

# HEROZ

## Presentation Material for FY04/2024 Q3 Financial Results

March 8, 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

## FY04/2024 Third Quarter Performance Summary

- **Net sales were 3,631 million yen (+93%, YoY) ,and EBITDA was 730 million yen (+107%, YoY), and Operating Profit was 402 million yen (+106% YoY)** in three-quarter cumulative total.
- Within the AI/DX business, the **HEROZ BtoB business achieved approximately 20% YoY growth in the first half of the year. In the current third quarter, the business continued to experience a YoY revenue increase of 22.7%.** The BtoC business also showed further growth, fueled by the shogi boom.
- As for the AI Security business, the customer base has been consistently growing, and the net sales have been steadily progressing.

## Toward a shift to a business model based on AI SaaS

- On February 1st, our dedicated LLM unit released an early access (paid) version of HEROZ ASK for Enterprise, an AI assistant that uses generative AI to lead businesses. Based on feedback from trial users of the closed beta version, significant improvements have been made to the user interface and security aspects of the product.
- On February 5th, StrategIT released a paid version of their SaaS integration app called "JOINT iPaaS for SaaS," which is designed specifically for SaaS vendors. StrategIT, Inc. is also transitioning its business model towards a stock-based revenue model.

## Revision of Full-Year Earnings Forecast

- In addition to the steady progress in performance, our company has announced a revision in the full-year performance forecast due to the consolidation of A.I. Squared, Inc. as a subsidiary and the recognition of a one-time impairment loss on the shares of VarioSecure, Inc., along with the corresponding lump-sum depreciation (special loss).
- We aim for a **net sales of 4.85 billion yen (up 1.0% from the initial forecast), EBITDA of 920 million yen (up 15.0% from the initial forecast), and operating profit of 450 million yen (up 12.5% from the initial forecast).**
- Regarding A.I. Squared, Inc.'s profit and loss statement, it will include five months' worth of data for the full year (three months in the third quarter and two months in the fourth quarter).

# 02



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

## Performance Indicators for Business Profitability

EBITDA

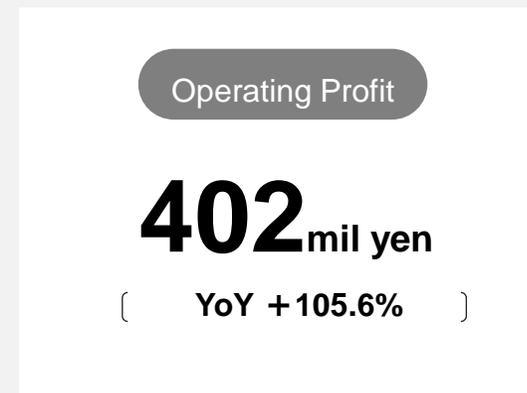
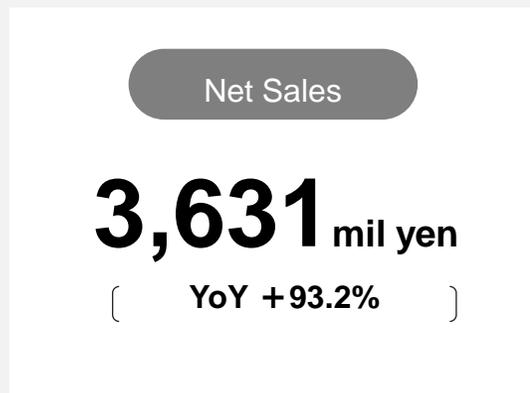
- We have set EBITDA, a measure of cash generation, as a key performance indicator and aim to sustainably increase corporate and share value through EBITDA growth.
- Formula: Operating profit + amortization and other non-cash expenses (amortization of goodwill, security deposits, stock compensation expense, loss on revaluation of inventories, etc.)
- 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. 9 years (219 million yen)
    - A.I. Squared, Inc. 12 years (273 million yen)

## Performance Indicators for AI SaaS Business

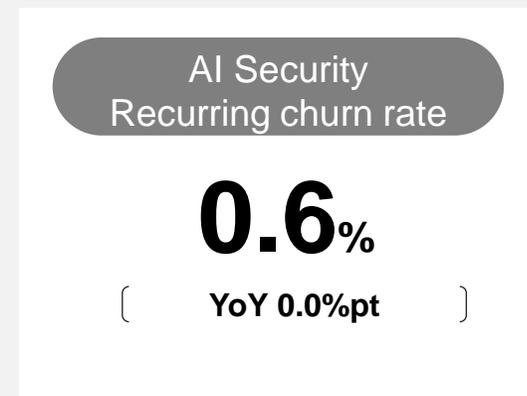
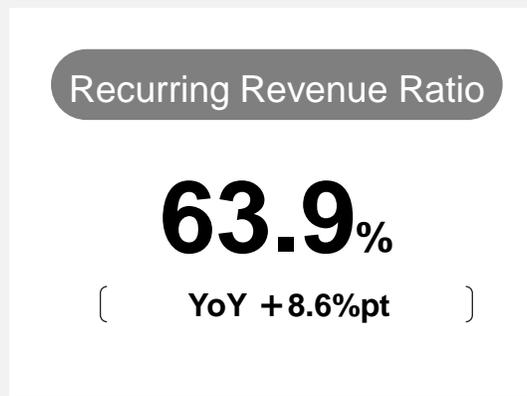
ARR  
Recurring Revenue Ratio  
Churn rate

- 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 Q3)



## 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 StratigIT's subscription sales and maintenance sales.

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

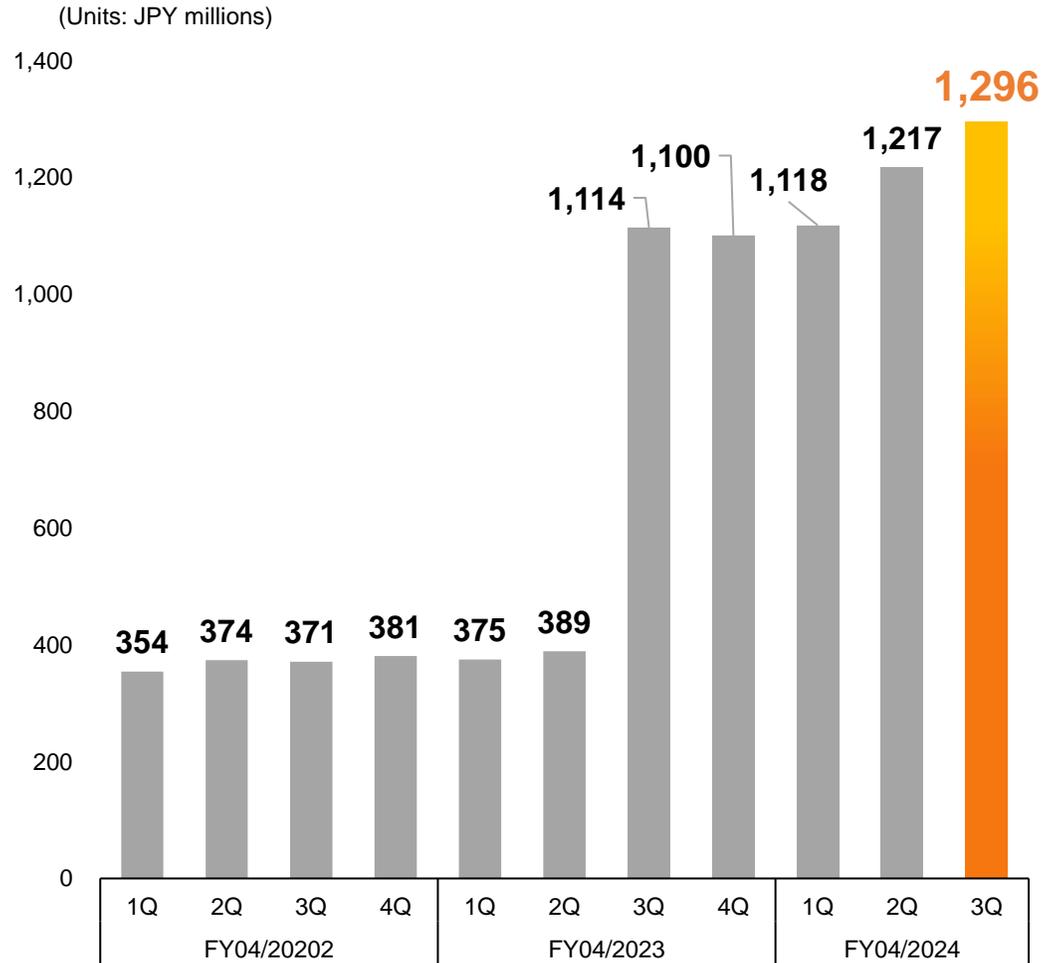
# Performance Overview (May 2023-January 2024)

- Thanks to the strengthening of our sales organization and the strong performance of Kishin Learning, both our organic BtoB and BtoC businesses have continued to experience significant growth in net sales.
- As of the current third quarter, we have incorporated the financial performance of A.I. Squared, Inc. into our consolidated results.

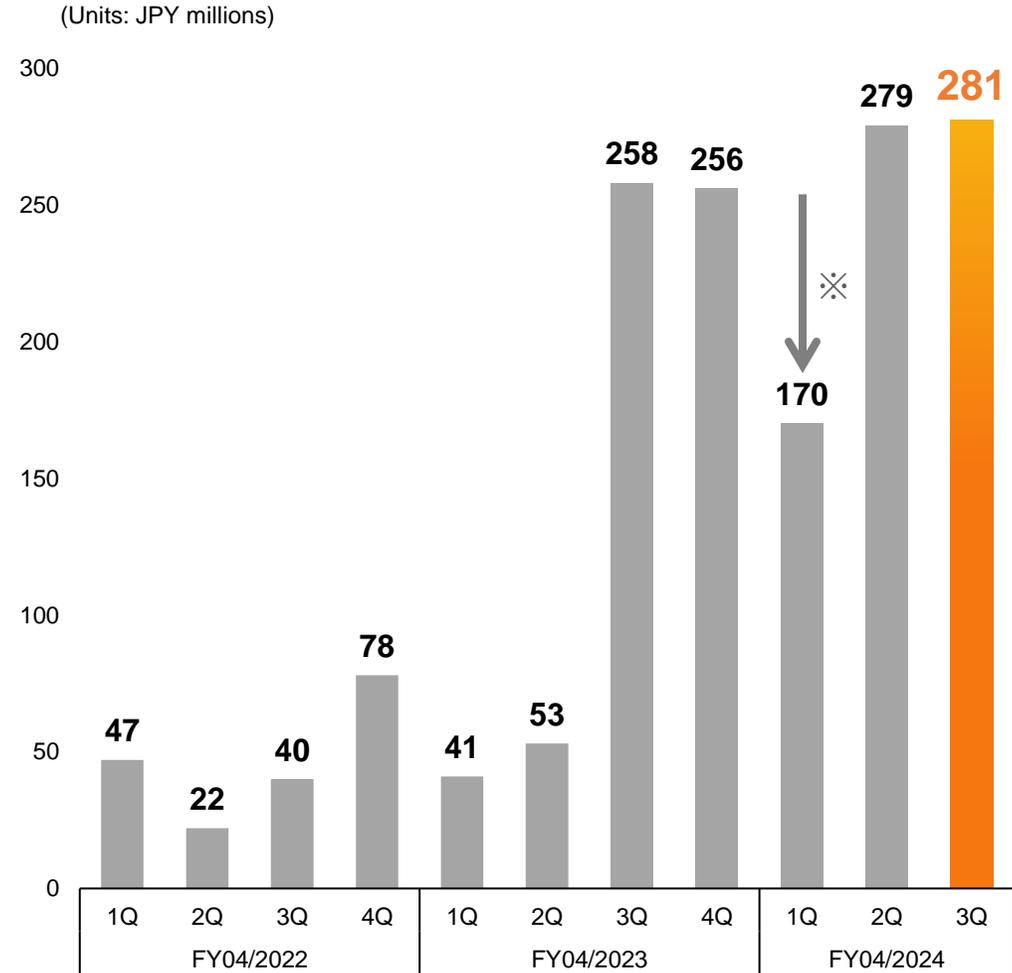
(Units: JPY millions)	FY04/2023 Q3 Results (Consolidated)	FY04/2024 Q3 Actual (Consolidated)	YoY	Initial Forecast (Announced on June 9, 2023)	Progress against Initial Forecast
<b>Net sales</b>	1,879	<b>3,631</b>	+93.2%	4,800	75.7%
<b>EBITDA</b>	352	<b>730</b>	+107.0%	800	91.3%
<b>Operating Profit</b>	195	<b>402</b>	+105.6%	400	100.7%
<b>Ordinary Profit</b>	161	<b>343</b>	+112.7%	385	89.3%
<b>Net Income (loss)</b> attributable to owners of the parent	-518	<b>-921</b>	-	30	-

# Key Performance KPIs (by Quarter)

## Net Sales



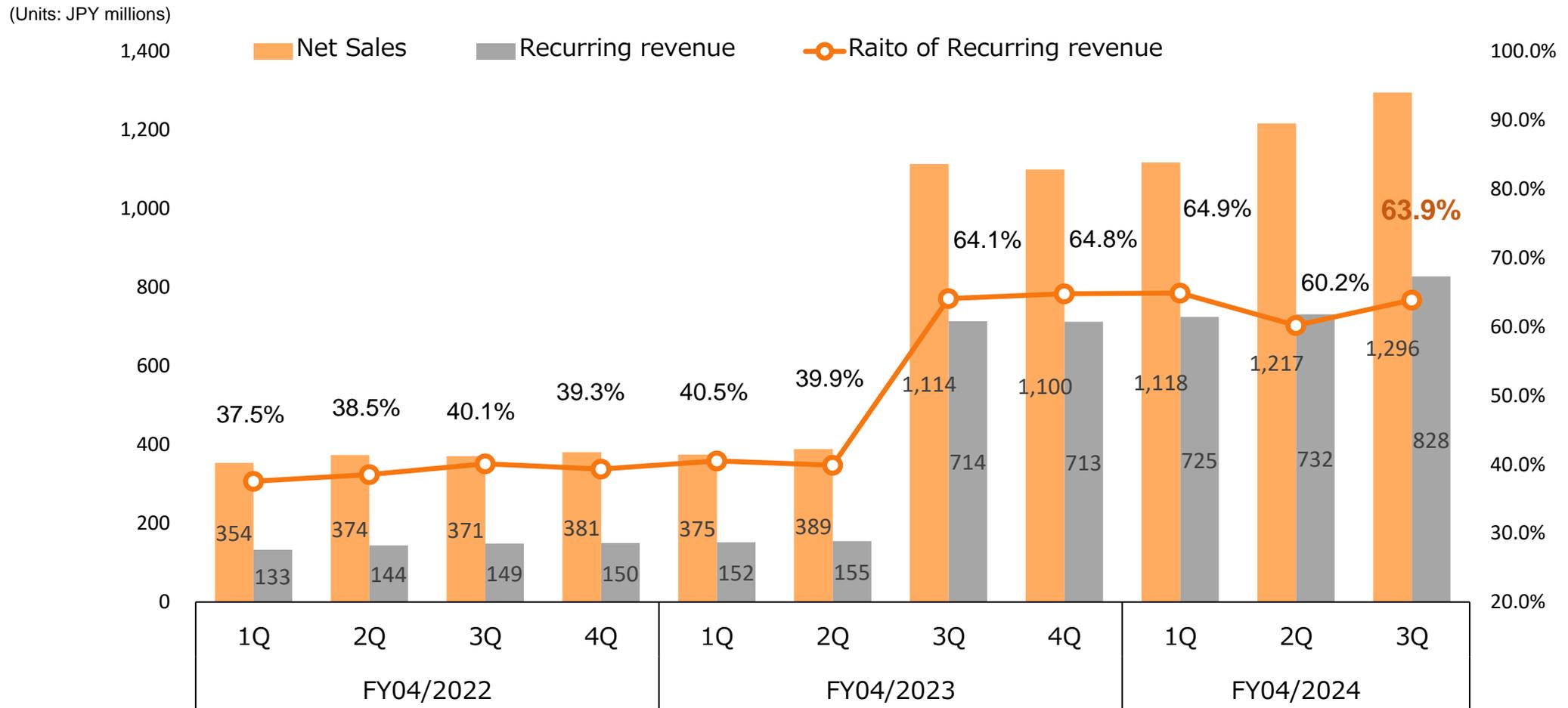
## EBITDA



※ Various investments for growth (200-300 million yen per year)

# Recurring revenue shows a continuous increasing trend.

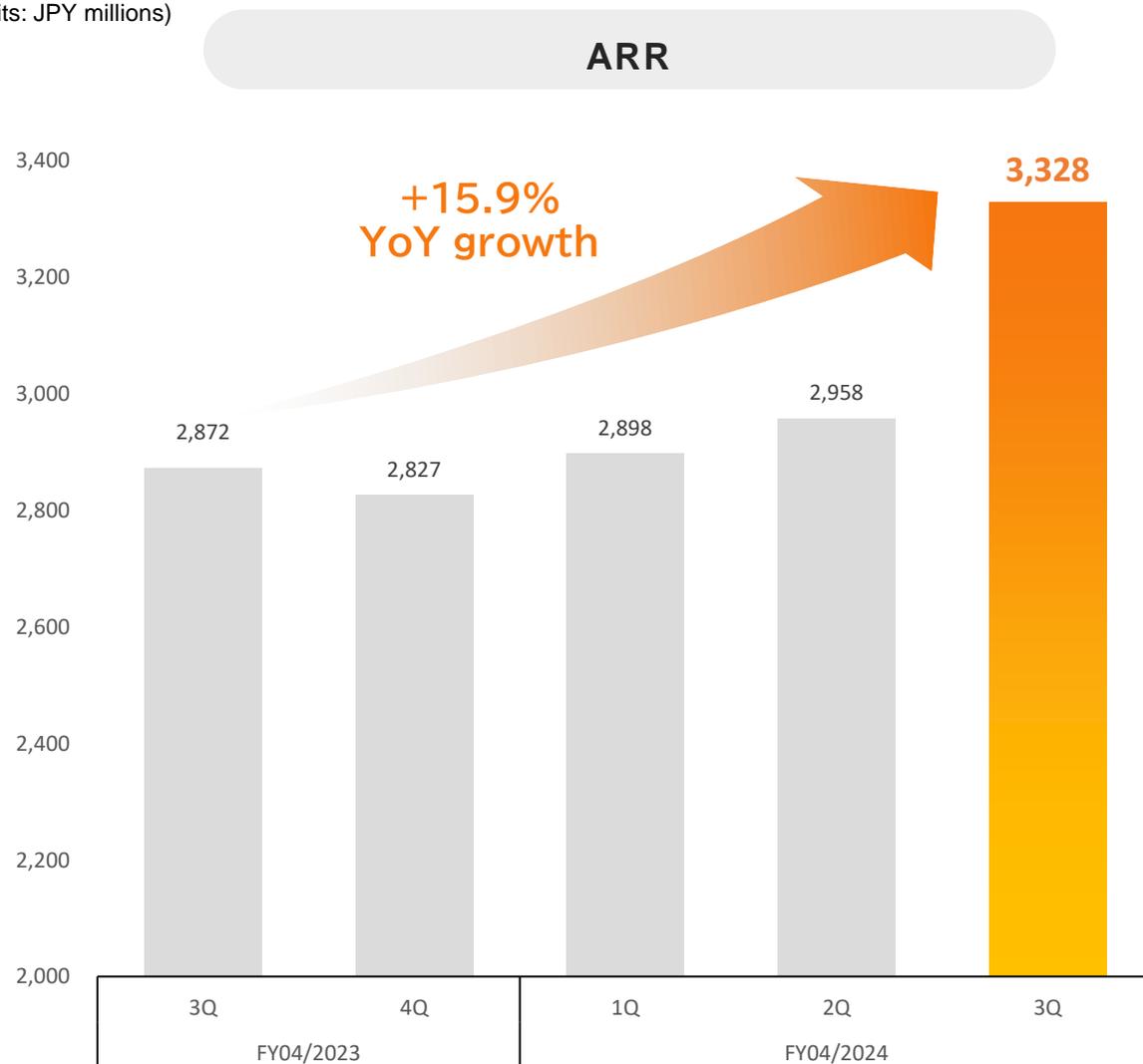
- In February, the paid versions of "HEROZ ASK" and "JOINT" were launched, and we expect a significant increase in recurring revenue in the future.
- Recurring revenue continues to show an increasing trend.



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

# ARR achieved a growth of approximately 3.3 billion yen.

(Units: JPY millions)



## ARR grows significantly

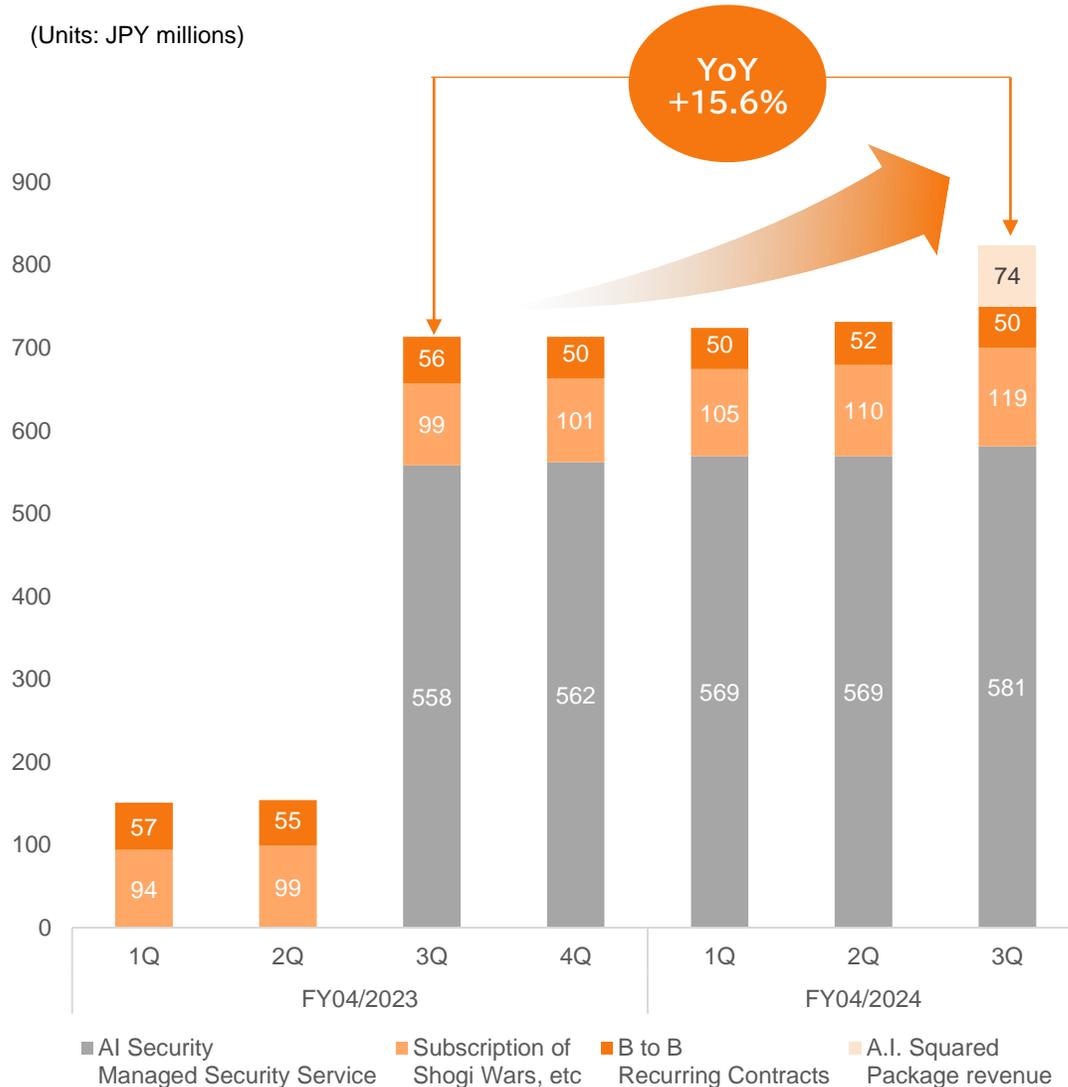
YoY growth **+15.9%**  
ARR is **3,328**mil yen

- 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 AI Square, and sales from management security services in the AI Security business.
- The growth factors include not only the sales contribution resulting from AI Square's inclusion in the consolidated group but also the strong performance of HEROZ's BtoC services such as "Shogi Wars" and "Kishin Learning."

# Recurring revenues are expected to continue to increase With product launches

## Recurring revenue breakdown (by quarter)

(Units: JPY millions)



## Details of revenues

### AI Squared package revenue.

AI Squared recorded package sales for contact centers

### BtoB Recurring Contracts

HEROZ's BtoB and StrategIT, Inc. recorded ongoing maintenance and operation sales.

### Subscription of Shogi Wars, etc

Shogi Wars paid subscriber growth was maintained at 9.3% YoY.

### AI Security Managed Security Service

No. 1 share of the domestic market for firewall-type security services for small and medium-sized enterprises  
Churn rate remains low at less than 1%.

## Future Outlook

### Expanding sales for call centers.

By coordinating the sales structure within the group, we are accelerating our approach to new customers.

### Launch several new SaaS products

Expect growth through SaaS monetization, such as the release of the "HEROZ ASK" "JOINT", etc.

### Establishing the Shogi Wars Economic Zone

Released new Shogi-related content such as "Kishin Analytics" and "Kishin Learning," and expect further growth.

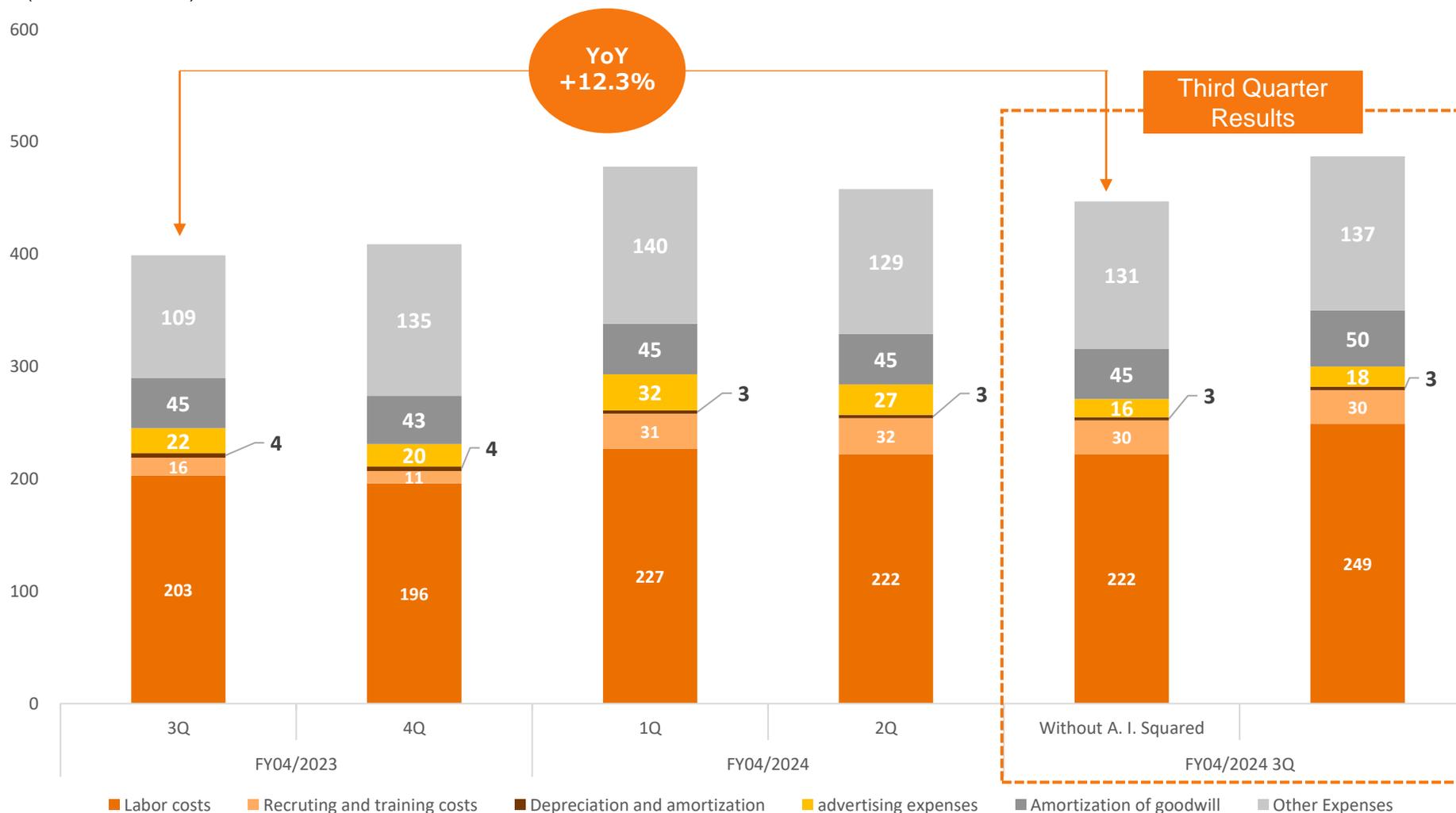
### Entering the growing security industry

Expanding areas of support for existing services. Developing services that expand the scope of MSS to enter the zero-trust security domain.

# Breakdown of SG&A expenses (Consolidated)

- Policy to control SG&A expenses through cost control.
- Increase in personnel and other expenses, mainly due to introduction of stock-based compensation plan.
- Corporate human resources have increased slightly.

(Units: JPY millions)

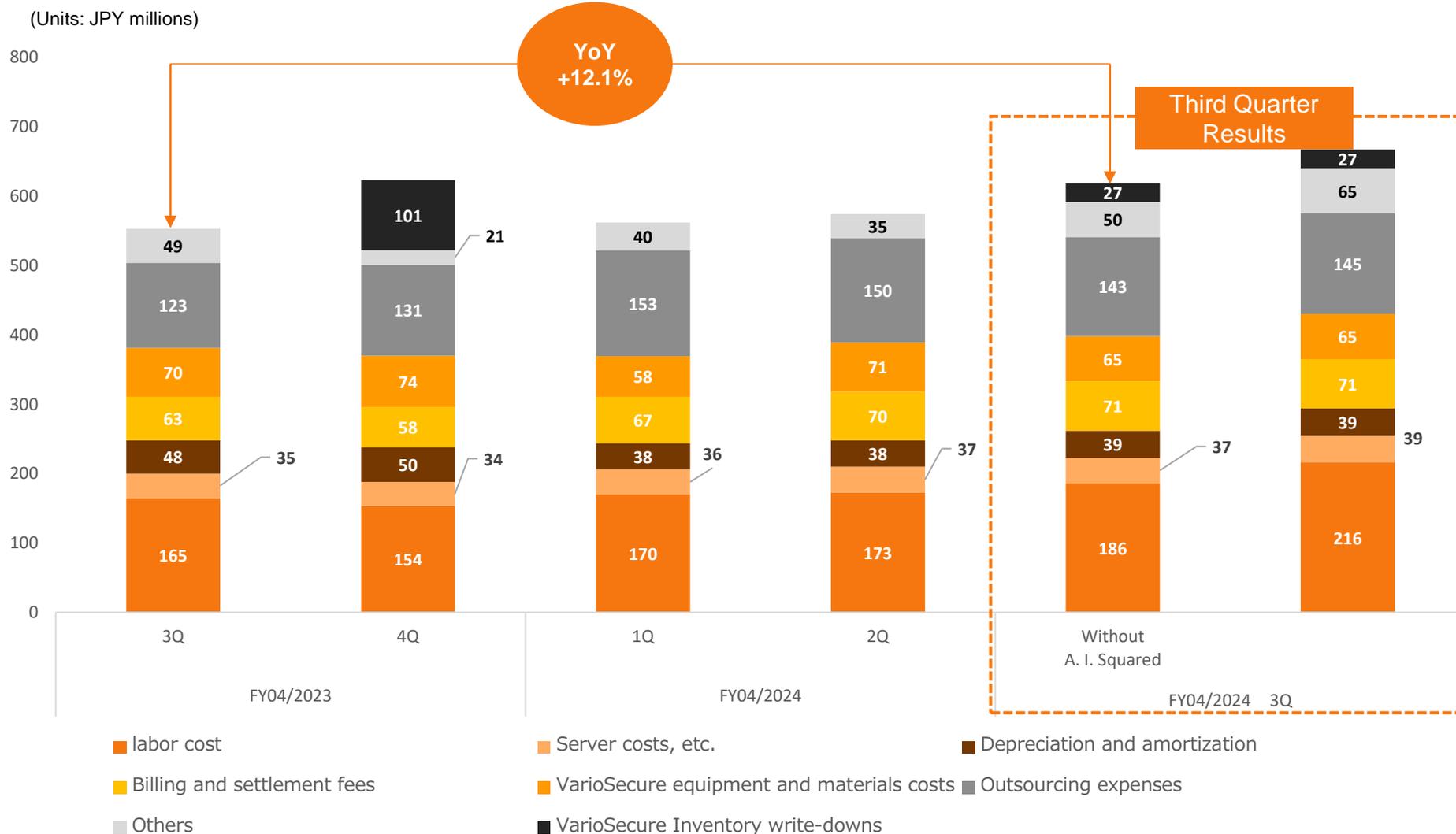


**Actively invest in human resources**

- A stock-based compensation system was introduced, and total personnel costs increased from last year. The number of people involved in corporate functions increased slightly.
- On the other hand, total SG&A expenses remained almost at the same level as in Q3, controlling costs
- Recruitment costs are achieved by utilizing direct recruiting to achieve both recruitment and cost reduction.

# Cost of Sales Breakdown (Consolidated)

- Aggressive hiring continues, especially for engineering and business positions, to achieve sales growth
- Achieve substantial growth for the group as a whole, while appropriately controlling outsourcing costs.



## Continued planned investments

- aggressive investment in human resources to achieve earnings growth and a policy of increasing labor costs in the cost of sales for the entire group
- On the other hand, outsourcing costs (subcontracting costs) are stable and appropriately controlled.
- VarioSecure recorded a one-time charge for the write-down of inventories.

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

- AI/DX business continued to increase revenue through M&A and organic growth. EBITDA margin was also high at 38.1%.
- AI Security business similarly maintained high profitability with an EBITDA margin of 43.2%.

		FY04/2023 Q3 Results (Consolidated)	FY04/2024 Q3 Actual (Consolidated)	YoY (Consolidated)	YoY (Performance of HEROZ on a standalone basis)
(Units: JPY millions)					
AI/DX services	Net Sales	1,232	1,668	+35.4%	+14.8%
	Segment Profit	370	526	+42.1%	+53.5%
	EBITDA	466	636	+36.5%	+27.2%
	EBITDA Margin	37.8%	38.1%	+0.3%pt	-
AI Security Services ※	Net Sales	647	1,974	+204.9%	-
	Segment Profit	221	634	+186.3%	-
	EBITDA	282	852	+201.3%	-
	EBITDA Margin	43.7%	43.2%	-0.5%pt	-
Segment Profit adjustment	Segment Profit	-396	-758	-	-

※Segment information is disclosed from 3Q FY4/2023. Figures for AI/DX business for FY4/2023 are the sum of HEROZ's cumulative results for 1-3Q and Strategit's cumulative results for 3Q, and figures for AI Security business for FY4/2023 are for VarioSecure's cumulative results for 3Q only. The segment income adjustment of -758 million yen represents corporate expenses that are not allocated to each segment.

- This segment includes BtoC centered on Shogi Wars, BtoB for providing AI solutions to customers, SaaS implementation and SaaS-linked development business developed by Strategit, and services in the contact center area developed by A.I. Squared.

(Units: JPY millions)

	FY04/2024 Q3 Actual	
Net Sales	<b>1,668</b>	Recurring Revenue Ratio <b>33.9%</b>
Operating Profit	<b>526</b>	Operating Margin <b>31.5%</b>
EBITDA	<b>636</b>	EBITDA Margin <b>38.1%</b>

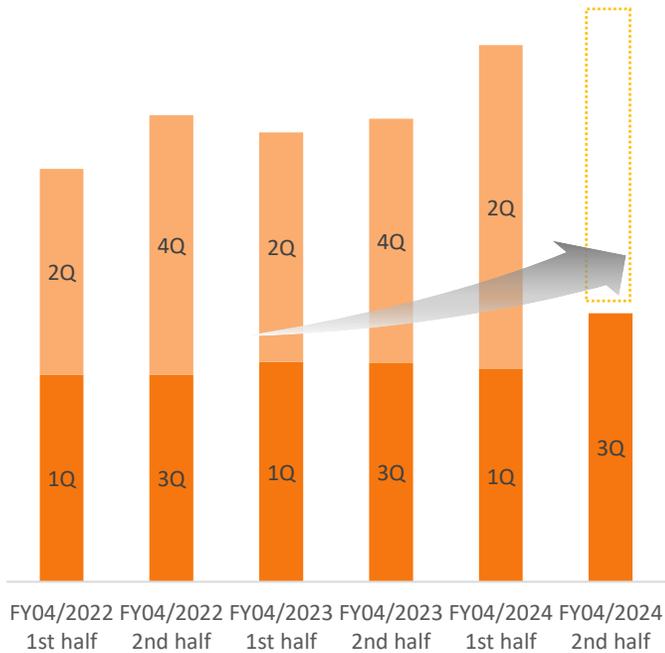
### Both BtoC and BtoB sales increased significantly YoY

- Shogi Wars-related sales grew substantially in Q1-Q2, and have now moved up further. HEROZ's BtoB business has seen an increase in the number of projects since the second quarter, and this quarter also saw a significant increase in sales compared to the same period of the previous year.
- "HEROZ ASK" is now available as a paid version, and the company will continue to capture recurring sales.
- A.I. Squared is expected to be profitable in the current fiscal year.

HEROZ's BtoB business continued to grow sales by more than 20% in the 1st half of the year

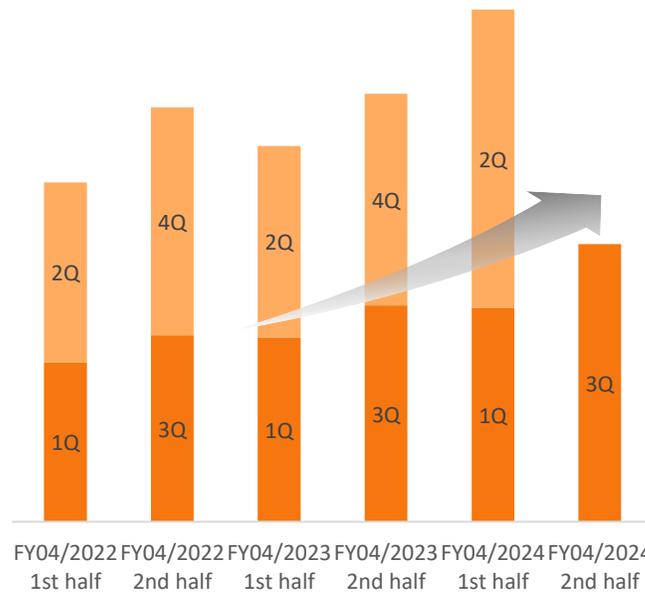
HEROZ BtoB Business Net Sales

- In the first half of the current fiscal year, the company achieved YOY growth of +19.4%.
- In the third quarter, growth of 22.7% YOY, and expects to achieve a 25% YOY increase in sales in the second half of the year as a whole.



BtoB Business: Number of Occupancies in the Fourth Half of the Year

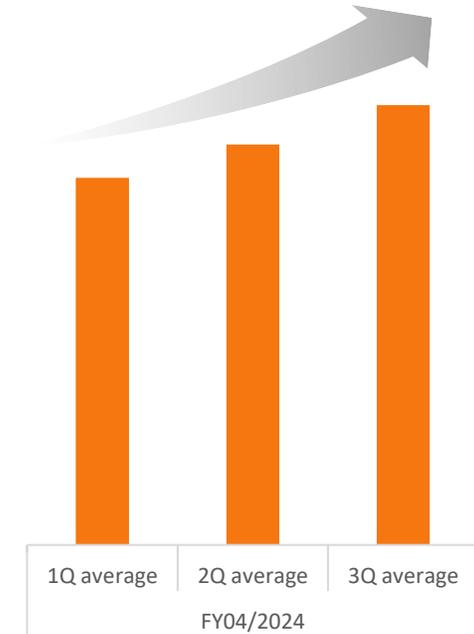
- The number of active projects continued to increase steadily from the first half of the year, and the average number of active projects per half year is on an upward trend.
- We are working on measures to increase awareness of the company in parallel with regular sales



Calculate the average number of active projects per quarter for each month.

BtoB Quarterly staffing averages

- In the current fiscal year, we have actively increased the number of employees, mainly in business and engineering positions, in parallel with an increase in the occupancy rate.



BtoC business increased sales due to strong Kishin Learning and various events.

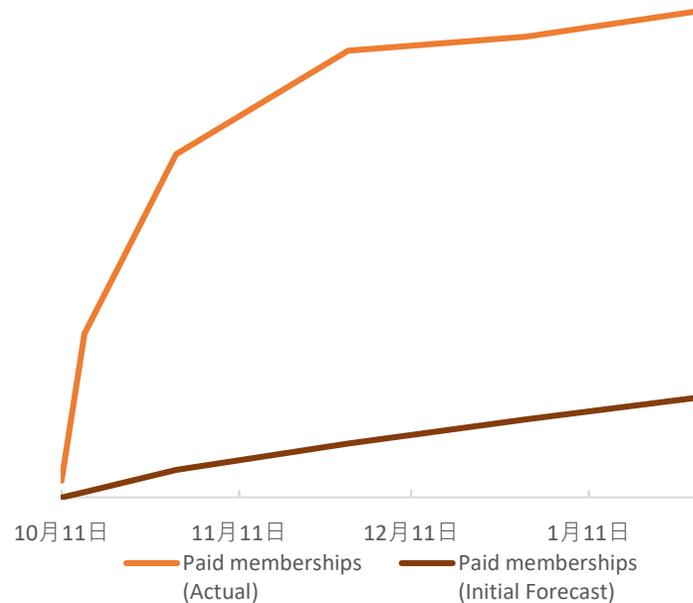
BtoC business grew steadily (YoY growth of 11.4%) due to the effects of increased attention to Shogi following the first-ever eight championships won by Ryuoh Sota Fujii and Meijin, collaboration with the popular Shogi manga "Ban'ou", and the release of "Kishin Learning", an e-learning service.

HEROZ BtoB Business Net Sales



Kishin Learning Number of Paying Members

- On October 11, Kishin launched "Kishin Learning," a learning tool for improving one's Shogi skills. The initial number of paying subscribers has exceeded expectations.
- Continuous enhancement of content will reduce churn and ensure a steady increase in the number of customers.



Various measures implemented

- Several events were held in "Shogi Wars" during the year-end and New Year's holidays, such as the "Furigoma" event.
- CEO Hayashi and Shogi Wars producer Ishii participated in an online webinar on Kishin Analytics.
- "Kishin Learning" was also featured in several media including NHK's "Shogi no Jikan".



Courtesy of Mainichi Newspapers

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

(Units: JPY millions)

	FY04/2024 Q3 Actual	
Net Sales	<b>1,974</b>	Recurring Revenue Ratio <b>87.1 %</b>
Operating Profit	<b>634</b>	Operating Margin <b>32.1 %</b>
EBITDA	<b>852</b>	EBITDA Margin <b>43.2 %</b>

## Recurring sales ratio is high at 87.1%.

- Net sales generally progressed as planned.
- Operating Profit is expected to decrease due to growth investments based on the medium-term management policy, mainly in hiring personnel for service planning, engineering, and operation support, as well as in advertising expenses to strengthen marketing.
- As for the progress of expenses, lower recruiting costs due to the start of direct recruiting and lower personnel expenses due to the delay in the start of employment contributed to the overachievement of profits.
- Started streamlining operations at SOC (Security Operation Center) using HEROZ's AI.

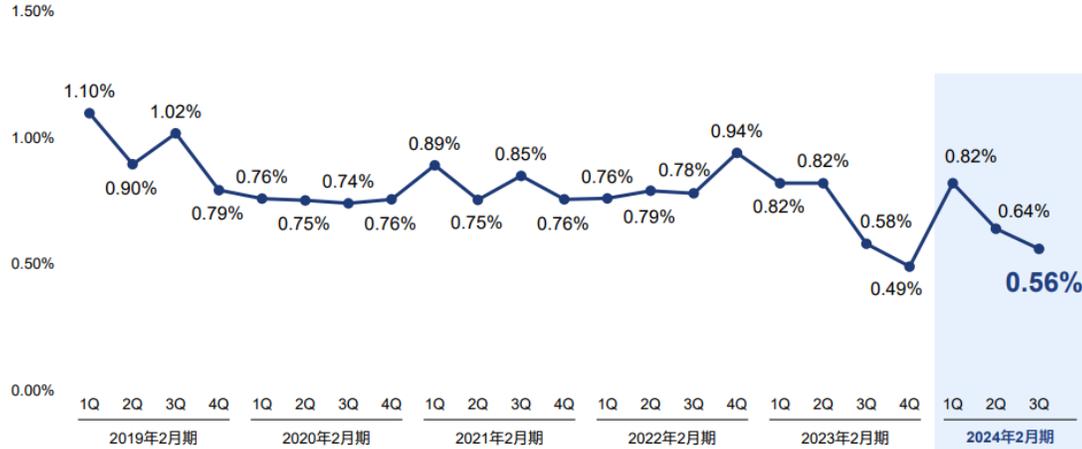
# AI Security Service Segment

## Managed Security Services steadily increased end-user numbers with low churn rates

### Managed Security Service Churn Ratio (by Quarter)

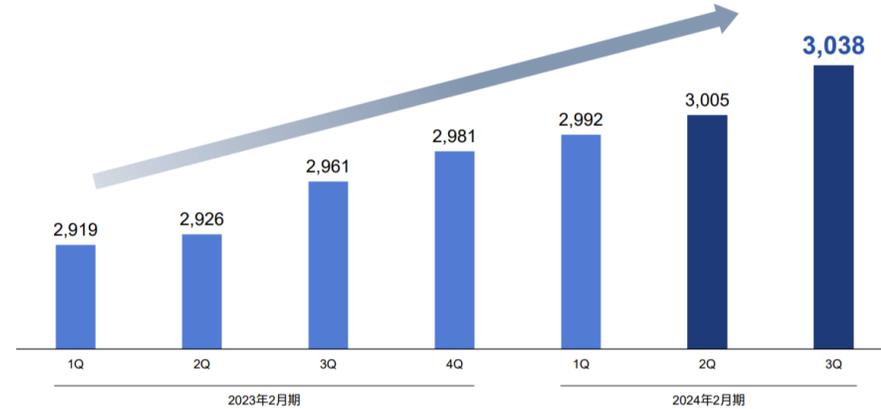
Churn rate remains stable at below 1%.

■ 四半期解約率の推移



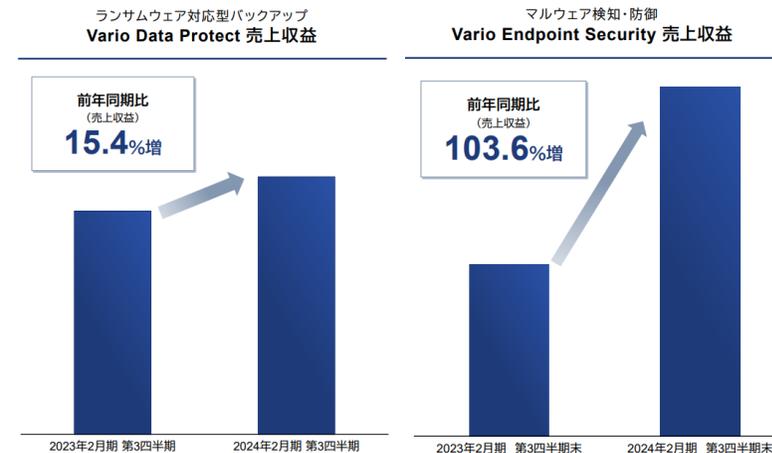
※1: 解約率(金額ベース) = 四半期解約金額 ÷ (各年度の期初ベース月次売上収益 × 3ヶ月)

### Managed Security Service Number of end users (by Quarter)



- Steady increase in the number of users
- Contribution to stable revenue base

### Advances in Server Threat Protection Solutions



- Increased sales of products effective against malware and ransomware

## Balance Sheet (as of January 31, 2024)

- 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 Inc, A.I. Squared Inc. ,there is a goodwill balance of 1.5 billion yen in intangible fixed assets.

Units: JPY millions	As of 4/30/2023 (Consolidated) (A)	As of 1/31/2024 (Consolidated) (B)	Increase and decrease (B-A)	
Current Assets	4,963	4,504	-459	
Cash and deposits	3,798	3,192	-606	Decrease mainly due to M&A investments
Fixed Assets	3,709	3,130	-578	
Property, plant and equipment	273	245	8	Decrease due to one-time amortization of a portion of goodwill of VarioSecure and increase due to the goodwill generated by the consolidation of A.I. Squared as a consolidated subsidiary
Intangible assets	2,640	2,060	-529	
Investments and other assets	831	824	-23	
<b>Total Assets</b>	<b>8,673</b>	<b>7,634</b>	<b>-1,038</b>	
Current Liabilities	994	960	-33	
Fixed Liabilities	1,598	1,357	-240	
<b>Net Assets</b>	<b>6,080</b>	<b>5,316</b>	<b>-763</b>	

# 03

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## Revision of Full-Year Earnings Forecasts

# Revision of the Financial Forecast for the Fiscal Year Ending April 30, 2024

- Partial upward revision of the full-year forecast for this fiscal year, based on the organic growth of the BtoB business and the fact that A.I. Squared will be made a consolidated subsidiary and its PL (for 5 months) will be reflected in the full-year consolidated results for this fiscal year.
- On the other hand, the forecast for net income attributable to shareholders of the parent company has been revised downward due to the write-down of VarioSecure's shares in the Company's non-consolidated financial statements as a result of the decline in VarioSecure's share price.

(Units: JPY millions)	Initial forecast for the FY04/2024 announced in June 2023(A)	Revised forecast for the FY04/2024 announced today(B)	(B)-(A)	(B)/(A)
<b>Net sales</b>	4,800	4,850	50	+1.0%
<b>EBITDA</b>	800	920	120	+15.0%
<b>Operating Profit</b>	400	450	50	+12.5%
<b>Ordinary Profit</b>	385	410	25	+6.5%
<b>Net Income (loss)</b> attributable to owners of the parent	30	△930	△960	-

# 04

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## Initiatives in each business segment

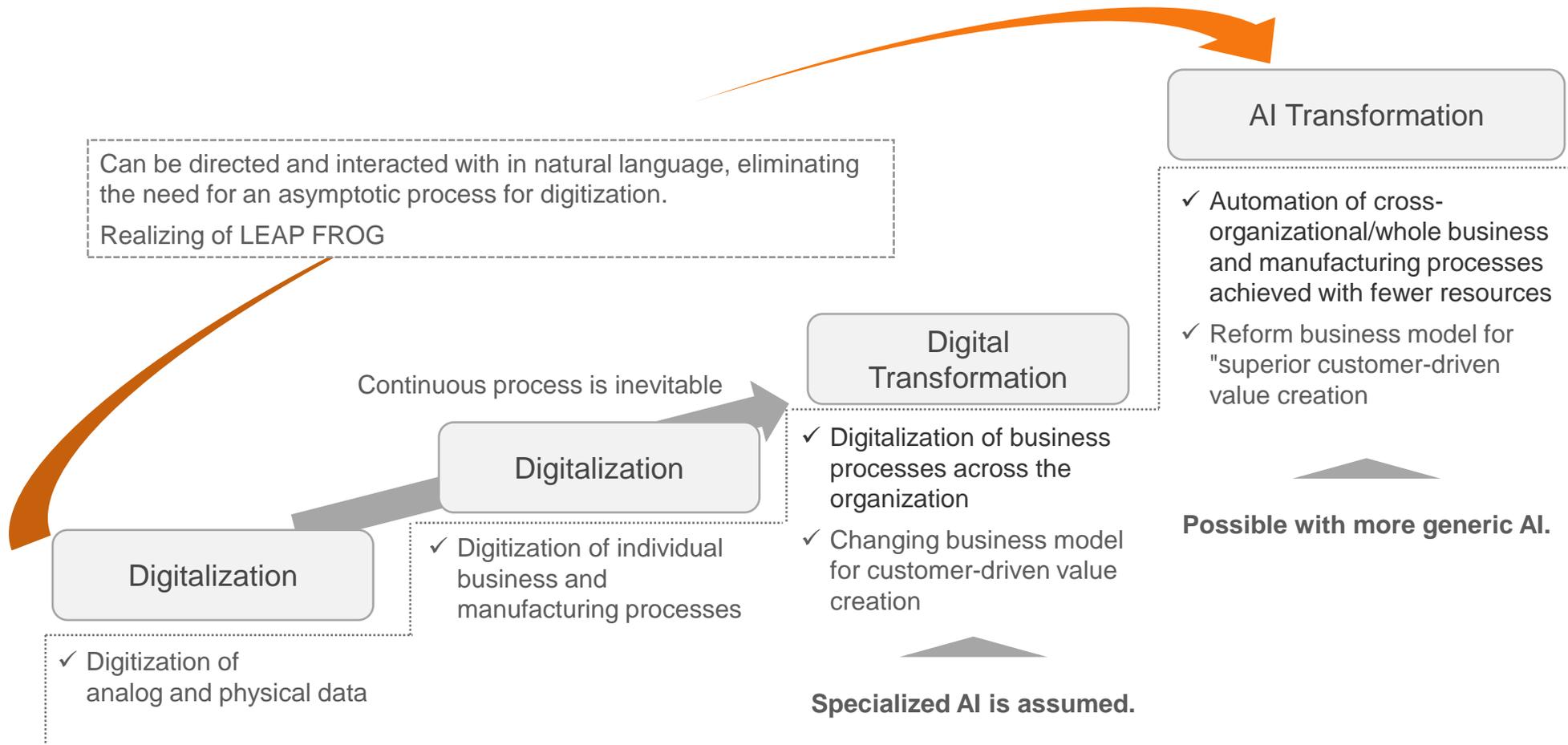
- We have two businesses: AI/DX business and AI Security business.
- A.I. Squared, Inc. will be classified as an AI/DX business

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

Segment	AI/DX Services				AI Security Services
	BtoC		BtoB		
Business Contents	   <p>HEROZ</p>	 <p>StrategIT</p>	 <p>AI SQUARED After Internet × Artificial Intelligence</p>	 <p>Vario Secure</p>	
	<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>Developing business automation solutions in the contact center domain, including automatic answering systems and automatic summarization and classification systems</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> <li>● Number of projects in operation</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> <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>● Recurring Revenue Ratio</li> <li>● number of customers</li> <li>● churned</li> <li>● revenue per customer</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>

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

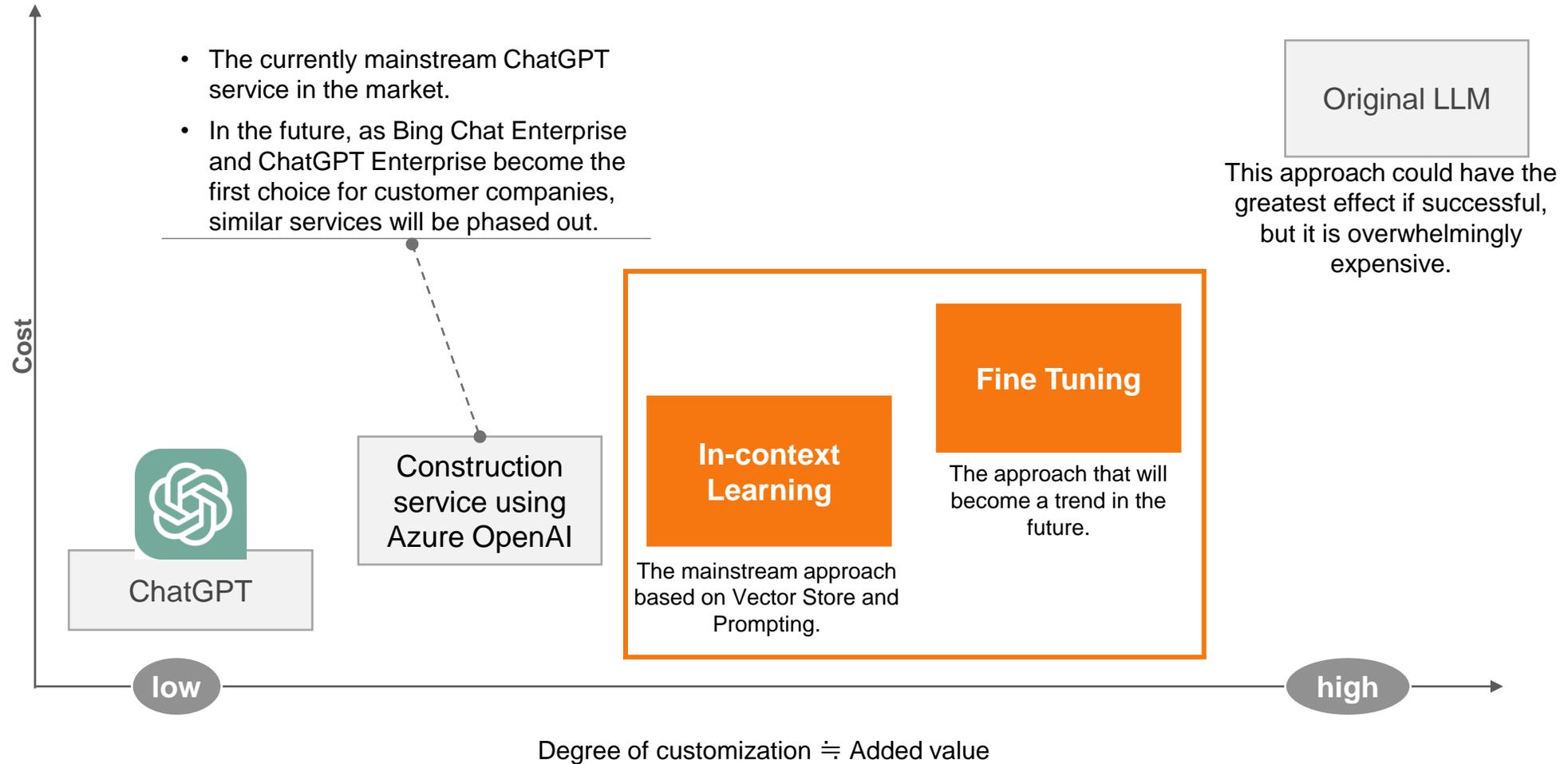
We have been helping companies DX in their core operations, but the asymptotic process of digitization was inevitable. Going forward, we will support discontinuous change by maximizing the power of the Large Language Model (LLM).



# 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.



# “HEROZ ASK” Early Access version (paid version) is released.

- HEROZ ASK, an enterprise-oriented "AI Assistant" SaaS that utilizes generative AI, will be released in early access on February 1.
- The service is now available in a more advanced form as an Early Access version, with many features updated from the closed beta version.

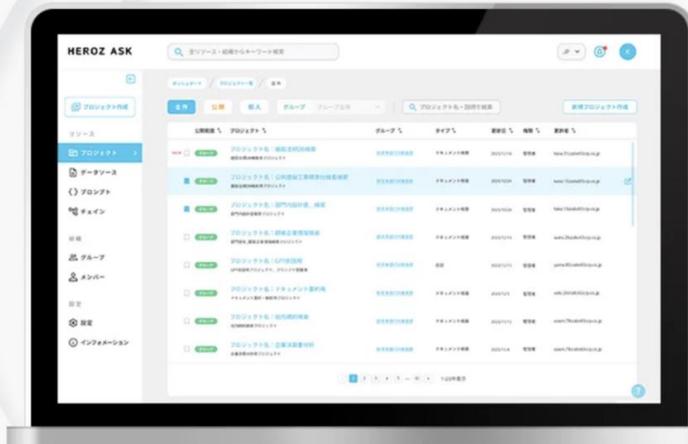
## あなたの業務をリードする AI アシスタント「HEROZ ASK」

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

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

※価格は利用開始にあたり必要となる最低利用料となります。  
条件に応じて別途御見積させていただく場合がございます。



### About HEROZ ASK

- An AI assistant service that utilizes generative AI to assist in various tasks by searching, summarizing, and translating various data that exists within the company, as well as converting voice into language.
- HEROZ ASK was developed as a product that can be used in business settings with the following features
  - Thorough security measures
  - Access authority setting function for each group
  - Ability to read and learn from internal and external proprietary data.
  - Affordable price (from 900 yen/month/person)

- HEROZ ASK is a service that addresses the challenges of using generated AI such as ChatGPT in business situations so that it can be used in actual business operations.
- The closed beta version of the service has been well received by users, and many major customers are considering continuing the service for a fee.

## Developed functions specifically for use in business situations

**Halcination (\*)** is a challenge, and ChatGPT's answers are cannot be fully trusted.

- Capable of reading a variety of internal and external data, greatly improving the accuracy of information needed for business operations.
- Unique functionality to display the source of information, a measure that reduces halcination

(\*) Phenomenon in which AI generates information that is not based on facts or "plausible lies" that do not actually exist.

Concerns about information leakage both internally and externally

- The latest security measures for secure data use.
- Access privileges can be set for each group as a function for internal information control.
- Highly confidential information can be used only by specific users within the company.

## Status of Customer Acquisition

- The closed beta version of HEROZ ASK, released in November, has been used by a cumulative total of about 30 companies, mainly major customers such as Toyo Engineering Corporation and Kandenko Co.
- Among the users of the beta version, several companies that started with the first version have already moved to the early access version, and many companies using the beta version have also received positive feedback, and are expected to continue using it with the paid version.

# StrategIT releases "JOINT iPaaS for SaaS".

- StrategIT released "JOINT iPaaS for SaaS," a new product for SaaS vendors that enables API integration with no code, on February 5.
- The product has been available as a beta version since November 2023, and has been improved through feedback from users and continuous development, and is now released as an official version.

## Image of the utilization of "JOINT iPaaS for SaaS"



## Features of JOINT

- SaaS vendors can easily and efficiently integrate with other SaaS vendors by using this product.
- The platform that enables comprehensive system integration and data integration from the end-user's perspective, so that multiple integrated services can be used "as if using only one SaaS."
- The platform that enables not only the development of collaboration, but also the construction of peripheral functions, such as building APIs and providing connector functions.

# Game production AI specialized for Pokémon battles has been developed in collaboration with The Pokémon Company.

- HEROZ has co-developed "Pokémon Battle Scope," a game production AI specialized for Pokémon battles, with The Pokémon Company.
- Pokémon Ryuoh Tournament 2024" held on February 25, 2024, and introduced for the first time on the live streaming screen.

## Image of the "Pokémon Battle Scope" distribution screen

- Real-time Pokémon battle match evaluation.
- The system displays the battle's status and potential next moves, making it easy for novice Pokémon battle spectators to watch the battle.



## Development Background

- "Pokémon Battle Scope" is a game direction AI specialized for Pokémon battles, and its development started with the aim of making Pokémon battles enjoyable for a wide range of people.
- HEROZ has developed features that allow anyone to enjoy watching Pokémon games by leveraging its technological strengths cultivated through the development of AI-powered games such as "Shogi Wars" and game analysis AI.

## Participate in various organizations and participate in trade shows to raise the profile of our initiatives within the industry

- From this fiscal year, we will communicate our BtoB initiatives more widely than ever through participation in various industry associations.
- Exhibit at the Construction DX Exhibition in December 2023 to introduce use cases of LLM in the construction industry, etc.

### Participation in various organizations

- We have joined the Engineering National Association of Japan (ENNA) this term. We will further promote AIX through aggressive sales activities and strengthening of alliances.
- Most recently, we joined Generative AI Japan (GenAI), a general incorporated association established with the aim of linking AI technologies, especially generative AI, to the creation of various values in society. We will increase our presence in the competition related to generative AI and further accelerate AIX in various companies and industries.

The logo for ENNA (Engineering National Association of Japan) is displayed in a large, red, serif font.

**Generative AI  
Japan**

### “GPT for Construction Regulations” is exhibited at the Construction DX Exhibition.

- “HEROZ ASK” was exhibited as a business assistant for construction-related regulations, “Construction GPT”, etc.
- In addition to the numerous inquiries we received via the Construction DX Exhibition, our exhibit was covered by media outlets such as Nikkei Crosstech, resulting in a significant increase in inquiries from construction-related companies.
- We will continue to conduct sales activities from a variety of approaches to raise the profile of our technology and initiatives.

## Main Achievements in the 3rd Quarter of FY04/2024

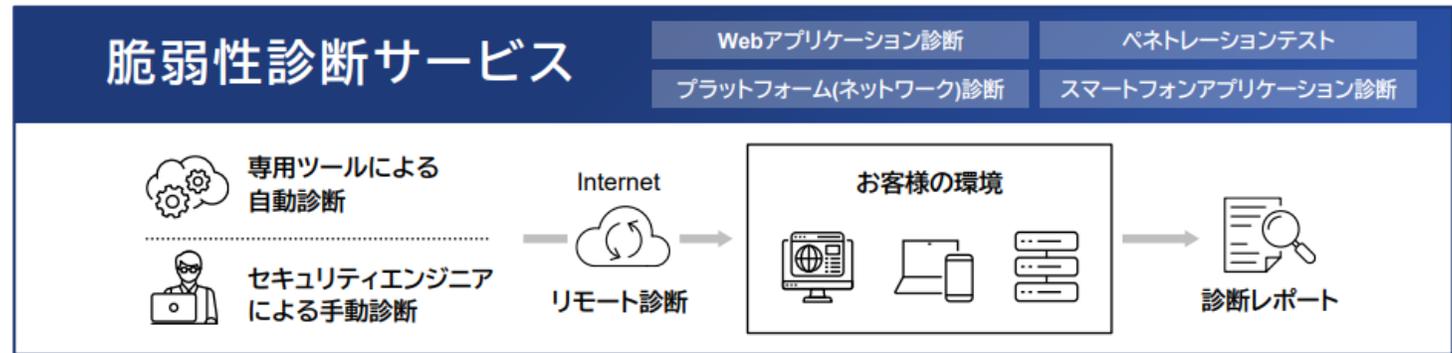
- Provides services that make corporate Internet use safer and more comfortable. The company boasts the top share of the firewall/UTM operation and monitoring service market in Japan for small- and medium-sized enterprises, and the number of end-user companies continued to increase in the third quarter. Churn rate remains low at less than 1%.
- AI SOC" project, which utilizes HEROZ's AI technology to streamline operations and management tasks, continues to progress. Most recently, the company is working on reproducing the quality of responses from skilled operators using LLM.

## Initiatives for FY04/2024

- **Expand the scope of managed service support and strengthen competitiveness**  
In addition to gateway security, expand coverage area from LAN to cloud computing and strengthen competitiveness by leveraging other companies' products. In the fourth quarter, launch of IDaaS business and release of high-end endpoint security services are planned.
- **Launch of IDaaS Business**  
Zero Trust deployment for small and midsize companies and managed services to realize.  
  
Zero Trust security Deployment of cloud-based network security "Vario SASE" and business application portal "Vario IDaaS" as new services to realize zero-trust security with minimum configuration from cloud to office environment.

# Topics① Launched vulnerability assessment service

- Strengthened one-stop corporate security support services with the launch of vulnerability assessment services.



## 脆弱性診断後のセキュリティ強化を柔軟に対応

Diagnose and report on vulnerabilities in customer networks and applications.

Flexible support for security enhancements based on vulnerability assessments through VarioSecure's extensive security-related services.



- Promoting a project to streamline network security operation and management tasks using HEROZ's AI technology.  
Full-scale verification of LLM utilization began in this quarter

### “AI SOC” project

- Automation of operational tasks and systemization of highly technical tasks with AI.
- Expected benefits include reduced costs and improved service quality
- Currently, AI has been introduced for some setting change operations to achieve semi-automation of a series of operations.
- In the future, AI will be introduced into support operations.  
The project will be promoted with a view to providing this service on an OEM basis.

### 「AI SoC」プロジェクト

#### 概要

- 従来、経験を積んだオペレータが行っていたテクニカルサポート窓口業務をAIにより自動化
- サポート品質や効率改善、セキュリティ教育などへのLLMの本格活用

#### プロジェクトの進捗

- VSRマネージドセキュリティサービスのサポート窓口へAIを導入、顧客要件の複雑度を自動判別、後続処理も半自動化
- LLMに教師データを投入し、熟練オペレータの対応品質を再現する検証実験開始

#### 期待される効果

- コスト削減と品質向上の達成
- 作業時間短縮によるサービスレベルの向上
- 大量の教師データ活用によるサービス範囲拡大

#### 今後の展望

- フロントサポート業務へも AI 導入、教育コスト削減と回答品質向上に活用
- 運用プラットフォームシステム(※)とAIを直結し、顧客特性に応じた必要十分な運用サービスの提供

(※)顧客管理・問い合わせ管理など

# Topics③ VarioSecure's Services Qualified for IT Subsidy in Japan

- VarioSecure's Information Security Service, "Security Help Pack," Now Available with IT Subsidy

## ■ About IT Subsidy

- Subsidy for small and medium enterprises (SMEs) to support the introduction of IT tools that meet their challenges and needs.
- VarioSecure's service was certified by the IPA's Cyber Help Corps, which supports the implementation of security measures and is eligible for IT subsidies.

### ■ IT補助金とは

- 中小企業・小規模事業者などを対象に、自社の課題やニーズに合うITツールの導入を支援する補助金です。
- 当社のサービスは、IPA(独立行政法人情報処理推進機構)のセキュリティ対策強化支援「サイバーセキュリティお助け隊」に認定されIT補助金の対象になりました。

### ■ 対象サービス

サービス名	セキュリティお助けパック (ネットワーク)	セキュリティお助けパック (ネットワーク&端末)
提供サービス	<ul style="list-style-type: none"><li>• 監視・運用サービス</li><li>• 機器のセンドバック保守</li><li>• ウイルス駆除</li><li>• サイバーセキュリティ保険</li></ul>	左記サービスに以下機能をプラス • EDR/EPP機能(端末セキュリティ強化)

出所: [https://www.ipa.go.jp/security/otasuketai-pr/#service\\_area](https://www.ipa.go.jp/security/otasuketai-pr/#service_area)



# 05

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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. Questions regarding the customer base currently using the beta version of the HEROZ ASK and the size of companies that will be targeted in the future.**

(Answer)

The beta version of HEROZ ASK and the recently released early access version are currently being used mainly by existing clients and mainly by enterprises (major domestic companies).

As we expand sales in earnest in the future, we will also target small and medium-sized enterprises, but at this point, we expect our customer base to be centered on large enterprises.

### **Q2. Question on how to create synergies with HEROZ by making A.I. Squared a group company**

(Answer)

A.I. Squared, which became a consolidated subsidiary in November last year, develops AI-based solutions for contact centers.

The operational work in contact centers and AI are highly compatible, and the use of AI is expected to drastically resolve issues such as human resource shortages and high turnover rates in contact centers.

By utilizing HEROZ's expertise in social implementation of AI solutions in addition to A.I. Squared's domain knowledge in the contact center domain, the scope of operations to be covered will be expanded, and a wider range of support for contact centers is expected to become possible.

- 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.