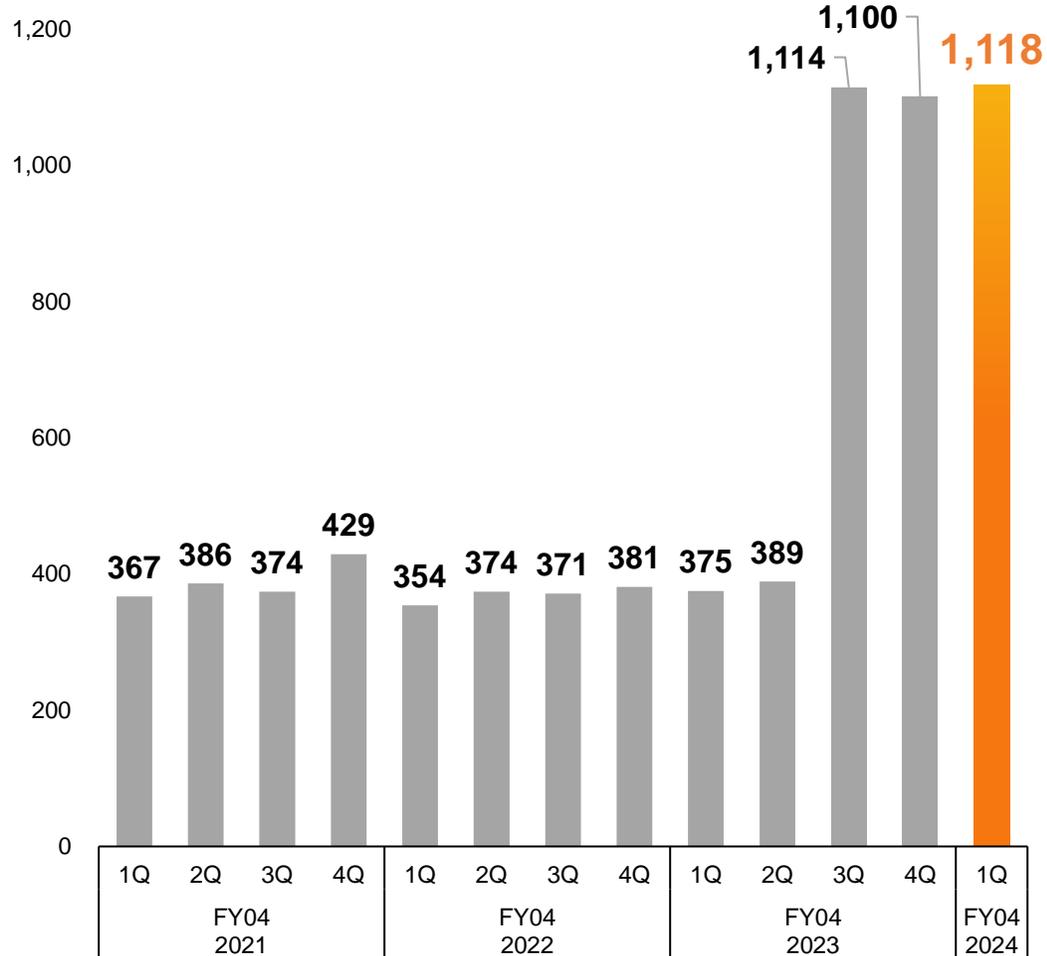
- Both net sales and income grew significantly YoY due to M&A effects and organic growth.
- Although progress against the earnings forecast is slightly behind schedule, the number of projects is increasing, and we expect to achieve the target for the full year.

(Units: JPY millions)	FY04/2023 Q1 Results (Non-Consolidated)	FY04/2024 Q1 Actual (Consolidated)	YoY	Earnings Forecast (Announced on June 9, 2023)	Progress against Earnings Forecast
<b>Net sales</b>	375	<b>1,118</b>	+197.7%	4,800	23.3%
<b>EBITDA</b>	41	<b>170</b>	+309.2%	800	21.3%
<b>Operating Profit</b>	14	<b>73</b>	+410.1%	400	18.4%
<b>Ordinary Profit</b>	4	<b>60</b>	+1,389.1%	385	15.7%
<b>Net Income (loss)</b> attributable to owners of the parent	7	<b>-47</b>	-	30	-

# Key Performance KPIs (by Quarter)

## Net Sales

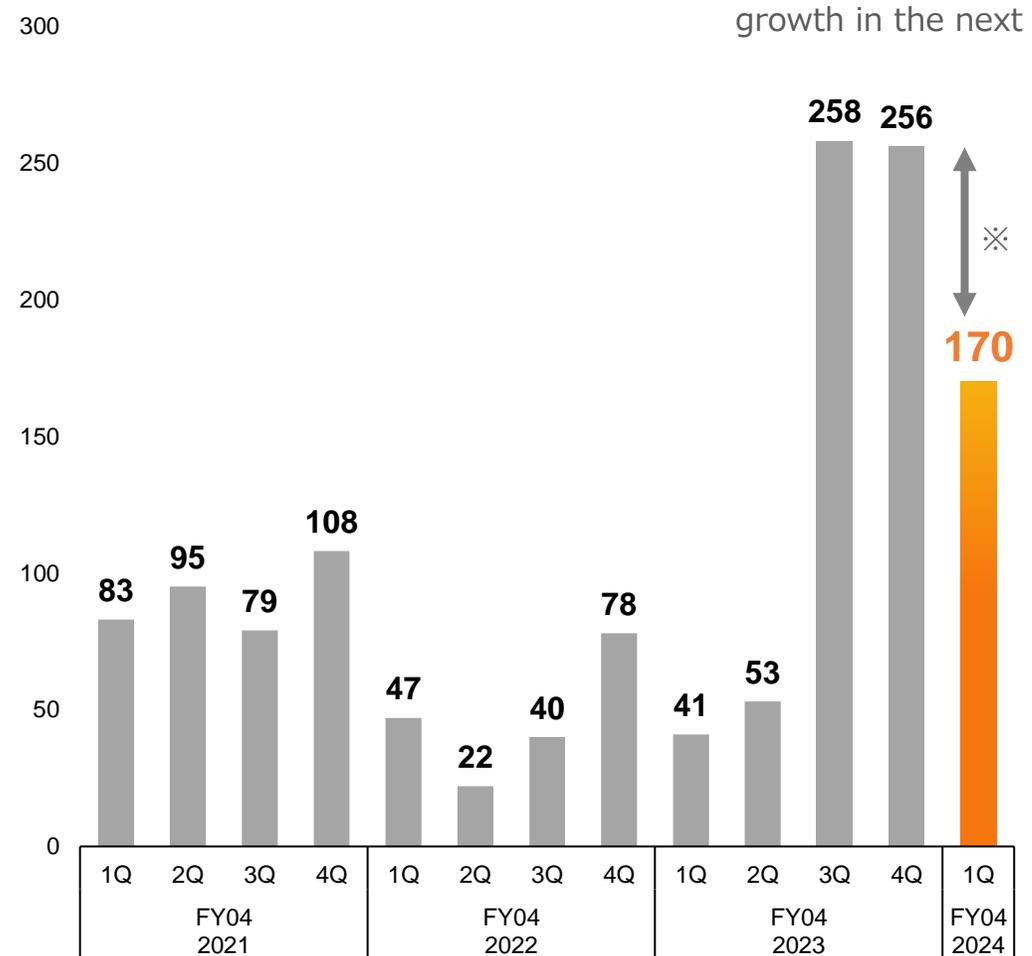
(Units: JPY millions)



## EBITDA

(Units: JPY millions)

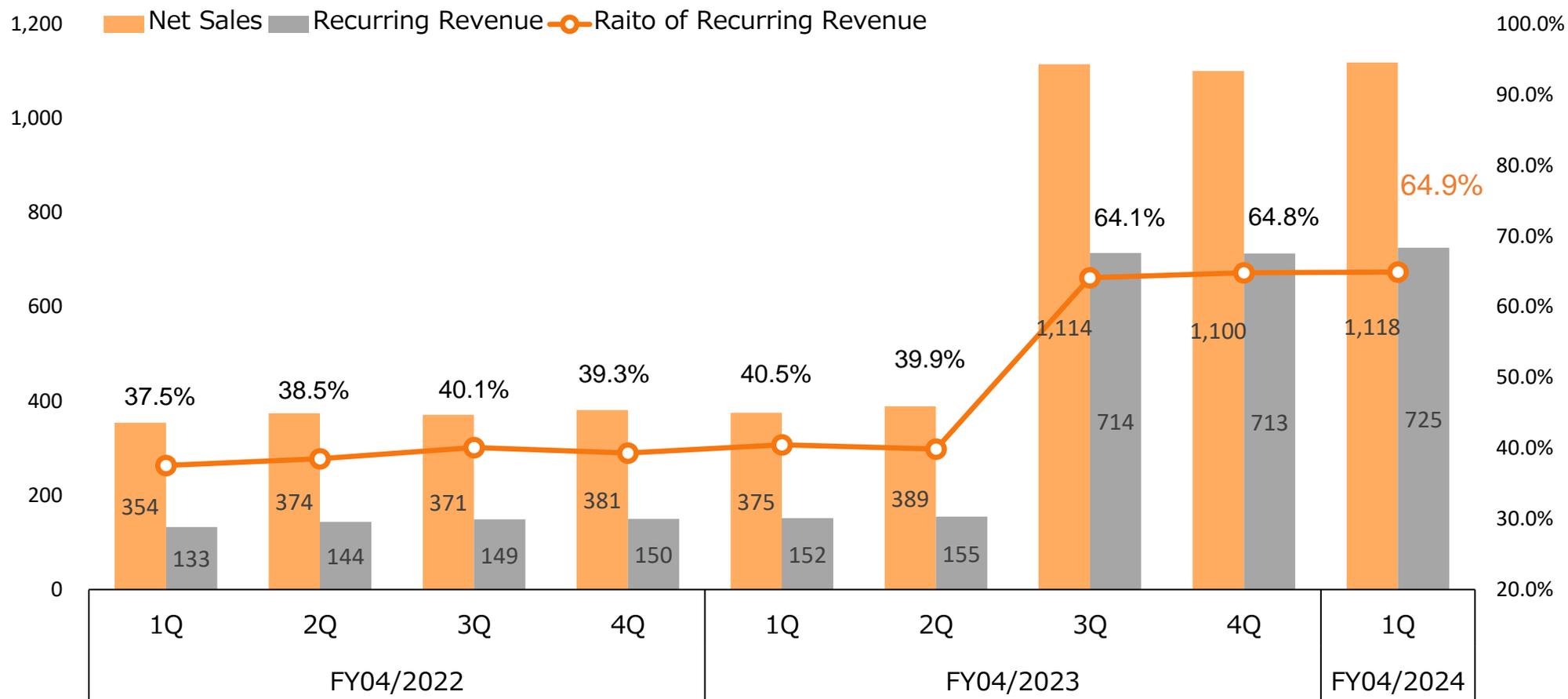
※Various investments for growth in the next fiscal year



# Recurring Revenue Ratio increased significantly

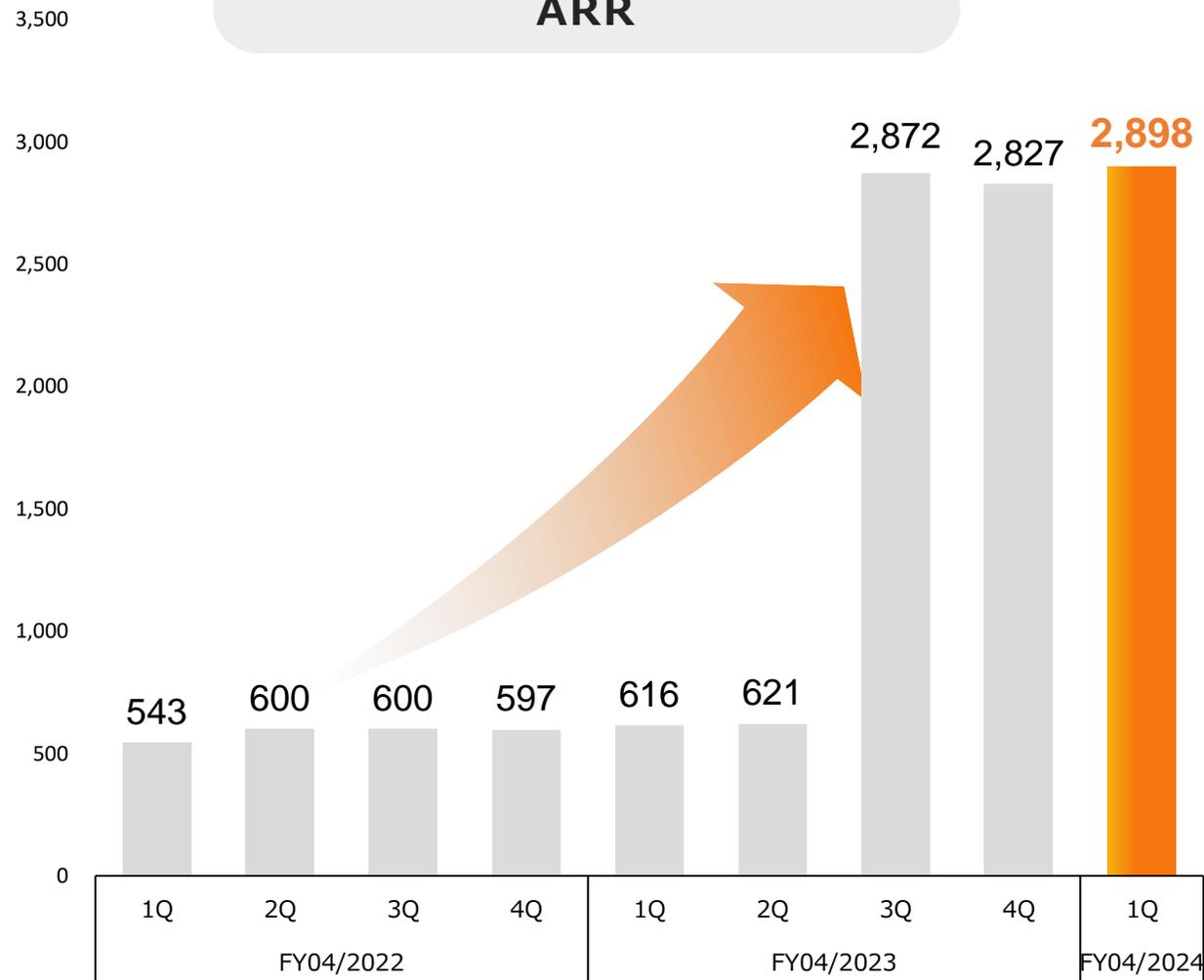
- With the AI SaaS strategy, we emphasize the importance on the ratio of recurring revenue to total revenue (Recurring Revenue ratio)
- Recurring Revenue ratio in 1Q was 64.9%, thanks to the effect of the two companies becoming group companies and the strong performance of the existing B-to-C business.

(Units: JPY millions)



# ARR of the entire group is approximately 2.9 billion yen.

(Units: JPY millions)



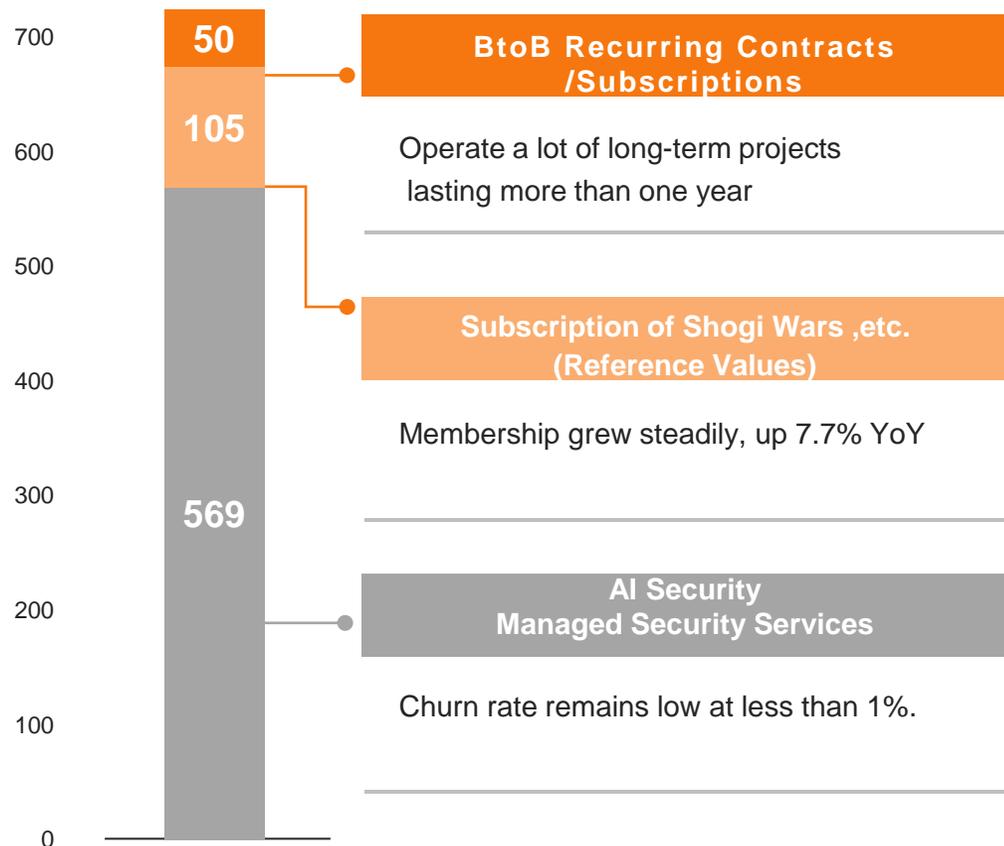
## ARR grows significantly

YoY growth **+370.3%**  
ARR is **2,898mil yen**

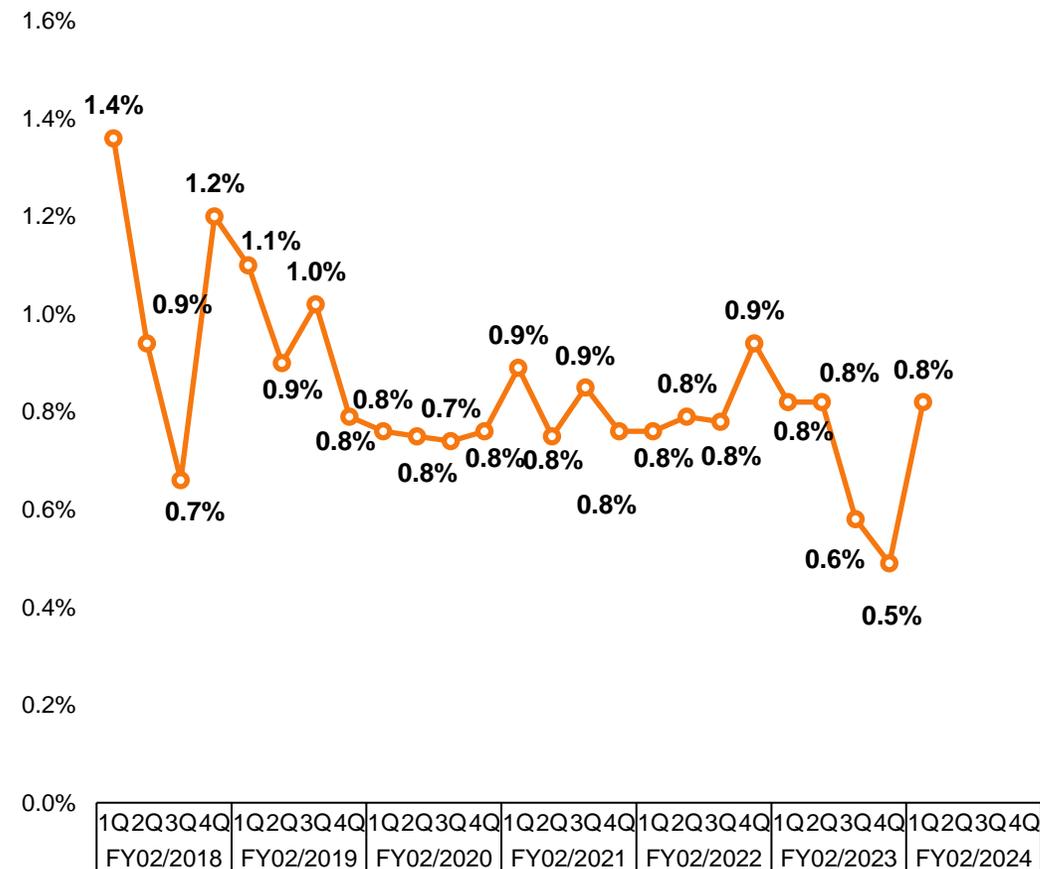
- Recurring Revenue is the sum of BtoC and BtoB subscription revenue and BtoB recurring revenue in AI/DX services, and management security service revenue in AI Security services.
- In management security services, the company continues to enjoy a high share of the market for SMEs, due to its consistent support system.
- In the current quarter, we maintained high ARR due to the strong performance of our BtoC business (Shogi Wars, etc.).

## Breakdown of Recurring Revenue for this Quarter

(Units: JPY millions)



## AI Security : Churn Rate Trends for Managed Security Services



※ The above graphs are based on VarioSecure's discloser materials.

# Performance by Segments (May-2023-July-2023)

- AI/DX services significant growth due to M&A and organic growth ,also, EBITDA margin at 31.9%, high profitability
- AI Security service is deployed by VarioSecure and maintains high profitability with an EBITDA margin of 43.3%.

(Units: JPY millions)		FY04/2023 Q1 Results (Non-Consolidated)	FY04/2024 Q1 Actual (Consolidated)	YoY (Consolidated)	YoY (Excluding M&A impact)
AI/DX services	Net Sales	375	479	+27.6%	+7.4%
	Segment Profit	14	118	-	-
	EBITDA	41	153	-	-
	EBITDA Margin	11.1%	31.9%	-	-
AI Security services	Net Sales		643		
	Segment Profit		216		
	EBITDA		278		
	EBITDA Margin		43.3%		
Segment Profit adjustment	Segment Profit		-261		

※ The Company has changed its business segments from the third quarter of last fiscal year. The segment income adjustment of -261 million yen represents corporate expenses that are not allocated to each segment.

For the previous year's figures, corporate expenses are included in AI/DX services. Therefore, year-on-year comparisons are not shown for Segment profit, EBITDA, and EBITDA margin.

- This segment includes BtoC, mainly Shogi Wars, BtoB, which handles AI Solution for customers, and SaaS implementation and SaaS-linked development business, which is being developed by StrategIT.

(Units: JPY millions)

	FY04/2023 Actual	
<b>Net Sales</b>	<b>479</b>	Recurring Revenue Ratio <b>32.5%</b>
<b>Operating Profit</b>	<b>118</b>	Operating Margin <b>24.7%</b>
<b>EBITDA</b>	<b>153</b>	EBITDA Margin <b>31.9%</b>

## High profitability with EBITDA margin of 31.9%

- Shogi Wars continued to see solid revenue growth from the previous quarter. Continue to reach out to a wide range of users with the aim of maximizing the Shogi population.
- In HEROZ's BtoB business, the number of LLM-related projects, including ChatGPT, increased significantly. We expect further sales growth from the second quarter of this fiscal year onward.
- StrategIT Corporation is advancing the development of its SaaS integration product, "JOINT", with plans to start offering it at the beginning of the new year. Moreover, the company aims to strengthen its revenue base and grow its recurring sales.
- "JOINT" is expected to be equipped with AI that our company develops.

- This segment is developing the business of implementing the HEROZ Group's AI into the security business developed by VarioSecure.

(Units: JPY millions)

	FY04/2023 Actual	
Net Sales	<b>643</b>	Recurring Revenue Ratio <b>88.5 %</b>
Operating Profit	<b>216</b>	Operating Margin <b>33.7 %</b>
EBITDA	<b>278</b>	EBITDA Margin <b>43.3 %</b>

## Recurring sales ratio is high at 86.4%.

- In managed security services, differentiate the company with value-added features in addition to a stable sales base.
- Compared to the same period last year, improvements were seen in various profits due to a review of cost allocation and other measures.
- In addition, we will expand our business to adjacent businesses, leveraging our high market share for small and medium-sized enterprises.
- Specifically, the company will expand sales of EDR products for the remote work era by developing distributors and provide anti-ransomware solutions mainly to the medical industry.
- **Around autumn in 2023, we plan to start streamlining operations using our AI in Security Operation Center (SOC).**

## Balance Sheet (as of July 31, 2023)

- The cash and deposits currently held by the Company will be gradually appropriated for investments to realize the Company's mid- to long-term growth strategy.
- With the grouping of VarioSecure Inc. and StrategIT Corporation, there is a goodwill balance of 2.2 billion yen in intangible fixed assets.

Units: JPY millions	As of 4/30/2023 (Consolidated) (A)	As of 7/31/2023 (Consolidated) (B)	Increase and decrease (B-A)
Current Assets	4,963	4,776	-187
Cash and deposits	3,798	3,578	-219
Fixed Assets	3,709	3,703	-5
Property, plant and equipment	273	227	-9
Intangible assets	2,640	2,642	1
Investments and other assets	831	833	2
<b>Total Assets</b>	<b>8,673</b>	<b>8,479</b>	<b>-193</b>
Current Liabilities	994	976	-17
Fixed Liabilities	1,598	1,512	-85
<b>Net Assets</b>	<b>6,080</b>	<b>5,990</b>	<b>-89</b>

# 03

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## Initiatives in each business segment

Segment	AI/DX Services			AI Security Services
	BtoC	BtoB		
Business Contents	 <p>Shogi SaaS business for individuals, including "Shogi Wars," utilizing AI and other technological capabilities that won the World Computer Shogi Championship.</p>	 <p>Provide solutions to customer issues through data analysis and AI development. Provide AI Solution that can be utilized in practical operations for a wide variety of customers.</p>	 <p>Support for SaaS implementation and development of systems that integrate APIs between SaaS. Selling API applications on the app market.</p>	 <p>Managed security and integration services for secure Internet use, primarily for small and medium-sized businesses.</p>
Main KPI	<p><b>Recurring Revenue</b></p> <ul style="list-style-type: none"> <li>● MAU※1</li> <li>● Billing rate</li> <li>● MPU※2</li> <li>● ARPPU※3</li> </ul>	<p><b>Recurring Revenue and Solution revenue</b></p> <ul style="list-style-type: none"> <li>● Recurring Revenue Ratio</li> <li>● number of customers</li> <li>● number of employees</li> <li>● utilization rate/unit cost</li> <li>● revenue per employee</li> </ul>	<p><b>Recurring Revenue and Solution revenue</b></p> <ul style="list-style-type: none"> <li>● number of customers</li> <li>● number of employees</li> <li>● utilization rate/unit cost</li> <li>● revenue per employee</li> <li>● number of apps acquired/churned</li> <li>● ARPPU※3</li> </ul>	<p><b>Recurring Revenue</b></p> <ul style="list-style-type: none"> <li>● number of customers</li> <li>● churned</li> <li>● revenue per customer</li> </ul>

※1 MAU : Monthly Active User  
 ※2 MPU : Monthly Paid User  
 ※3 ARPPU : Average Revenue Per Paid User

# Announcement regarding the issuance of new shares as restricted stock compensation.

- At the board of directors meeting on August 22, our company resolved to issue new shares as restricted stock compensation to our officers and employees.
- The purpose of introducing restricted stock compensation is to encourage our directors and executive officers to share the merits and risks of stock price fluctuations with our shareholders, and to further enhance their motivation to contribute to stock price increases and corporate value improvement.  
Going forward, we will continue to work together as a team to promote further corporate efforts towards increasing stock prices and improving corporate value.

(1) Payment date	September 19, 2023
(2) Type and number of shares to be issued	Common stock of the Company 13,556 share
(3) Issue price	1,668 yen per share
(4) Total amount of issue	22,611,408 円
(5) Allottees	Director of the Company (※) 4 persons 5,996 share Executive Officer of the Company 2 persons 1,800 share Employees of the Company 26 persons 5,760 share ※ Excluding Directors who are Audit Committee Members and Outside Directors.
(6) Other	A securities registration statement has been filed for this issuance of new shares in accordance with the Financial Instruments and Exchange Act.

details : [https://heroz.co.jp/ir-files/en/20230822/Notice\\_Concerning\\_Issuance\\_of\\_New\\_Shares\\_as\\_Remuneration\\_for\\_Restricted\\_Stock.pdf](https://heroz.co.jp/ir-files/en/20230822/Notice_Concerning_Issuance_of_New_Shares_as_Remuneration_for_Restricted_Stock.pdf)

## Main Achievements in the First Quarter of FY04/2024

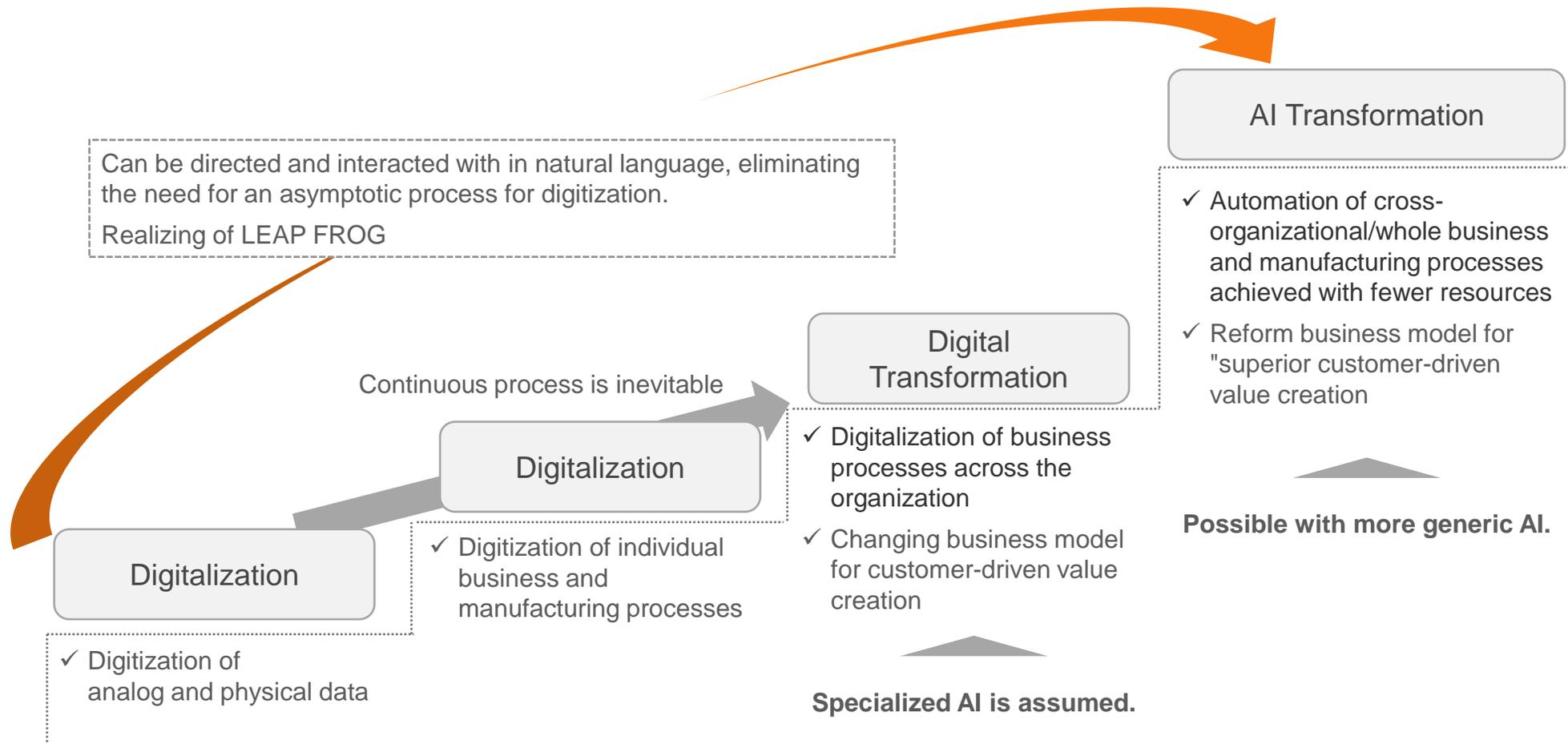
- The dedicated LLM group at HEROZ has decided to release the beta version of "HEROZ Knowledge System built with ChatGPT" which was announced in April. As a Customized ChatGPT that can be utilized in the fieldwork of each company, it aims to differentiate itself from competitors. Usage has already begun internally, such as in the operation of "Shogi Wars".
- In "Shogi Wars", the total number of games played has exceeded 800 million, boosted by the recent popularity of the shogi world. Following the analysis tool for professionals, "Kishin Analytics", preparations for other shogi-related services are also underway. The aim is to establish a "Shogi Wars" economic zone.
- While focusing on the development of products such as JOINT, StrategIT continues to promote services such as SaaS implementation support. In July, as a partner of Money Forward Inc., the company released the start of cloud implementation support services for their products..

## Initiatives for FY04/2024

- **For LLM-related products, we continue to promote the development of multiple products.**  
In addition to systems that respond to the individual situations of each company, which are currently under development in beta version, we are also preparing to create products that address common challenges for each company, such as ChatBots and email creation systems that are specialized for individual needs.
- **New initiatives are underway in the entertainment field and others.**  
We are focusing on creating new value in its traditional business areas, such as collaborating with Radio NIKKEI using AI, and co-developing the full-scale NFT trading card game "Kamiyagura" with DEA and DM2C Studio.
- **Utilizing HEROZ's AI to promote operational efficiency in VarioSecure Inc.'s SOC.**  
VarioSecure Inc.'s network security monitoring service (SOC) has been equipped with HEROZ's AI for the applied "AI SOC". Operations are scheduled to start this autumn.

# From Digital Transformation (DX) to AI Transformation (AIX)

We have been helping companies DX in their core operations, but the asymptotic process of digitization was inevitable. Going forward, we will support discontinuous change by maximizing the power of the Large Language Model (LLM).



# We have joined as a supporting partner of Microsoft's "Azure OpenAI Service Reference Architecture".

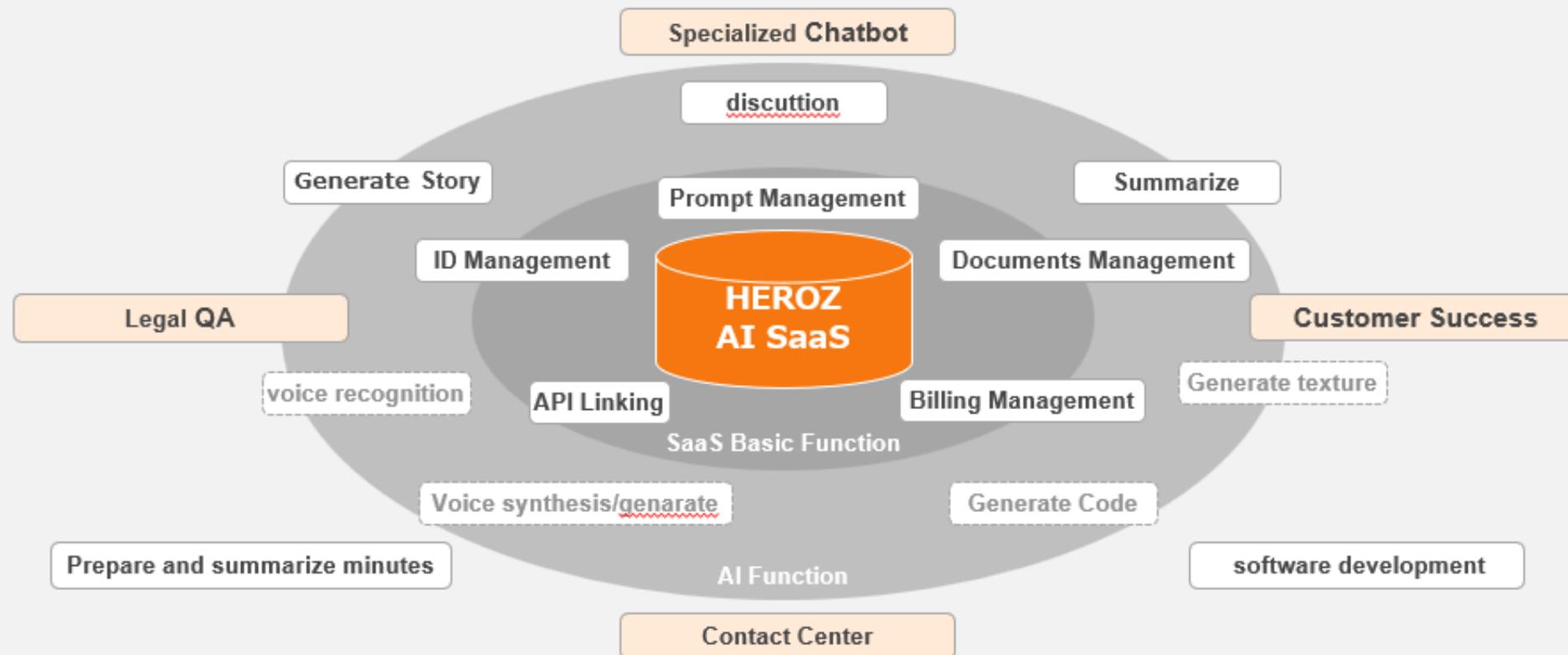
- We have joined as a supporting partner of the "Azure OpenAI Service Reference Architecture", a service for developers provided by Microsoft Corporation.
- "Azure OpenAI Service Reference Architecture" is a document that summarizes the example scenarios and architecture of Azure OpenAI Service recommended by Microsoft.  
It can be used as a reference material for enterprise companies when incorporating Generative AI models into their business.
- As a supporting partner, we will collaborate with Microsoft to share our case studies and know-how in various industries and operations. We will continue to support the promotion of Generative AI in our customers' business scenarios to advance AI in Japan.

## **[About the Azure OpenAI Service Reference Architecture Supporting Partner Program]**

The Azure OpenAI Service Reference Architecture Supporting Partner Program is a new partner program that certifies partners who agree with the Azure OpenAI Service Reference Architecture published by Microsoft. By widely introducing Microsoft partners who agree with the reference architecture, along with their solutions and achievements, we will help customers choose the right partner for AI implementation. For more details about the partner program, please see the [Microsoft Partner Blog](#).

# The release of the $\beta$ version of our company's LLM product has been decided. HEROZ

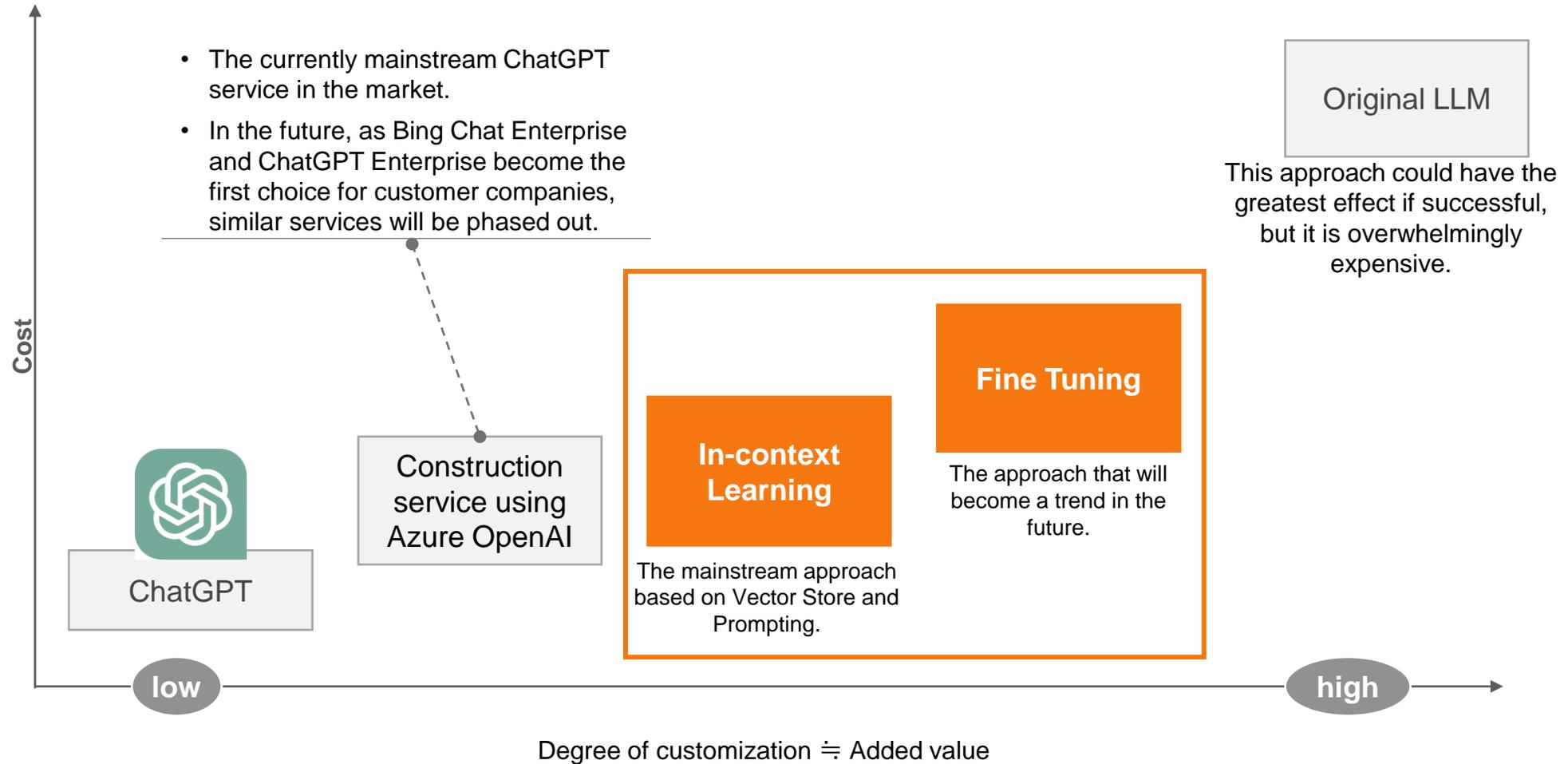
- We established a specialized unit (LLM Group) in May of this year with the purpose of applying Generative AI. We are positioning various Generative AI technologies, including ChatGPT, at the core of our AI SaaS strategy, and by providing superior AI services with limited resources, we aim to accelerate the AI transformation of society and are advancing development.
- We have decided to release the  $\beta$  version of the "HEROZ Knowledge System built with ChatGPT" which is currently under development. With the release of the  $\beta$  version, we will be more actively expanding our sales activities.



# The classification of LLM services as seen by HEROZ and our positioning.

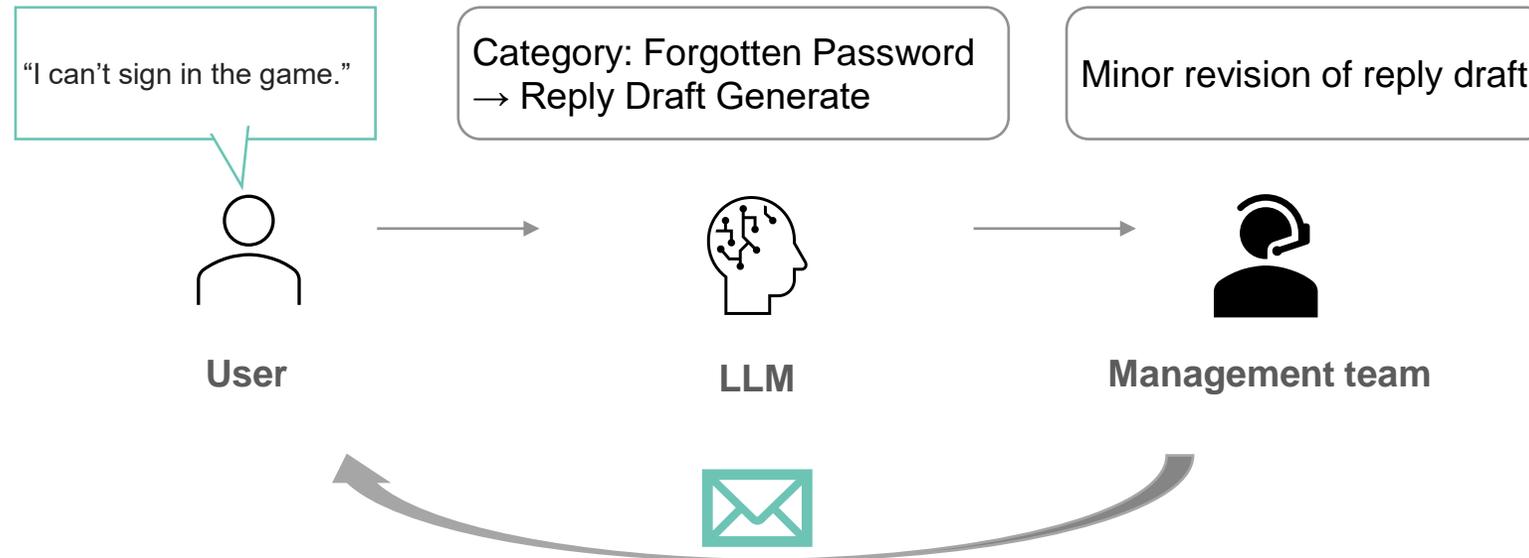
The mainstream service in the current market is the construction service using Azure OpenAI.

We looking ahead to future trends, offers customization to meet the individual needs of each company at a realistic cost using LLM.



# Example: Advanced application of LLM in CS operations.

We are developing an in-house product that automatically classifies various inquiries from users in Shogi Wars and generates responses. We plan to deploy it as a CS solution for group companies and the gaming industry in the future.



## Features and Results

- Upon receiving an inquiry, it immediately classifies which type it is from dozens of categories and generates a reply draft.
- By preparing multiple templates, the quality of veteran staff is ensured.
- Approximately 80-90% of all inquiries can be efficiently responded to with Human in the Loop.
- Since tasks requiring experience can be automated, education costs and personnel expenses can be reduced.

## Regarding our cooperation using AI for the Radio NIKKEI program.

- We provided technical cooperation for the production of a special program on Radio NIKKEI that was broadcast on August 11, 2023. In the program, we used 'ChatGPT' to conduct a challenge of having a conversation with AI. In addition, by combining speech recognition technology and speech synthesis technology, we were able to achieve a more human-like conversation.
- We will continue to focus on the research and development of machine learning such as deep learning centered on advanced AI, as well as continue to take on challenges for practical applications in business.

### 【Radio Program Overview】

Program Name: Summer Vacation with AI Girl

Broadcast Media: Radio NIKKEI First, Rajiko

Broadcast Date: August 11, 2023 (Friday) 16:30-17:00

Appearances: Kanade (AI Girl), Mitsuo Kaya, Kazu Hashimoto

Used Services: OpenAI's Generative AI chat tool "ChatGPT",  
Text-to-speech software using voice synthesis technology "VOICEVOX: Shikoku Metan"



**"KAMIYAGURA "** is a project that DM2C Studio has newly joined as a co-partner.  
The release is planned for the year 2024.

HEROZ

- Regarding the digital trading card game "KAMIYAGURA" that our company and DEA are jointly developing, DM2C Studio of DMM Group has newly joined as a co-partner. We're in charge of implementing the logic of the battle system and developing AI for deck building.
- "KAMIYAGURA" is a next-generation trading card game with a concept of utilizing NFT and cryptocurrency to realize a new experience in the digital world. Not only can you collect and trade high-design NFT cards, but you can also enjoy a grand worldview where gods dwell in all things and people who believe in them live together with many races. We plan to distribute it in 2024.



# Released "JOINT", a platform for planning/building/operating SaaS

- On May 18, 2023, StrategiIT issued a press release for "JOINT" . We plan to officially provide it to customers from the beginning of the new year, and development is progressing smoothly.
- JOINT is a platform that provides the following three types of support necessary for each growth phase of a company as a business partner of a SaaS provider to accelerate the expansion of the SaaS market.

1. Products : Commercialization of non-core parts required for SaaS planning, construction, and operation
2. Consulting Services : Consulting services for SaaS planning, strategy formulation, API development, etc.
3. Professional Supports : Services such as maintenance, operation, and linked application construction services utilizing JOINT



# JOINT

## Everything here for the growing SaaS vendor

1/3

### API integration

A highly versatile, integrated solution for complex workflows and on-premise systems can be built in low-code for many companies.

2/3

### Design your appstore

Delivery format can be selected according to requirements. You can also integrate the app store into your company's website or products. You can also change the design of your own product-occupied app store.

3/3

### Platform to build SaaS

Even if you are strengthening the integration with other companies' SaaS and cannot build an integrated application because your product or the SaaS you are integrating with does not have an API, you can build an API and standardize your product API with the introduction of Joint.

## Utilizing HEROZ's AI, we are promoting the improvement of quality and efficiency in VarioSecure's SOC operations.

- We plan to apply our AI to the network security operation monitoring tasks of VarioSecure's managed security services, and we plan to start operation this fall.
- By automating some of the operation tasks of the Security Operation Center (SOC) that were traditionally done manually, we aim to improve service quality by reducing human errors and strengthening the 24-hour monitoring system. In addition, it is possible to reduce manpower and costs in the SOC.
- In the future, our company will continue to leverage the insights gained through the LLM Group, consider expanding the automation area in managed security services and providing OEM for "AI SOC", and promote joint projects with VarioSecure.

HEROZ

**Vario**  
Secure

## Main Achievements in the First Quarter of FY04/2024

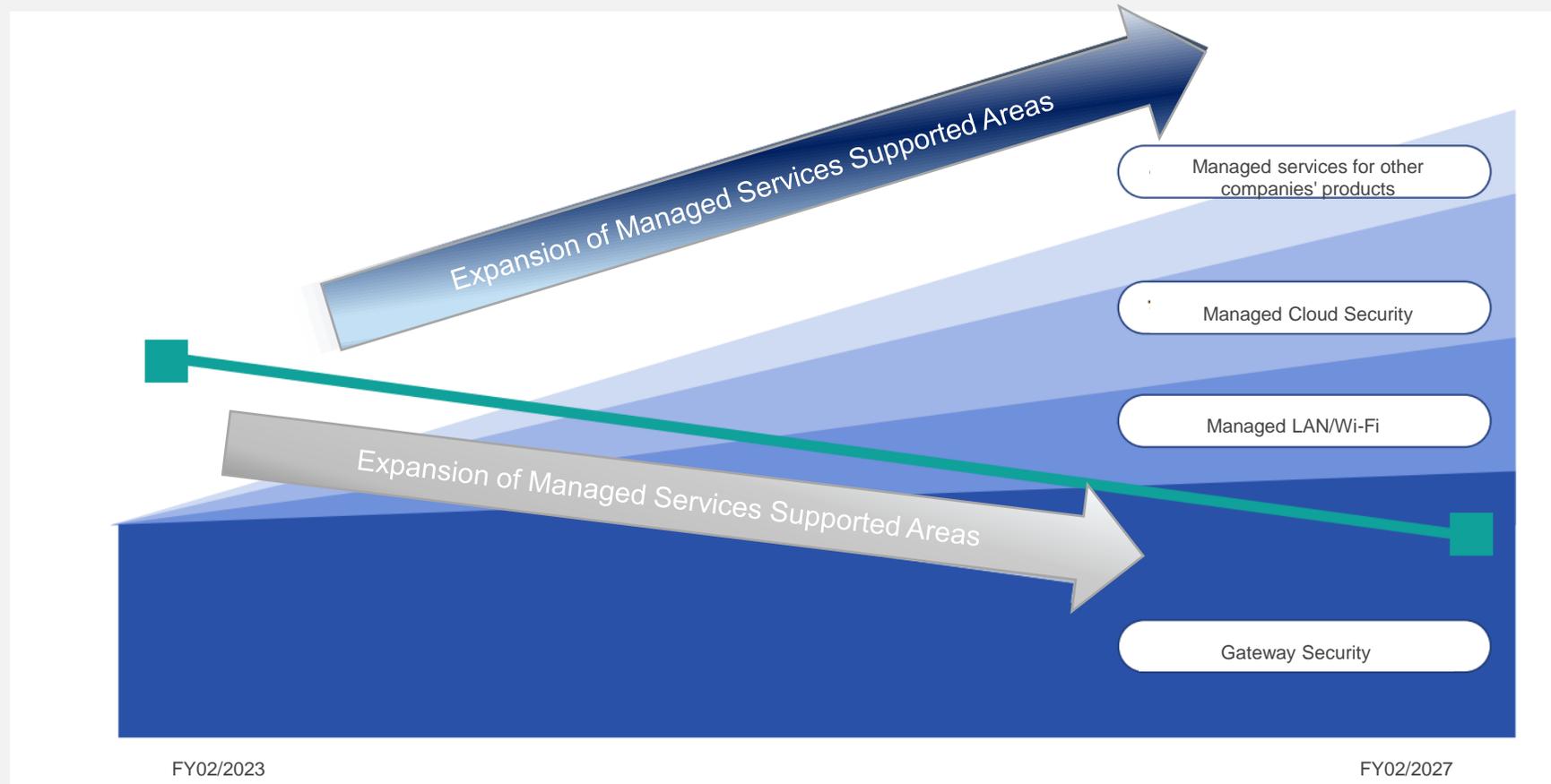
- Provides services to make corporate Internet use safe and comfortable. Boasts the top share of the firewall/UTM operation and monitoring service market in Japan for small- and medium-sized businesses, with a churn rate that remains low at less than 1%.
  - Launches Managed LAN/Wi-Fi service as part of its efforts to enter the growing security market, with sales to begin in May 2023.
- WithSecure, an Endpoint Security Service partner, nominated VarioSecure for the Growth Partner Award for exceptional performance in new sales or managed service sales.

## Initiatives for FY04/2024

- **Strengthen competitiveness of managed services**
  - In addition to gateway security, expand coverage from LAN to cloud computing and strengthen competitiveness by utilizing other companies' products
  - Building next-generation operational infrastructure through the use of AI
- **Entering the growing security market**  
Entering the zero-trust security domain by leveraging knowledge from existing services
- **Reinforcement of new sales structure**  
In addition to the existing stable sales structure centered on sales via distributors, build a strong direct sales structure by aggressively investing in online marketing and inside sales

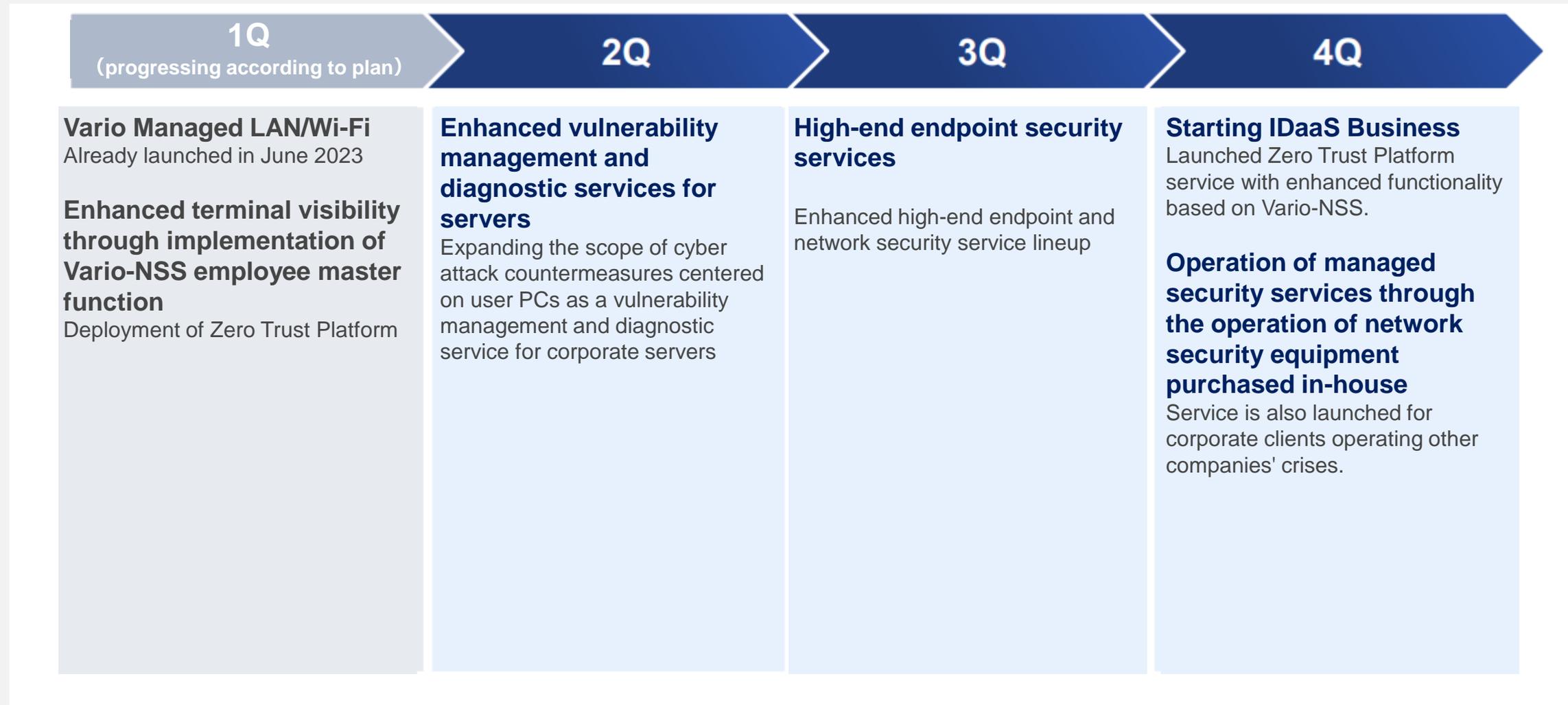
# Direction ① Expand the scope of managed services and strengthen competitiveness

- In addition to gateway security, expand coverage from LAN to cloud computing and strengthen competitiveness by utilizing other companies' products.
- Building a next-generation operational infrastructure using AI to enhance the efficient operation of managed services, a stable revenue base.



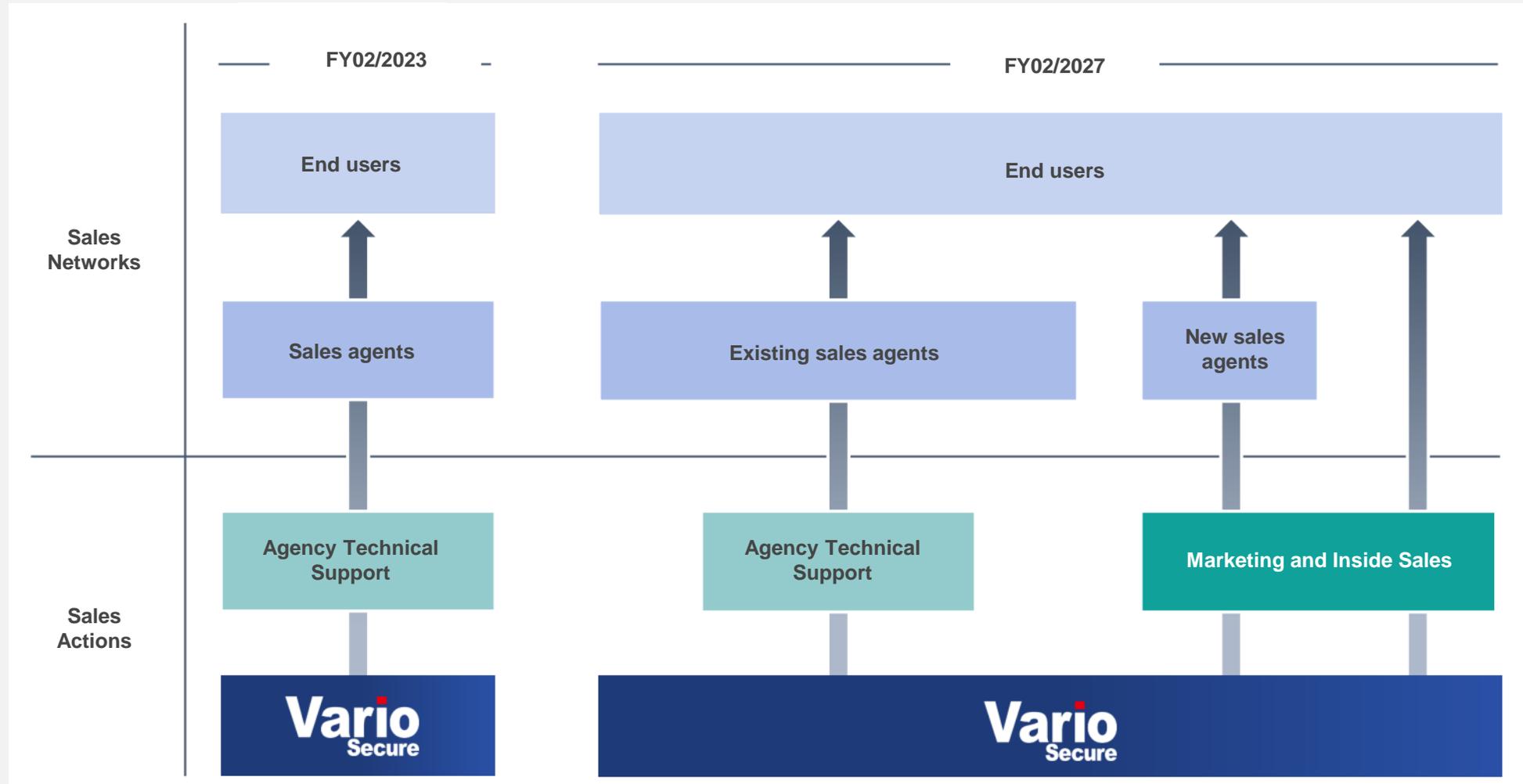
## Direction ② Entering the growing security market

- Entering the Zero Trust Security Domain by Leveraging Existing ServicesAs for progress in 1Q, Vario Managed LAN/Wi-Fi has been launched and the service release plan is on track.



# Direction ③ Strengthen direct sales structure that differs from the existing sales network

- Build a strong direct sales structure by aggressively investing in online marketing and inside sales, in addition to the existing stable sales structure centered on sales via distributors.



# 04

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## Frequently Asked Questions and Answers

- Some of the frequently asked questions and answers we receive in relation to our most recent financial results announcement.

**Q1. Regarding the earnings forecast for FY04/2024, what kind of growth are you expecting for HEROZ alone?**

⇒ We do not disclose specific numerical targets for our company alone, but we are expecting growth of about 10% for our BtoC business, and 10% or more sales in BtoB business.

**Q2. How will LLM products be used in the business world?**

⇒ We believe that the most familiar use of ChatGPT in the business scene is "research search". Some say that 30-40% of a white-collar worker's work is devoted to research, and we believe that proper use of ChatGPT can centralize search tools and make a significant contribution to operational efficiency.

**Q3. How does HEROZ's LLM product differentiate itself from other products?**

⇒ Our LLM product, "HEROZ Knowledge System built with ChatGPT," is unique in that it is tuned to the client's industry, department, and company-specific circumstances, and is loaded with industry information, regulations, and company case studies to enable its use in actual on-site operations. The point is to tune the system so that it can be utilized in actual business operations on site. By implementing the above, we can provide answers based on the latest and most accurate information, as well as more specific information tailored to each company's situation, By doing the above, we can provide answers based on the latest and most accurate information, as well as more specific answers tailored to each company's situation.

- Some of the frequently asked questions and answers we receive in relation to our most recent financial results announcement.

**Q4. At present, VarioSecure's managed security services account for the majority of the group's recurring revenue.**

**However, is there a prospect of increasing SaaS sales outside of managed security services in the future?**

⇒ As you pointed out, currently, VarioSecure's managed security services make up a significant portion of our group's recurring revenue, and it is a high-quality revenue with extremely low cancellation rates.

In the future, we expect an increase in recurring revenue across the group through the release of SaaS products, including LLM-related products and the SaaS interconnection system "JOINT" developed by StrategIT.

**Q5. Regarding your future group strategy, does the company plan to actively engage in M&A?**

⇒ As part of our future group strategy, we will continue to promote "AI SaaS" and actively carry out investments, including M&A.

# 05

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## HEROZ Group Structure

<b>Name</b>	HEROZ, Inc.
<b>Location</b>	PMO Tamachi, 5-31-17 Shiba, Minato-ku, Tokyo
<b>Established</b>	April 2009
<b>Representatives</b>	Takahiro Hayashi/Tomohiro Takahashi
<b>Business Description</b>	AI/DX Service AI Security Service
<b>Membership</b>	Japan Deep Learning Association The Japan Society for Artificial Intelligence

- 2022** Acquires shares of VarioSecure, Inc. through third-party allotment and makes it a consolidated subsidiary  
Acquired shares of StrategIT Corporation and made it a consolidated subsidiary.  
Moved to the Tokyo Stock Exchange Prime Market
- 2021** Capital and business alliances with VarioSecure
- 2019** Listed on the First Section of Tokyo Stock Exchange (TSE)
- 2018** Listed on Tokyo Stock Exchange (TSE) Mothers  
Capital and business alliance with Netmarble Games Corporation
- 2017** Capital and business alliances with Takenaka Corporation and Koei Tecmo Games
- 2016** JVA2016 Small and Medium Enterprise Award  
Capital and business alliance with Bandai Namco Entertainment
- 2013** Shogi AI, developed by engineers who was member of HEROZ at that time formerly with HEROZ, defeated a shogi professional
- 2012** Launched mobile app, "Shogi Wars"

## Director and Officer



**Representative Director CEO**  
**Takahiro Hayashi**

Graduated from Waseda University  
Joined NEC as a technology engineer  
Experience at IT strategy division, business planning division  
Founded HEROZ



**Representative Director CRO**  
**Tomohiro Takahashi**

Graduated from Waseda University  
Joined NEC as a technology engineer  
Experience at Business Planning Division, BIGLOBE  
Founded HEROZ

**Director CTO**  
**Keiichi Iguchi**

Graduated from Tokyo Institute of Technology  
Joined NEC Central Research Labs

**Director CFO**  
**Hiroya Mori**

Graduated from Aoyama Gakuin University  
Passed the CPA Examination  
After joining an auditing firm and a consulting firm, served as General Manager of the Finance Division of PERSOL HOLDINGS CORPORATION

**Executive officer in charge LLM strategy**  
**Kyota Seki**

Graduated with a Master's degree from the University of Tokyo  
Joined Panasonic Corporation and Deloitte Tohmatsu Consulting G.K.  
Involved in projects such as new business strategy development

**Executive Officer in charge Business Success Division**  
**Shu Kikuchi**

Joined NYK Corporation, Apple Computer Inc, Just Systems Corporation, and other AI solution companies.  
Appointed as Executive Officer of the Company in July 2023

## Chess AI



Deep Blue ('97) defeated a professional Chess player

**IBM**

## Shogi AI



AI developed by our engineers who was member of HEROZ at that time defeated a professional Shogi (Japanese Chess) player ('13)

**HEROZ**

## Go AI



Google acquired Deep Mind ('14) AlphaGo, developed by Deep Mind, defeated a professional Go player ('16)

**Google**

# Creating the future through artificial intelligence (AI) revolutions

Shogi Wars, our core business, is not just a Shogi application, but a Gaming Platform that has contributed greatly to the revolution of the Shogi world itself through cutting-edge AI technology.



- 7 mil users
- 500 thousands MAU
- Played a total of over 800 mil times

## From "competition" to "collaboration"

### The Age of Humans vs.AI

Growing pessimism that shogi is over



In 2017, PONANZA won against then Meijin Amahiko Sato

### The Age of Human with AI

Human intelligence evolves with AI



Professionals are now studying Shogi through AI  
(we also launched Kishin Analytics)

### Evolution of the Shogi world

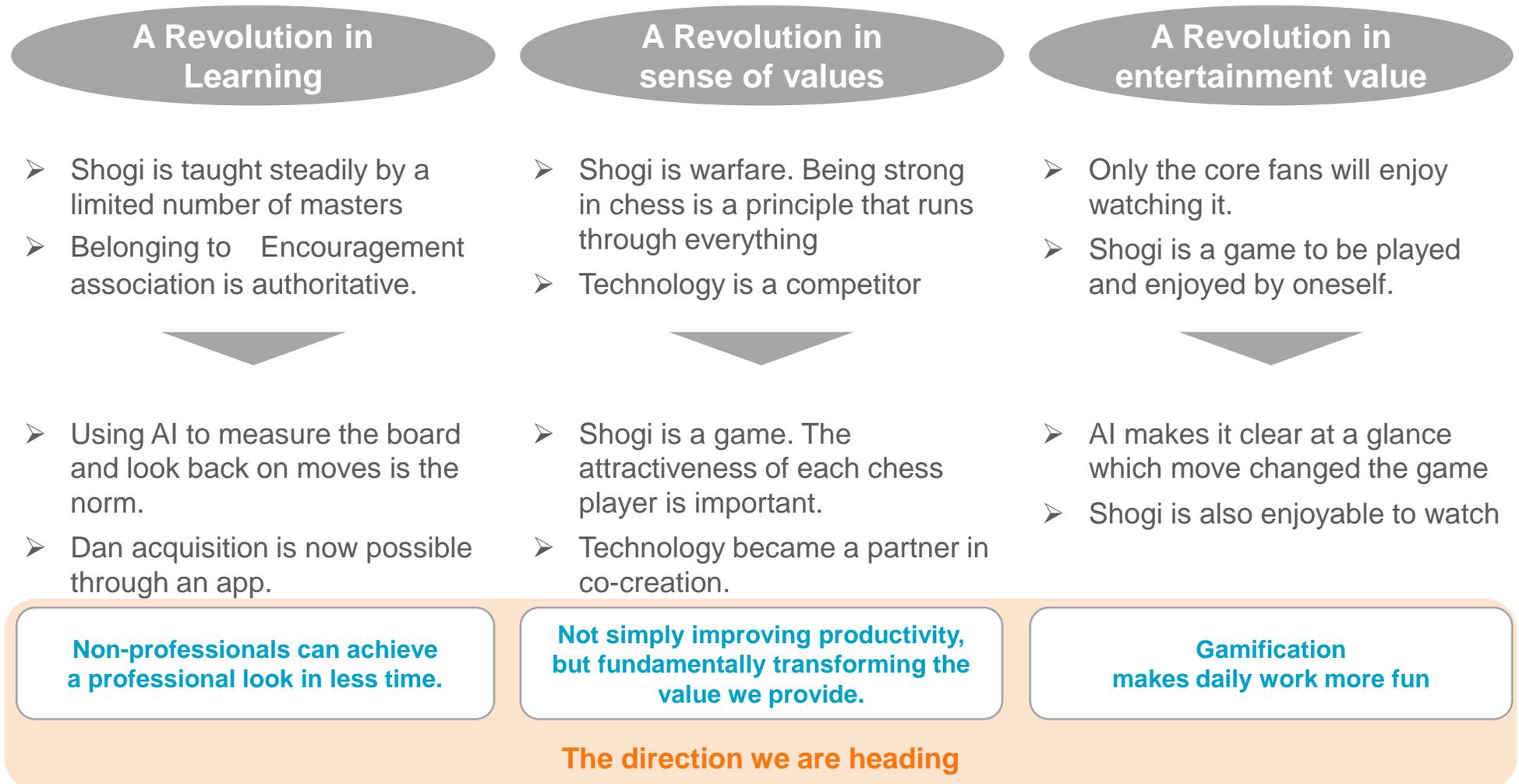
A new era has arrived in which practicing with AI is the norm.



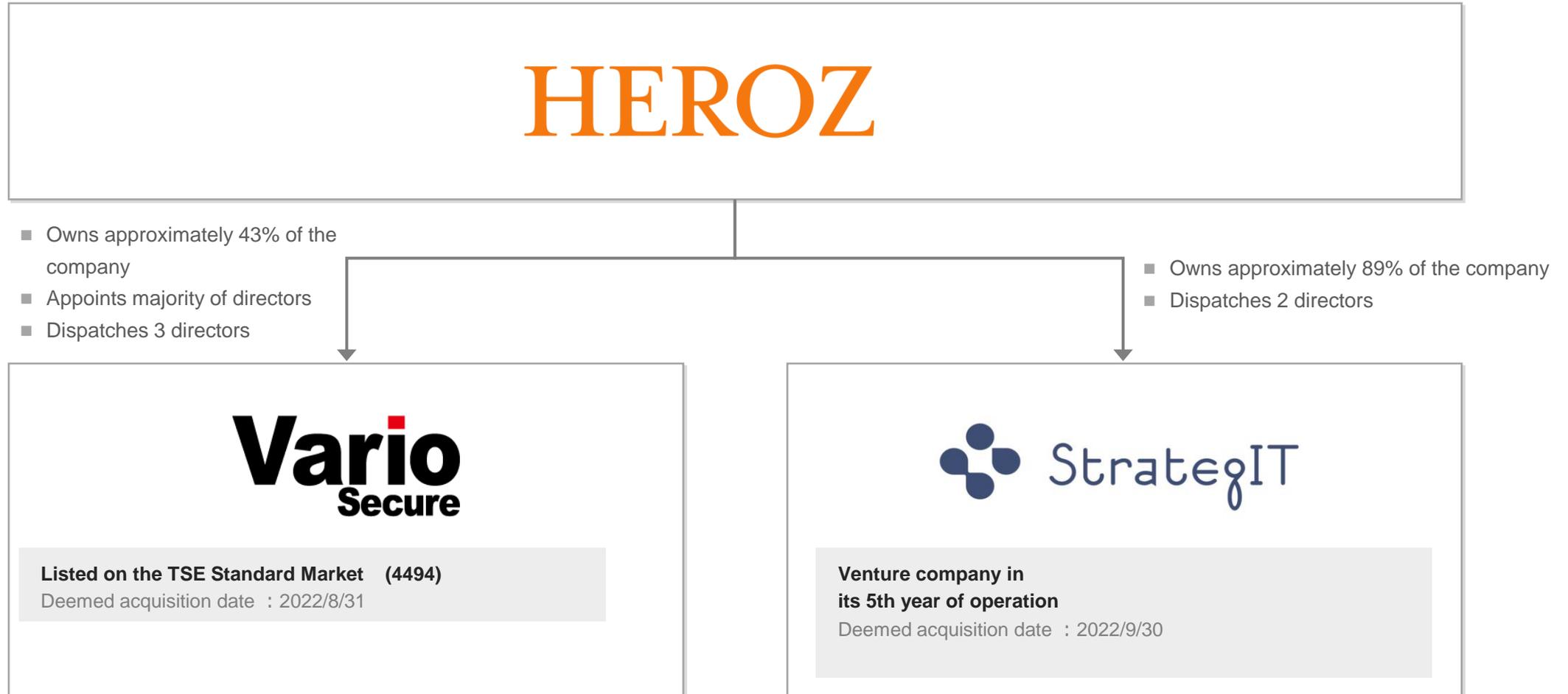
Sota Fujii, the 7th crown, is the poster child of AI.

# The Importance of the "AI Revolution" we have caused in the Shogi World

To advance society by properly implementing innovative technologies in the world.



- With the consolidation of VarioSecure Inc. and StrategIT Inc. as consolidated subsidiaries, we have shifted to the group management structure.

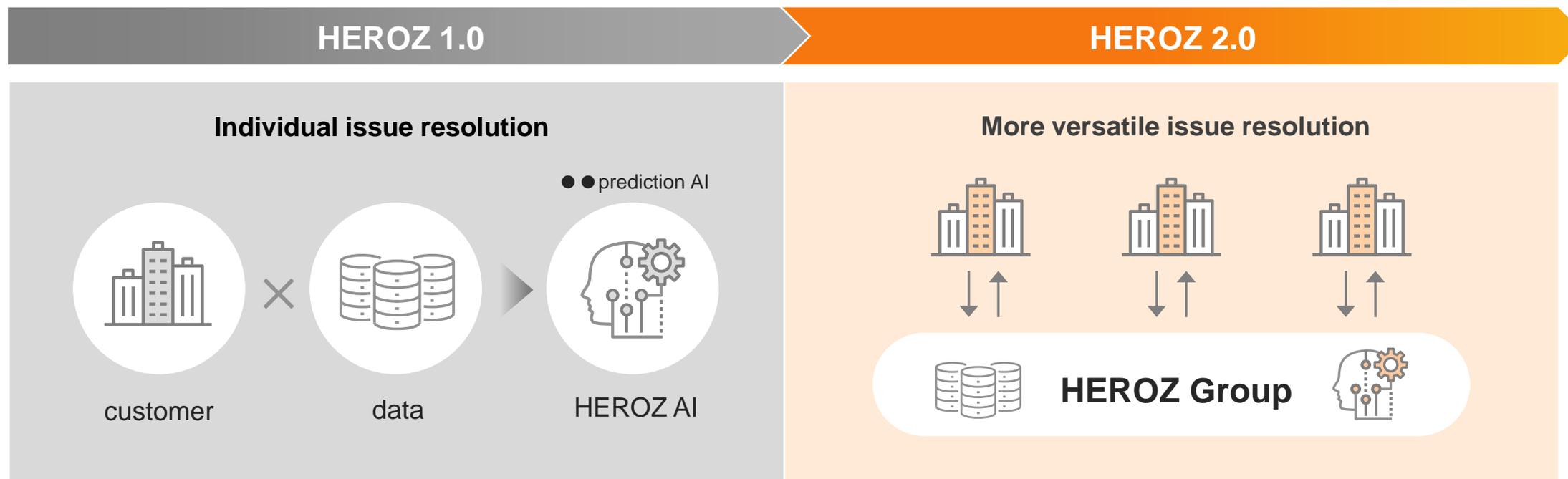


# 06

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## Reference Materials

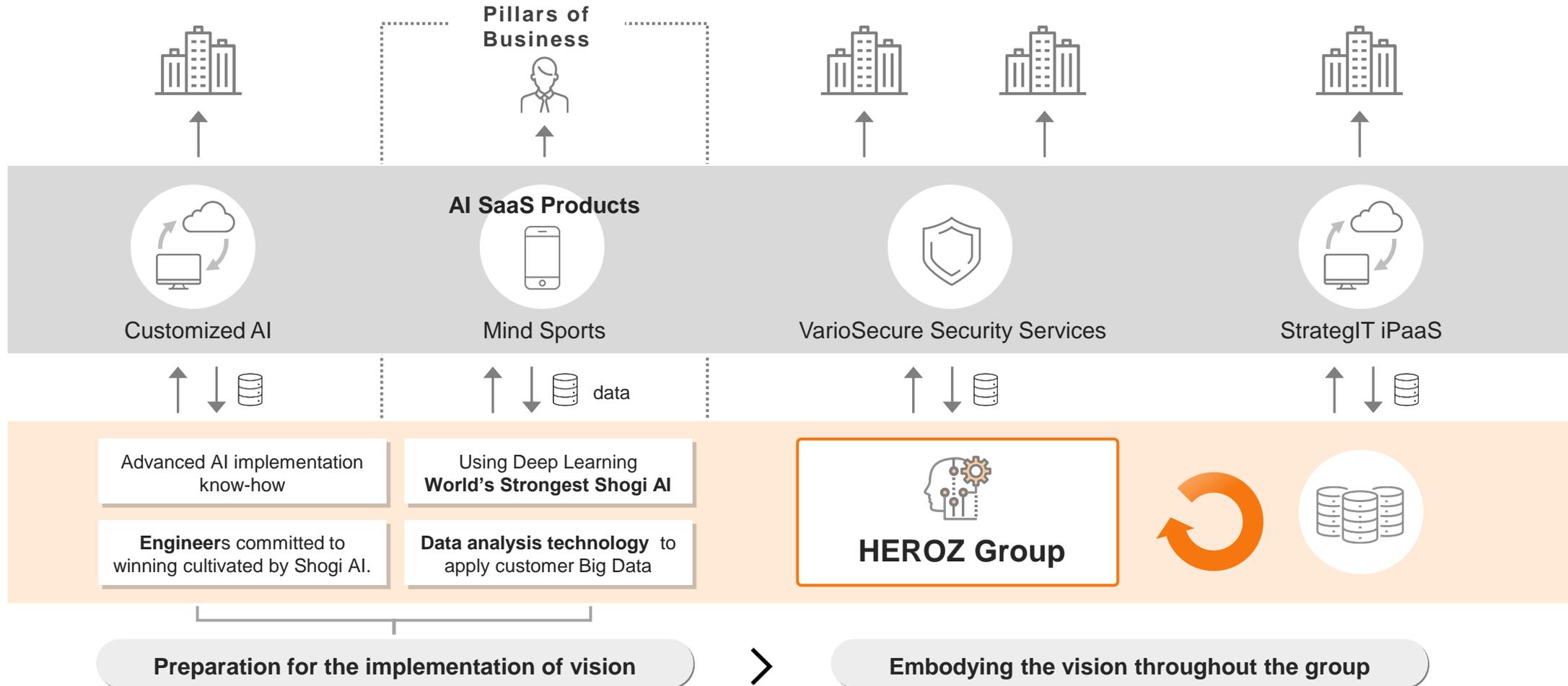
- Based on the knowledge gained from our experience in solving individual customer issues, we will aim for SaaS-type business management driven by intelligence such as our data utilization and AI in the future. (HEROZ 2.0)



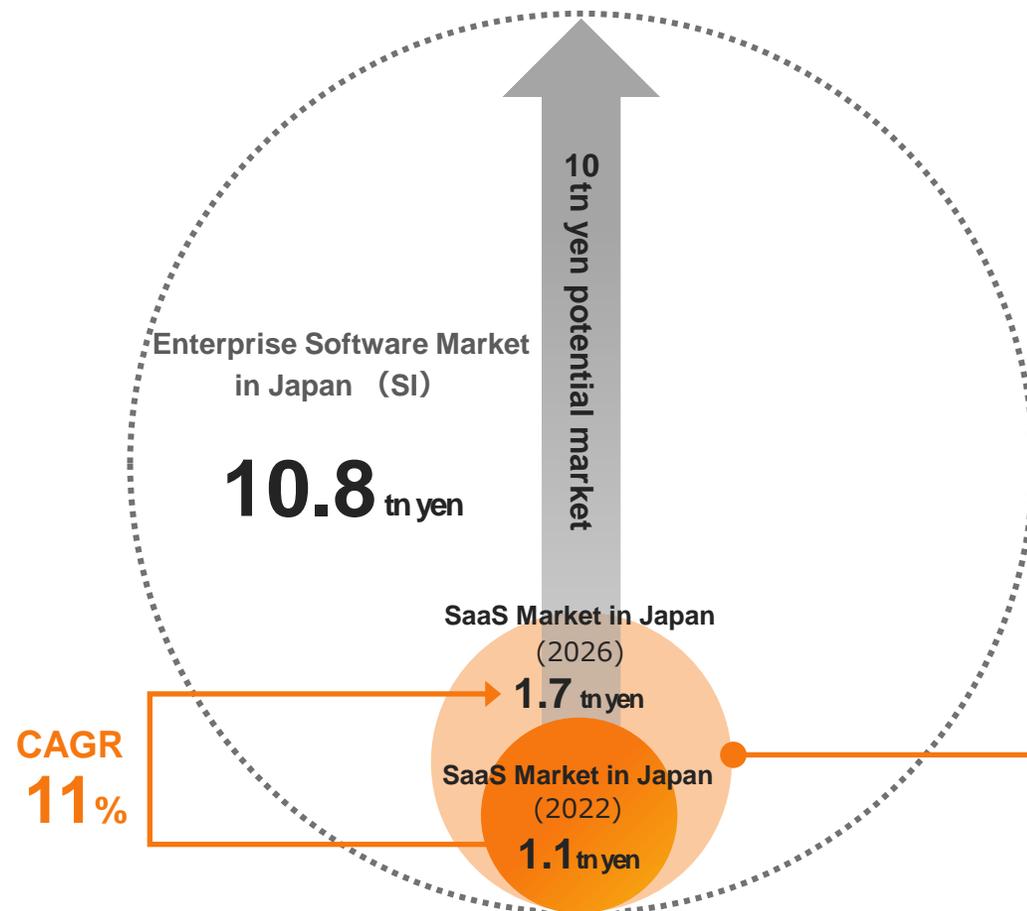
We will expand AI to a wider range of society by realizing intelligent SaaS, utilizing the core technology of algorithm and AI development cultivated through Shogi AI, and the advanced know-how accumulated through solving individual problems.

# Overall Group Strategy : AI SaaS

- We will evolve the products of our company and group companies into more intelligent data-driven software by making the most of our accumulated expertise in advanced AI implementation and our strength as an engineering group.



- While the SaaS market in Japan is expected to grow steadily, there is still room for further penetration.
- To reach the approximately 10 trillions yen potential market, it is necessary to grasp the trends in the Japanese SaaS market.



## Our view of future trends in the SaaS market

### Diversification of needs

Diversifying market needs will accelerate SaaS adoption, and increase demand for operational expertise

### Integration with legacy systems

For the foreseeable future, the integration of on-premise and cloud systems is inevitable, and the transition to zero-trust security will be done in phases.

### Need for integrated management

Multiple SaaS deployments increase the burden of system management and operations

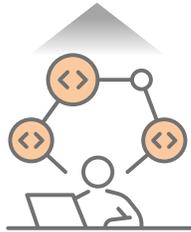
(Source: IDC Japan Domestic Enterprise IT Market Forecast, Fuji Chimera Research Institute, Software Business New Market 2022 Edition)

By resolving trends that could be barriers to SaaS adoption through technology, we aim to materialize a latent market.

Issue hypothesis behind the trend

## Diversification of needs

- Rapid changes in the business environment have led to diversification of issues and circumstances faced by customers.
- Many high-level IT professionals are unevenly distributed among SIs and cannot promote implementation and operation customized to the specific needs of each company.



Advanced AI implementation know-how

## Integration with legacy systems

- Traditional perimeter defenses are reaching their limits as remote work and cloud adoption accelerate.
- Especially, small and medium-sized enterprises (SMEs), where "one-person information systems" is an issue, are unable to respond to recent security trends such as Zero Trust.

Security



Products of our group companies

## Need for integrated management

- Handling multiple SaaS is becoming the norm, and management costs are becoming bloated.
- Therefore, there is a need for a migration service to ensure consistency and centralized management of information managed within each SaaS.

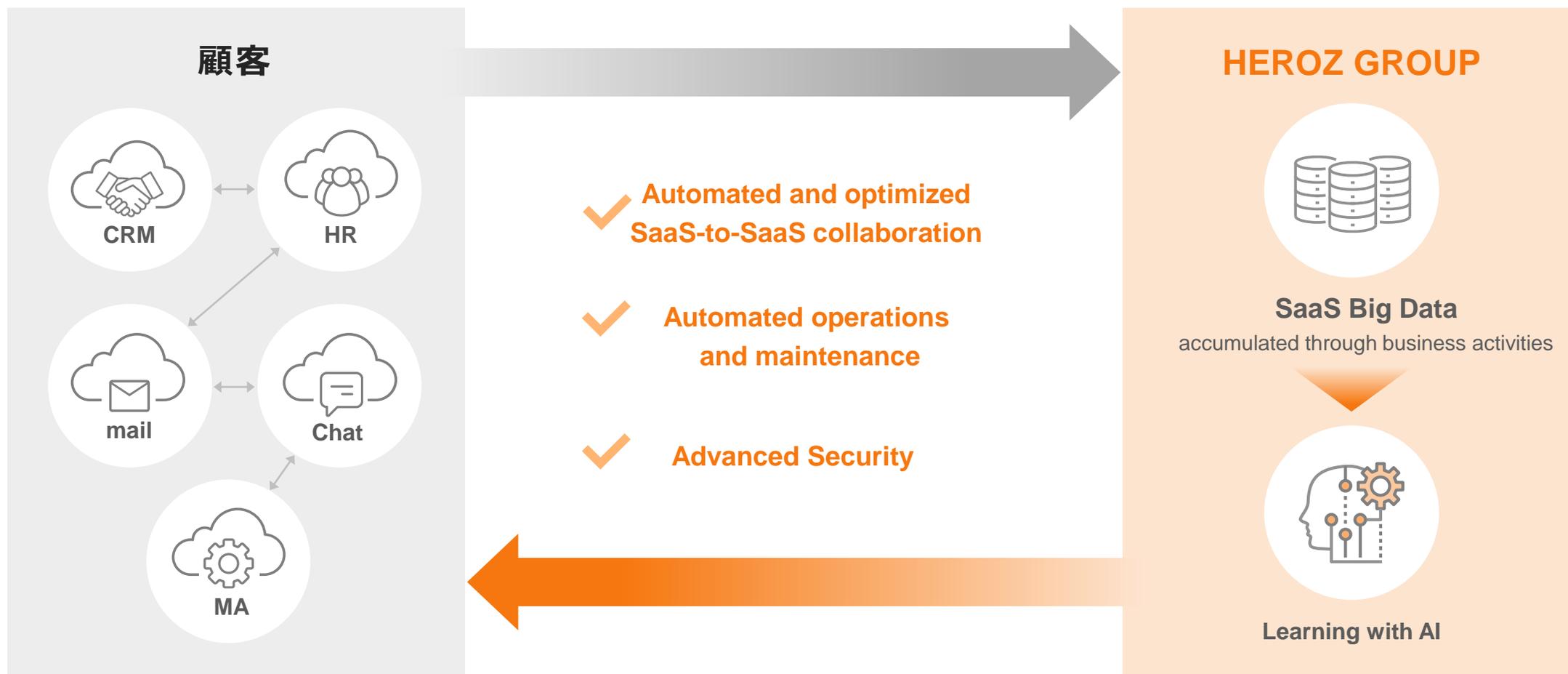
iPaaS



Machine resources to increase the value of the product

# What we think AI SaaS should be like

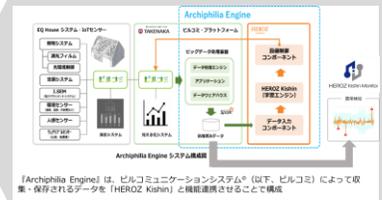
We will support the provision of the ideal SaaS usage environment required by our clients by making full use of our accumulated know-how and technology.



# Social implementation of AI with "real-world capabilities" to promote AIX

Accelerate your company's AI Transformation (AIX) by enhancing core operations with AI.

## Takenaka Corporation ~Spave Control System~



AI to control the balance between comfort and energy savings

AI to accelerate structural design work



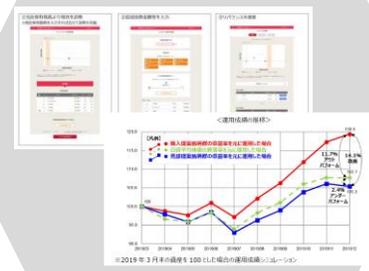
## Takenaka Corporation ~Structural Design~

## Toyo Engineering Corporation ~EPC Toughening System~



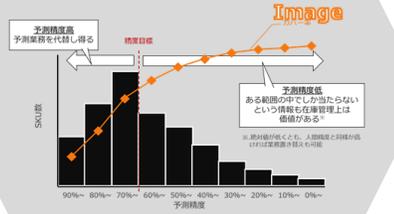
Risk detection AI for constructability

Stock Suggestion AI based on domestic stock holdings



## SMBC Nikko Securities Inc. ~Stock Portfolio Diagnosis~

## IRIS OHYAMA Inc.~ Sales Forecast~



Sales Forecast AI

# Overview of VarioSecure Inc.

Name	VarioSecure Inc.
Established	June 2001
capital	749 million yen
Employees	81
Performance (FY02/2023)(IFRS)	Sales revenue: 2,634 million yen Operating profit: 581 million yen Net income: 383 million yen
Head Office Location	Sumitomo Corporation Nishiki-cho Building 5F, 1-6 Kanda Nishiki-cho, Chiyoda-ku, Tokyo
Osaka Office Location	1-2-19 Kitahorie, Nishi-ku, Osaka-shi, Osaka
Fukuoka Office Location	1-12-17, Hakataekihigashi, Hakata-ku, Fukuoka-shi, Fukuoka
Business	Managed Security Services Integration Services
President and Representative Director	Yasushi Kajiura
Director	Satoshi Yamamori
Director	Hideko Iseo
Director (From HEROZ)	Takahiro Hayashi
Director (From HEROZ)	Keiichi Iguchi
Director (From HEROZ)	Hiroya Mori
Outside Director	Masataka Shiba
Director and Audit Committee	Kenji Sakai
Director and Audit Committee	Hideo Fukai
Director and Audit Committee	Hidetaka Nishina



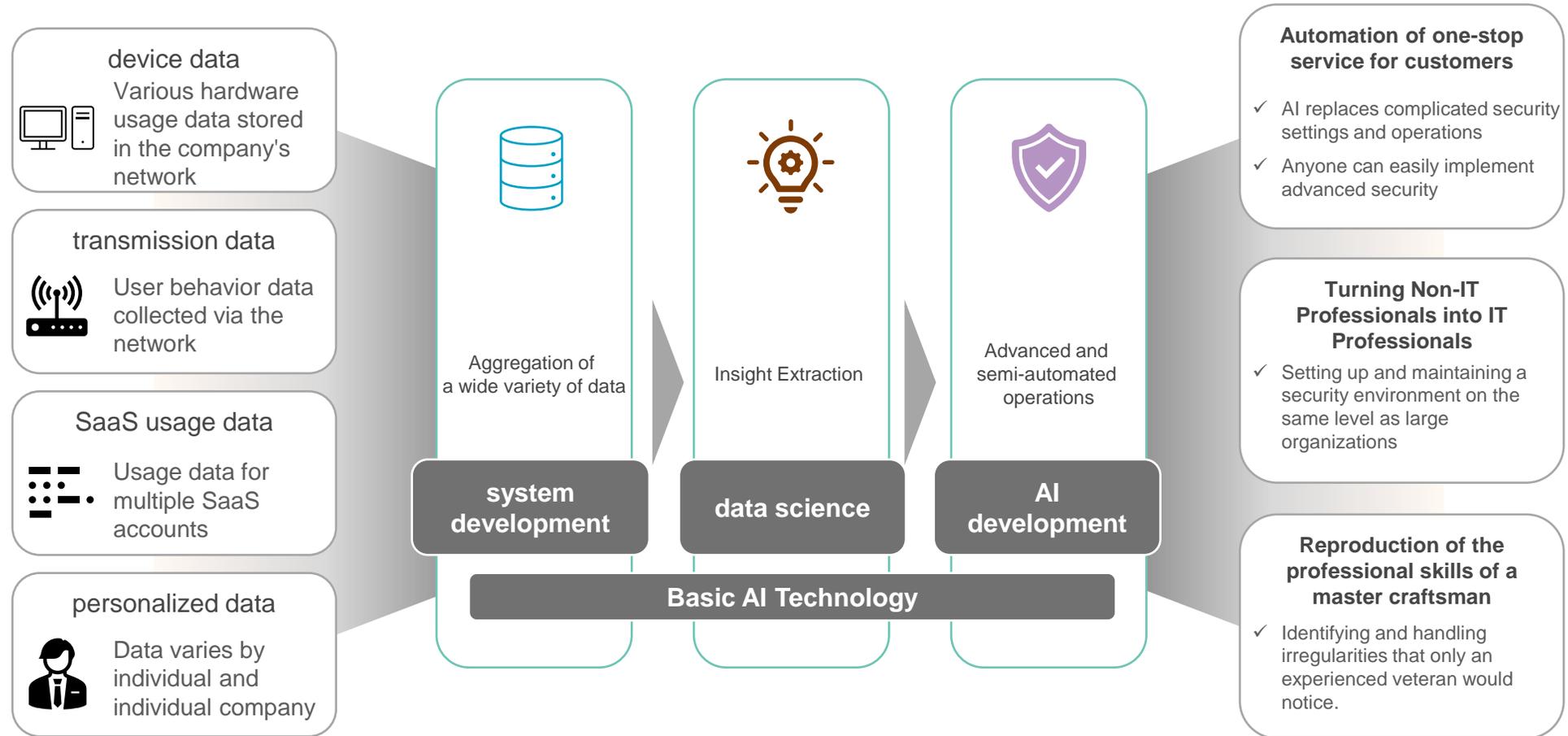
Web <https://www.variosecure.net/>

Certification ITSMS (ISO20000) 、 ISMS (ISO27001) 、 privacy mark

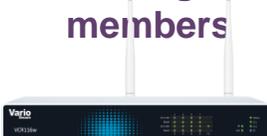
(As of August 31, 2023 )

# Toward the Realization of an AI Security Company

Provide customers with new safety and security in the age of zero-trust through the power of AI by utilizing a variety of corporate data.  
Supporting Digital Transformation by supporting corporate safety and security from the ground up

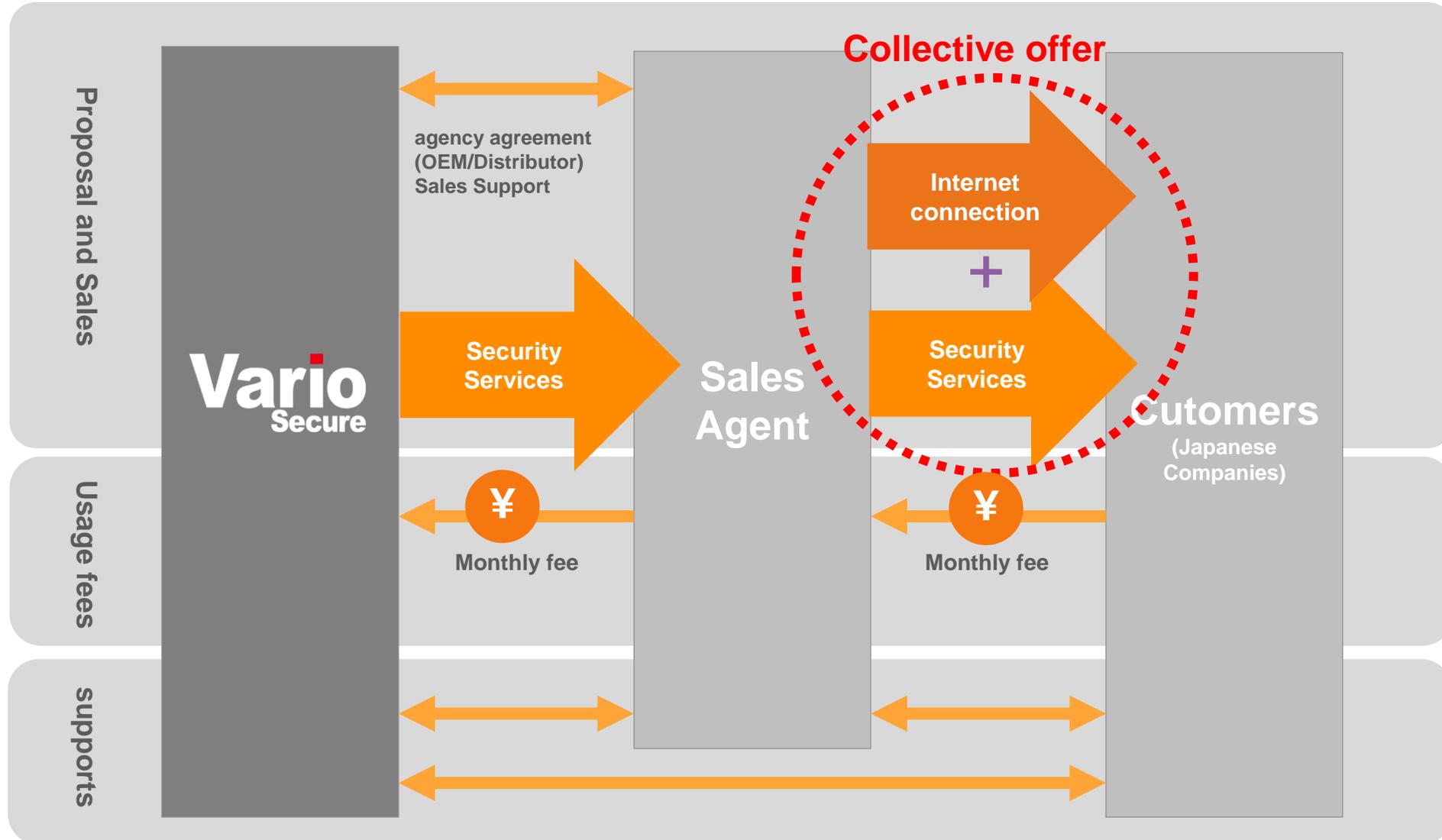


# (Reference) Providing services that make Internet use safe and comfortable

Service Category	Managed Security Services	Integration Services
Service Form	Installation support, operation and maintenance 24 hours/365 days, nationwide in Japan	Equipment sales and construction
Revenue Model	Recurring type (monthly charge)	one-time fee-type
Service Content	<p>① Integrated Internet Security Services (Managed type)</p> <p><b>Protecting Internet Entrances</b></p>  <p style="text-align: right;"><b>VariOS</b></p> <p>Dedicated equipment for managed security services VSR—VarioSecure Router</p>	<p>① Sales of integrated security equipment for SMEs (Sales type)</p> <p><b>For organizations with less than 50 members</b></p>  <p>Integrated security equipment for SMEs VCR—VarioCommunicate Router</p>
	<p><b>Data retention in case of emergency</b></p> <p>② Data Backup Services</p>  <p>Dedicated equipment for data backup services VDaP—Vario Data Protect</p>	<p>② Network Integration Services</p> <ul style="list-style-type: none"> <li>Procurement and construction of network equipment</li> </ul> <p><b>Construction of company network (wireless LAN network)</b></p> 
	<p><b>Rogue Terminal Detection, Vulnerability Management</b></p> <p>③ Vario-NSS(Network Security Suite)</p>  <p style="text-align: right;"><b>VariOS</b> <b>Vario EDR</b></p>	
	<p><b>Assists in detecting and responding to cyber attacks</b></p> <p>④ Vario-EDR Services</p>	

# (Reference) VarioSecure's business model

- Provided mainly as an adjunct to the Internet connection



Name	StrategIT Inc.
Establish	July,2019
Capital	74 million yen
Employees	25(excludes outsourcing)
Location	PMO Tamachi 7F, 5-31-17 Shiba, Minato-ku, Tokyo
Buisness	SaaS Solution Implementation Support SaaS API Linkage Development Service Operation of app store (SaaStainer)
President and Representative Director	Fumie Kato
Director and CTO	Yuhei Kawamoto
Director	Masaki Moriwaki (Outside Director)
Director	Takahiro Hayashi (Outside Director)
Director	Hiroya Mori (Outside Director)
Web	<a href="https://www.StrategIT.jp/">https://www.StrategIT.jp/</a>



Our vision is to contribute to management improvement by integrating "Strategy" and "IT"  
And our mission is to bring the power of SaaS to all companies  
We aim to be a company that promotes the utilization and value enhancement of SaaS

Develop various APIs (linked systems) for SaaS vendors to improve the convenience of SaaS, utilizing know-how gained through SaaS introduction consulting for BtoB.

Business model to sell developed APIs to general companies through our SaaStainer (app store)

## 1) Existing Services

- SaaS Implementation  
SaaS Solution Implementation Support  
(NetSuite, freee, Microsoft Dynamics, etc.)
- Collaborative Development  
API integration development  
System integration, development of linked applications  
Official Apps  
Apps for major SaaS solution functions
- SaaStainer  
App store (SaaStainer)  
Providing a platform for SaaS solution information

- Main and high-growth/high-profitability business
- Focus on mid-size projects (from 30 million yen)
- Incorporation of Microsoft Dynamics

- Developed an API system for SaaS vendors to link SaaS vendors by utilizing our know-how of SaaS implementation
- Have contacts with top SaaS listed companies ARR

- Recurring Sales Model
- Number of registered SaaStainer accounts: 1,091 companies
- Number of listed apps: 60, Number of paid apps: 18
- Pillars of future growth

## 2) New Products Development

- MasterHub API Platform (MAPIP)  
Collaborative Platform Application

- In-house development of API integration platform application
- Provide customers with an environment that allows them to develop their own API integration

- The forward-looking statements contained in this material are based on information currently available to the Company, but are not guarantees of future performance and are subject to various risks and uncertainties. Actual results may differ from the forward-looking statements contained or deemed to be contained herein due to changes in the business environment and other factors.
- This document contains information about our company and other companies, etc., and we make no representations or warranties as to the accuracy or completeness of the information contained herein.