

# HEROZ

## Presentation Material for FY04/2025 Q1 Financial Results

September 13, 2024

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

## FY04/2025 1st Quarter Performance Summary

- Net sales were 1,403 million yen (+25.5%, YoY), and EBITDA was 166 million yen (-2.1%, YoY), and Operating Profit was 74 million yen (+1.4% YoY) in first-quarter cumulative total.
- The AI/DX business saw approximately 11.7% growth in HEROZ's BtoB Business and about 14.1% growth in the BtoC Business. Additionally, the inclusion of usage fees from Tifana.com Co., Ltd.'s 'AI Sakura-san,' contributed to a significant increase in recurring revenue and ARR.
- While advancing various investments into new SaaS offerings such as 'HEROZ ASK' and 'JOINT,' operating profit reached 74 million yen, maintaining almost the same level as the same period last year. Excluding these investments, the operating profit on a real basis landed at 138 million yen.

## Initiatives for FY04/2025 1st Quarter

- In May 2024, we officially launched the new SaaS offerings 'HEROZ ASK' and 'JOINT iPaaS for SaaS.' We also participated in the AI EXPO, and received numerous inquiries about these SaaS products. Continuous improvements and additions to the features are being implemented.
- Conducting joint verification with MS&AD to aim for the construction and operation of a proprietary Generative AI model.
- In Shogi Wars, we organized events such as a collaboration with 'Me & Roboco' and the 'Kishin Battle Europe Tournament'. The attention towards Shogi Wars has also increased, boosted by the heightened interest in shogi following Takumi Ito's first title win.

## Strengthening the Group's Inside Sales Functions

- During the previous financial results announcement, we unveiled a new group strategy called 'AI BPaaS' under 'HEROZ 3.0.' This strategy aims not just to provide tools but to bring about a fundamental transformation in business operations using Generative AI.
- In accordance with this strategy, in August 2024, we transferred the sales support business to a new group company, VOIQ Inc. This move serves as a stepping stone for promoting AI Transformation(AIX) in the areas of inside sales and call centers. Additionally, VOIQ Inc. will be responsible for the inside sales (IS) of new products across the entire group, thereby strengthening our sales capabilities.

# 02

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## **FY04/2025 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, loss on revaluation of inventories, etc.)
  - Amortization Period and Goodwill Balance, etc.
    - Investment in servers for machine learning: Mainly 5-year useful life and declining-balance method
    - Goodwill Balance and Annual Amortization Amount (as of the end of Q1)
      - VarioSecure Inc.: 1051 million yen (annual amortization of 85 million yen)
      - A.I. Squared Inc.: 257 million yen (annual amortization of 22 million yen)
      - Tifana.com Co., Ltd.: 628 million yen (annual amortization of 42 million yen)
- \*Additional goodwill is expected to be incurred for Tifana.com Co., Ltd. in the future.

## 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

Net Sales

**1,403** mil yen  
( YoY +25.5% )

EBITDA

**166** mil yen  
( YoY -2.1% )

Operating Profit

**74** mil yen  
( YoY +1.4% )

## AI SaaS KPI

ARR

**3,655** mil yen  
( YoY +26.1% )

Recurring Revenue Ratio

**66.4%**  
( YoY +1.5pt )

AI Security  
Recurring churn rate

**0.8%**  
( YoY ±0pt )

\* Recurring Revenue is the sum of HEROZ's BtoB recurring sales and BtoC subscription sales, VarioSecure's managed security services sales, and StrategIT'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 2024)

- Revenue continues to grow, driven by the organic BtoB and BtoC businesses, as well as the contribution from Tifana.com , which was integrated into the group in March 2024.
- EBITDA and operating profit remained at almost the same level as the previous year, despite the upfront investments in SaaS-related products.

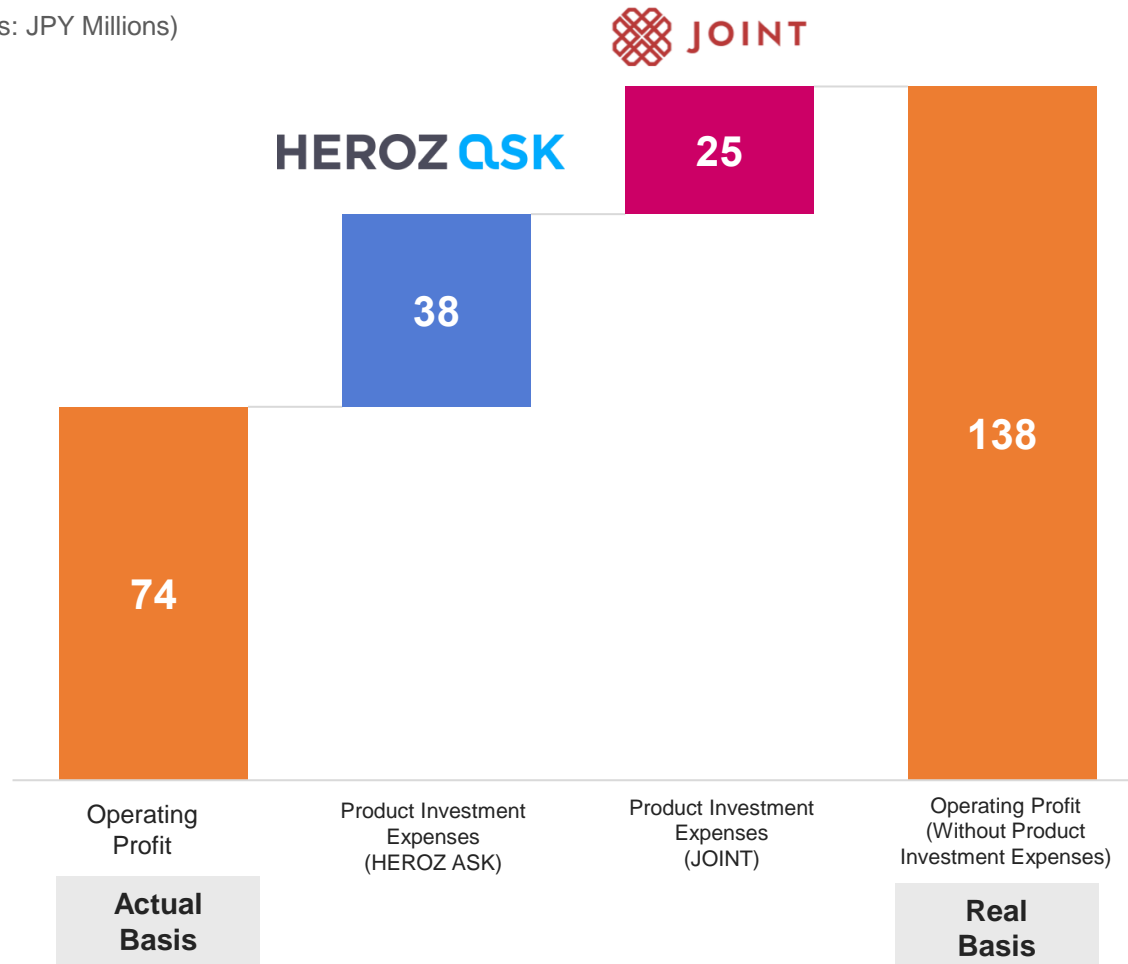
(Units: JPY Millions)	FY04/2024 Q1 Results (Consolidated)	FY04/2025 Q1 Actual (Consolidated)	YoY	Initial Forecast (Announced on June ,14 2024)	Progress against Initial Forecast
<b>Net sales</b>	1,118	<b>1,403</b>	+25.5%	6,000	23.4%
<b>EBITDA</b>	170	<b>166</b>	-2.1%	1,000	16.7%
<b>Operating Profit</b>	73	<b>74</b>	+1.4%	500	14.9%
<b>Ordinary Profit</b>	60	<b>56</b>	-7.4%	450	12.5%
<b>Net Income (loss)</b> attributable to owners of the parent	-47	<b>-45</b>	-	30	-



# Full-year performance progress: On a real basis, operating profit is 138 mil yen HEROZ

- For the 1<sup>st</sup> Quarter, the actual operating profit was 74 million yen (YoY +1.4%), and on a real basis, the operating profit was 138 million yen.
- While actively investing in new products through personnel recruitment, advertising, and marketing, we managed to achieve an operating profit at almost the same level as the same period of the previous year. We will continue to ensure profitability while strategically driving investments.

(Units: JPY Millions)



- While continuing to invest in marketing expenses and personnel costs for new SaaS offerings, operating profit landed at a level 1.4% higher than the same period of the previous year.
- Excluding investments in new products, the operating profit on a real basis was 138 million yen, an increase of 88.0% compared to the same period of the previous year.

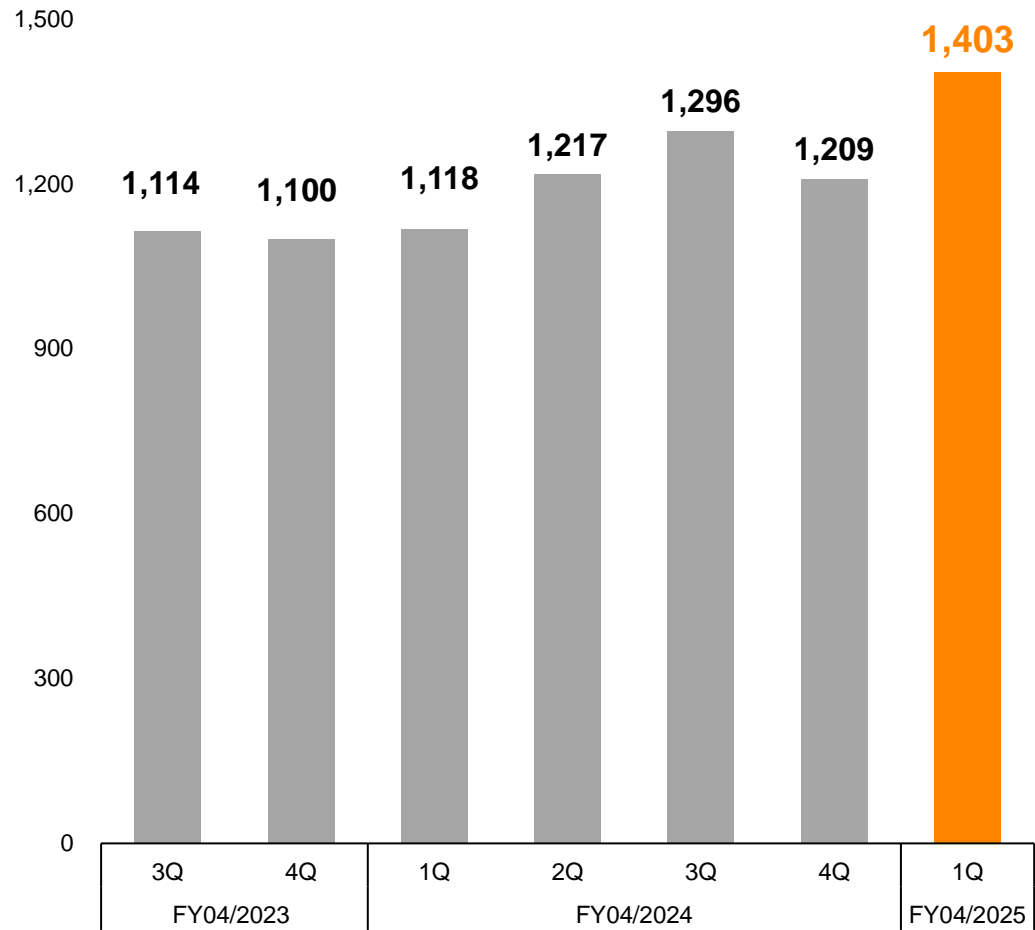
## ● Breakdown of Product Investment Expenses

- Aggregate the following related costs for "HEROZ ASK" and "JOINT"
  - └ Personnel expenses for sales, customer success, etc.
  - └ Marketing expenses
  - └ New recruitment costs for sales expansion
  - └ Other costs

# Key Performance KPIs (by Quarter)

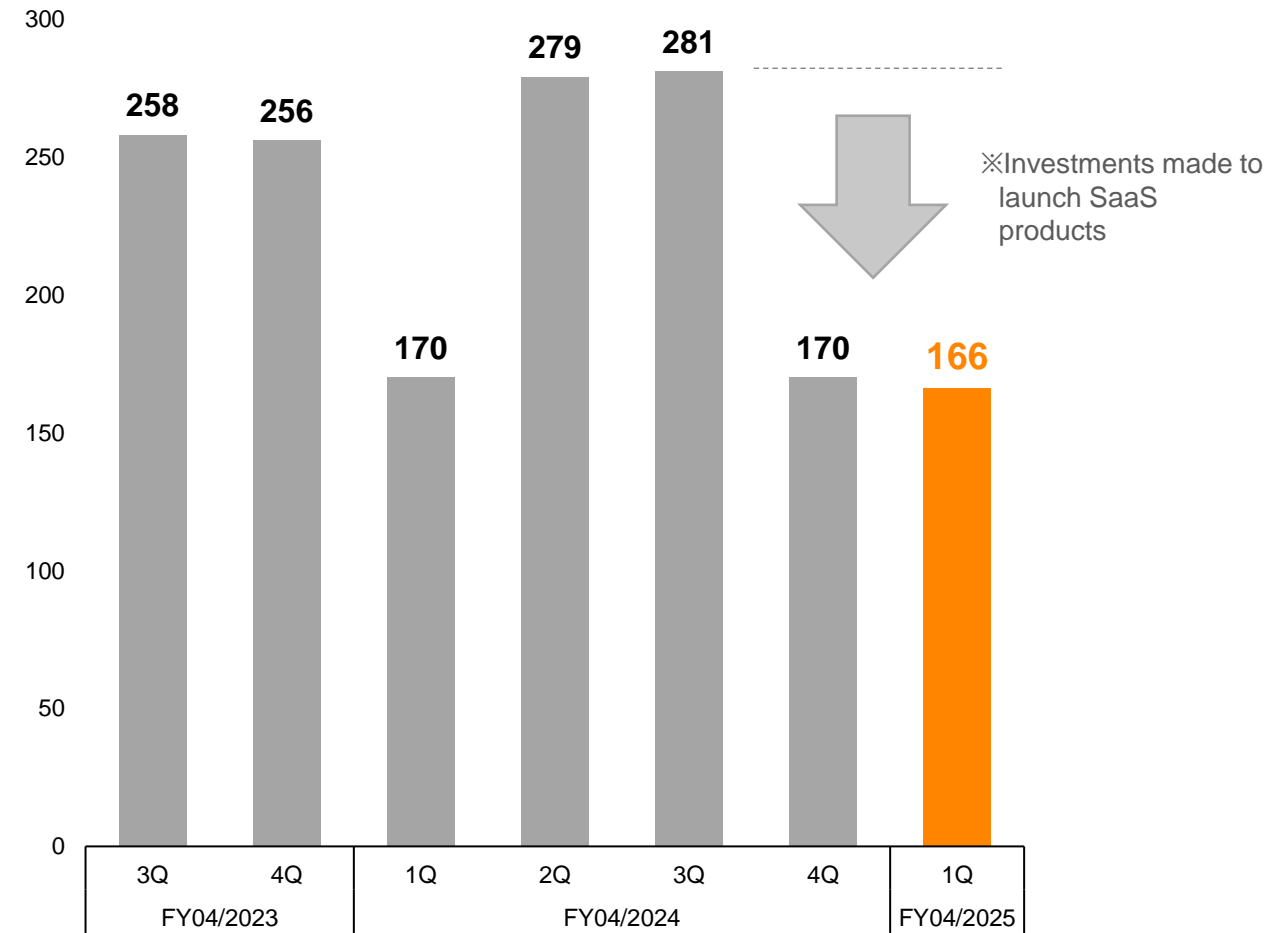
## Net Sales

(Units: JPY Millions)

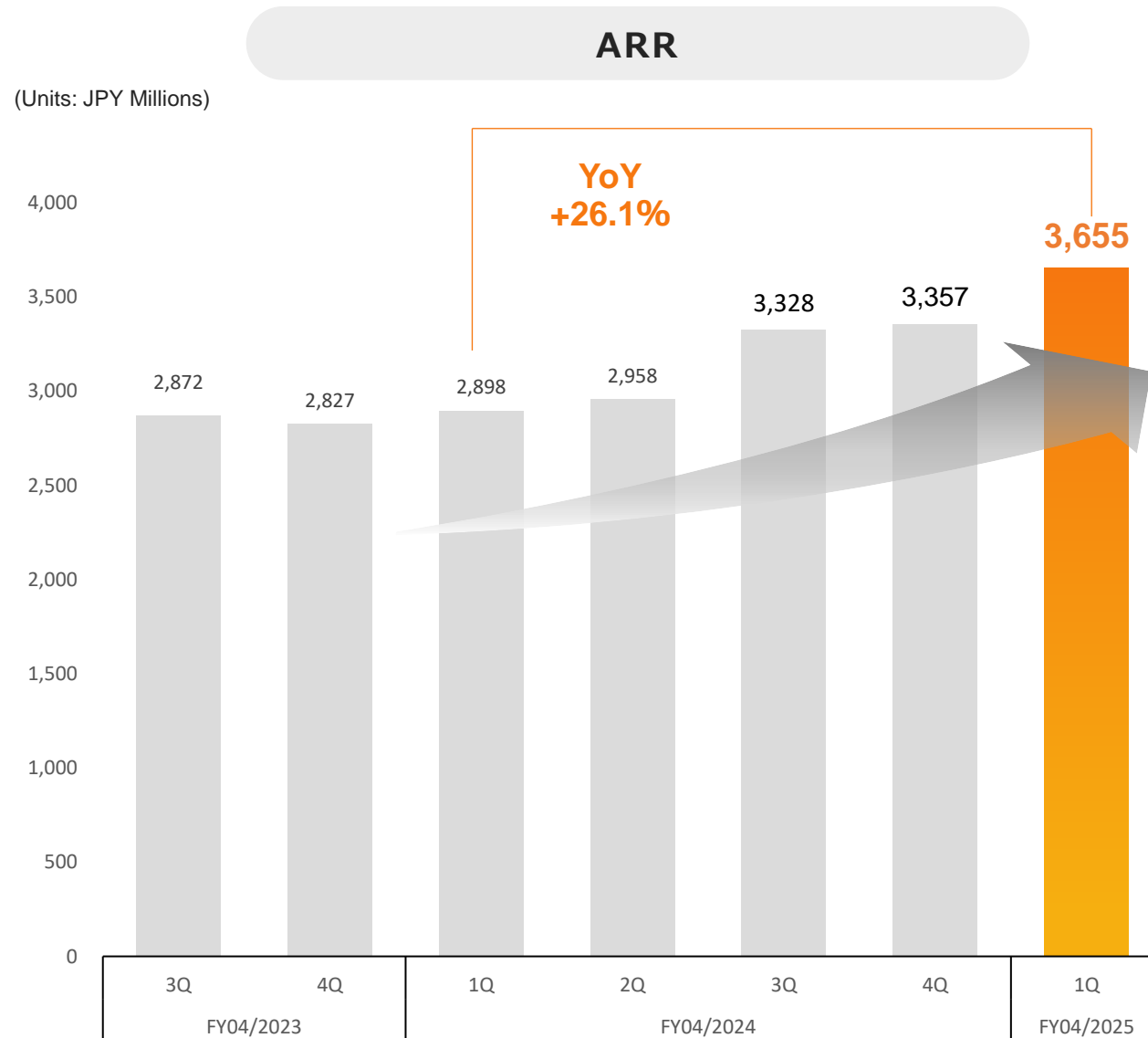


## EBITDA

(Units: JPY Millions)



# The total ARR is approximately 3.65 billion yen(YoY +26.1%)



## ARR has achieved significant growth

YoY **+26.1%**

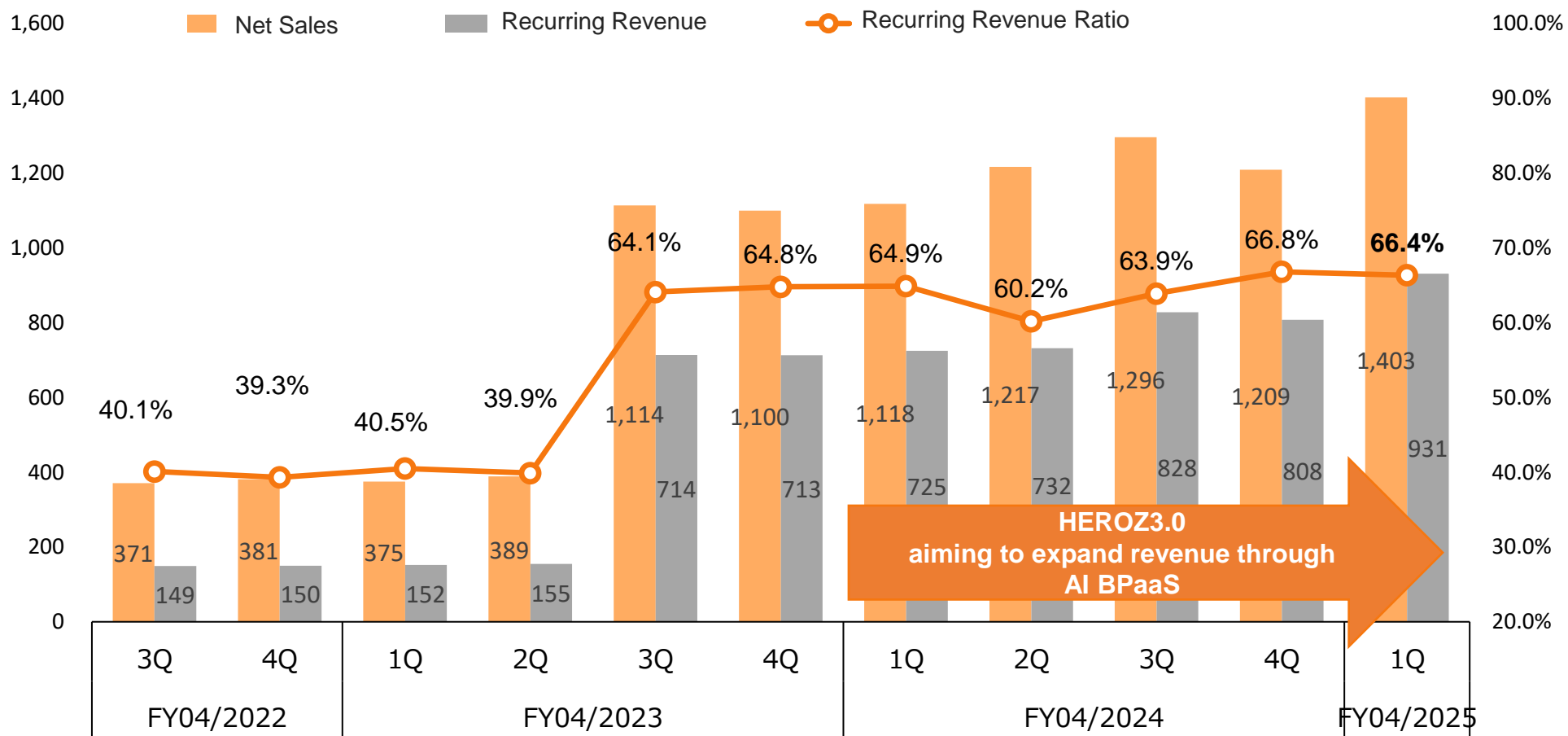
The Group total ARR: **3,655** mil yen

- Recurring revenue includes subscription sales in the BtoC and BtoB segments of the AI/DX business, ongoing sales in the BtoB segment, ongoing sales from A.I. Squared, Recurring Revenue from Tifana.com(AI Sakura-san) and sales from management security services in the AI Security business.
- For the 1st quarter of the fiscal year ending April 2025, due to the generation of revenue from new SaaS offerings and the contribution of recurring revenue from AI Sakura-san, ARR exceeded 3.6 billion yen, achieving a 26.1% increase compared to the same period of the previous year.

# Recurring revenue is continuously increasing, surpassing 900 million yen

- In the previous fiscal year's 4th quarter, recurring revenue was affected by changes in the fiscal year-end of group company. However, in the 1st quarter of the current fiscal year, recurring revenue significantly increased due to organic growth and the contribution of 'AI Sakura-san'.
- We have officially launched new SaaS offerings 'HEROZ ASK' and 'JOINT,' and we anticipate a shift towards a subscription-based business model and an increase in recurring revenue.

(Units: JPY Millions)



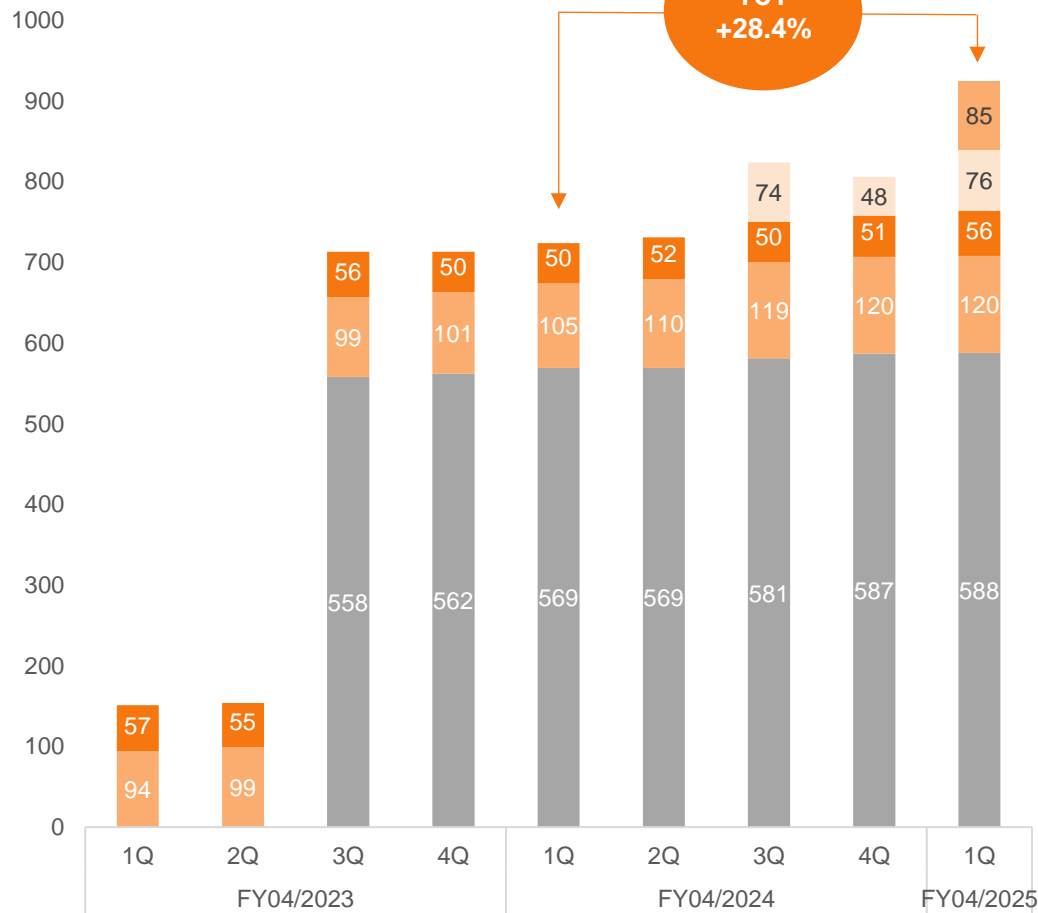
**HEROZ3.0**  
aiming to expand revenue through  
AI BPaaS

※ Recurring sales ratio in this slide is calculated and disclosed on a quarterly basis.

# Recurring Revenue: Significantly increased as the new SaaS offerings and M&A HEROZ

## Recurring revenue breakdown (by quarter)

(Units: JPY Millions)



■ AI Security Managed Security
 ■ Subscription of Shogi Wars, etc.
 ■ BtoB Recurring
 ■ A.I. Squared Package revenue
 ■ Tifana.com AI Sakura-san

## Details of revenues

### The revenue from AI Sakura-san

Recording the usage fee revenue from AI Sakura-san series provided by Tifana.com.

### A.I. Squared package revenue

A.I. Squared recording package sales for contact centers

### BtoB Recurring Contracts

In addition to the existing recurring sales, also recording license sales from new SaaS

### Subscription of Shogi Wars, etc

Shogi Wars paid subscriber growth was maintained at 11.9% YoY

### AI Security Managed Security Service

No. 1 share of the domestic market for firewall-type security services for small and medium-sized enterprises

## Future Outlook

### Steady accumulation of installation Numbers

Continuing to expand orders, primarily from government agencies and enterprise companies

### Provision of Integrated Solutions

Providing solutions integrated with call center systems

### Aiming to Scale Up New SaaS Offerings

In addition to our existing business, further expanding our business with new SaaS

### Establishing the Shogi Wars Economic Zone

Leveraging the increased attention towards Shogi, aiming to further expand our user

### Entering the growing security industry

To expand in the zero trust security domain, launched the new Ultimate Zero

# Breakdown of SG&A expenses (Consolidated)

- Policy to control SG&A expenses through cost control.
- In Q1, excluding the impact of the companies newly integrated into the group in the previous fiscal year, there was a slight decrease of 4.0% YoY. While we actively continued investments in SaaS-related areas such as ASK and JOINT, we achieved overall appropriate cost control.



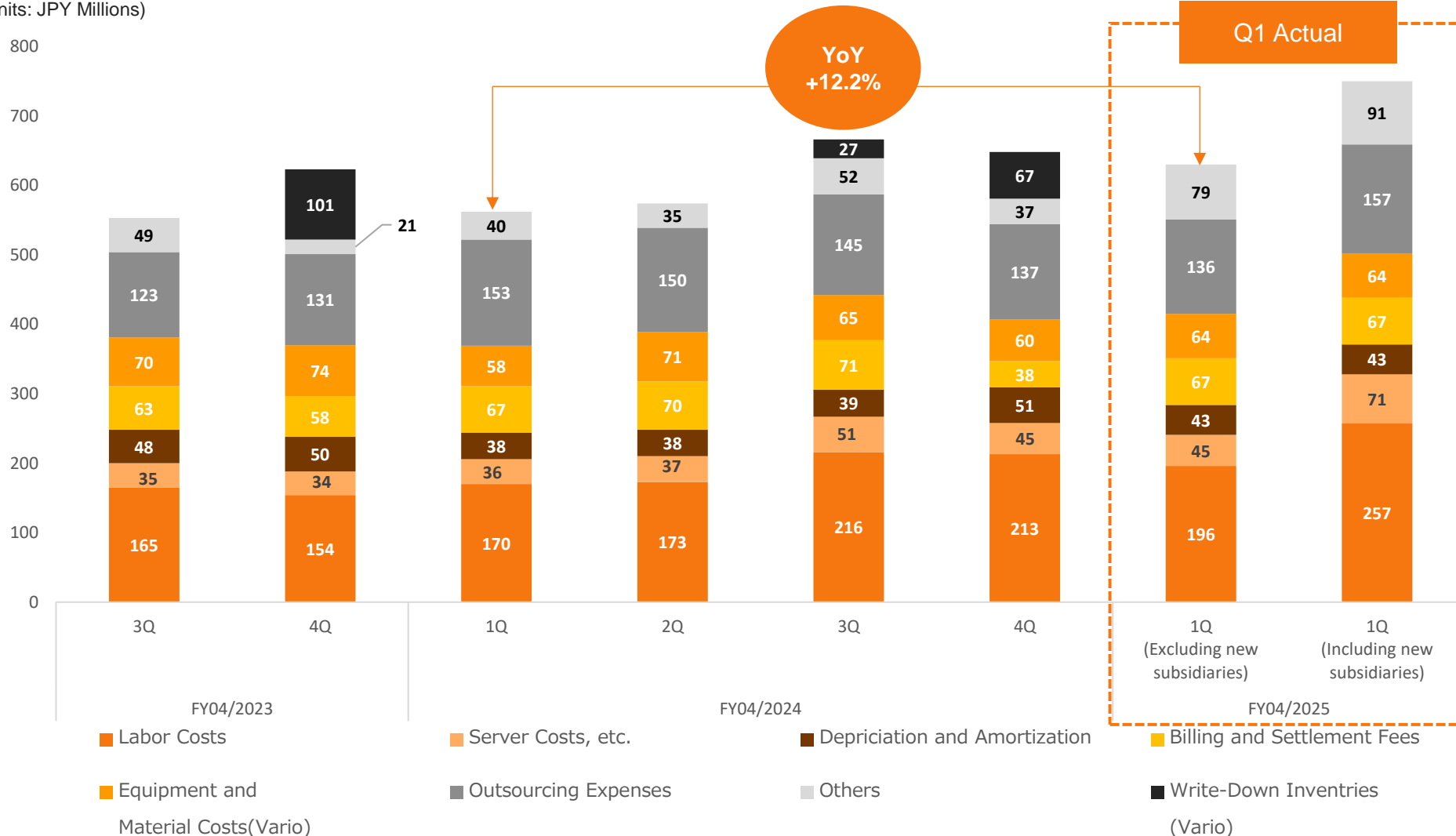
## Implementing strategic investments

- Due to active investments aimed at expanding new SaaS offerings, advertising and personnel expenses increased.
- On the other hand, excluding the impact of companies newly integrated into the group in the previous fiscal year, the total SG&A expenses decreased by 4.0% YoY, reflecting strategic investments.
- In terms of recruitment, while continuing to invest in relation to the RPO business, we aim to expand hiring and reduce recruitment fees.
- Going forward, we plan to continue making active investments in areas such as SaaS, while striving for appropriate cost control.

# Cost of Sales Breakdown (Consolidated)

- To drive revenue growth, we will continue to actively recruit, primarily for engineering and business positions, and steadily increase our workforce.
- While achieving significant growth across the entire group, we have appropriately controlled costs, resulting in a 11.1% YoY decrease in outsourcing expenses.

(Units: JPY Millions)



**Increase in line with revenue growth**

- To drive performance growth, we will make proactive investments in human resources and increase labor costs in cost of sales across the entire group
- On the other hand, outsourcing expenses decreased by 11.1% YoY, reflecting our efforts to establish an in-house production system and achieve appropriate cost control
- No inventory valuation losses were recorded for VarioSecure Inc. in the current quarter

# Segment Performance: First Quarter of the Fiscal Year Ending April 2025

- AI/DX business continues to achieve revenue and profit growth through M&A and organic growth, while proceeding with investments in new SaaS. From the 1st quarter of this fiscal year, Tifana.Com has been added to the AI/DX business. VOIQ Inc., is also expected to join the AI/DX business.
- AI Security business similarly maintained high profitability with an EBITDA margin of 38.4%

		FY04/2024 Q1 Results (Consolidated)	FY04/2025 Q1 Actual (Consolidated)	YoY (Consolidated)	YoY (Performance of HEROZ on a standalone basis)
<small>(Units: JPY Millions)</small>					
<b>AI/DX Business</b>	<b>Net Sales</b>	479	731	+52.5%	+11.5%
	<b>Segment Profit</b>	118	139	+17.7%	-
	<b>EBITDA</b>	153	182	+19.5%	-
	<b>EBITDA Margin</b>	31.9%	25.0%	-6.9pt	-
<b>AI Security Business</b>	<b>Net Sales</b>	643	673	+4.6%	-
	<b>Segment Profit</b>	216	210	-3.0%	-
	<b>EBITDA</b>	278	258	-7.2%	-
	<b>EBITDA Margin</b>	43.3%	38.4%	-4.9pt	-
<b>Segment Profit adjustment</b>		-261	-275	-	-



- This segment includes BtoC centered on Shogi Wars, BtoB for providing AI solutions to customers, SaaS implementation and SaaS Integration Platform business developed by StrategIT, services in the contact center area developed by AI2, and AI services by Tifana.com.
- Starting from the fiscal year ending April 2025, we will collaborate with VOIQ Inc. to expand recurring revenue through our SaaS products.

(Units: JPY millions)

	FY04/2025 Q1 Actual	
<b>Net Sales</b>	<b>731</b>	Recurring Revenue Ratio <b>47.0%</b>
<b>Operating Profit</b>	<b>139</b>	Operating Margin <b>19.0%</b>
<b>EBITDA</b>	<b>182</b>	EBITDA Margin <b>25.0%</b>

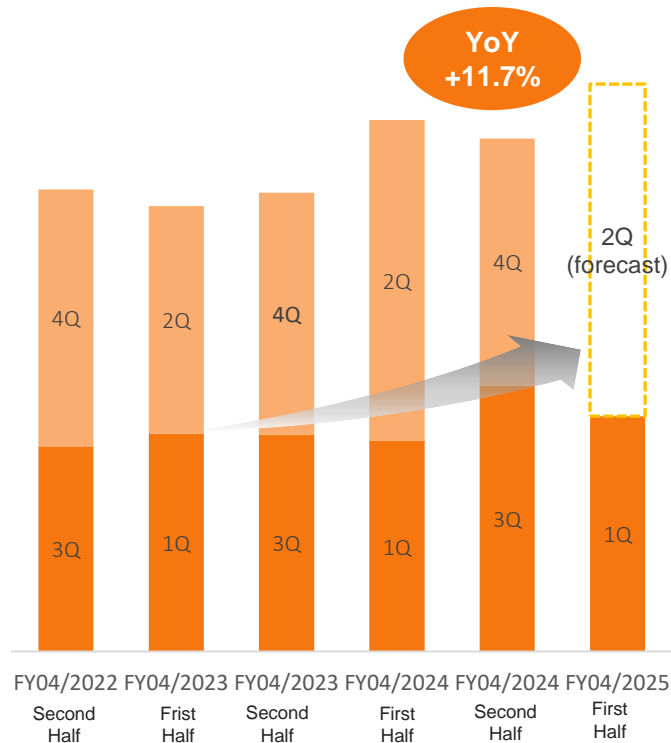
## Significant growth through organic means and M&A

- Revenues related to Shogi Wars have been steadily increasing, driven by the existing high network externalities and the heightened interest in shogi following Takumi Ito's first title win. Additionally, collaborations such as with 'Me & Roboco' and the Kishin Battle Europe Tournament have further boosted attention. Riding the wave of the recent shogi boom, we will continue to aim for maximizing the shogi player population and approach a wide range of users
- HEROZ's BtoB business, as well as the businesses of various group companies, continue to steadily generate revenue. Due to the contribution of new SaaS offerings and the usage fee revenue from 'AI Sakura-san,' the ratio of recurring revenue has significantly increased, approaching 50%
- Going forward, we will further expand recurring revenue through the provision of SaaS products 'HEROZ ASK' and 'JOINT'

## HEROZ's BtoB business continued to maintain steady growth, YoY +11.7%.

### HEROZ BtoB Sales

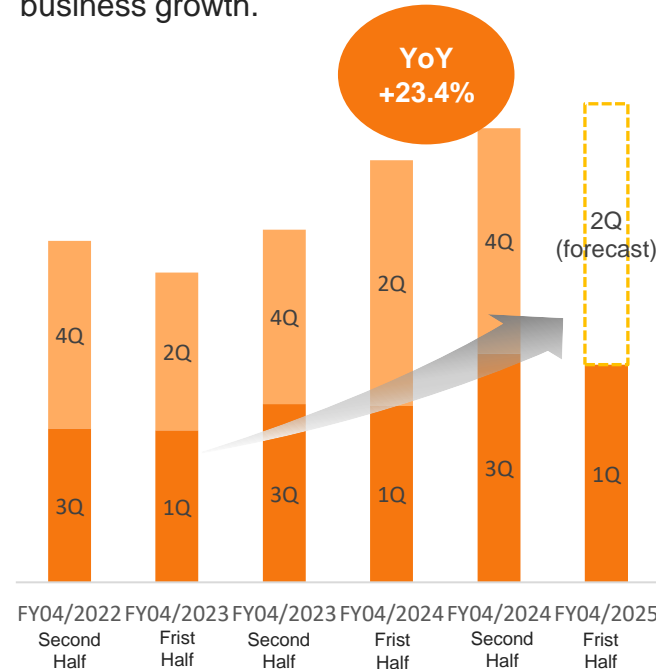
- In this Q1, growth of +11.7% YoY was achieved
- Even in the Q1 alone, growth exceeding 10% was achieved. However, with many deferred and prospective deals in the Q2, we expect nearly 10% revenue growth for the first half overall



\*The projections for the second quarter are subject to change, including the timing

### BtoB Number of Active Projects by Quarter

- The number of active projects by quarter continues to increase steadily, **achieving a growth of +23.4% YoY in this Q1**
- Participation in AI EXPO and increased attention to Generative AI have led to a rise in business negotiations. Moving forward, we will strengthen initiatives such to enhance awareness and drive business growth.



\*The average number of active projects per month is calculated for each quarter.

### BtoB Average Number of Personnel per Quarter

- We continue to actively increase our workforce, particularly in business and engineering roles, achieving a year-on-year growth of +40.9% in the average number of personnel per quarter
- Further personnel growth is expected in the Q2. To drive further revenue expansion, we are working on optimizing assignments and operations, as well as enhancing our organizational structure

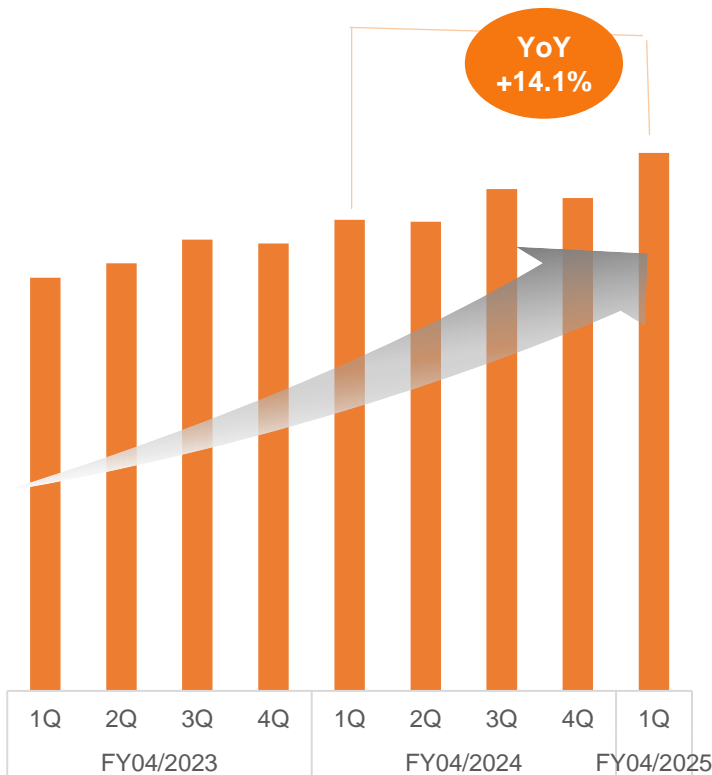


## BtoC achieved steady growth by leveraging network externalities and conducting collaborations

BtoC business continues to grow steadily, leveraging overwhelming network externalities from services like Shogi Wars. Additionally, the increased attention to shogi following Takumi Ito's capture of the Eiou title, collaborations with 'Me & Roboco,' and the the European Shogi Championship have all contributed to this growth

### BtoC Sales

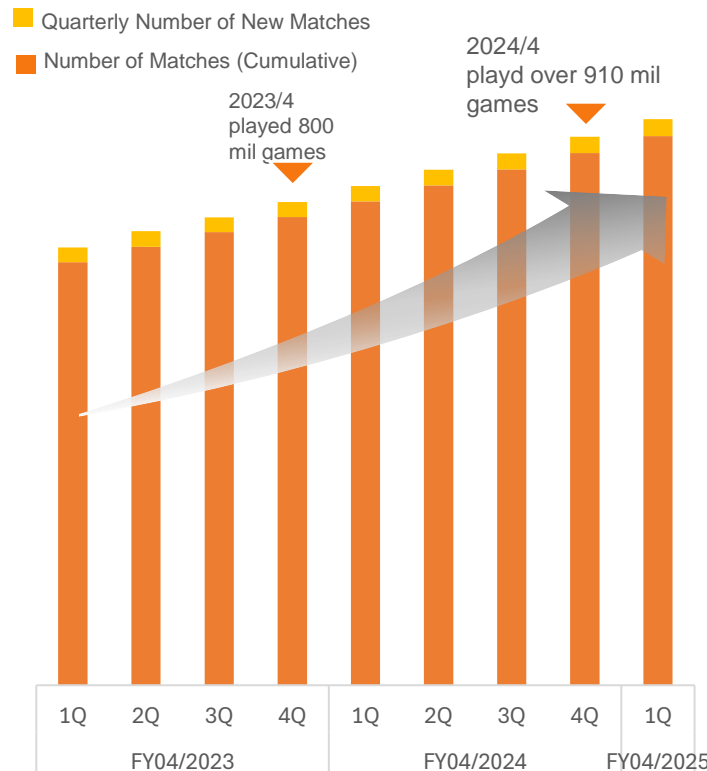
Although the previous fiscal year was affected by changes in accounting standards, this Q1 achieved growth that exceeded these impacts.



\*The figures prior to FY04/2024 have been adjusted for the impact of changes in accounting standards

### Further Acceleration of matches in Shogi Wars

The number of matches played on Shogi Wars has recently accelerated further, and the number of subscription members has also achieved growth exceeding 10%.



### Continuing to grow further to maximize the shogi-playing population

- Shogi Wars boasts an overwhelming market share through a cycle where the service's value and convenience improve as the number of users and matches increase, due to its high network externalities
- In addition to these network externalities, the increased attention to the shogi world following Takumi Ito's capture of his first Eiou title has also contributed to Shogi Wars achieving growth. Despite the impact of changes in accounting standards, revenue grew by +14.1%YoY
- Furthermore, collaborations with popular manga series 'Me & Roboco' and the hosting of the European Shogi Championship as an international event have contributed to increased attention and user growth for Shogi Wars



- This segment involves implementing the AI developed by the HEROZ Group into the security business operated by Vario secure Inc.
- The recurring revenue ratio is very high at 87.3%, enabling us to develop a business that can secure stable revenue

(Units: JPY Millions)

	FY04/2025 Q1 Actual	
Net Sales	673	Recurring Revenue Ratio <b>87.3%</b>
Operating Profit	210	Operating Margin <b>31.2%</b>
EBITDA	258	EBITDA Margin <b>38.4%</b>

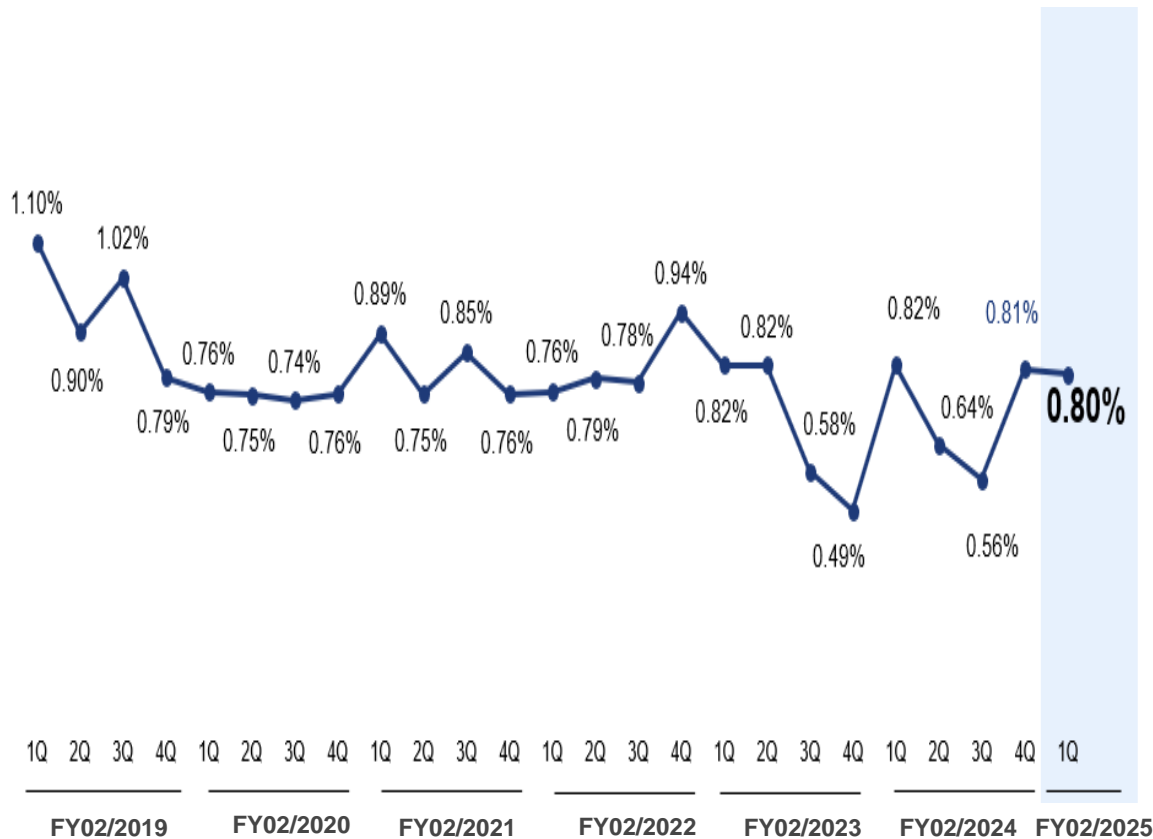
## Recurring sales ratio is high at 87.3%.

- Vario secure's revenue has been progressing smoothly in both managed security and integration services, resulting in approximately 4% growth YoY
- The recurring revenue ratio continues to settle at a high level. Moving forward, we aim to strengthen our sales foundation and expand the sales of 'Vario Ultimate ZERO' in collaboration with VOIQ Inc
- Operating profit is planned to decrease due to growth investments based on our mid-term management policy. This includes hiring personnel for service planning, engineering, and operational support, as well as increased marketing expenditures such as advertising costs. Progress is almost in line with the plan. (The AI Security business recorded a YoY increase of +4.6% in operating profit.)

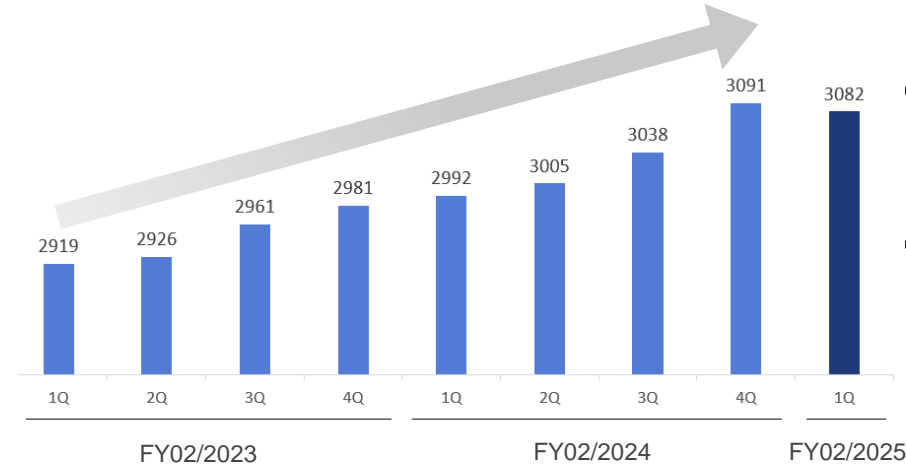
## Managed Security maintains a stable revenue base with a low cancellation rate

### Managed Security Service Churn Rate

The quarterly churn rate has consistently remained below 1%



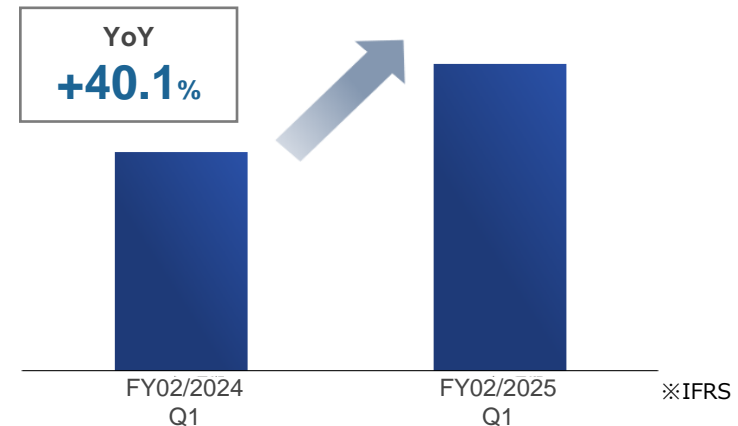
### Managed Security Service End User Count Trends



- The long-term trend remains steadily increasing
- Contributing to a Stable Revenue Base

### Progress of Cyber Threat Countermeasure Solutions

Malware Detection and Prevention Vario Endpoint Security Sales



- Malware countermeasures that detect intrusions into information devices such as PCs and servers, and prevent their spread, continue to perform well

## Balance Sheet (As of the end of July 2024)

- The cash and deposits currently held by the company are planned to be sequentially allocated to investments aimed at realizing our medium- to long-term growth strategy
- As a result of M&A prior to last year, we have goodwill remaining in intangible fixed assets amounting to 1.9 billion yen, which will be amortized in the future

(Units: JPY Millions)	As of 4/30/2024 (Consolidated) (A)	As of 7/31/2024 (Consolidated) (B)	Increase and decrease (B-A)
Current Assets	3,997	4,246	248
Cash and deposits	2,738	3,019	281
Fixed Assets	3,693	3,760	66
Property, plant and equipment	262	252	-9
Intangible assets	2,547	2,592	44
Investments and other assets	884	915	31
Total Assets	7,691	8,006	315
Current Liabilities	1,168	1,140	-27
Fixed Liabilities	1,380	1,634	254
Net Assets	5,143	5,231	88

Decrease due to goodwill impairment recorded in the previous fiscal year, and new goodwill addition related to Tifana.com.

# 03

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## **New M&A: The transfer of the sales outsourcing business**

## Regarding the Business Acquisition of VOIQ Inc.

In August 2024, our group company VOIQ Inc. acquired the Sales Support Business operated by bizy Inc.

### 【Overview of the Counterparty】

**Name** : bizy Inc.  
**Date of Establishment** : April 2016  
**Business** : Sales Support Business

### Recent Fiscal Year's Performance

**Sales** : 52,211 thousand yen  
**Operating Profit** : 11,971 thousand yen

### 【Overview of the Group Company】

**Name** : VOIQ Inc. <https://voiq.jp/>  
**Date of Establishment** : July 2024  
**Representative** : President and CEO, Megumi Takada  
**Business** : Sales Support Business Utilizing AI





# Promoting AIX in the sales and call center domains and strengthening the overall sales capabilities of the group

- The inside sales and call center domains have many analog aspects, offering significant potential for AI replacement and AIX opportunities
- By combining VOIQ's expertise with our group's AI and SaaS-related technologies, we will promote AI implementation and AI BPaaS in the aforementioned domains, while also accelerating the strengthening of inside sales across the entire group

## Our Synergies

### Customer Acquisition

## VOIQ

Not only lead generation, but also various expertise in supporting service and product development through customer touchpoints in close collaboration with customers



## HEROZ Group

### AIX (AI Transformation)

We have assembled a specialized team for Generative AI and developed a new SaaS called 'HEROZ ASK' using Generative AI, showcasing our exceptional technological prowess in the AI and SaaS-related fields

## Promotion of AIX and Strengthening of the Sales Foundation Across the Entire Group

HEROZ ASK

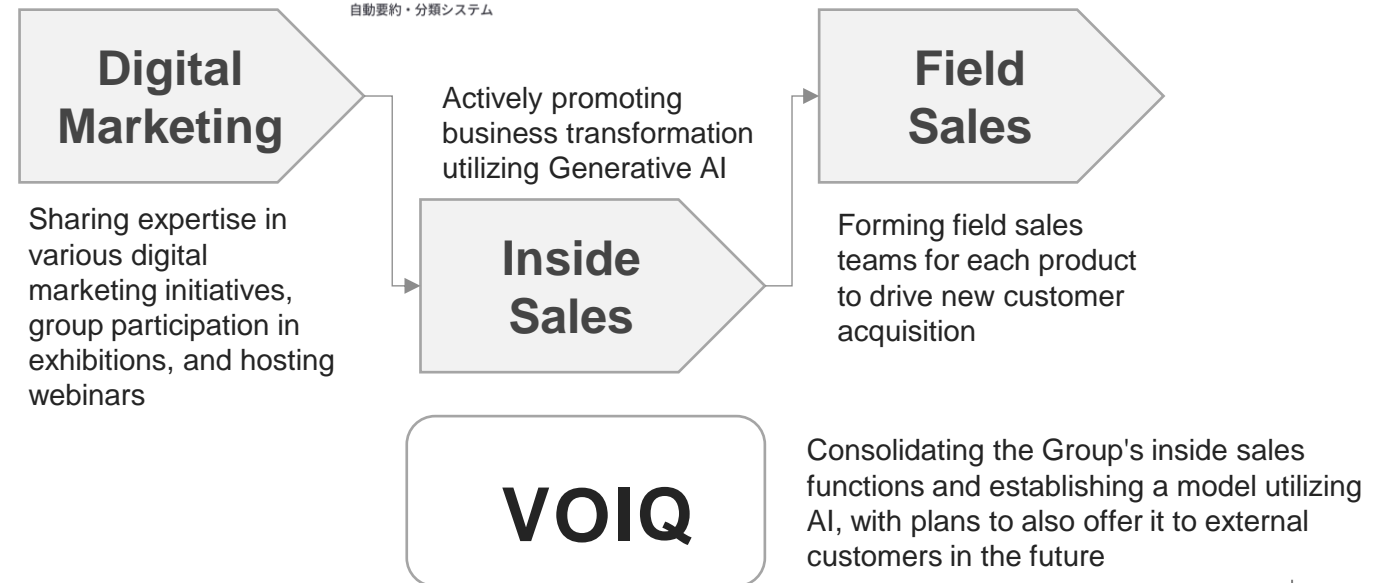


AIさくらさんシリーズ



QuickSummary  
自動要約・分類システム

Vario Ultimate ZERO



# 04

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## Initiatives in each business segment

# After releasing 'HEROZ ASK,' accelerating additional development and expansion activities

- Regarding the AI assistant SaaS 'HEROZ ASK' utilizing Generative AI, it was officially released in May 2024, and we are currently implementing feature improvements and expansion activities
- Going forward, we will continue to work as one company to expand the business of AI BPaaS and AIX-promoting SaaS

## We are accelerating various feature improvements and additional development

- In May 2024, HEROZ officially released 'HEROZ ASK,' an AI assistant SaaS utilizing Generative AI
- After the official release, on the development front, based on user feedback, we have implemented various feature improvements, added notification functions, improved design and UI, and also supported 'GPT-4 Turbo' and 'GPT-4o'
- Going forward, we plan to implement features, accelerating the enhancement of functionalities as a leading SaaS in AIX

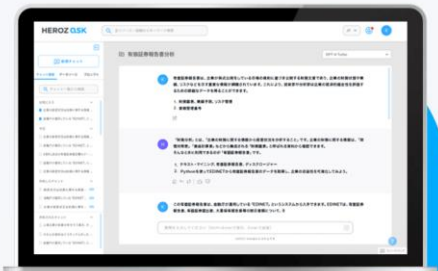
あなたの業務をリードする  
AIアシスタント  
**HEROZ ASK**

お手頃価格 (月額900円~/ユーザー) ※で、  
高いコストパフォーマンスを実現

「GPT-4 Turbo」「GPT-4o」も利用可能!

徹底したセキュリティ対策で、  
安心安全な生成AI活用環境を構築

部署・チームごとのグループ活用を可能に



## We are also strengthening our efforts in various exhibitions and marketing activities

- In terms of business, we exhibited at 'AI EXPO 2024' in May, where we garnered numerous inquiries, negotiations, and contracts related to 'HEROZ ASK.' Additionally, we are strengthening digital marketing and distributing white papers to expand lead acquisition and the number of contracts
- In August, we also exhibited at an event hosted by Gartner. In September, in collaboration with our RPO business, we conducted a webinar on use cases for recruitment professionals
- Going forward, we plan to exhibit at trade shows in October and November, update our landing pages, and launch a brand site, thereby accelerating initiatives to increase awareness and expand our business



# StrategIT accelerates various updates with 'JOINT iPaaS for SaaS'

- StrategIT accelerates various updates with its new platform for SaaS vendors, 'JOINT iPaaS for SaaS,' including the introduction of CSV upload functionality, 'ChatGPT' connectors, and 'SmartHR' connectors
- Going forward, we aim to improve functionalities and expand our business as an Embedded iPaaS that seamlessly integrates between SaaS

## We are accelerating various updates and other initiatives to expand our business

- In May 2024, StrategIT officially released 'JOINT iPaaS for SaaS,' an integration platform for SaaS vendors. Through connector development and various marketing activities, we are expanding lead acquisition and the number of contracts.
- In August 2024, we launched the new CSV upload functionality. Through the 'CSV Upload Connector,' SaaS providers can offer CSV upload capabilities to SaaS users for both on-premise systems and SaaS. Since there is no need to use external storage for CSV file exchanges, it contributes to secure integration
- Additionally, we have launched new connectors for 'ChatGPT' and 'SmartHR.' SaaS providers can integrate information between their services and 'ChatGPT' and 'SmartHR' without any coding. This contributes to improving operational efficiency, such as automating user workflows through integration with communication tools like Slack, and reducing work costs by avoiding double entry of employee information

### CSV対応のAPIがないオンプレ・SaaSへCSVアップロードが可能に



JOINTがファイルを読み取り、送信用フォーマットに変換

### JOINT iPaaS for SaaS の標準機能

#### Point 1



アプリストア構築  
or  
自社プロダクトへ組み込み

ヘルプページの作成や連携アプリ・ユーザーの管理だけでなくアプリストアでは、支払管理機能を提供します。

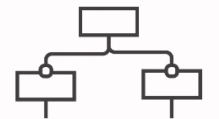
#### Point 2



ノーコードで簡単に連携アプリの開発ができる

JOINTは1つの連携アプリで相互連携の実装を最短1週間で実現できます。

#### Point 3



AI機能でデータマッピングが半自動化できる

データ連携時に時間がかかるマッピング作業をAIが半自動化で提案します。

# Conducting joint validation with MS&AD Inc. aimed at building and operating a proprietary Generative AI model

- HEROZ, together with MS&AD Insurance Group Holdings, is conducting joint validation aimed at building and operating a proprietary Generative AI model
- We will continue joint validation aimed at utilizing Generative AI to improve operational efficiency and sophistication in the insurance industry

## Background of the Joint Validation

- **Despite the introduction of Generative AI, challenges in utilizing it in certain areas led to the commencement of joint validation.**

In July 2023, MS&AD Holdings established an environment where all group employees can use Generative AI, aiming to enhance creativity and improve operational efficiency

Subsequently, an initiative was introduced to allow employees to build chat systems that reference company information. However, challenges in referencing large-scale data and handling video and image data led to the commencement of a joint validation project



# HEROZ

## Validation Content, Outcomes, and Future Prospects

- Jointly validating the construction and operation of large language models (LLM) and large vision models (VLM), and by selecting OSS LLMs and establishing a fine-tuning environment, we aim to build and operate an MS&AD Group's proprietary Generative AI model
- Through this validation, we have come to understand the differences between internally developed and externally provided Generative AI, enabling the easy construction of an MS&AD Group's proprietary Generative AI model
- By combining internal data with open data to further train LLMs/VLMs, it becomes possible to develop advanced business support applications and new risk solutions. For example, solutions such as AI-based automatic detection of near-miss incidents can be realized





# AI Sakura-san Provides the Latest Tourist Information at the Airport for the First Time (Airport DX Pilot Project Launched)



- We have commenced a groundbreaking digital transformation (DX) pilot project utilizing AI Sakura-san at Nanki-Shirahama Airport
- This is the first initiative at an airport that combines cutting-edge AI technology with the region's abundant tourism resources, and we aim to expand it nationwide in the future

## Overview of the Pilot Project

- Start Date: July 25, 2024 (Thursday)
- Location: Nanki-Shirahama Airport
- Main Services Provided:
  - multilingual tourist information and customer service
  - Transportation information and reception
  - Accommodation information
  - Creation of personalized travel itineraries
  - Latest tourist information provided by Generative AI

## Expected Effects and Future Developments

- Through the activities of AI Sakura-san in this pilot project, the following effects are expected: 'stimulating inbound demand,' 'revitalizing the regional economy,' 'addressing labor shortages,' 'mitigating overtourism,' and 'developing a sustainable regional economy.'
- Based on the results of this pilot project, we aim to expand to major airports nationwide by 2025. Additionally, we are considering the utilization of AI Sakura-san and Generative AI in various locations such as railway stations and tourist spots, with the goal of promoting tourism DX throughout Japan

## AI Sakura-san Providing Tourist Information at Nanki-Shirahama Airport



# AI Sakura-san Wins Five Titles at the 'BOXIL SaaS AWARD Autumn 2024



- AI Sakura-san Wins Five Titles in the Chatbot Category at the 'BOXIL SaaS AWARD Autumn 2024'
- This award follows the spring and summer recognitions, and we will continue to work on improving features and UI to further expand the service

■ AI Sakura-san has once again won the following titles in the Chatbot Category at the 'BOXIL SaaS AWARD Autumn 2024,' hosted by Smartcamp Co., Ltd. (hereinafter 'Smartcamp'), following the spring and summer awards:

- 'Good Service'
- 'No.1 in Service Stability'
- 'No.1 in Feature Satisfaction'
- 'No.1 in Helpfulness'
- 'No.1 in Ease of Use'

■ The 'BOXIL SaaS AWARD' is an event where Smartcamp, the operator of the SaaS comparison site 'BOXIL SaaS,' evaluates, selects, and awards outstanding SaaS

■ about the 'BOXIL SaaS AWARD Autumn 2024' :

<https://boxil.jp/awards/2024-autumn/>



## Reasons Why AI Sakura-san is Chosen:

- Equipped with the latest AI technologies, such as ChatGPT and image Generation AI.
- Holds AI-related patents and various ISO certifications, including quality assurance and cloud security.
- Delivers customized solutions tailored to the client's business operations in a short period.
- Fully automates operational and maintenance tasks.

- Shogi Wars will hold its first collaboration event with the popular manga 'Me & Roboco,' currently serialized in Weekly Shonen Jump, from Monday, July 15, 2024, to Thursday, August 15, 2024

## Campaign Details

"Shogi Wars will hold its first collaboration event with the popular manga 'Me & Roboco,' currently serialized in Weekly Shonen Jump, from July to August 2024.

### Campaign Details:

- Receive 'Me & Roboco' character avatars based on the number of wins during the campaign period.
  - ※ Avatars will be awarded for achieving between 10 and 150 wins.
- Win special avatars by defeating 'Roboco' or 'Madokachuan' during the campaign period.



## About 'Me & Roboco'

In the year 20XX, the era when custom-made beautiful maid robots called 'Order Maids' have become commonplace in every household. The exceedingly ordinary elementary school student 'Bon Bondo' was thrilled at the prospect of getting a beautiful Order Maid. However, the one that came to his house was...?! Unexpectedly extraordinary?! The strange daily life of the clumsy yet strongest maid robot Roboco and the kind-hearted boy Bond begins!

<https://www.shonenjump.com/j/rensai/roboko.html>

### 【Characters】



(From left) 'Roboco,' 'Bond,' 'Madokachuan'



- Partnering with FESA (Federation of European Shogi Associations), we hosted the Shogi Wars Kishin Battle European Tournament in Barcelona from July to August 2024!
- Utilizing Shogi Wars platform to promote the international spread of Shogi

## We hosted the first international Shogi Wars Kishin Battle tournament

- Targeting residents of Europe, the first international Shogi Wars Kishi Battle tournament will be hosted by FESA (Federation of European Shogi Associations)
- Preliminary rounds were held in July 2024, and the final tournament took place in August 2024
- The final tournament was live-commentated by Karolina Fortin, the first foreign female shogi professional (Women's 1-dan)



HEROZ



## 10<sup>th</sup> Shogi Wars Kishin Tournament in Europe

The 10<sup>th</sup> Shogi Wars Kishin Tournament, played online, will for the first time be held in Europe this year. Travel subsidies to the ESC/WOSC in Barcelona will be granted to the top-runners of the qualification tournament. Attractive prizes await the winners of the finals.

### General Description

Online shogi tournament played on *Shogi Wars* App.

Qualification Tournament: July 21<sup>st</sup>, 2024, 12:00 – 14:00 UTC

Final Tournament: August 2<sup>nd</sup>, 2024 in Barcelona (about 1 hour during break time of the ESC/WOSC)

\*FESA (Federation of European Shogi Associations) is a European organization aimed at promoting and developing Shogi. It organizes events such as the European Shogi Championship and other international tournaments, conducts educational activities on Shogi rules and strategies, and facilitates interaction among Shogi enthusiasts

# Released 'Vario Ultimate ZERO,' a Zero Trust solution for small and medium-sized enterprises

- Providing security services tailored to the scale of small and medium-sized enterprises, from cloud environments to office settings
- We released 'Vario Ultimate ZERO' at the end of July to ensure security and streamline operations and maintenance

## ■ Vario Ultimate ZERO: A managed service that achieves Zero Trust security with a minimal configuration

Cloud-based network security **New Service**

### Vario SASE

Vario FWaaS | Vario SWG | Vario IPS

- Capable of handling both cloud and on-premises
- Ensuring security along the connection path



Business Application Portal **New Service**

### Vario IDaaS

Vario IDaaS

- Authentication and Single Sign-On
- Account Management, etc.
- Access Management
- Directory Integration

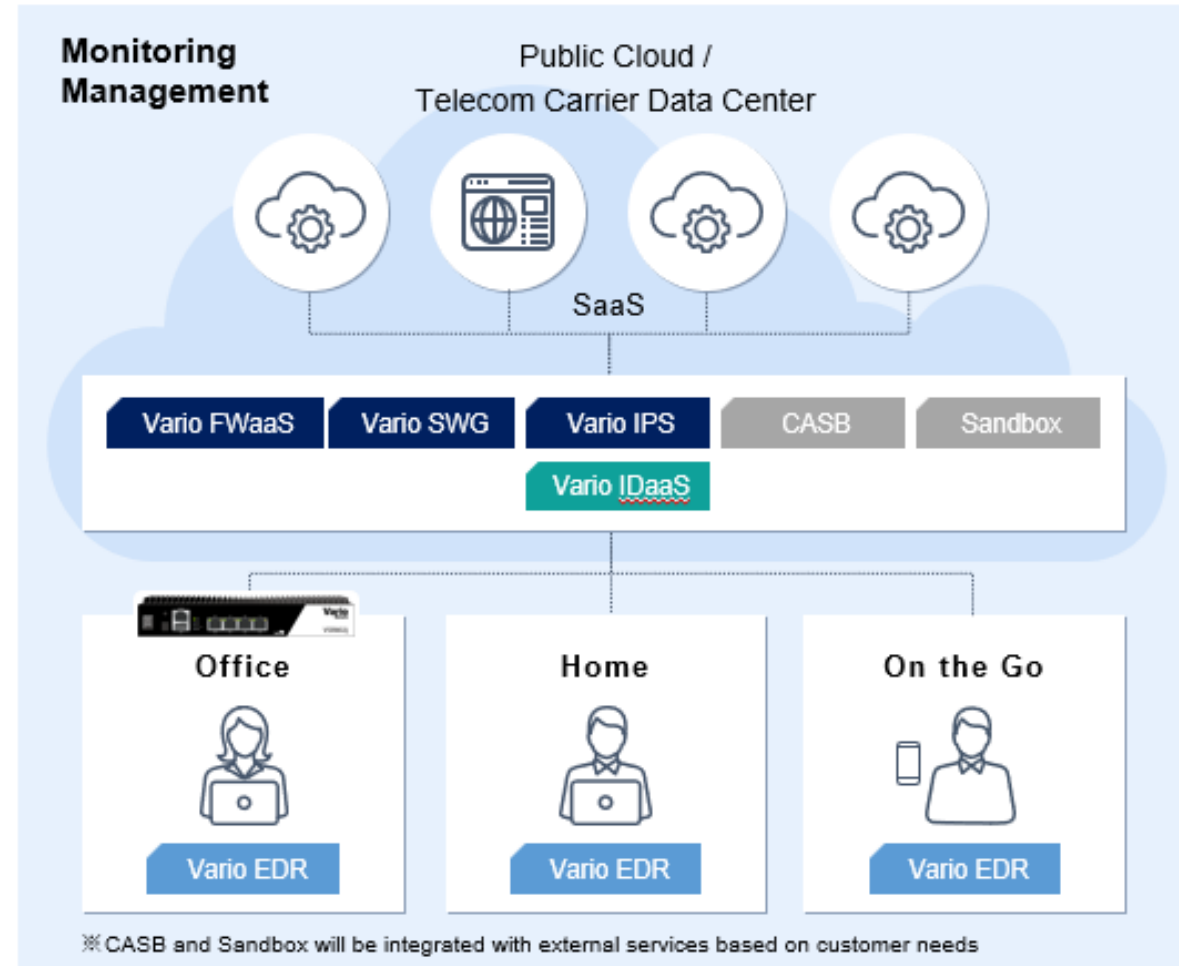


Detection and Prevention of the Latest Cyber Attacks **Existing Service**

### Vario EDR

Vario EDR

- Ransomware Countermeasures
- Automated Isolation of Malware-Infected Devices, etc.



- Implemented Marketing Automation (MA) to strengthen content strategies
- Promote the acquisition and nurturing of leads to accelerate the conversion into opportunities

## Started monthly hosting of company-run webinars



Starting in May, we began hosting monthly company webinars targeted at specific industries and company sizes (held in May and June)

- May : For Healthcare Institutions
- June: For the Manufacturing Industry

## Regular distribution of email newsletters



Started regular distribution of a security column email newsletter

## Started monthly publication of white papers



Added useful resources (white papers) focused on case studies of our services

- VDaP
- Vario EDR/EPP
- Managed Security Services

## Exhibited at the AI EXPO 2024 (HEROZ Booth)



Exhibited Ultimate ZERO (Zero Trust Solution) for the first time at the 'AI & Artificial Intelligence EXPO 2024' by HEROZ

# 05

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## Frequently Asked Questions and Answers



- In response to our recent financial results announcement, we have compiled and answered some of the frequently asked questions

Q : There is a plan to invest in new SaaS products in the current fiscal year (ending April 2025). Is there likely to be any uneven distribution in the timing of these investment costs?

A : In the fiscal year ending April 2025, we will continue to strengthen our investment in human resources and actively invest in product releases. Our group officially released two products, 'HEROZ ASK' and 'JOINT,' in May 2024. We are actively investing in these products' operations, sales, customer success, marketing, and hiring development personnel to expand functionality, aiming to first increase sales.

As a general policy, we anticipate that the investment costs will be evenly distributed across each quarter without significant deviations. However, in Q1 of this fiscal year, costs related to product releases and human resources investments have been front-loaded, resulting in progress slightly above initial expectations. Despite this front-loading of investments in Q1, operating profit levels are approximately the same as the same period last year. We expect costs to gradually even out from Q2 onwards.

Additionally, in August 2024, we will focus on strengthening our overall sales capabilities, particularly through VOIQ Inc, which we acquired for its sales support business. We will strive to recover our investments through these efforts.