

HEROZ

Presentation Material for FY04/2025 Q2 Financial Results

December 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.

Contents

- 1. Financial Highlights**
- 2. FY04/2025 2nd Quarter Performance (Consolidated)**
- 3. Initiatives in each business segment**
- 4. Frequently Asked Questions and Answers**

01

Financial Highlights

FY04/2025 Q2 Summary of Financial Results

- The financial results for FY04/2025 Q2 were as follows: sales amounted to 2,826 million yen (+21% YoY), EBITDA was 291 million yen (Δ 35% YoY), and operating profit was 88 million yen (Δ 65% YoY).
- Recurring revenue has been steadily increasing, leading to a rise in total sales, but, due to the following factors, operating profit fell short YoY.
 1. To drive business growth, we have strengthened various investments in new SaaS offerings such as "HEROZ ASK" and resulting in 152 million yen in upfront investments. Consequently, the cost of sales and selling, general and administrative expenses have increased.
 2. In the BtoB business, although we have increased the volume of sales activities and the number of orders has grown, delays in the start of projects and other factors resulted in a 17% YoY decrease in sales for the first half. **The sales that were delayed in being recognized are expected to be recorded from Q3.**
- **In terms of profit levels, the operating profit on a base value excluding various upfront investments in new SaaS offerings like "HEROZ ASK" and "JOINT" was 240 million yen, landing at the same level as the previous interim period.**

FY04/2025 Q2 Forecast

- **Although the progress rates for sales and various profit indicators against the full-year performance forecasts are low, they are achievable for the following reasons, and thus, the full-year performance forecasts remain unchanged.**
 1. In the BtoB business, projects with delayed recognition are expected to be recorded from Q3.
 2. This fiscal year, recruitment has been progressing smoothly, and recruitment costs were recorded in the first half, so recruitment costs are expected to be significantly reduced in the second half.
 3. Since the release of ASK in May this year, the number of customers has been steadily increasing, surpassing 100 cumulative contracted customers by October 2024, contributing to sales in the second half.
 4. Regarding AI Sakura-san, new areas such as "My Number" service counters, Phone support, and mental health by AI are being developed, leading to a steady increase in the number of active users. The decision to implement it at 38 locations of the Ministry of Land, Infrastructure, Transport and Tourism's Transport Bureaus nationwide has been made, contributing to sales in the second half (with order amounts exceeding 100 million yen).
 5. In addition to JOINT, revenue acquisition is progressing smoothly in various new businesses such as RPO and VOIQ, and profits are expected to contribute in the second half.

02

FY04/2025 2nd Quarter Performance (Consolidated)

Performance Indicators for Business Profitability

EBITDA

- EBITDA, a key performance indicator for generating cash, as an important metric, and aim to continuously enhance corporate value and shareholder value through the growth of EBITDA.
- The calculation: Operating Profit + 107 million yen (Depreciation) + 17 million yen (Stock Compensation) + 75 million yen (Goodwill Amortization) + 1 million yen (Deposit Amortization)
- Amortization Period, Goodwill Balance, etc.
 - For investments in machine learning servers, use a 5-year lifespan and the declining balance method.
 - Goodwill Balance and Annual Amortization Amount (Q2)

Vario Secure	1,030 million yen	(Annual Amortization 85 million yen)
AI Squared	252 million yen	(Annual Amortization 22 million yen)
Tifana.com	627 million yen	(Annual Amortization 43 million yen)
VOIQ	40 million yen	(Annual Amortization 8 million yen)

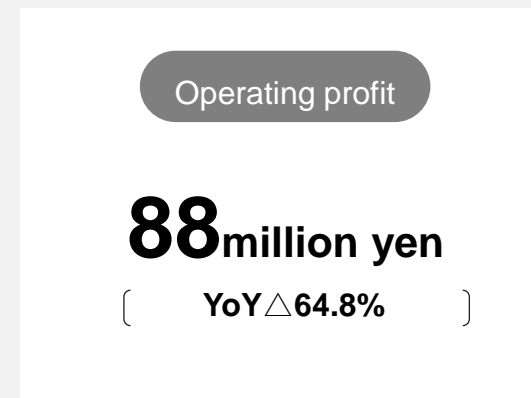
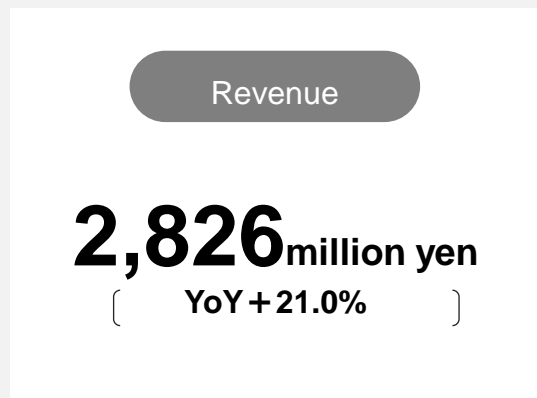
 - ※ Tifana.com is expected to generate additional goodwill in the future.

Performance Indicators for AI SaaS Business

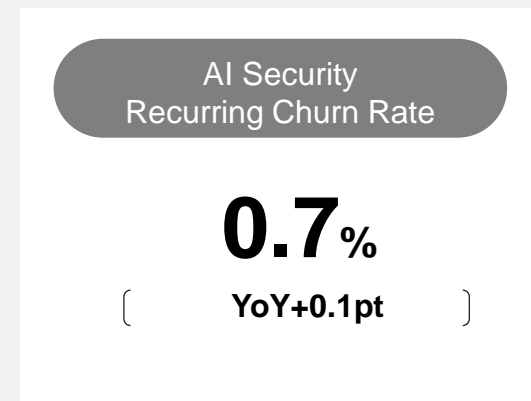
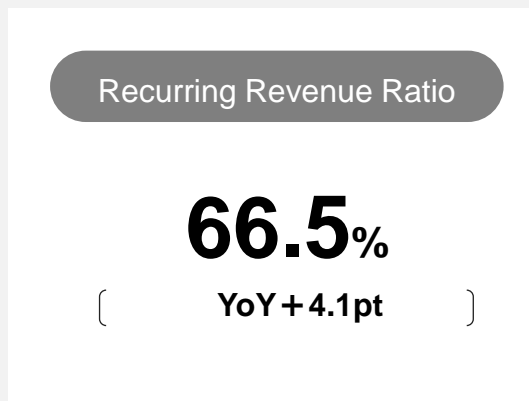
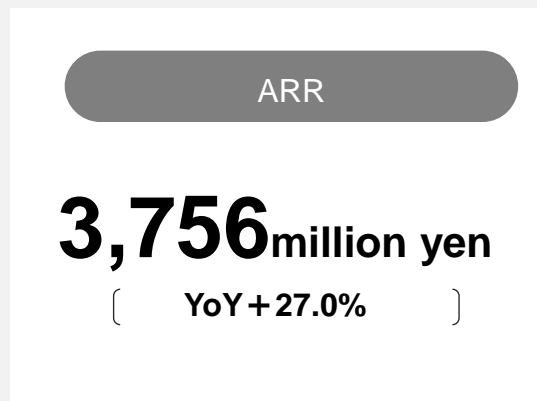
ARR
Recurring Revenue Ratio
Churn rate

- Committed to the SaaS business under the theme of "AI SaaS," and we aim to address more general challenges.
- In our SaaS business model, we will focus on the following important indicators as a priority in our management approach.
- ARR (Annual Recurring Revenue)
Key indicators essential for understanding the growth and profitability of the SaaS business:
Estimated as 12 times the last month of the quarter
- Recurring Revenue Ratio
Indicator that shows recurring revenue, which can be regularly recorded as sales each month.
- Churn Rate
To demonstrate the stability of the above recurring revenue, the churn rate of existing customers is an important indicator.

HEROZ Group Consolidated



AI SaaS KPI



* Recurring revenue includes the sum of HEROZ's BtoB continuous revenue, BtoC subscription revenue, Vario Secure's managed security service revenue, StrategIT's subscription revenue and maintenance costs, AI Square's package revenue, Tifana.com's "AI Sakura-san" usage fees, and VOIQ's revenue for the quarter.

** The recurring churn rate refers to the cancellation rate of managed security services in the AI Security service.

FY04/2025 Q2 Performance Summary

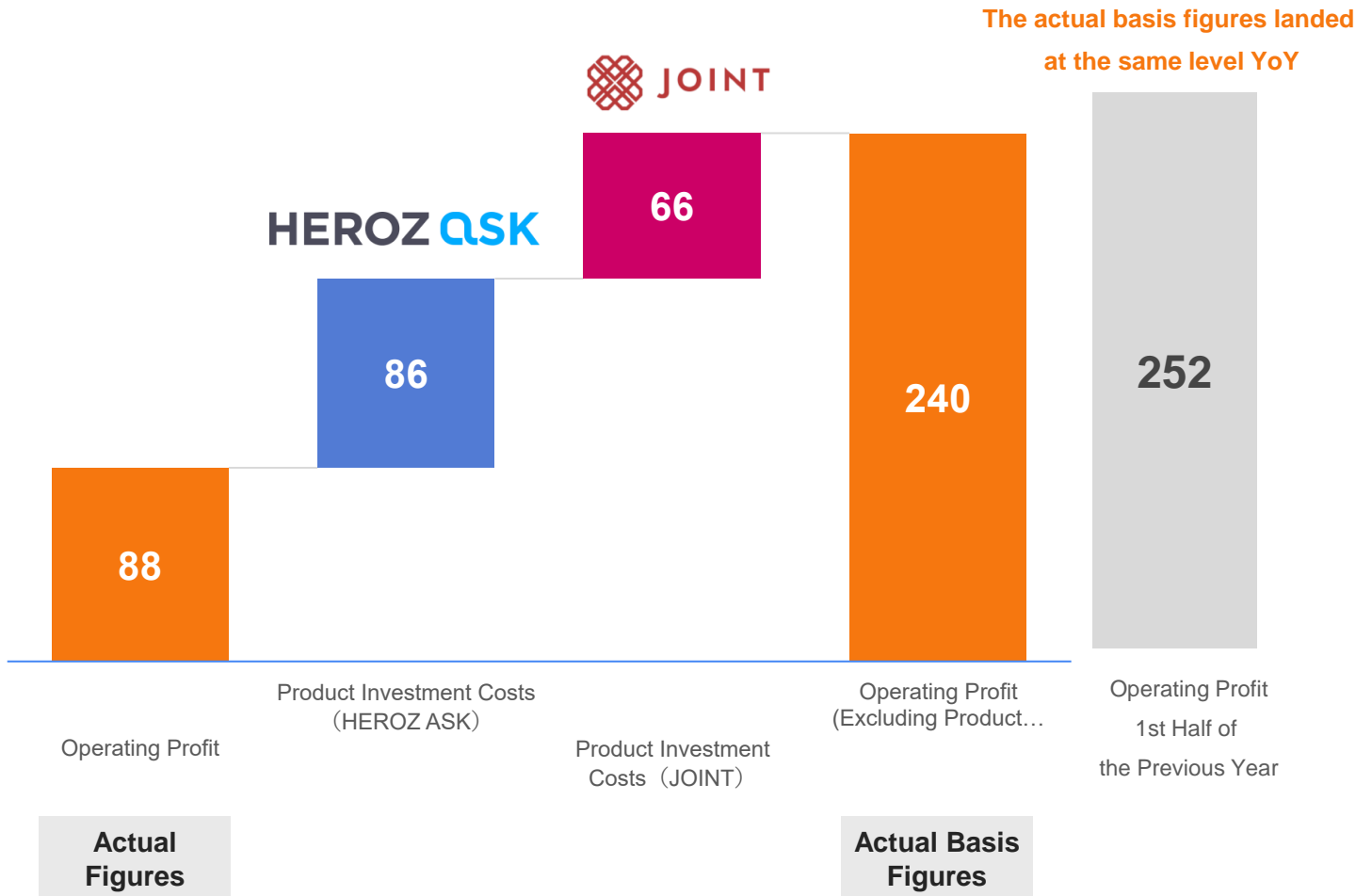
- Revenue continues to grow, driven by double-digit growth primarily in the BtoC business, along with contributions to profit and loss from Tifana.com, which was integrated into the group in March 2024.
- On the other hand, delays in revenue recognition in the BtoB business and accelerated investments in SaaS-related products have resulted in a decline in EBITDA and operating profit.

(Unit: Million Yen)	FY04/2025 Q2 (Consolidated)	FY04/2025 Q2 (Consolidated)	YoY	Full-year Forecast (Published 6/2024)	Forecast Progress Rate
Revenue	2,335	2,826	+21.0%	6,000	47.1%
EBITDA	449	291	△35.2%	1,000	29.1%
Operating profit	252	88	△64.8%	500	17.8%
Ordinary Profit	212	49	△76.8%	450	11.0%
Net Income Owners of the Parent	△30	△ 118	—	30	—

Full-Year Progress: Landing at an operating profit of 240 million yen on an actual basis.

- Actual operating profit was 88 million yen, with an actual basis operating profit landing at 240 million yen.
- Investments in "HEROZ ASK" and "JOINT" progressed faster than budgeted due to early exhibitions and recruitment. To continue strategically advance investments while balancing profit recovery and growth.

(Unit: Million Yen)



- Investments in marketing and personnel expenses for new SaaS offerings like "HEROZ ASK" and "JOINT" have progressed ahead of schedule, resulting in an operating profit of 240 million yen on an actual basis.
- Going forward, we will actively continue investing in necessary areas while committing to converting these into revenue and business growth.

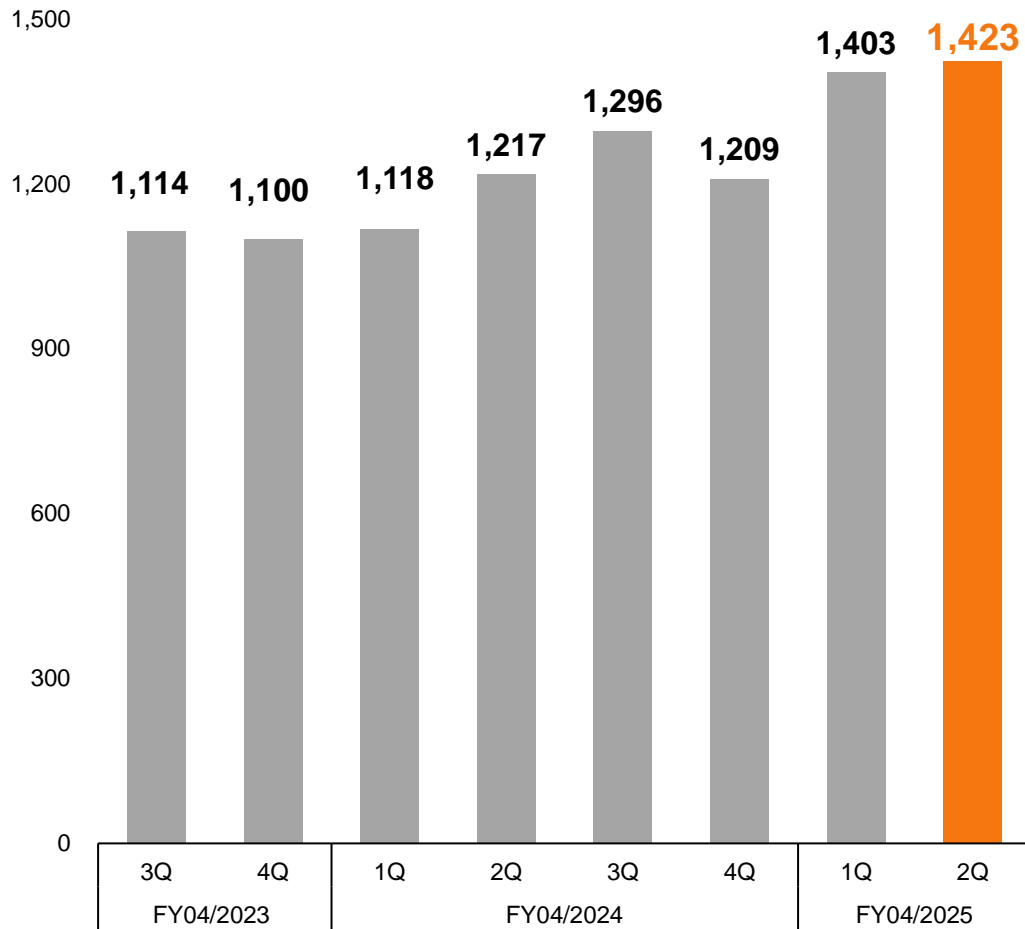
Breakdown of Product Investment Expenses

- 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

Trends in KPIs (Quarterly)

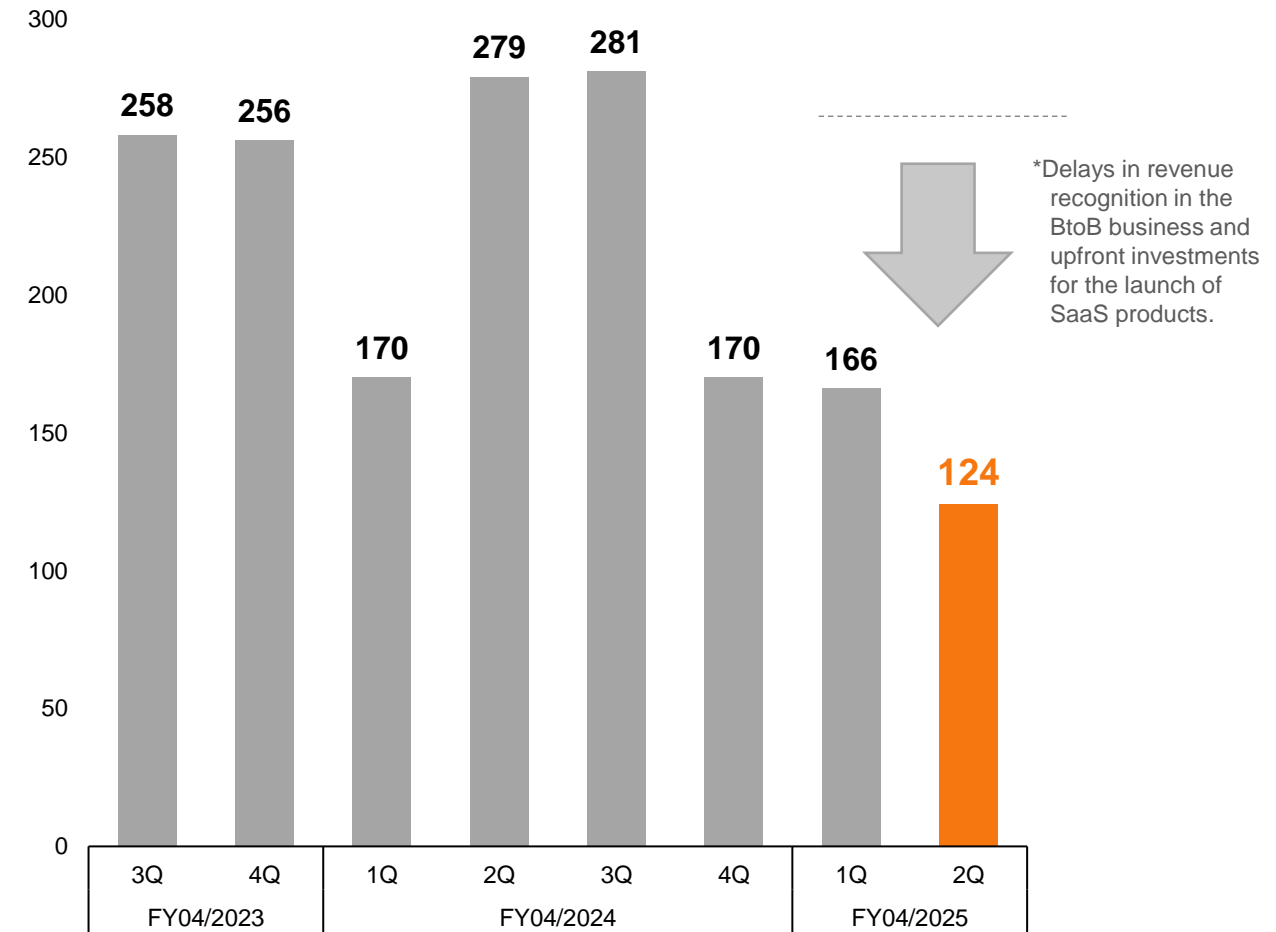
Revenue Trends

(Unit: Million Yen)



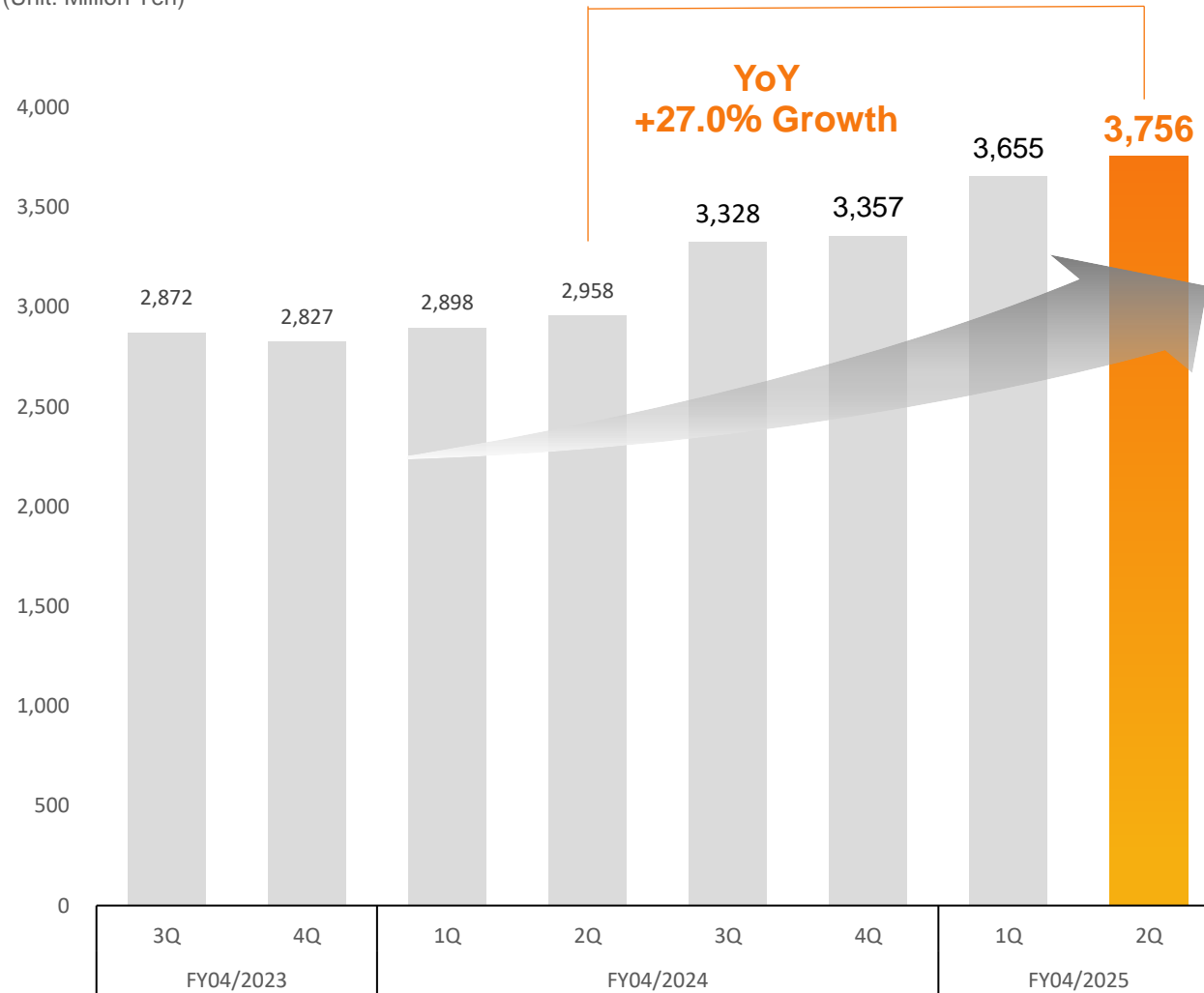
EBITDA Trends

(Unit: Million Yen)



ARR Trends

(Unit: Million Yen)



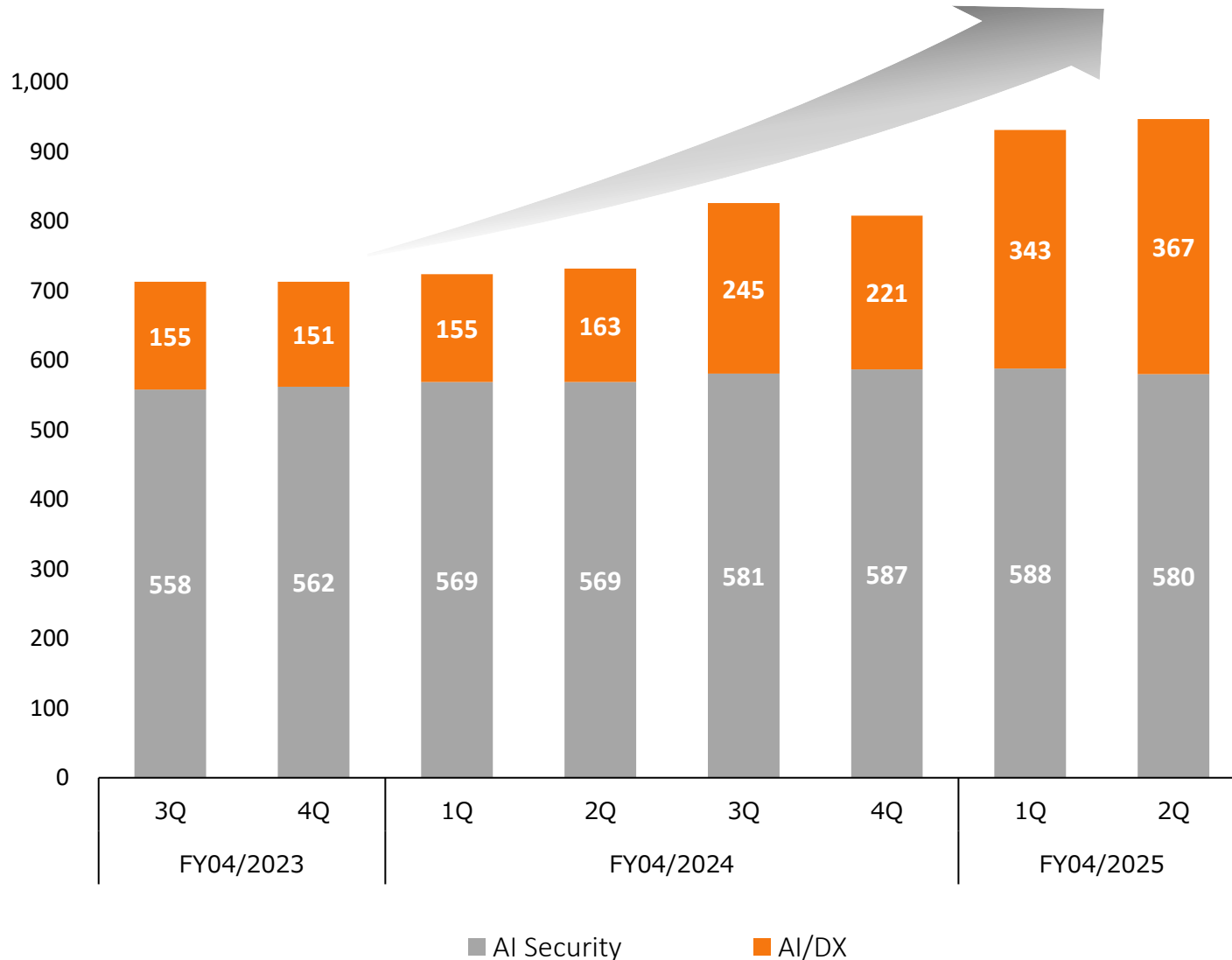
Significant growth of ARR

YoY+27.0%
Group total ARR 3,756million yen

- Recurring revenue includes BtoC and BtoB subscription sales in the AI/DX business, BtoB continuous sales, continuous sales from AI Square Co., continuous sales from Tifana.Com (AI Sakura-san), sales support revenue from VOIQ, and management security service revenue in the AI Security business.
- FY04/2025 Q2, With the addition of new SaaS-related revenue and revenue from VOIQ, ARR exceeded 3.7 billion yen, achieving a 27.0% increase compared to the same period last year.

Recurring Revenue: Significantly increased due to new SaaS and M&A effects, aiming for further expansion in the future.

Recurring Revenue Trends (Quarterly)



AI/DX Recurring Revenue

- Breakdown of recurring revenue is as follows:
 - Shogi Wars-related Subscriptions
 - BtoB Continuous Contracts/Subscriptions
 - AI Square Package Revenue
 - AI Sakura-san Usage Fees
 - VOIQ Sales Support Revenue
- At Q2, in addition to the increase in recurring revenue from new SaaS and AI Sakura-san, the integration of VOIQ's revenue contributed to further growth.

AI Security Recurring Revenue

- This is Vario Secure's managed security service, which boasts the No.1 market share and a low churn rate in Japan as a firewall-type security service for small and medium-sized businesses.
- To expand in the zero trust security domain, "Vario Ultimate Zero" has been newly launched. It is expected to be a key service, contributing to the growth of recurring revenue in the future.

SG&A Expenses Trends (Consolidated)

- Continue to focus on cost control for SG&A expenses .
- While controlling corporate department costs, active investments in personnel and advertising expenses for SaaS-related areas like HEROZ ASK and JOINT led to an increase in these costs. As a result, the total organic SG&A expenses for the second quarter increased by 9.3% YoY.

(Unit: Million Yen)



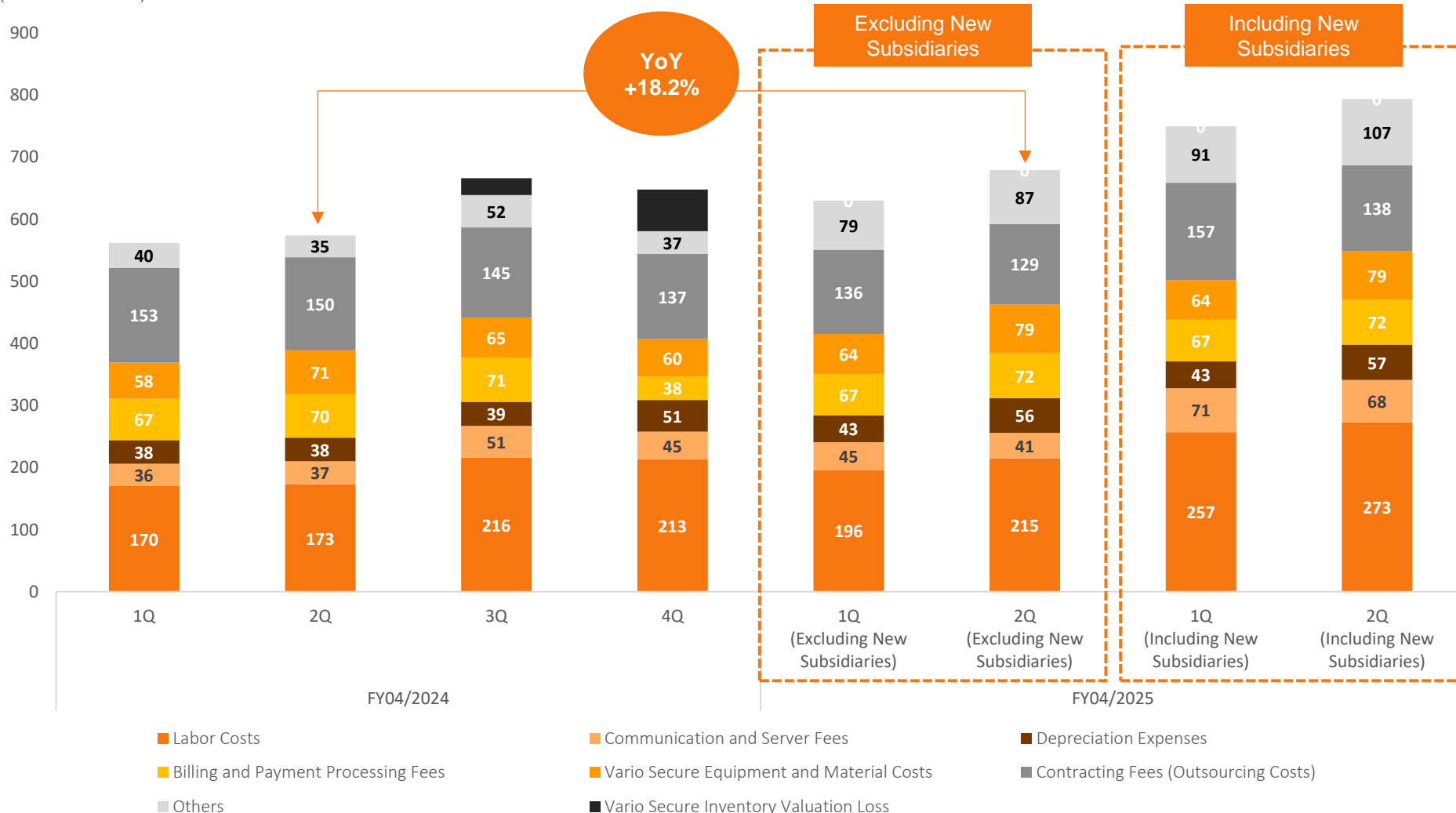
Implementing Strategic Investments

- To expand new SaaS offerings like ASK and JOINT, we made active investments, leading to an increase in advertising and personnel expenses compared to the same period last year.
- However, excluding the impact of new investments and M&A, these expenses remained nearly flat, reflecting our strategic investment approach.
- Going forward, we will continue to actively invest in SaaS and other areas while focusing on proper cost control and converting upfront investments into revenue.

Cost of Sales Trends (Consolidated)

- To drive revenue growth, we continue to actively hire, focusing on engineering and business roles in the BtoB sector. This has led to a steady increase in staff, resulting in an 18.2% increase in the total cost of sales for Q2 compared to the same period last year.
- Meanwhile, outsourcing costs were appropriately controlled, showing a decrease of approximately 14% YoY.

(Unit: Million Yen)



Increase in line with revenue growth

- To achieve performance growth, we plan to actively invest in human resources, leading to an increase in labor costs within the cost of sales across the group.
- On the other hand, outsourcing expenses decreased by about 14% year-over-year, reflecting our efforts in internalizing operations and implementing effective cost control.
- There were no inventory valuation losses recorded for Vario Secure in the first half of the year.

Performance by Segment : FY04/2025 Q2

- In the AI/DX business, while there were delays in revenue recognition in the BtoB sector, stable growth in the BtoC sector and the effects of new M&A led to continued revenue growth. Tifana.com joined the AI/DX business in Q1, and VOIQ from the sales support sector joined in Q2.
- Similarly, the AI Security business maintained a high EBITDA margin of 38.1%, demonstrating strong profitability.

		FY04/2025 Q2 (Consolidated)	FY04/2025 Q2 (Consolidated)	YoY	YoY (HEROZ Only)
<small>(Unit: Million Yen)</small>					
AI/DX	Revenue	1,038	1,472	+41.7%	+4.4%
	Segment Profit	321	261	△18.8%	-
	EBITDA	390	364	△6.7%	-
	EBITDA margin	37.6%	24.7%	△12.9pt	-
AI Security	Revenue	1,306	1,354	+3.7%	-
	Segment Profit	431	416	△3.5%	-
	EBITDA	560	516	△7.8%	-
	EBITDA margin	42.9%	38.1%	△4.8pt	-
Segment profit adjustment amount^{※1}		△501	△589	-	-

※1 The segment profit adjustment amount of △5.89 billion yen is accounted for as corporate expenses not allocated to each segment.

- This segment is responsible for BtoC focused on Shogi Wars, BtoB providing AI solutions to customers, JOINT-related business of Strategit, services in the contact center domain by AI Square, and AI business of Tifana.com.
- From the second quarter, VOIQ has also been added to this segment, aiming to expand the business through the social implementation of AI and the promotion of AIX.

(Unit: Million Yen)	FY04/2025 Q2	
Revenue	1,472	Recurring Revenue Ratio 48.3%
Ordinary Profit	261	Ordinary Profit Ratio 17.7%
EBITDA	364	EBITDA margin 24.7%

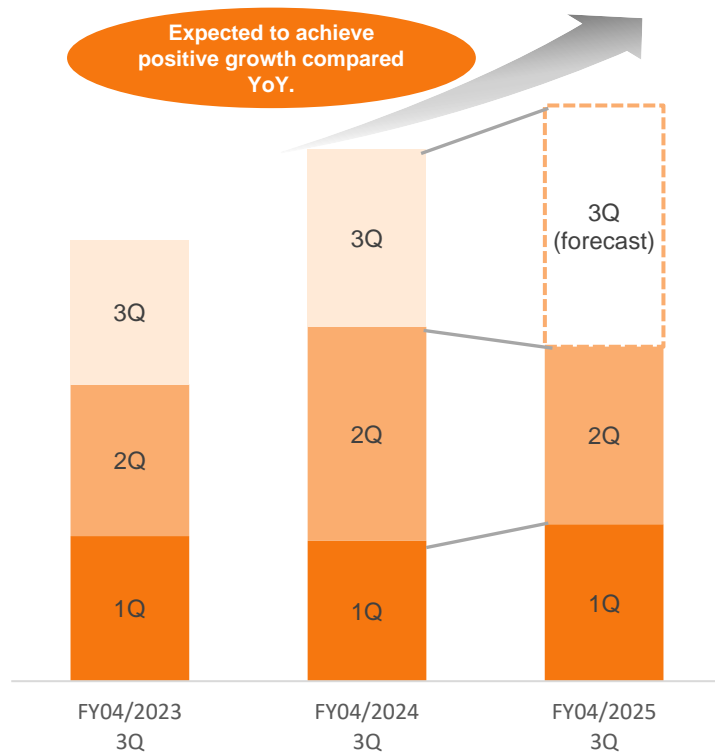
Big growth through organic means and M&A activities.

- Revenue related to Shogi Wars continues to grow, supported by high network externalities and increased attention to shogi. In the second quarter, initiatives aligned with the Japan Shogi Association's 100th anniversary were implemented, strengthening collaboration with the association. In November, a new service called "Season Pass" was also released.
- In HEROZ's BtoB business, the number of acquired projects in the first half increased by 16.8% compared to the previous year, with revenue expected to be recorded from the third quarter onward. Contributions from new SaaS and usage fees from "AI Sakura-san" have continued to grow the recurring revenue ratio.
- Going forward, the provision of SaaS products "HEROZ ASK" and "JOINT" will further expand recurring revenue.

AI/DX Segment: HEROZ's BtoB expects further expansion in the second half due to an increase in the number of projects and other factors.

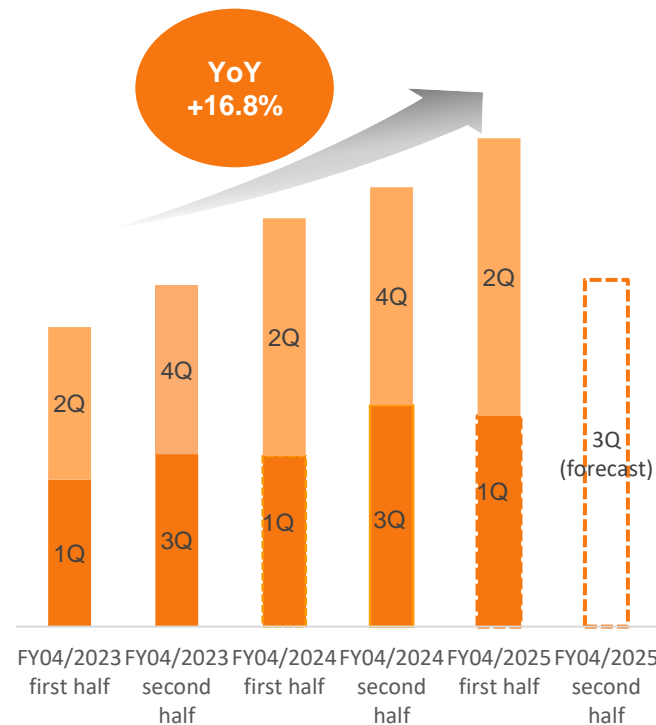
HEROZ BtoB Revenue Trends

- Despite being below the same period last year due to discrepancies in project start times and other factors, there was a 13.2% growth QonQ, with revenue gradually expanding.
- Active projects, including large ones, are on the rise, and the cumulative sales for the third quarter are expected to show positive growth compared to the previous year.



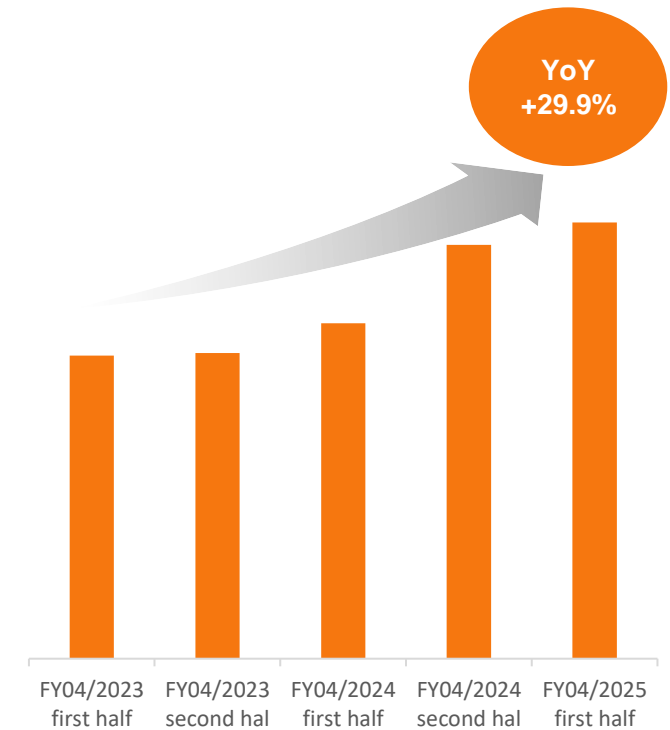
BtoB Number of Active Projects Quarterly

- The number of active projects quarterly continues to increase steadily, with the second quarter of this year achieving a 16.8% growth compared to the same period last year.
- There are many prospective projects from the third quarter onward, and an increase in active projects and improvement in the utilization rate are anticipated.



BtoB Average Number of Personnel Quarterly

- We have continued to actively increase staff, focusing on business and engineering positions, resulting in an average personnel growth of approximately 30% compared to the same period last year for the first half.
- Moving forward, we will work on optimizing assignments and operations to translate this increase in personnel into revenue generation.



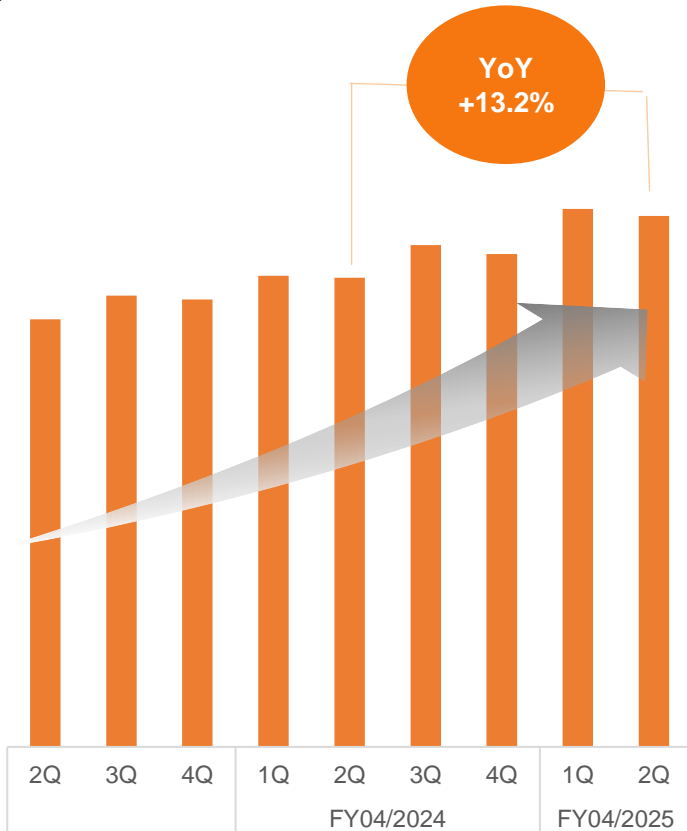
※The forecast for Q3 is subject to change, including future periods.

※The average number of active projects each quarter is calculated based on the projects that were operational each month.
 ※The forecast for Q3 is subject to change, including future periods

- The BtoC boasts overwhelming network externalities in offerings like Shogi Wars, achieving double-digit growth again in the second quarter.
- In November 2024, a new service called "Season Pass" was released, and efforts to maximize the number of shogi players will continue through enhanced content and updates.

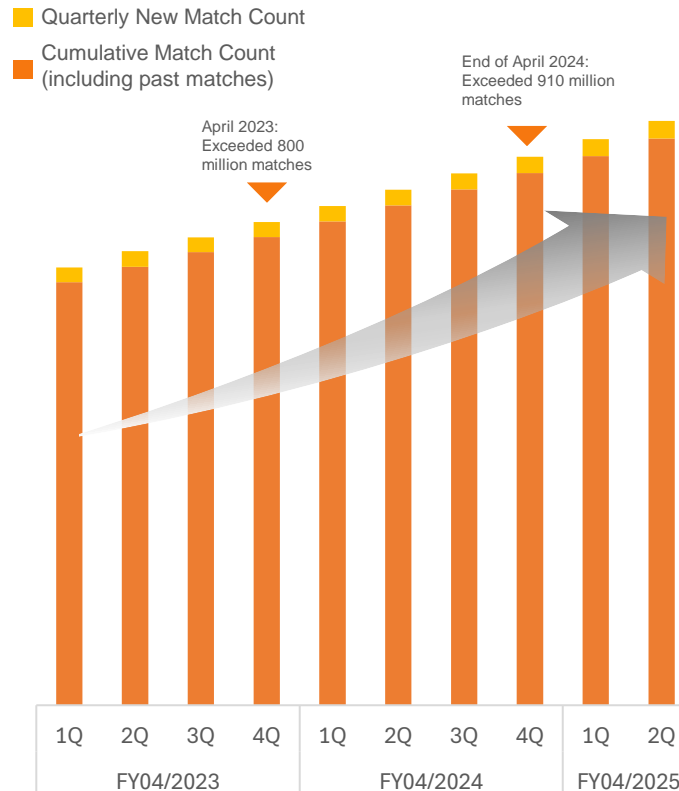
BtoC Revenue Trends

- In the second quarter of this fiscal year, despite the impact of the discontinuation of the browser version service, growth was still achieved.



The number of matches in Shogi Wars is accelerating further.

- Even with the effects of ending the browser version, the number of matches in Shogi Wars has recently accelerated further.



A new service, "Season Pass," has been released.

- In Q2, the Japan Shogi Association celebrated its 100th anniversary, strengthening its relationship with us through activities such as offering a "Habu 9-dan Avatar" as a commemorative gift and hosting events in the "Tatsujin Battle."
- On "Shogi Day" in November 2024, we released a new service called "Season Pass." By encouraging users to complete missions and level up each season, we aim to increase membership as well as the number of matches and active users.
- Two of our engineers achieved first and second place at the "5th World Shogi AI Denryusen Main Tournament," held from November 30 to December 1, 2024, under the auspices of the Minister of Education, Culture, Sports, Science and Technology.



※Figures prior to the fiscal year ending April 2024 have been adjusted for the impact of changes in accounting standards

- This segment involves implementing HEROZ Group's AI into the security business operated by Vario Secure.
- The recurring revenue ratio is very high at 86.3%, enabling the development of a business capable of generating stable revenue.

(Unit: Million Yen)

	FY04/2025 Q2	
Revenue	1,354	Recurring Revenue Ratio 86.3%
Ordinary Profit	416	Ordinary Profit Ratio 30.8%
EBITDA	516	EBITDA margin 38.1 %

The recurring revenue ratio is maintained at a high level of 86.3%.

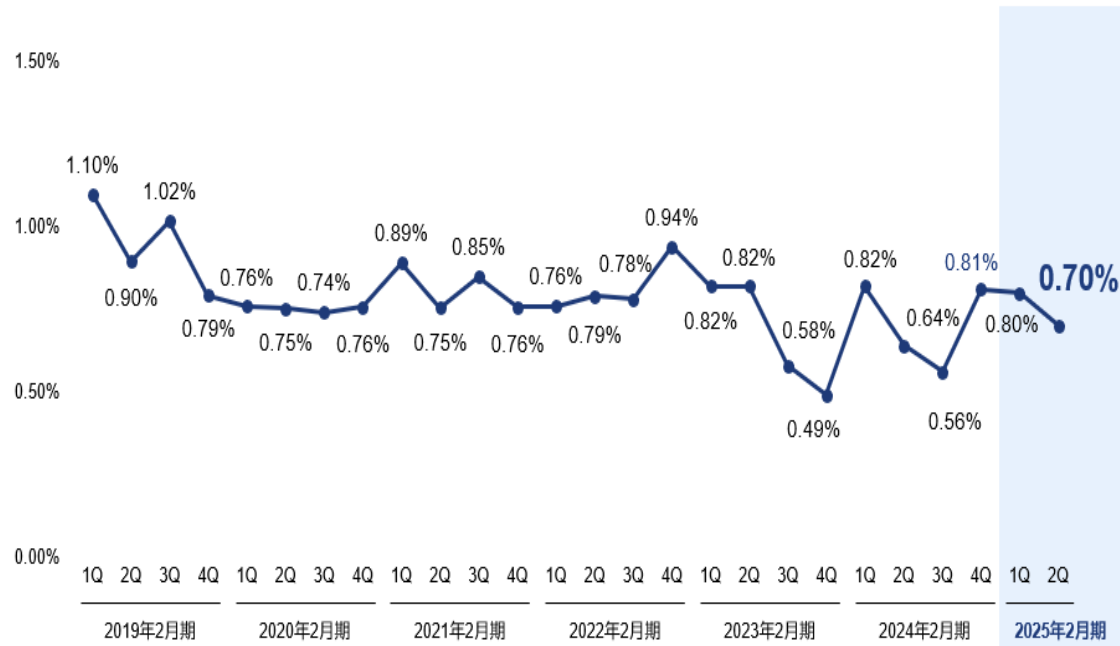
- Vario Secure's revenue has been steadily progressing in both managed security and integration services, achieving growth of about 4% compared to the same period last year.
- The recurring revenue ratio continues to remain high. In collaboration with VOIQ, the aim is to strengthen the sales foundation and expand "Vario Ultimate ZERO."
- Operating profit is planned to decrease due to growth investments based on the medium-term management policy, which include hiring personnel for service planning, engineering, and operations support, as well as increased marketing expenses. Progress is generally on track with the plan.

Managed security maintains a stable revenue base with a low cancellation rate.

Managed Security Service Cancellation Rate Trend

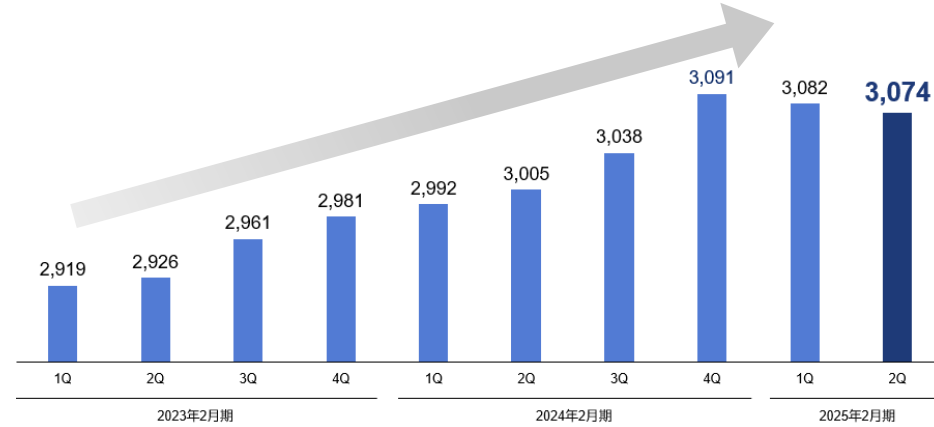
The quarterly cancellation rate consistently remains below 1%.

■ 四半期解約率の推移



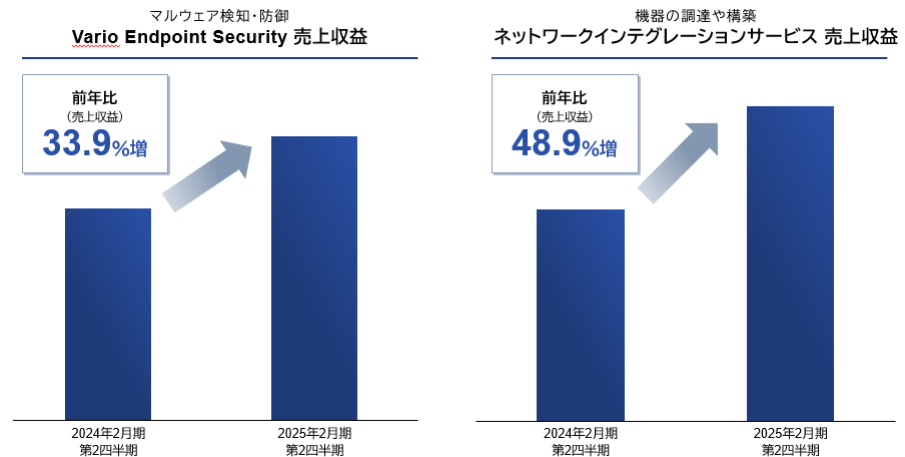
※：解約率(金額ベース) = 四半期解約金額 ÷ (各年度の期初ベース月次売上収益 × 3ヶ月)

Managed Security Service End User Number Trend (end of each quarter)



- The number of end-user companies has shown a slight decline this fiscal year, but the number of installation sites is increasing, indicating a steady long-term upward trend.
- This contributes to a stable revenue base.

Progress in Cyber Threat Solutions



- Malware protection, which detects intrusions into information devices and prevents their spread, continues to perform well.
- Other information security solutions are also experiencing significant growth.

※IFRS=International Financial Reporting Standards

Balance Sheet (End of October 2024)

- The cash and deposits we currently hold are planned to be gradually allocated to investments to realize our medium- to long-term growth strategy.
- Due to M&A activities, there is a goodwill balance of 1.9 billion yen in intangible fixed assets, which will be amortized over time.

(Unit: Million Yen)	FY2024 (Consolidated) (A)	FY04/2025 Q2 (Consolidated) (B)	Increment (B-A)
Current Assets	3,997	4,282	284
Cash and Deposits	2,738	1,979	△758
Fixed Assets	3,693	3,825	131
Tangible Fixed Assets	262	237	△24
Intangible Fixed Assets	2,547	2,653	106
Investments and Other Assets	884	934	49
Total Assets	7,691	8,108	416
Current Liabilities	1,168	1,356	188
Non-current Liabilities	1,380	1,510	130
Net Assets	5,143	5,240	97

※ Goodwill from Tifana.com and VOIQ, etc.

03

Initiatives in each business segment

'HEROZ ASK' growth in both revenue and the number of customers (In October 2024, the number of contracted customers surpassed 100)

- 'HEROZ ASK' is continuing with feature improvements, UI enhancements, and expansion activities
- In October, the cumulative number of contracted customers surpassed 100. Moving forward, the entire company is committed to expanding the business as a SaaS that promotes AIX.

Various feature improvements and additional developments

- In 'HEROZ ASK,' we are continuing to implement the following updates aimed at business expansion
 - "Implementing IP restrictions for login access
 - Addition of Claude and Gemini models (alpha version)
 - Integration with Google Drive

Continuing to enhance features at an accelerated pace as a SaaS for AIX

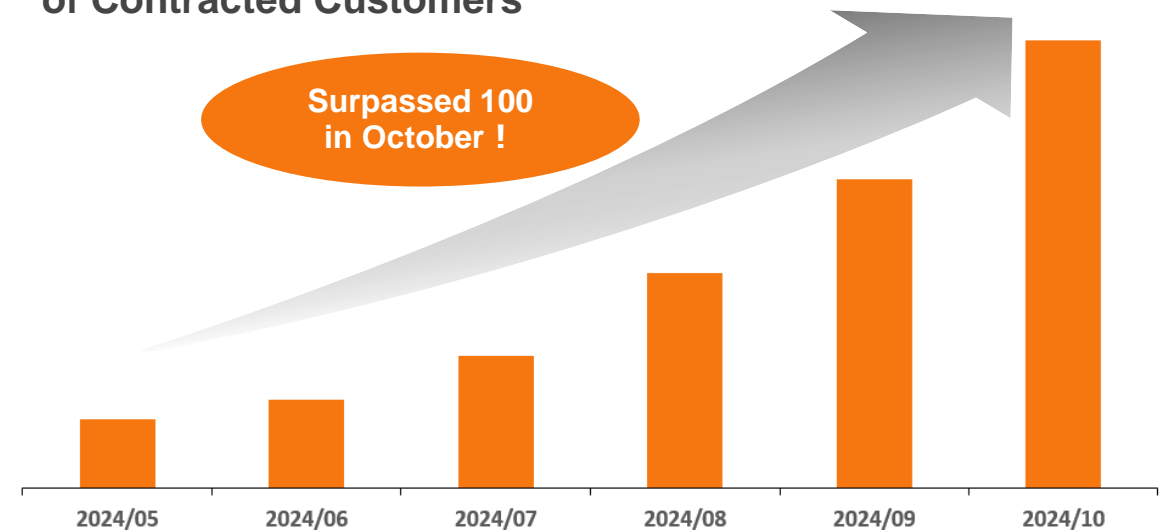
Expanding initiatives such as sales promotion strategies and participation in exhibitions

- Implementing price revisions and new options, we are working swiftly towards expanding sales
- Since October, we have participated in various exhibitions, conducted webinars, and revamped our service website. Going forward, we aim to increase lead acquisition, the number of business negotiations, and contracts

The cumulative number of contracted customers surpassed 100 in October

- Both recurring revenue and the cumulative number of contracted customers are increasing
- The cumulative number of contracted customers surpassed 100 in October**

HEROZ ASK Cumulative Number of Contracted Customers



StrategIT is expanding the number of supported SaaS with 'JOINT iPaaS for SaaS'

- In 'JOINT,' various connector developments are underway, and the number of supported SaaS surpassed 50 in October
- The projected MRR is gradually expanding, and going forward, we aim to enhance functionality and expand the business as an Embedded iPaaS

accelerating the expansion of the number of supported SaaS

- In 'JOINT iPaaS for SaaS,' we are continuously promoting connector development and other initiatives to drive business expansion
In October 2024, the number of supported SaaS surpassed 50
- Added the 'General HTTP Function' (see image below). Additionally, released the 'Joint Connector' and implemented API integrations with services like 'Money Forward Cloud.'

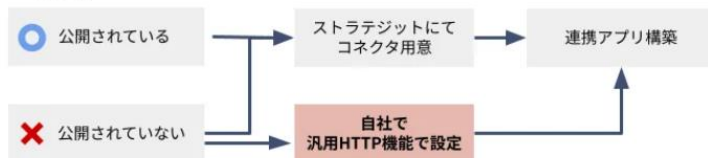
JOINT iPaaSでコネクタが対応していないAPIでも連携アプリ構築可能

コネクタ提供状況



自社プロダクトに公開APIがなくても連携アプリ構築可能

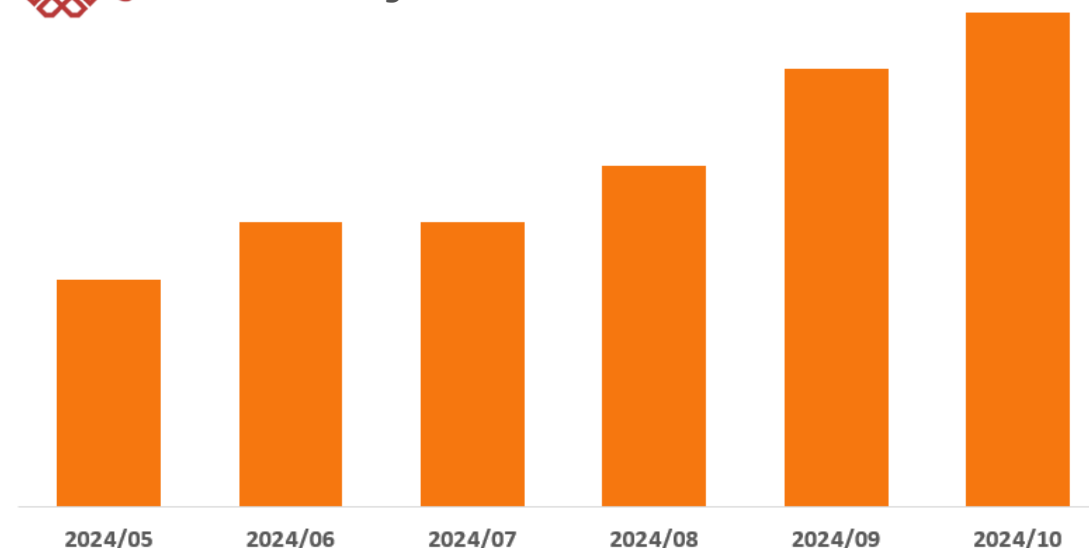
API公開状況



The projected MRR is steadily expanding

- The projected MRR, assuming service fees are incurred from the time of contract (including the free period), is steadily increasing

JOINT Projected MRR



*The projected MRR assuming service fees are incurred from the time of contract

During the second quarter, activities such as exhibition participation and webinars have also expanded

- During the second quarter, we participated in events such as the 'DX EXPO' and 'AI EXPO 2024,' and also conducted various webinars
- Both 'BtoB AI Solution' and 'HEROZ ASK' have acquired many leads, and we will continue to accelerate marketing investments and strategies to expand awareness and drive business growth

We accelerated efforts to participate in exhibitions

- **First-time participation in 'DX EXPO 2024 AUTUMN' (October)**
HEROZ and AI2 exhibited at Japan's largest DX comprehensive exhibition, acquiring many leads
- **First-time participation in FIT2024 (October)**
Participated for the first time as HEROZ in Japan's largest 'IT Fair for Financial Institutions,' organized by 'NIKKIN,' acquiring many leads in the BtoB financial sector
- **Participation in the 'AI EXPO 2024 Autumn' (November)**
Following the spring event, we exhibited at the 'AI EXPO,' acquiring many leads
- **Participation in the 'Japan Build 2024' (December)**
Continuing from the previous year, we exhibited at the 'Japan Build 2024,' acquiring many leads



Regarding VOIQ, PMI activities are accelerating, and the number of HEROZ's business negotiations has significantly increased

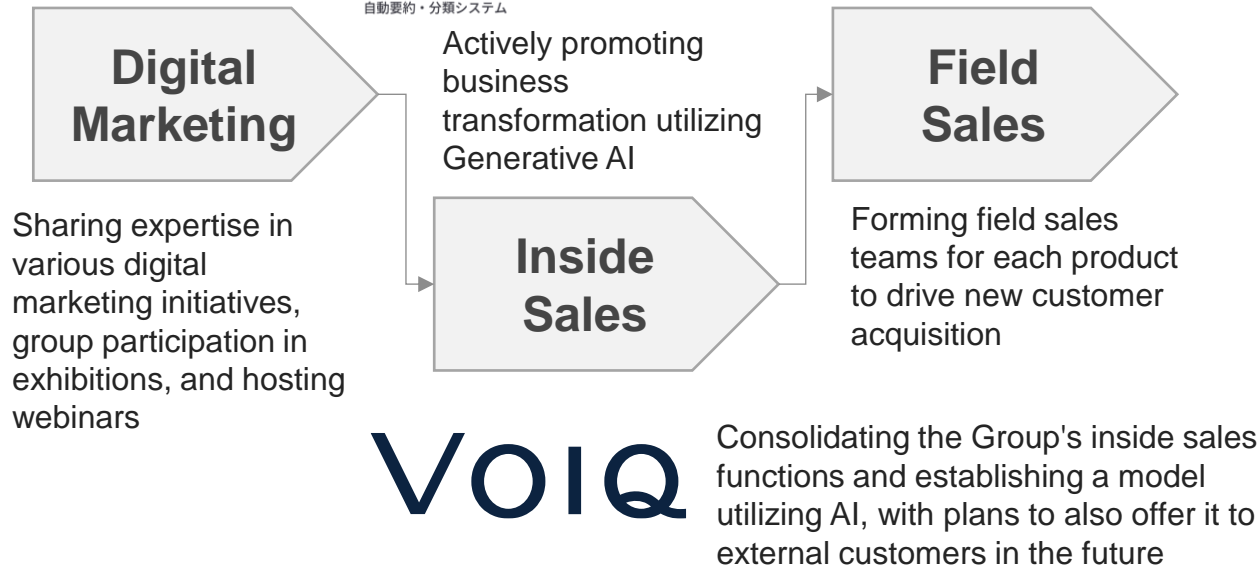
- To strengthen inside sales within the group and aim for AIX in the same field, the business was transferred to VOIQ in August 2024
- Focusing on 'HEROZ ASK' and AI solutions, we are expanding and accelerating inside sales activities within the group, leading to a significant increase in the number of business negotiations

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

HEROZ ASK JOINT AIさくらさんシリーズ

QuickSummary
自動要約・分類システム

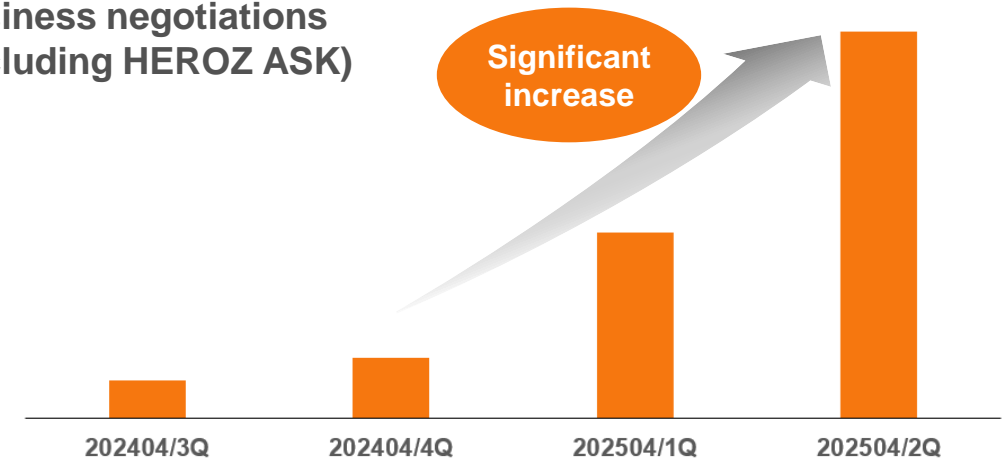
Vario Ultimate ZERO



After joining the group, the number of business negotiations has significantly increased

- After the M&A, inside sales have been focused on 'HEROZ ASK' and AI solution projects
The number of business negotiations in Q2 has significantly increased, approximately doubling from Q1
- Moving forward, we plan to further accelerate sales activities, expand further within the group, and aim to establish AI BPaaS through AI implementation in the inside sales domain

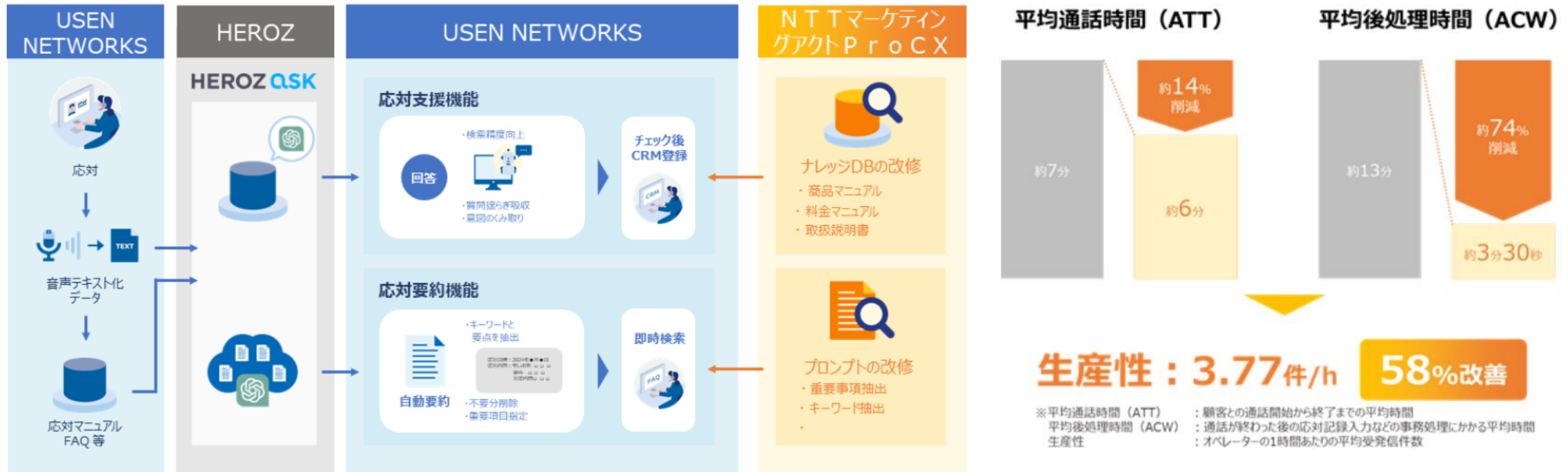
Number of HEROZ BtoB business negotiations (including HEROZ ASK)



Announcement on the Progress of the 'Next-Generation Contact Center Project'

- In the 'Next-Generation Contact Center' project, significant operational efficiency improvements were achieved in the first phase, focusing on 'Enhancing Operator Support for Productivity Improvement'
- Moving forward, we will deepen the collaboration between AI and humans in areas such as 'Advanced Management' and accelerate this project

- A project aimed at improving operator productivity was implemented at the contact center for 'USEN Hikari Plus,' provided by USEN NETWORKS
- By utilizing AI-based 'Response Support Functions,' the FAQ accuracy rate was improved to 80%, and response time was reduced by approximately 14%. The 'Response Summarization Function' automatically summarized responses, improving post-processing time by about 74%, significantly enhancing operator efficiency



The new and exciting battle board game '三國志 HEROES' is set to launch on Apple Arcade!

HEROZ

- Regarding '三國志 HEROES,' currently in joint development with Koei Tecmo Games, it has been decided to release it on Apple Arcade
- The 2020 developed '三国志ヒーローズ' has been upgraded with gameplay improvements to enhance the enjoyment of the Three Kingdoms' world.

'三國志 HEROES' is set for release!

- The turn-based battle board game '三國志 HEROES,' co-developed with Koei Tecmo Games, is set to be released on Apple Arcade in January 2025. HEROZ is providing the AI '臥龍' for this game
- In 2020, '三国志ヒーローズ,' co-developed by our company and Koei Tecmo Games, has now been upgraded and will be released on Apple Arcade as '三國志 HEROES'
- To fully enjoy the Three Kingdoms' world, efforts have been made to adjust the number of characters and game balance, creating gameplay that emphasizes the skillful arrangement of troops and movement of pieces



HEROZ and Japan Kogakuin have signed an industry-academia collaboration agreement to promote AI utilization in educational settings!

- HEROZ and Japan Kogakuin have signed an industry-academia collaboration agreement to utilize AI in educational settings and develop AI talent
- We are providing technical support and developing various products, and we aim to accelerate the development of AI talent and AI revolution

Signed an industry-academia collaboration agreement towards the AI revolution

- HEROZ and Japan Kogakuin have signed an industry-academia collaboration agreement for AI utilization in educational settings
Aiming to secure and develop future talent for the AI-native generation and to advance the AI and education industries
- With the emergence of the 'AI-native generation' in recent years, people's values are significantly transforming, making the further utilization of AI in educational settings increasingly important
- As part of this initiative, our company is advancing technical support and product development in collaboration with students, providing AI avatars as an example (see image on the right)
Moving forward, we will continue to promote the development of AI talent and the AI revolution through technical support and product development

日本工学院 × HEROZ



*AI avatar provided by HEROZ (planned to be featured in the guide app for the Hikari Acupuncture Device 'Hikarinohari')

The recurring revenue and cumulative number of contracts for AI Sakura-san are steadily increasing

- AI Sakura-san is increasingly active in new areas and fields, such as pilot projects at My Number counters and Takarazuka Station
- The cumulative number of contracts for AI Sakura-san is also steadily rising, with a major order from the Ministry of Land, Infrastructure, Transport and Tourism's Transport Bureau confirmed in August

AI Sakura-san continues to be active in various field

- AI Sakura-san is active across society, providing customer service at stations, commercial facilities, and airports, as well as offering mental care in private companies and educational committees, regardless of the field or area
- Recently, AI Sakura-san has been contributing to new areas and fields, such as the 'My Number x AI Non-Writing Counter' in Sannohe, Aomori Prefecture, and participating in pilot projects at Hankyu Takarazuka Station

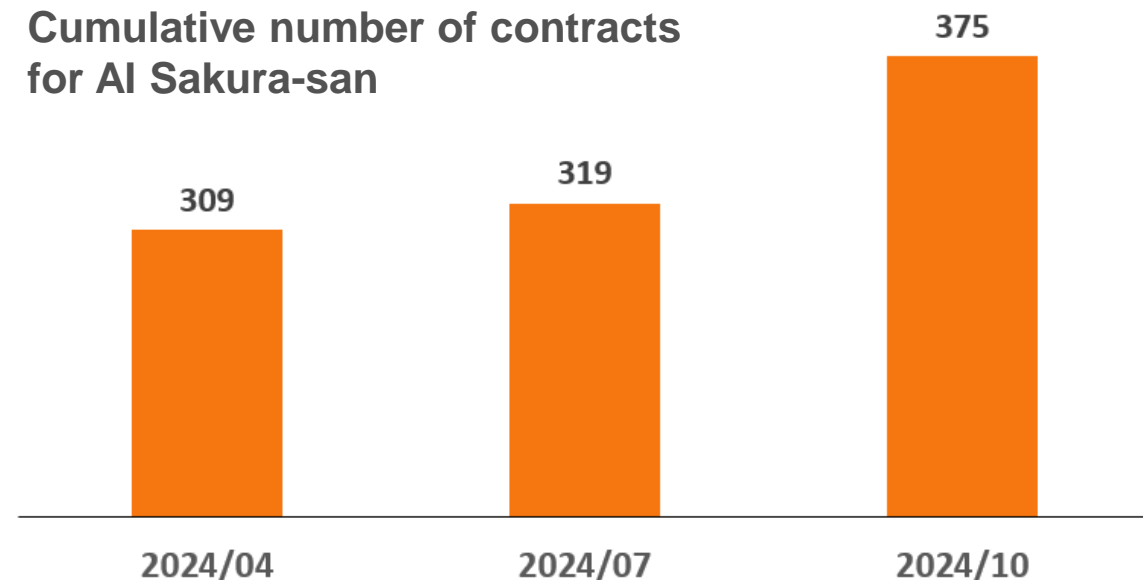


The cumulative number of contracts for AI Sakura-san is steadily increasing

- The MRR and cumulative number of contracts for AI Sakura-san are steadily increasing

In August, it was decided that AI Sakura-san would work at 38 locations of the Ministry of Land, Infrastructure, Transport and Tourism's Transport Bureau nationwide, with an order value exceeding 100 million yen

Cumulative number of contracts for AI Sakura-san



*Includes the number of contracts scheduled to be operational in the future

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

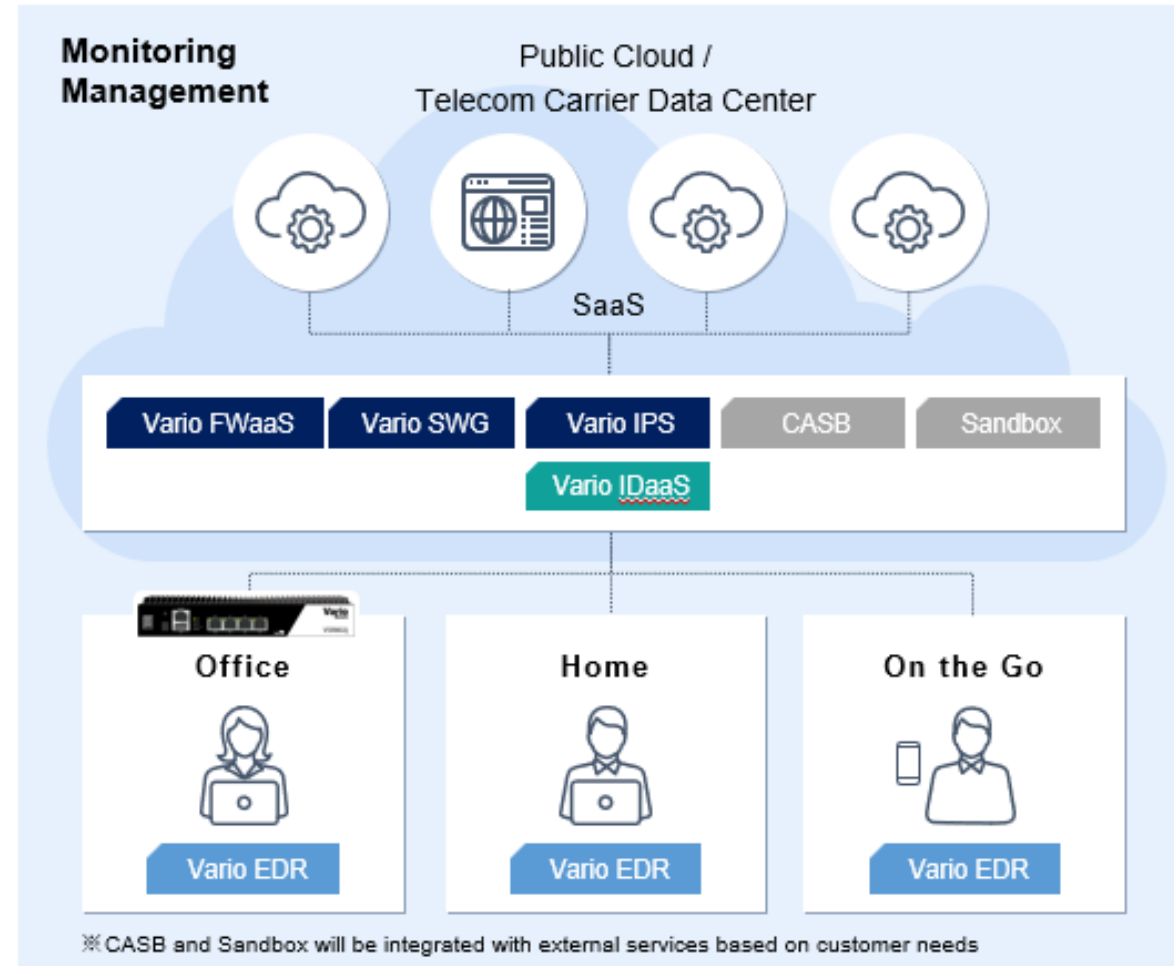


Detection and Prevention of the Latest Cyber Attacks **Existing Service**

Vario EDR

Vario EDR

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



- Began targeting industries such as 'manufacturing' and 'construction,' where the need for cybersecurity measures is increasing due to DX

Implemented lead acquisition strategies targeting the manufacturing and construction industries

Implemented lead acquisition strategies using white papers in the 'Manufacturing' and 'Construction' categories of Nikkei Cross Tech



Started accepting web applications for free trials of EDR/EPP

Began accepting web applications for a trial service that allows a 30-day free trial of 'Vario EDR/EPP'



04

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 : Overview of HEROZ's BtoB business after the end of the 1st quarter and outlook for the current term

A : Regarding HEROZ's BtoB business, as of the 1st quarter, we achieved double-digit growth with an increase of 11.7% compared to the same period last year.

Additionally, the average number of active projects per quarter increased by over 20% year-on-year

In relation to the BtoB business, there is a tendency for business negotiations and contract procedures to become prolonged due to the increase in inquiries and the diversification of project content and client companies

In the 1st quarter, many projects had their revenue recognition delayed to the second quarter and beyond due to prolonged contract procedures.

While we are working to shorten and simplify these processes, it is expected that this trend will continue to a certain extent in the second quarter and beyond

On the other hand, the number of active projects has been increasing, especially towards the latter half of the second quarter. With the receipt of large-scale projects, we expect that these will be reflected in the second half, enabling us to achieve positive growth in cumulative sales for the third quarter compared to the previous year