

Annual Securities Report

The 2nd Fiscal Year
From August 1, 2020 to July 31, 2021

Visional, Inc.

This is an English translation prepared for the convenience of non-resident shareholders by translating the Annual Securities Report (“Yukashoken Hokokusho”) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 27, 2021 pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

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Part 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated Financial Data, etc.

(Million yen, unless otherwise stated)

Fiscal Year	1st	2nd	BizReach, Inc.'s 12th
Fiscal Year End	July 31, 2020	July 31, 2021	July 31, 2019
Net sales	25,879	28,698	21,492
Ordinary profit	2,254	2,274	511
Profit attributable to owners of parent	4,658	1,420	335
Comprehensive income	4,658	1,420	334
Net assets	9,205	22,536	4,547
Total assets	17,722	35,076	9,856
Net assets per share (Yen)	185.42	628.40	(15.06)
Basic earnings per share (Yen)	163.08	43.37	11.73
Diluted earnings per share (Yen)	—	35.84	—
Equity ratio (%)	51.8	64.2	45.9
Return on equity (%)	67.9	9.0	7.7
Price earnings ratio (Times)	—	127.7	—
Cash flows from operating activities	(234)	4,315	771
Cash flows from investing activities	4,799	(33)	(823)
Cash flows from financing activities	(19)	12,234	(112)
Cash and cash equivalents at end of period	9,114	25,630	4,761
Number of employees [Average number of temporary employees not included in the above numbers] (Persons)	1,186 [240]	1,271 [195]	1,112 [207]

- (Notes)
- Consumption taxes, etc. are not included in net sales.
 - The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share for the 1st fiscal year.
 - Although there are potential shares, diluted earnings per share for the 1st fiscal year are not shown because the average share value for the year cannot be determined due to the Company's shares being unlisted in the 1st fiscal year.
 - The price earnings ratio for the 1st fiscal year is not shown due to the Company's shares being unlisted.
 - The number of employees represents the number of employees engaged, excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 - The consolidated financial statements for the 1st fiscal year have been prepared by taking over the consolidated financial statements of BizReach, Inc., which is now a wholly owned subsidiary, and therefore includes the figures for BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019).
 - The consolidated financial statements for the 1st fiscal year have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

8. The consolidated financial statements for BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019) have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
9. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share, basic earnings per share, and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the Company's 1st fiscal year and the beginning of BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019).

(2) Financial Data, etc. of Reporting Company

(Million yen, unless otherwise stated)

Fiscal Year		1st	2nd
Year End		July 31, 2020	July 31, 2021
Operating revenue		1,385	1,736
Ordinary profit (loss)		27	(1,209)
Profit (loss)		12	(892)
Share capital		100	6,063
Total number of issued shares			
Common stock	(Shares)	232,353	35,858,000
Class A preferred stock	(Shares)	53,301	—
Net assets		10,234	21,249
Total assets		12,235	29,662
Net assets per share	(Yen)	229.71	592.59
Dividend per share (Interim dividend per share)	(Yen)	— (—)	— (—)
Basic earnings (loss) per share	(Yen)	0.45	(27.23)
Diluted earnings per share	(Yen)	—	—
Equity ratio	(%)	83.5	71.6
Return on equity	(%)	0.1	—
Price earnings ratio	(Times)	—	—
Dividend payout ratio	(%)	—	—
Number of employees	(Persons)	29	30
Total shareholder return (Comparison index: —)	(%) (%)	— (—)	— (—)
Highest share price	(Yen)	—	7,490
Lowest share price	(Yen)	—	5,290

(Notes) 1. The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020. As a result, our 1st fiscal year was from February 3, 2020 to July 31, 2020.

2. Consumption taxes, etc. are not included in operating revenue.

3. The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share in the 1st fiscal year.

4. Although there are potential shares, diluted earnings per share for the 1st fiscal year are not shown because the average share value for the year cannot be determined due to the Company's shares being unlisted in the 1st fiscal year. Although there are potential shares, diluted earnings per share for the 2nd fiscal year are not shown due to loss per share being recorded.

5. The return on equity in the 1st fiscal year is calculated based on the equity at the end of the year. The return on equity in the 2nd fiscal year is not shown due to loss being recorded.

6. The price earnings ratio is not shown due to the Company's shares being unlisted in the 1st fiscal year. The price earnings ratio is not shown due to loss being recorded in the 2nd fiscal year.

7. Dividend per share and dividend payout ratio are not shown because the Company does not pay dividends.

8. The number of employees represents the number of employees engaged. The number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) has been omitted due to being less than 10% of all employees.

9. The financial statements for the 1st fiscal year have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
10. On December 6, 2020, pursuant to the provisions for acquisition in the Articles of Incorporation, the Company redeemed 53,301 shares of Class A preferred stock as treasury stock and issued shares of 53,301 common stock to the shareholders in return, following the resolution reached at the Board of Directors' meeting held on November 20, 2020. On the same day, all shares of the treasury stock redeemed were then canceled in accordance with the resolution reached at the Board of Directors' meeting held on November 20, 2020.
11. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share and basic earnings or loss per share were calculated assuming that the stock split was conducted at the beginning of the 1st fiscal year.
12. The total shareholder return and the comparison index are not shown due to being listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021.
13. The highest and lowest share price are the share price on the Tokyo Stock Exchange Mothers Market. The Company was listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021, and therefore share prices prior to that date are not shown.

(Reference Information)

The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020. The key financial data and trends at BizReach, Inc., the wholly owned subsidiary company resulting from a share transfer, are shown below.

(Million yen, unless otherwise stated)

Fiscal Year		10th	11th	12th
Year End		July 31, 2017	July 31, 2018	July 31, 2019
Net sales		9,958	15,658	21,492
Ordinary profit (loss)		(289)	658	520
Profit (loss)		(618)	600	346
Share capital		2,072	2,097	2,097
Total number of issued shares				
Common stock	(Shares)	220,663	232,353	232,353
Class A preferred stock	(Shares)	53,301	53,301	53,301
Net assets		3,558	4,212	4,559
Total assets		6,149	8,888	9,865
Net assets per share	(Yen)	(6,054.24)	(2,946.50)	(14.55)
Dividend per share (Interim dividend per share)	(Yen)	— (—)	— (—)	— (—)
Basic earnings (loss) per share	(Yen)	(2,257.09)	2,132.68	12.13
Diluted earnings per share	(Yen)	—	—	—
Equity ratio	(%)	57.6	47.2	46.0
Return on equity	(%)	—	15.5	7.9
Price earnings ratio	(Times)	—	—	—
Dividend payout ratio	(%)	—	—	—
Number of employees [Average number of temporary employees not included in the above numbers]	(Persons)	718 [119]	1,006 [180]	1,112 [202]

- (Notes)
1. Consumption taxes, etc. are not included in net sales.
 2. The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share.
 3. Although there are potential shares, BizReach, Inc.'s shares are unlisted and diluted earnings per share are not shown because the average share value for the year cannot be determined.
 4. The return on equity in the 10th fiscal year is not shown due to the loss for the term.
 5. The price earnings ratio is not shown due to BizReach, Inc.'s shares being unlisted.
 6. Dividend per share and dividend payout ratio are not shown because BizReach, Inc. does not pay dividends.
 7. The number of employees represents the number of employees engaged, excluding those seconded from BizReach, Inc. to other companies and including those seconded from other companies to BizReach, Inc. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 8. Financial statements for the 10th, 11th and 12th fiscal years are the respective figures calculated pursuant to the provisions of the Regulation on Corporate Accounting (Ministry of Justice Order No. 13, 2006), and have not been audited pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

2. History

The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020.

The following is a brief history of the Group, combined with the history of our subsidiary, BizReach, Inc.

Period	Overview
August 2007	Established BizReach, Inc. in Minato-ku, Tokyo [capital: ¥7 million]
April 2009	Launched BizReach, a job change site that connects professional human resources ^(Note) to companies
August 2010	Launched LUXA, an online outlet mall service
November 2010	Established LUXA, Inc. in Shibuya-ku, Tokyo, transferred LUXA business
May 2012	Relocated head office to Shibuya-ku, Tokyo
April 2014	Launched CareerTrek, a job change site designed for people in their 20s that are looking for new challenges
September 2014	Opened Kansai Office in Chuo-ku, Osaka-shi, Osaka following the business expansion
May 2015	Opened Nagoya Office in Naka-ku, Nagoya-shi, Aichi following the business expansion
May 2015	Launched Stanby, a job search engine
October 2015	Opened Fukuoka Office in Chuo-ku, Fukuoka-shi, Fukuoka following the business expansion
October 2015	Sold LUXA, Inc. (to KDDI CORPORATION)
December 2015	Relocated Kansai Office to Kita-ku, Osaka-shi, Osaka
June 2016	Launched HRMOS ATS, an applicant tracking management cloud
August 2016	Launched BizHint, a B to B lead generation platform
October 2016	Launched BizReach Campus, an online alumni networking service
November 2017	Launched BizReach SUCCEED, a business succession and M&A platform
December 2017	Relocated Nagoya Office to Nakamura-ku, Nagoya-shi, Aichi
December 2017	Established BizReach Trading, Inc. (renamed Sakuragaoka Capital Inc. in July 2018) (currently Stanby, Inc.) in Shibuya-ku, Tokyo
October 2018	Launched BINARY (currently BINAR), a recruiting platform for high-skilled engineers
January 2019	Launched HRMOS (currently HRMOS Talent Management), an HCM cloud
August 2019	Established BINAR, Inc. in Shibuya-ku, Tokyo
August 2019	Launched yamory, a vulnerability management tool
September 2019	Acquired 100% of shares of Cloud Solutions, Inc. and took over Reclog, a recruitment management platform
November 2019	Acquired 100% of shares of Trabox, Inc. took over Trabox, a logistics DX (digital transformation) platform
November 2019	Stanby, Inc. performed a third-party allotment to BizReach, Inc. and Z Holdings Corporation
December 2019	Transferred the Stanby business to Stanby, Inc. through an absorption-type company split
February 2020	Established Visional, Inc. in Shibuya-ku, Tokyo, and transitioned to a holding company system Established Visional Incubation, Inc. through an incorporation-type company split in Shibuya-ku, Tokyo, to succeed BizReach SUCCEED, BizHint, and yamory businesses
May 2020	Relocated BizReach, Inc.'s Fukuoka office to Hakata-ku, Fukuoka-shi, Fukuoka
July 2020	Terminated provision of Reclog, a recruitment management platform
April 2021	Listed on the Tokyo Stock Exchange Mothers Market

(Note) Managers and professionals, etc.

3. Description of Business

As a holding company, the Company formulates management policies for and manages the Group. The Group consists of the Company, five domestic subsidiaries (BizReach, Inc., Visional Incubation, Inc., BINAR, Inc., Cloud Solutions, Inc., and Trabox, Inc.), and one domestic affiliate (Stanby, Inc.).

The Group's mission is the "persistent creation of new possibilities." We are a digital transformation company with multiple businesses that solve a wide variety of issues facing society through services created using technology.

We organize our operations into two business segments for financial reporting purposes: our HR Tech segment and our Incubation segment. Our services provided by HR Tech and Incubation segments are described below.

■ HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech businesses.

(1) BizReach Business

1) Overview of services

BizReach is a members-only job search platform specializing in professional human resources (managers, professionals, etc.) that efficiently matches business professionals, blue-chip and growing companies in Japan and overseas, and headhunters (career change agents affiliated to recruitment agencies) who are experts in their respective industries.

2) BizReach has revolutionized the career-change (recruitment) industry

We believe that conventional employment practices such as lifetime employment and mass hiring of new graduates have kept the liquidity of the Japanese labor market low. Many companies have no choice but to leave the hiring of professional talent to recruitment agencies and headhunters, making it difficult to conduct proactive recruitment activities. We believe that it was also difficult for professionals looking to change jobs to visualize their career options and find opportunities that should have been available to them.

In other countries, meanwhile, "direct sourcing," an approach by which companies use online recruiting and professional networking platforms (business SNS) to directly approach and hire talent who meet their requirements, is standard practice. We believe that encouraging companies to proactively engage in recruitment activities based on their hiring needs, and job seekers to register information about their background and skills on recruitment platforms and business SNS, increases the likelihood of obtaining information about attractive employment opportunities.

The Group introduced the concept of "direct sourcing" to the Japanese job market and came up with the phrase "direct recruiting" (Note), a recruitment activity in which companies take the initiative in considering and actively implementing a range of recruiting methods to hire the human resources that meet their needs, and we developed "BizReach," a recruitment platform specializing in professional human resources. Before BizReach there had never been a platform that enabled direct interaction between companies and job seekers in the Japanese human resource industry. By opening up a human resource database to companies and headhunters engaged in recruiting activities, we believe BizReach has enabled the visualization of the job market for professional human resources in Japan. Similar to the structural transformation of the retail market (e-commerce revolution) caused by the emergence of online electronic transactions (e-commerce platforms), we aim to make the recruitment market visible through the internet and to increase the transparency and efficiency of the job market.

We believe that by approaching job seekers directly, companies are able to hire talented individuals faster and at a lower cost, while job seekers are able to expand their career options and possibilities by being approached by companies they may otherwise never have known existed.

(Note) Trademark registration number: 6002236

3) Strong revenue base supported by business models

BizReach provides services to direct employers, headhunters, and job seekers. As a result, it has a unique revenue structure that includes not only sales billed to direct employers, in the same way as the general recruitment business model, but also sales billed to headhunters (recruitment agencies) and job seekers. Our specific sources of revenue are described below.

Target Customer	Type of Revenue	Outline
Direct employers (responsible for HR/recruitment)	Recurring revenue (platform usage fees)	Revenue generated from the use of BizReach by direct employers. We offer multiple payment plans, according to the length of the subscription and the number of platinum scouts (special scout emails that guarantee meetings/interviews), etc. The standard plan is ¥850,000 for six months. Subscription fees are collected as a lump-sum advance payment, and are recorded as unearned revenue until the time revenue is recorded.
	Recurring revenue (additional platinum scout fees)	Revenue generated when direct employers purchase additional platinum scout messages to reach out to more job seekers.
	Performance revenue (contingency recruitment fees)	Revenue generated when direct employers successfully hire through BizReach. We receive a fixed percentage (15% under the standard plan) of the theoretical annual salary of the person hired.

Target Customer	Type of Revenue	Outline
Headhunters (recruitment agencies)	Recurring revenue (platform usage fees)	Revenue generated from the use of BizReach by headhunters. We offer multiple payment plans according to the length of the subscription, etc. The standard plan is ¥600,000 for six months. Subscription fees are collected as a lump-sum advance payment, and are recorded as unearned revenue until the time revenue is recorded.
	Recurring revenue (additional platinum scout fees)	Revenue generated when headhunters purchase additional platinum scout messages to reach out to more job seekers.
	Performance revenue (contingency fees for recruitment support)	Revenue generated when headhunters successfully support hiring by introducing talent they have connected to through BizReach to a company. We receive a fixed percentage of the contingency fee paid by the company to the headhunter.

Target Customer	Type of Revenue	Outline
Job seekers (member users)	Recurring revenue (premium fees)	Monthly fee model that charges premium BizReach members. The platform can also be used for free as a standard member, albeit with restrictions on the functions available.

In the fiscal year ended July 31, 2021, the ratio of each revenue when recurring revenue and performance revenue in the table above total 100% was 31% and 69% for recurring revenue and performance revenue.

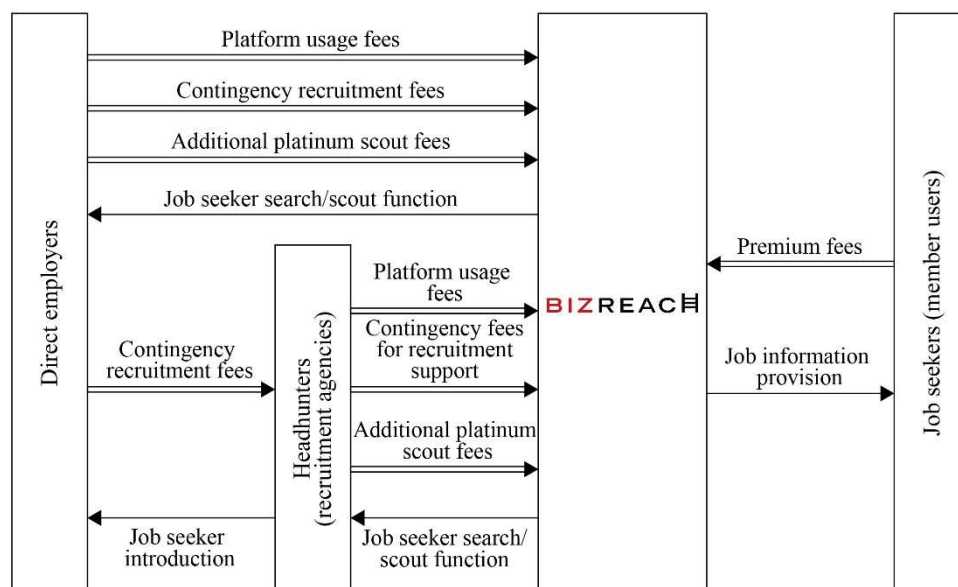
In terms of the breakdown of revenue from direct employers and headhunters (recruitment agencies) in the table above, for the fiscal year ended July 31, 2021, revenue from direct employers represented 62%, while revenue from headhunters represented 38%.

Net sales to external customers in our BizReach business grew at a compound annual growth rate (CAGR) of 24.8% from the fiscal year ended July 31, 2018 to the fiscal year ended July 31, 2021.

Net sales to external customers in the BizReach business

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021
Net sales to external customers in the BizReach business (million yen)	12,130	16,850	20,945	23,561

The BizReach business organization chart is shown below.



(*) Double line arrows indicate the flow of money.

4) BizReach competitive strategy and competitive edge

The strengths of BizReach that make it the preferred choice of direct employers, headhunters and job seekers are listed in the table below.

Target Customer	Strengths	Outline
Direct employers	One of the largest professional recruitment platforms in Japan	As of the end of July 2021, companies can send scout emails directly to more than 1.38 million professionals (see internal BizReach indicators below) from the platform. All job seekers who wish to register with the platform are screened.
	Support from full-time consultants	Support from full-time consultants who are experts in “direct recruiting” to help companies develop their recruiting skills.
	User-friendly system specifications	The system was developed in-house by BizReach’s product team, not by an outsourcer, and priority was given to ensuring user-friendly functions and design.

Target Customer	Strengths	Outline
Headhunters (recruitment agencies)	One of the largest professional recruitment platforms in Japan	As of the end of July 2021, headhunters can send scout emails directly to more than 1.38 million professionals (see internal BizReach indicators below) from the platform. All job seekers who wish to register with the platform are screened.
	Enables branding as a headhunter	BizReach has introduced a “headhunter score” system, which provides an objective evaluation of headhunters based on unique indicators, such as their track record and preliminary job offer rate. We also hold a “headhunter of the year” event to award the headhunter with the best track record in each year, and contribute to the enhancement of their brand.
	User-friendly system specifications	The system was developed in-house by BizReach’s product team, not by an outsourcer, and priority was given to ensuring user friendly functions and design.

Target Customer	Strengths	Outline
Job seekers (member users)	Wide range of job openings focused on professionals	Our platform is focused on recruitment opportunities for professionals, enabling them to efficiently find attractive career opportunities.
	Scout messages from companies and leading headhunters	Leading Japanese and foreign companies and highly skilled headhunters, who have passed our rigorous screening process, directly contact job seekers based on their resume. Scout messages not only help job seekers find employment, but will also enable them to understand their market value.
	Provide services through an app	We provide both a web version and an app version of our platform, enabling individual members to access job information that will expand their career options at any time.

We plan to expand the number of direct employers registered on the platform by mobilizing our in-house corporate sales team. The increase in the number of direct employers is managed taking the cumulative number of registered companies (Note 1) and the number of annual active employers (Note 2) as internal indicators. The quality and number of active headhunters (recruitment agencies) is secured by our operations team and the number of headhunters that use the platform (Note 3) is managed as an internal index. In terms of job seekers (user members), the number of scoutable job seekers (Note 4) is used as an internal indicator, and the trends with regard to these indicators are shown below.

Internal BizReach Indicators

	Fiscal year ended July 31, 2017	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021
Cumulative number of registered companies (companies) (Note 1)	More than 6,700	More than 8,800	More than 11,200	More than 13,800	More than 17,100
Number of annual active employers (companies) (Note 2)	More than 3,600	More than 4,700	More than 5,800	More than 6,600	More than 8,000
Number of active headhunters (persons) (Note 3)	More than 1,700	More than 2,500	More than 3,500	More than 4,600	More than 5,100
Number of scoutable job seekers (ten thousand persons) (Note 4)	40	62	87	111	138

- (Notes) 1. The total number of employers that have subscribed to BizReach, excluding headhunters
 2. The number of direct employers who have subscribed to BizReach on at least one day during the accounting period
 3. Number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 4. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters

Through BizReach, the Group will work to raise the transparency and productivity of the job market in Japan by supporting optimal online matching of business professionals with direct employers and headhunters.

(Affiliate) BizReach, Inc.

(2) HRMOS Business

1) Overview of services

HRMOS, our human capital management cloud (hereinafter referred to as “HRMOS series” in this section) enables evidence-based human capital utilization by centralizing and visualizing information from recruitment to activities after joining the company. The HRMOS series allows companies and organizations to continuously grow by enabling “recruitment, evaluation, training and deployment” based on objective judgments.

HCM (Human Capital Management) is a management approach that values employees as a key management resource and aims to drive productivity through the integrated management of human resource information within the company, and which supports corporate human capital utilization and human capital strategies. We believe that the need for HCM will steadily increase as working styles change.

Various social environments in Japan, including globalization, digitalization, the 100 year life expectancy, the 2025 digital cliff (Note 1), and the SDGs, have triggered a change in attitude towards HCM from merely being an approach to managing costs to an approach to visualizing investments to realize management strategies and we believe that companies are willing to invest more and more in high-quality cloud solutions.

We currently offer an applicant tracking management cloud HRMOS ATS, and an HCM cloud HRMOS Talent Management, as part of the HRMOS series. HRMOS Talent Management has its basic function of an employee database that also offers additional functions, Performance Management, Engagement Survey, and One-on-One Support. We plan to gradually add more functions to the lineup including payroll, workforce management, and attendance. We have released a beta version of a labor management module that allows users to complete various labor-related procedures associated with joining and leaving a company online instead of on paper.

(Note) 1. According to a Digital Transformation (DX) report released in 2017 by the Ministry of Economy, Trade and Industry, many legacy enterprise software solutions, including HCM solutions, are expected to be obsolete by 2025, and this is referred to as the 2025 Digital Cliff.

2) Service lineup

Our applicant tracking management cloud, HRMOS ATS, is a service that provides integrated support for forming a pool of candidates, selection process management, analysis of recruitment activities, and recruitment strategy planning. Centralizing the management of recruitment activities streamlines operations and enables strategic recruitment activities over the medium to long term by analyzing data from each process. HRMOS ATS enables all recruitment related tasks, such as scheduling interviews and communicating with recruitment agencies, to be completed simply in the same system. It also makes it possible to visualize the number of applications, screening rates, hiring results, and hiring unit costs, etc. for each recruitment media and recruitment agency, and to identify cost effective recruitment channels.

Our HCM cloud, HRMOS Talent Management, is an employee database for managers and HR professionals designed to assist companies in utilizing their human capital. Data on employees is often scattered throughout companies and stored by various departments and tools. HRMOS Talent Management can be used to centrally manage data and quickly track trends such as changes in the number of employees, average years of service, and turnover rates, etc. with reporting tools. Users can also narrow down searches using keywords, etc., to create lists of employees to be trained or high performers, etc., which links to the utilization of human capital.

Performance Management, an additional function under HRMOS Talent Management, is compatible with a wide range of systems such as Management By Objectives (MBO) and competency-based (behavioral characteristics) evaluations. This enables employers to set goals and record feedback on a daily basis. Furthermore, integration with employee databases allows companies to easily assign goals and pick out appropriate evaluation sheets for each employee as well as set evaluators. A new feature, Engagement Survey, has been added that is designed to help ascertain organizational challenges through 74 questions in 10 categories related to employee engagement and organizational performance. One-on-One Support enables companies to visualize the state of implementation of one-on-one interactions on an organizational basis, in addition to supporting one-on-one initiatives through the accumulation of implementation records through linking to the employee database.

Both HRMOS ATS and HRMOS Talent Management are provided as SaaS (Software as a Service) on a subscription (recurring subscription billing) basis. Our specific sources of revenue are described below.

Service	Revenue	Outline
HRMOS ATS, an applicant tracking management cloud	Annual subscription fees	Revenue generated from the use of HRMOS ATS by companies. We offer multiple payment plans according to the number of job applicants that can be registered, etc.

Service	Revenue	Outline
HRMOS Talent Management, HCM cloud	Introduction support fees	Revenue generated as compensation for initial setup support such as registering data on all officers and employees, creating an organization chart, setting workflows and permissions.
	Annual subscription fees	Revenue generated from the use of HRMOS Talent Management by companies. We offer multiple plans according to the number of officers and employees to be registered and functions used (Performance Management, Engagement Survey, etc.)

Our HRMOS business has continued to grow steadily since we launched HRMOS ATS in June 2016. We introduced HRMOS Talent Management to the market in January 2019 with an aim to strengthen the HCM ecosystem, and additional functions are being launched as necessary. The HRMOS business uses ARR (Note 1), churn rate (Note 2), the number of unique paying customers (Note 3), and ARPU (Note 4) as internal indicators.

Trends in each indicator are shown below.

- (Notes) 1. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue)
2. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months
3. The number of paying users of HRMOS series services
4. Average Revenue per User. MRR as of the end of the month ÷ number of unique paying customers

HRMOS Business Indicators (ARR)

	Fiscal year ended July 31, 2018				Fiscal year ended July 31, 2019			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARR (million yen)	228	305	387	466	552	632	711	772

	Fiscal year ended July 31, 2020				Fiscal year ended July 31, 2021			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARR (million yen)	860	962	1,032	1,032	1,093	1,132	1,203	1,269

HRMOS Indicators (churn rate)

	Fiscal year ended July 31, 2019				Fiscal year ended July 31, 2020			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Churn rate (%)	1.05	0.93	1.05	1.04	1.00	1.05	1.01	1.15

	Fiscal year ended July 31, 2021			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Churn rate (%)	1.40	1.43	1.40	1.23

HRMOS Indicators (number of unique paying customers)

	Fiscal year ended July 31, 2018				Fiscal year ended July 31, 2019			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Number of unique paying customers	227	281	343	405	473	535	592	638

	Fiscal year ended July 31, 2020				Fiscal year ended July 31, 2021			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Number of unique paying customers	702	767	807	797	833	849	897	941

HRMOS Indicators (ARPU)

	Fiscal year ended July 31, 2018				Fiscal year ended July 31, 2019			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARPU (yen)	83,800	90,581	94,130	96,008	97,307	98,493	100,139	100,876

	Fiscal year ended July 31, 2020				Fiscal year ended July 31, 2021			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARPU (yen)	102,207	104,529	106,598	107,984	109,382	111,154	111,808	112,429

We will continue to develop attendance, workforce management and payroll functions for HRMOS, aiming to provide a comprehensive range of services for companies to utilize their employees (workers), starting from recruitment, as well as onboarding, employee data management, evaluations, and workforce management. Our goal is to build an HCM ecosystem that integrates the HRMOS series and BizReach. We will achieve this goal by promoting the utilization of human capital and human resource strategies at companies through the use of the HRMOS series to manage a range of activities from recruitment to onboarding and beyond. Companies will use data obtained from the HRMOS series to recruit the most suitable human resources for themselves from the BizReach human resource database.

(Affiliate) BizReach, Inc.

(3) Other HR Tech Businesses

In addition to BizReach and the HRMOS series, we also provide recruitment support services for different age groups and job categories. Specifically, we provide CareerTrek, a job change site designed for people in their 20s that are looking for new challenges, BizReach Campus, an online alumni networking service, BINAR, a recruiting platform for high-skilled engineers, and Stanby, a job search engine. We will continue to invest in these businesses to further expand

our human resource database.

(Affiliates) BizReach, Inc., BINAR, Inc., Stanby, Inc.

■ Incubation

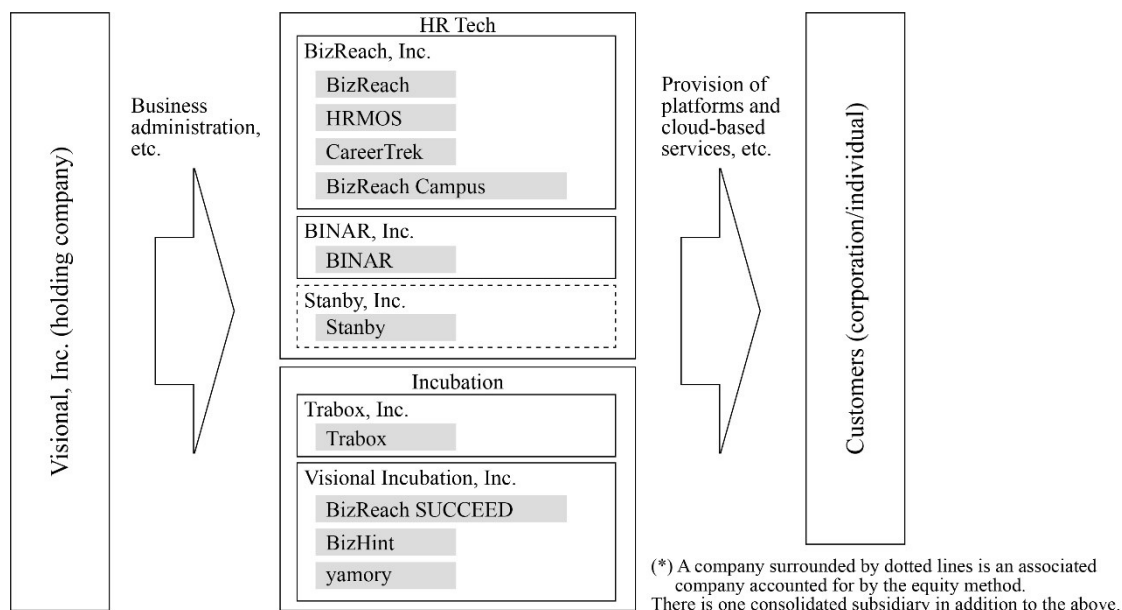
The Incubation segment analyzes industry structures and leading market trends, and is involved in new businesses in areas with large market potential where digital transformation can be promoted. Specifically, we provide Trabox, a logistics DX (digital transformation) platform, BizReach SUCCEED, a business succession and M&A platform, BizHint, a B to B lead generation platform, and yamory, a vulnerability management tool. Our ultimate goal is to build an ecosystem similar to our HCM ecosystem in different industry verticals.

Under the Group’s mission of “persistent creation of new possibilities,” we will keep investing continuously and proactively in efforts to realize the growth of new businesses, and maximize the Group’s corporate value over the medium to long term through business creation.

(Affiliates) Trabox, Inc., Visualon Incubation, Inc.

Visualon falls under a specified listed company stipulated in Article 49, Paragraph 2 of the Cabinet Office Order on Restrictions on Securities Transactions. Of the insignificance criteria for material facts in the regulations for insider trading, numerical criteria established in comparison to the size of the listed company will be judged based on consolidated figures.

The Group’s business organization chart is shown below.



4. Subsidiaries and Other Affiliated Entities

Company name	Location	Issued capital (million yen)	Main business	Percentage of voting rights holding / held (%)	Relationship
(Consolidated subsidiaries)					
BizReach, Inc. (Notes 3 and 4)	Shibuya-ku, Tokyo	130	HR Tech	100.0	Three (3) concurrent directors Administrative support Lease of facilities and equipment, etc.
Visional Incubation, Inc.	Shibuya-ku, Tokyo	10	Incubation	100.0	Two (2) concurrent directors Administrative support Lease of facilities and equipment
BINAR, Inc.	Shibuya-ku, Tokyo	10	HR Tech	100.0	Three (3) concurrent directors Administrative support Lease of facilities and equipment
Cloud Solutions, Inc. (Note 5)	Shibuya-ku, Tokyo	1	HR Tech	100.0	Four (4) concurrent directors
Trabox, Inc.	Shibuya-ku, Tokyo	10	Incubation	100.0	Three (3) concurrent directors Administrative support Lease of facilities and equipment
(Associated company accounted for by the equity method)					
Stanby, Inc.	Shibuya-ku, Tokyo	100	HR Tech	40.0	One (1) concurrent director Lease of facilities and equipment

- (Notes)
- The main business column states the names listed in the segment information.
 - None of the above companies filed a Securities Registration Statement or an Annual Securities Report.
 - This company is a specified subsidiary company.
 - Net sales from BizReach, Inc. (excluding internal net sales recorded among consolidated companies) accounts for more than 10% of consolidated net sales.

Information on major profit (loss)

1) Net sales	¥27,448 million
2) Ordinary profit	¥4,259 million
3) Profit	¥2,528 million
4) Net assets	¥9,727 million
5) Total assets	¥19,766 million

- Provision of service was discontinued at the end of July 2020.

5. Employees

(1) Consolidated Companies

As of July 31, 2021

Segment name	Number of employees	
HR Tech	1,146	[182]
Incubation	95	[13]
Company-wide (common)	30	[—]
Total	1,271	[195]

- (Notes)
1. The number of employees represents the number of employees engaged, excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group.
 2. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 3. The number of employees indicated as the company-wide (common) figure is the number of employees at the holding company (the Company).

(2) The Company

As of July 31, 2021

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
30	39.8	3.9	11,199

- (Notes)
1. The number of employees represents the number of employees engaged. The number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) has been omitted due to being less than 10% of all employees.
 2. Average annual salary includes bonuses and extra wages.
 3. Only the total number of employees is stated due to the number of employees of the Company being included in the segment company-wide (common).

(3) Status of Labor Union

Although no labor union has been formed, the relationship between labor and management is amicable.

II. Overview of Business

1. Management Policy, Business Environment, Issues to Address

Statements in this document about the future reflect the Group's judgments as of the date of submission of this document.

(1) Basic Management Policy of the Company

The Group's mission is the "persistent creation of new possibilities." We will contribute to society as a digital transformation company with multiple businesses that solve a wide variety of issues facing society, through services created using technology.

(2) Management Strategy

Going forward, the Group will work to expand its business domains and increase its corporate value through further business growth in the HR Tech field, including its core service, BizReach, the continuous creation of new businesses that address social issues, and investment in and provision of know-how to promising companies in Japan and abroad.

(3) Objective Indicators for Judging the Status of Achievement of Management Goals

The Group focuses on net sales and operating profit as indicators for measuring the scale and profitability of its business. While maintaining steady growth in operating profit, we plan to continue making aggressive upfront investments in new businesses, in order to increase our corporate value over the medium to long term. In addition, by service, in BizReach, which is our mainstay service, we are focusing on expanding the cumulative number of registered direct employers and the number of scoutable job seekers, as we believe that the activity of the recruitment platform is important. Because HRMOS is a subscription-based service (continuous billing through subscription purchases), we are focusing on expanding the number of unique paying customers, and maintaining a low churn rate.

(4) Strengths of the Group

1) Clear positioning of BizReach in the market and potential for further expansion

The number of companies with 101 or more employees in Japan, the main target of BizReach, is 48,516 (calculated by processing the "Notification and Certification Status of General Employers Action Plan Formulation Notification by Prefecture (As of the end of June 2021)" by Ministry of Health, Labor and Welfare), and the number of annual active employers that have subscribed to BizReach now exceeds 8,000 (as of the end of July 2021). Even in the current market, we have the potential to achieve further growth by acquiring new companies that have not yet used this service, and by further promoting in-depth sales to corporate users.

The Group's core service, BizReach, is a service that supports the recruitment of professionals such as management executives, and thus has the nature of providing solutions to the management issues that are faced by our client companies. With a database of more than 1.38 million scoutable professionals (as of the end of July 2021), we have established relationships with our client companies, as their management partners.

2) A full lineup of services in each area of recruitment

The Group provides services for each stage of career development, including BizReach Campus, which targets new graduates, CareerTrek, which supports young people in their 20s who are changing jobs for the first time, and BizReach, which supports the recruitment of professionals who will play a central role in corporate activities. In addition, the Group provides recruitment services that are specialized for each domain through BINAR, a job search site for high-skilled engineers, and Stanby, a job search engine for part-time and casual workers. As the competition for human resources in Japan becomes increasingly fierce, the Group aims to establish a solid position as a comprehensive platform for recruitment.

3) Diversification of revenue structure

In addition to the flow-type revenue structure represented by BizReach, the Group aims to diversify its revenue structure, and create a stable and sustainable revenue structure through the provision of subscription-based services (continuous billing through subscription purchases), as represented by the HRMOS series.

4) Ability to create new businesses in a wide range of fields

In addition to business development in the area of recruitment, the Group has created new services in a wide range of areas, including the HRMOS series in the HR SaaS domain, BizReach SUCCEED in the M&A domain, and yamory in the cyber security domain. The Group has a strong commitment to the continuous creation of new businesses, including initiatives such as the establishment of Visional Incubation, Inc., a strategic subsidiary specializing in new businesses.

In addition, the Group has a track record of creating new businesses, growing them to a certain scale, and then transferring equity interests to partner companies that highly value these businesses, to obtain funds for growth. Specifically, BizReach, Inc. launched an online outlet mall service, LUXA, in 2010. We spun off this business as LUXA, Inc., and then sold the shares to KDDI CORPORATION in 2015. Furthermore, BizReach, Inc. conducted an absorption-type split of its Stanby business, a search engine business specializing in the recruitment field that BizReach, Inc. started in 2015, to Stanby, Inc., which started its business in 2019 as a joint venture between Z Holdings Corporation and BizReach, Inc. The funds obtained from these transactions are being reinvested in new business development and other areas, to support the further growth of the Group.

5) Positioning as a platform

The Group has established itself as a major platform in other domains, by leveraging the platform management know-how it has cultivated through the operation of its core service, BizReach.

We operate Trabox, an online platform that promotes the digital transformation of the logistics industry by connecting shippers and logistics companies, and BizReach SUCCEED, a business succession and M&A platform that supports the liquidation of capital, including business succession, which is a national issue.

(5) Business Environment

In the human resources business market, companies have been cautious about their recruitment activities since the beginning of 2020 due to the stagnation of economic activities caused by the spread of COVID-19, but recently corporate recruitment activities have been on a recovery trend.

Changes in social structure and technological evolution, such as remote working due to the effects of the spread of COVID-19, a mismatch between corporate life expectancy and work life expectancy, a shift of key industries from manufacturing to services, and a change in work styles from seniority-based/lifetime employment to performance-based/job-based employment, are fundamentally changing both work styles and the way we think about changing jobs. We believe that employment mobility in Japan will continue to accelerate. In addition, we believe that the recruitment market in Japan will continue to grow, and that there is much more room for market expansion due to employment mobility, compared to the U.S. market.

For example, according to a labor force survey released by The Japan Institute for Labour Policy and Training, the percentage of employees with less than one year of service as of July 2017 is 7.9% in Japan, compared to 22.3% in the U.S. (Note 1). We believe that the number of employees who choose mid-career hiring is relatively low.

(Note) 1. Based on “Databook of International Labour Statistics 2019” (The Japan Institute for Labour Policy and Training)

(6) Business and Financial Issues to be Addressed

The following are the priority business and financial issues that the Group must address in order to implement the management strategy described in (2) above.

1) Penetration of direct recruiting in the recruitment market

As described in the previous section, “Business Environment,” the penetration of direct recruiting has become a major growth driver for the Group’s core HR-related services. In order to achieve this goal, the Group has been making efforts to increase the visibility of its services and raise awareness of direct recruiting, through sales activities at our offices in Tokyo, Osaka, Nagoya, Fukuoka, and elsewhere, aggressive advertising including TV commercials, and strategic public relations using various media, and considerable results have been achieved through these efforts. In this manner, we have succeeded in gaining recognition as a leading direct recruiting service.

On the other hand, if we consider the number of job changes for full-time employees in Japan as a potential market, we believe that the percentage of job changes conducted using the Group’s services is still at a low level. In the future, we will achieve revenue growth by linking the increased recognition of the Group’s services to a further expansion in the number of job changes using the Group’s services. In order to achieve this goal, we will strive to accumulate and disseminate concrete examples of successful direct recruiting, and provide a wealth of know-how to help executives and recruiters put our services into practice.

2) Diversification of sources of revenue

Most of the Group's businesses are growing steadily in terms of net sales, which is an indicator of business scale. Meanwhile, operating profit, which is an indicator of profitability, is highly dependent on the BizReach business. In order to be a group that grows over the medium to long term, we believe that it is important to establish a pillar of revenue that follows the BizReach business.

3) Securing talented human resources

The Group believes that it is essential to continue hiring talented personnel with diverse backgrounds, as we continue to expand our business domains and aim for growth in each of our businesses. We have built an organization of more than 1,000 employees through the practice of direct recruiting, by combining the aggressive method of recruiting, in which executives, business managers, and recruiters identify and approach candidates on their own, with the traditional "wait-and-see" method of recruiting, such as posting on recruitment media and using recruitment agencies, while independently selecting the best method from among various options. We will continue to strive to acquire talented personnel using a variety of recruitment methods, and to embody the concept of direct recruiting.

4) Strengthening of our information management structure

In the businesses operated by the Group, we handle a large amount of customer and personal information. Accordingly, we recognize the management of this information as an important issue.

The Company strictly manages this information through the establishment of internal regulations, including a personal information protection policy and rules for prevention of insider trading, the thorough implementation of such regulations, and the implementation of internal training. We will continue to further strengthen the security of related internal systems, develop more internal training programs, and expand the management structure for information management.

In addition, BizReach, Inc. has been certified under the PrivacyMark System operated by JIPDEC.

5) Strengthening of the internal management system

The Group's business is growing rapidly, and the required functions are also expanding. In order for the Group to achieve continuous growth, we believe that it is important to build a more robust internal management system, which will allow us to properly identify management risks and control such risks. To this end, we will continue to strengthen our compliance system through risk management in our business operations and regular internal audits, and enhance our corporate governance functions based on audits by the Audit and Supervisory Committee. In addition, we will conduct continuous recruitment and training activities to secure and develop human resources that match the growth rate of our group.

2. Business Risks

Among the matters related to the business and financial status described in this document, the following are the main risks that the management recognizes as having the potential to exert a significant impact on the financial position, operating results, and cash flows of the Group.

Statements in this document about the future reflect the Group's judgments as of the date of submission of this document, and do not cover all risks that may arise in the future.

(1) Economic Fluctuations and Employment Situation

The Group's business performance is affected by economic fluctuations and other economic, social, and geopolitical conditions. In particular, the business of the Group's core HR Tech segment has characteristics that make it susceptible to trends such as economic fluctuations and the employment situation. In this regard, the employment situation is affected by corporate performance, government employment policies, and other factors. In addition, the business of the Incubation segment may not be able to achieve the expected level of growth, due to worsening economic conditions. Furthermore, economic conditions and other factors may increase pressure to lower prices for the services provided by the Group. By providing services in a wide range of recruiting fields, the Group aims to build a revenue structure that is less susceptible to changes in the business environment. However, if, for some reason, corporate demand for personnel hiring declines, or if changes in the economic conditions cause a decline in demand for the Group's services or a drop in profitability, the Group's business performance could be affected. As for the impact of the spread of COVID-19 on the

Group, please refer to “(19) Impact of COVID-19.”

(2) Competition

In the markets in which the Group operates, there are already many competitors in each area, and we recognize that there is a certain level of competition.

In the Group’s core BizReach business, we have disseminated a new system called direct recruiting into the market for recruiting business professionals. We believe that we have already established a certain competitive advantage in the market, by promptly launching a platform to implement this system, and increasing the number of platform users through effective advertising activities. We will continue to strive to strengthen the competitive advantage of our services. However, in addition to competition from traditional recruiting firms and others, competition from other recruiting platforms may intensify in the event that domestic recruiting firms, job information service providers, or other companies expand their online services and recruiting platform services, or if overseas competitors with global online recruiting platforms further enhance their services in the Japanese market.

The emergence of competitors with superior business models for recruitment platforms and other factors may affect the Group’s business performance, due to intensified competition. Although the Group’s policy is to continue effective advertising activities, there is no guarantee that such activities will result in an increase in the number of platform users in the future, and there is the possibility that the Group’s business performance will be affected by a lack of increase in platform users.

As for the HRMOS business, the market for cloud-based human capital management (HCM) in Japan is relatively new. If a new competitor enters the market in Japan, if the Company further expands its HRMOS business services, or if an existing competitor expands its own business, the Group’s business performance may be affected due to intensified competition.

In the Incubation segment, the Group has been conducting, and will continue to conduct new business in areas where the Group strategically believes that there is market potential for digital transformation. However, we may face competition in these areas, as well as competition from other companies that adopt similar strategies.

Furthermore, the market in which the Group operates is subject to rapid changes in technology. If the Group is unable to keep pace with technological innovations and the competitiveness of its services declines, this could have an impact on the Group’s business performance.

(3) Risk of Dependence on Specific Businesses

The BizReach business is positioned as the Group’s core business. In the fiscal year ended July 31, 2021, the ratio of net sales from this business (¥23,561 million) to total net sales (¥28,698 million) was 82.1%, indicating a high dependence on this business. Although we assume that the market for recruiting business professionals will continue to expand, changes in social awareness and business practices that accept job changes and mid-career hiring may not proceed as rapidly as we expect. In addition, since the market for online recruitment solutions in Japan is not as mature as the market for traditional recruitment services, there is no guarantee that the use of online recruitment solutions will increase in accordance with the Group’s expectations. For this reason, changes in the business environment or a decline in the competitiveness of our services may have an impact on the Group’s business performance.

In addition, the BizReach business generates revenue by receiving compensation from direct employers, headhunters, and job seekers, and acquiring and retaining these customers is important for the continued growth of the business. If the ability of our services to attract customers declines, or if our sales and marketing activities to these customers are unsuccessful, it may have an impact on the Group’s business performance.

(4) New Businesses

Currently, the majority of the Group’s revenue is generated from the BizReach business. In order to expand the scale of its business and diversify its sources of revenue over the medium to long term, the Group’s policy is to proactively create new businesses that utilize the Group’s management know-how within the amount of the revenue generated by the BizReach business. In the process of developing new businesses, the Group collects necessary information and carries out studies in order to reduce risks. However, many such new businesses have not yet become profitable. If the expansion and growth of new businesses do not proceed as initially projected, we may not be able to recover the investment funds, which may affect the Group’s business performance. In addition, our ability to invest in new businesses may be limited if we are unable to generate sufficient revenue from the BizReach business, due to

various factors described in “2. Business Risks.” Furthermore, if the launch of a new business costs more than expected, or if the realization of revenue from a new business is delayed, the Group may decide to withdraw from the planned investment or business expansion. If such a strategic withdrawal results in large expenses, the Group’s business performance may be affected.

In the HRMOS business in particular, we are aiming to expand our business by promoting the development of services such as attendance, labor management, and payroll. However, if the development of these services does not proceed as planned, or if we are unable to realize profitability and recover the investment funds, the Group’s business performance may be affected.

(5) System Failures, etc.

Because the Group’s business uses the internet, there is the possibility that natural disasters, accidents, unauthorized access, or other events could cause system failures such as communication network disconnections, or the inoperability of servers and other network equipment. The Group has taken measures to prevent system failures, such as the regular monitoring of operational status and clarification of methods to respond to abnormalities. However, despite these measures, a large-scale system failure could affect the Group’s business performance.

The Group also relies on external service providers in key areas of its business. In particular, most cloud-based services are provided using external cloud servers (services provided by Amazon Web Services, Inc. (hereinafter referred to as “AWS”)). Therefore, in order to avoid system failures that may interfere with the provision of services to customers or system downtime due to cyber-attacks, we ensure redundancy through the use of multiple geographical regions (Note 1) and availability zones (Note 2), take security measures through regular vulnerability assessments and various unauthorized access measures, and monitor system operation status. However, in spite of such measures, if system failures of AWS, etc. occur due to natural disasters, accidents, unauthorized access, etc., or if the use of AWS, etc. cannot be continued due to the cancellation of contracts with external service providers, etc., the Group’s business performance may be affected.

(Notes) 1. This refers to geographically independent server installation areas.

2. This refers to the names of the individual independent data centers within a region.

(6) Defects in Services, etc.

It is considered to be impossible to completely eliminate the occurrence of defects in advanced software, and various defects may occur in the Group’s applications, software, and systems.

We will continue to build and maintain a highly reliable development system. However, if a fatal defect is discovered that interferes with the operation of the Group’s business and we are unable to properly resolve the problem, the Group’s business performance may be affected.

(7) Information Security

Through its business activities, the Group may obtain the personal information and confidential information of customers and business partners, and also possesses confidential business information. In accordance with the Group’s common “Information Security Basic Rules,” the Group has granted the authority to oversee information management for the entire Group to the Executive Officer, CISO. Under the supervision of the Executive Officer, CISO, we have established an information management system that complies with Group standards, and are strengthening information security by developing and enhancing rules and regulations regarding the handling of information, etc., as well as ensuring that all employees, etc. are aware of these rules and regulations. However, in the event that a leak of such information were to occur due to cyber-attacks, unauthorized access, intrusion by computer viruses, or defects in information security, or in the event that important data were to be destroyed or falsified, or a system shutdown were to occur as a result, the Group’s credibility could be diminished and its business performance could be affected.

(8) Dependence on Specific Persons

The Company’s Representative Director and CEO, Soichiro Minami has been deeply involved in the Group’s business since its founding. His extensive experience and knowledge of internet-related business plays an extremely important role in establishing and implementing management strategies. The Group is working to strengthen its management system, which is not dependent on any specific person, and is developing a system to ensure that it is not overly dependent on Mr. Minami. However, if it becomes difficult for him to perform his duties for the Group for some reason, the Group’s business performance may be affected.

(9) Securing and Training of Human Resources

In order to operate its business, the Group needs human resources with expertise in each business field and function, and it is essential to continue hiring and training human resources in line with business expansion. The Group plans to embody the concept of direct recruiting and use a variety of recruiting methods to acquire excellent human resources. However, if in the future it becomes difficult to acquire excellent human resources, if the development of human resources does not proceed as planned, or if current human resources leave the Group, the Group's business performance may be affected.

(10) Establishment of an Internal Management System

We recognize that the proper functioning of corporate governance is essential for the continued growth of the Group. Under the supervision of the Executive Officer, CFO, the Company will ensure the appropriateness of operations and the reliability of financial reporting, as well as thorough compliance with internal rules, laws, and regulations. However, if corporate governance fails to function effectively due to the rapid expansion and diversification of our business, we may not be able to conduct appropriate business operations, which may affect the Group's business performance.

(11) Compliance

The Group recognizes the importance of compliance in order to achieve a sustainable expansion of corporate value. For this purpose, the Group holds the Group Compliance Committee, chaired by the Company's Representative Director and CEO once per quarter in principle, and requests reports from each subsidiary regarding compliance-related matters. In addition, we have established compliance regulations and the Visional Group Code of Conduct, which are clearly posted on the intranet, and conduct regular internal training. However, in spite of these efforts, the Group's brand image and business performance may be affected in the event of a violation of laws and regulations.

(12) Reputational Risk

In the Group's business, although it is important to maintain and improve customer recognition, our brand image, and the social credibility of the Group and the services provided by the Group, there is no guarantee that the Group's promotional activities will be successful.

In addition, in the event that a negative rumor about the Group is generated and spread in the mass media or on the internet or social media, or if the Company's name is reported or announced due to the discovery of an inappropriate event, etc., we have a system in place to respond appropriately, in cooperation with all related parties. However, defects in our services, leaks of personal or confidential information, or rumors about the Group could damage the brand image and social credibility of the Group or the services provided by the Group. As a result, the Group's business performance could be affected.

(13) Laws, Regulations, and Trends**1) General legal restrictions**

The main laws that regulate the services provided by the Group are the Telecommunications Business Act, the Act on Prohibition of Unauthorized Computer Access, the Act on Specified Commercial Transactions, the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Provider Liability Limitation Act), and the Act on Regulation of Transmission of Specified Electronic Mail.

The Group has been operating its services in compliance with these regulations, and will continue to strengthen its legal compliance system and provide internal training. However, if new laws and regulations are enacted or amended, and the services operated by the Group become subject to the new laws and regulations, the Group's business performance and financial position may be affected.

2) Protection of personal information

Because the Group acquires and uses personal information such as job applicants' work histories and application information, it is obligated as a business operator handling personal information, as stipulated by the Act on the Protection of Personal Information.

The Group considers the management of personal information to be an important matter in the operation of our services, in order to prevent the leakage or falsification of personal information, and has established a personal information protection policy. When acquiring personal information, we clearly state the purpose of use, and utilize it only within the scope of that purpose. In

addition, we manage personal information through internal training for officers and employees on the handling of personal information, setting access privileges within the Company, storing access logs, and maintaining regulations on personal information management.

However, in the event of problems, such as unauthorized access from outside the Company, or leakage of personal information due to the intentional or negligent acts of those involved in the Group, there is a possibility that the Group's business performance and financial position will be affected due to claims for damages or loss of trust in the Group. In addition, if new laws and regulations are enacted or amended, or if existing laws and regulations are reinterpreted to create new regulations, the Group's business performance and financial position may be affected.

3) Legal restrictions on the HR Tech business

The recruitment platforms operated by the Group, such as BizReach and CareerTrek, are obligated to appropriately manage personal information as a business that provides recruitment information, etc., as stipulated in the Employment Security Act.

In addition, BINAR, which is operated by the Group, is licensed by the Minister of Health, Labor and Welfare as a fee-charging employment placement business under the Employment Security Act. With regard to the license for fee-charging employment placement business, it is required to be renewed after three years for the first time after acquisition and every five years thereafter. The expiration date of the license, as of the date of submission of this document is October 31, 2022.

The Group has been operating its services in compliance with these regulations, and will continue to strengthen its legal compliance system and provide internal training. However, in the event that new laws and regulations are enacted or amended, or existing laws and regulations are reinterpreted, and the services operated by the Group are subject to these new laws and regulations, require the acquisition of additional permits, or are subject to revocation of permits, business suspension orders, or business improvement orders, the Group's business performance and financial position may be affected.

4) Laws and regulations regarding the transportation business

The Trabox service operated by the Group does not require the Group to be entrusted with transportation, but rather directly matches shippers and transportation companies on the platform, and therefore is not subject to the Consigned Freight Forwarding Business Act and other obligations related to various transportation businesses.

The Group will continue to strengthen its legal compliance system and provide internal training. However, if new laws and regulations are enacted or amended, or if existing laws and regulations are reinterpreted and the services operated by the Company become subject to these new laws and regulations, the Group's business performance and financial position may be affected.

5) Intellectual property rights

Intellectual property rights such as trademarks, software, and systems related to the services operated by the Group are important to the Group. Although the Group strives to acquire such rights, there is no guarantee that they will not be used improperly.

In addition, we recognize that the trademarks, software, systems, etc. that are used in each service operated by the Group do not infringe upon the intellectual property rights of any third parties, at this time. Going forward, we will continue to work with our legal advisors and patent attorneys to manage copyrights and other issues, in order to prevent infringement. However, there is the possibility that intellectual property rights not recognized by the Company have already been established in the Group's business domains, or that new intellectual property rights of third parties may be established in the Group's business domains.

In such case, it is assumed that a claim for compensation for damages, an injunction against use, or a request for payment of royalties related to said rights may be made due to our infringement of intellectual property rights. If such a situation arises, it may affect the Group's business performance and financial position.

(14) Disputes with Third Parties

The Group is making efforts to reduce violations of laws and regulations by its officers and employees, by implementing compliance training and other measures. However, regardless of whether or not the Group, its officers, or employees violate laws and regulations, there is the possibility that unexpected problems or lawsuits may occur with business partners, employees, or other third parties.

It is impossible to predict the likelihood of occurrence of each such dispute, and it is difficult to predict the timing of each dispute. Regardless of the outcome of a lawsuit, etc., there is the possibility that the Group's business performance and financial position may be affected due to incurring significant litigation response costs, loss of trust and brand image, etc. In addition, the suspension of the

Group's services as a result of lawsuits, etc. may affect the Group's business performance.

(15) Investment and Financing, including M&As

In order to expand the scale of its business, the Group places management importance on maximizing corporate value by strengthening existing businesses, entering new business areas such as businesses where it can utilize its management know-how, and reinforcing these businesses. As part of its approach, the Group has conducted investment and financing activities, including M&As, and will step up these activities going forward. The Group will conduct a detailed examination of a target company in advance, to the extent possible, and will proceed with an M&A after thoroughly considering the risks involved. However, the Group's business performance may be affected if, after an acquisition, unrecognized liabilities are discovered, contingent liabilities arise, or other issues arise that were not identified in prior investigations, if the development of business after an acquisition does not proceed as planned, if higher-than-expected costs are incurred in maintaining business after an acquisition, or if a business partner later becomes a competitor and uses the know-how acquired during its alliance with the Group. In addition, when new businesses that the Group has not been engaged in are added through M&As, etc., risk factors specific to those businesses will be added.

(16) Impairment Risk of Goodwill, etc. in M&As

As of July 31, 2021, the Group has recorded goodwill of ¥1,296 million and customer relationship of ¥1,123 million arising from business combinations. In the event that these assets do not generate the expected cash flows due to a deviation from the future business plan, etc., the Group's business performance and financial position may be affected by the recording of an impairment loss.

(17) Associated Company Accounted for by the Equity Method (Stanby, Inc.)

The Company jointly manages Stanby, Inc. (hereinafter referred to as "Stanby" in this section), a joint venture with Z Holdings Corporation. Stanby operates the Stanby job search engine. The Company holds a 40.0% stake in Stanby (whereas Z Holdings Corporation holds a 60.0% stake). Stanby is an associated company accounted for by the equity method of the Company.

Because the Group, which has expertise in the HR Tech business, needs to play an important role in the launch of Stanby's business, Soichiro Minami, Representative Director and CEO of the Company, has been appointed as Representative Director and CEO of Stanby. In addition, some of Stanby's employees are seconded from the Group. There is the possibility that the business development and operating results of the Group will be affected in the event that unforeseen events occur at Stanby, that Soichiro Minami, Representative Director and CEO of the Company, is held accountable as the representative of Stanby, that the burden of duties as the person in charge of management at the relevant concurrent post becomes excessive beyond expectations, or that there is a change in the investment ratio.

(18) Dilution of Share Value due to the Exercise of Share Acquisition Rights

The Group grants share acquisition rights (hereinafter referred to as "stock options") to officers and employees for the purpose of incentivization. In addition, there is the possibility that the Company will continue to utilize stock option plans in the future. The value of shares held by existing shareholders may be diluted in the event that stock options to be granted in the future are exercised, in addition to those currently granted. As of the date of submission of this document, the number of dilutive shares due to stock options is 6,248,400 shares, which is equivalent to 14.84% (rounded to two decimal places) of the total number of issued shares and dilutive shares of 42,106,400 shares. For the 1st Series through 26th Series Share Acquisition Right, the numbers of shares to be issued upon exercise of share acquisition rights that will become exercisable as of the end of the month prior to the date of filing of this annual securities report are given by fiscal year below.

	Fiscal year ending July 31, 2022	Fiscal year ending July 31, 2023	Fiscal year ending July 31, 2024	Fiscal year ending July 31, 2025	Fiscal year ending July 31, 2026
Number of shares	(Note 1) 3,615,800	(Note 2) 478,600	(Note 3) 450,600	(Note 4) 444,000	(Note 5) 404,400

	Fiscal year ending July 31, 2027	Fiscal year ending July 31, 2028	Fiscal year ending July 31, 2029
Number of shares	(Note 6) 381,900	(Note 7) 235,800	(Note 8) 237,300

(Notes) 1. Of these 3,615,800 shares, 109,000 shares have become exercisable on August 1, 2021 and 3,506,800 shares will become exercisable on April 23, 2022, one year from the day following the listing date.

2. Exercisable from April 23, 2023, two years from the day following the listing date.
3. Exercisable from April 23, 2024, three years from the day following the listing date.
4. Exercisable from April 23, 2025, four years from the day following the listing date.
5. Exercisable from April 23, 2026, five years from the day following the listing date.
6. Exercisable from April 23, 2027, six years from the day following the listing date.
7. Exercisable from April 23, 2028, seven years from the day following the listing date.
8. Exercisable from April 23, 2029, eight years from the day following the listing date.

(19) Impact of COVID-19

In response to the spread of COVID-19, the Group is taking measures such as staggered working hours using flex time and telework for all employees, as needed, and taking prudent measures such as holding web conferences and restricting non-essential and non-urgent business trips. However, if the effects of COVID-19 become more prolonged and severe, and economic activity stagnates, this could lead to a decrease in demand for the services provided by the Group, which could have an impact on the Group's business performance.

3. Management Analysis of Financial Position, Operating Results and Cash Flows

Statements in this document about the future reflect our judgments as of the date of submission of this document.

(1) Overview of Operating Results, etc.

The following is an overview of the financial position, operating results, and cash flows (hereinafter referred to as “operating results, etc.”) of the Group (the Company, consolidated subsidiaries, and associated companies accounted for by the equity method), as well as the recognition, analysis, and discussion of the Group’s operating results, etc. from the perspective of management.

1) Operating results

In the fiscal year under review, the state of the Japanese economy remains uncertain due to protracted stagnation of economic activities resulting from the COVID-19 pandemic.

With regard to the Group’s market conditions, although companies continued to show caution toward recruiting in response to the effects of COVID-19, recruiting activities have been on a recovery trend recently. In particular, in the Group’s core BizReach business, which specializes in the professional domain, although affected by COVID-19, strong recovery has been confirmed since the third quarter.

In addition, for the human capital-related market, we expect that demand in the recruiting and human capital management domains will continue to increase in the future as employment becomes more fluid in the medium and long term and work styles become more diverse at an accelerating pace.

Under these circumstances, in the fiscal year under review, the Group recorded net sales of ¥28,698 million (up 10.9% year on year), operating profit of ¥2,368 million (up 8.3% year on year), ordinary profit of ¥2,274 million (up 0.9% year on year), and with regard to profit attributable to owners of parent, it decreased from the previous fiscal year in which gain on transfer from business divestitures of the Stanby business (extraordinary income) was recorded, to ¥1,420 million (down 69.5% year on year).

(i) HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech services.

Against a backdrop of solid hiring demand in the professional human capital domain, the BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices. The cumulative number of registered direct employers (Note 1) increased to more than 17,100 (compared to more than 13,800 as of the end of the previous fiscal year), the number of annual active employers (Note 2) increased to more than 8,000 (compared to more than 6,600 as of the end of the previous fiscal year), the number of active headhunters (Note 3) rose to more than 5,100 (compared to more than 4,600 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 4) increased to 1.38 million (compared to 1.11 million as of the end of the previous fiscal year). The business recorded net sales of ¥23,561 million (up 12.5% year on year). With regard to expenses, as a result of ongoing investment in advertising, including television commercials, and product development, it recorded adjusted operating profit before corporate expense allocation (Note 5) of ¥9,637 million (up 4.4% year on year).

In August 2020, the HRMOS business launched the new feature Organizational Diagnostic Survey (a new feature aimed at accurately ascertaining organizational challenges and tying this to action, even for organizations that are continually changing), and in October 2020, it released HRMOS Recruiting New Graduate Edition (a recruiting management cloud that leverages the recruiting-management expertise and technologies built up in mid-career recruiting and also supports year-round recruiting).

In addition to investing in the products such as the development of new functions, as a result of sales activities and advertising activities, including television commercials, ARR (Note 6) rose 22.9% year on year to ¥1,269 million, the number of unique paying customers (Note 7) increased 18.1% to 941, and ARPU (Note 8) rose 4.1% to ¥112,429. The churn rate (Note 9) that is a 12-month average increased from 1.15% as of the end of the previous fiscal year to 1.23%, as a result of factors such as the curtailment of hiring by employers due to the COVID-19 pandemic.

As a result, the HRMOS business recorded net sales of ¥1,155 million (up 24.1% year on year) and an adjusted operating loss before corporate expense allocation (Note 5) of ¥2,102 million (loss of ¥1,159 million for the previous fiscal year).

As a result, in the fiscal year under review, the HR Tech segment recorded net sales of ¥27,052 million (up 8.6% year on year) and segment profit of ¥4,000 million (up 19.6% year on year).

- (Notes)
1. The total number of employers that have subscribed to BizReach, excluding headhunters
 2. The number of direct hiring companies that have subscribed to BizReach for at least 1 day during the fiscal year
 3. The number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 4. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters
 5. This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general administrative expenses associated with accounting, legal, human resources, and other business administration, and also personnel costs and ancillary outsourcing and other costs of the information systems and design divisions that cannot be charged directly to specific products and services.
 6. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue).
 7. The number of paying users of HRMOS series services
 8. Average Revenue per User. MRR as of the end of the month ÷ number of active employers
 9. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months.

(ii) Incubation

The Incubation segment includes Trabox, BizReach SUCCEED, and BizHint.

In the fiscal year under review, the segment recorded net sales of ¥1,485 million (up 66.3% year on year) and segment loss of ¥863 million (segment loss of ¥868 million for the previous fiscal year). This was primarily due to appropriate recruiting and advertising activities within the amount of the HR Tech segment profit.

2) Financial position

As of the end of the fiscal year under review, total assets amounted to ¥35,076 million, a ¥17,354 million increase since the end of the previous fiscal year. This was primarily due to a ¥16,515 million increase in cash and deposits to ¥25,630 million, and a ¥1,246 million increase in notes and accounts receivable - trade to ¥3,258 million due to the growth in net sales.

As of the end of the fiscal year under review, total liabilities amounted to ¥12,540 million, a ¥4,023 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,124 million increase in unearned revenue to ¥3,042 million due to an increase in the number of corporate users for the BizReach business.

As of the end of the fiscal year under review, net assets amounted to ¥22,536 million, a ¥13,331 million increase since the end of the previous fiscal year. This was mainly due to a ¥1,420 million increase in retained earnings due to the recording of profit attributable to owners of parent, and a ¥5,963 million increase in share capital to ¥6,063 million, and a ¥5,963 million increase in capital surplus to ¥10,027 million, from exercising share acquisition rights and issuing new shares in conjunction with the listing in the Tokyo Stock Exchange Mothers Section.

3) Cash flows

As of the end of the fiscal year ended July 31, 2021, the balance of cash and cash equivalents (hereinafter referred to as “cash”) amounted to ¥25,630 million.

The status of cash flows for the fiscal year ended July 31, 2021 and the factors responsible for those results are described below.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥4,315 million primarily due to the recording of profit before income taxes of ¥2,290 million, a ¥1,245 million increase in trade receivables, a ¥1,834 million increase in accounts payable - other and income taxes paid of ¥992 million.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥33 million primarily due to purchase of property, plant and equipment of ¥116 million and proceeds from refund of leasehold and guarantee deposits of ¥97 million.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net inflow of ¥12,234 million primarily due to proceeds from issuance of shares of ¥11,176 million, proceeds from long-term borrowings of ¥1,000 million and payments of listing expenses of ¥341 million.

4) Results of production, orders received, and sales

a. Production results

This is omitted because descriptions of production results are not compatible with the nature of the services provided by the Group.

b. Orders received

This is omitted because descriptions of orders received are not compatible with the nature of the services provided by the Group.

c. Sales results

The sales results by segment for the fiscal year ended July 31, 2021 are shown below.

Segment name	Sales (million yen)	Year-on-year (%)
HR Tech	27,052	108.6
Incubation	1,485	166.3
Total	28,537	110.6

- (Notes)
1. Intersegment transactions have been offset and eliminated.
 2. Consumption taxes, etc. are not included in the amounts shown above.
 3. In addition to the above, real estate lease revenue of ¥161 million was recorded.

(2) Analysis and Discussion of Operating Results, etc. from Management's Perspective

The following is a summary of recognition, analysis, and discussion of the Group's operating results, etc. from the perspective of management. Statements in this document about the future reflect our judgments as of the date of submission of this document.

1) Significant accounting estimates and the assumptions used in such estimates

The Group's consolidated financial statements have been prepared based on accounting standards generally accepted in Japan. The preparation of these consolidated financial statements requires management to make estimates that affect the amounts of assets, liabilities, revenues, and expenses, based on management's selection and application of accounting policies. Management makes reasonable judgments regarding these estimates, while considering past performance, the possibility of future occurrences, and other factors. However, actual results may differ from these estimates due to the occurrence of events that were unforeseeable at the time of judgment. The significant accounting estimates and assumptions used in making such estimates are as follows.

(Impairment of non-current assets)

For non-current assets or asset groups for which there is a sign of impairment, if the total amount of undiscounted future cash flows from such assets or asset groups is less than the carrying amount, the Group reduces the carrying amount to the recoverable amount, and records the amount of the reduction as an impairment loss. We carefully consider the signs of impairment, and the recognition and measurement of an impairment loss. However, if the conditions and assumptions upon which such estimates are based change and decrease due to changes in business plans or market conditions, it may be necessary to recognize impairment losses.

(Deferred tax assets)

The Group recognizes deferred tax assets for deductible temporary differences and other items for which it has judged that taxable income will be sufficiently secured based on future profit plans, and that there is a possibility of recovery. Because the recoverability of deferred tax assets depends on estimates of future taxable income, if the conditions and assumptions upon which such estimates are based change and decrease, deferred tax assets may be reduced and tax expenses may be recorded.

2) Recognition, analysis, and discussion of operating results, etc.

a. Analysis of operating results

(Net sales)

In the fiscal year ended July 31, 2021, net sales amounted to ¥28,698 million (up 10.9% compared to the previous fiscal year). As a breakdown, the BizReach business grew to ¥23,561 million (up 12.5% compared to the previous fiscal year), and the HRMOS business grew to ¥1,155 million (up 24.1% compared to the previous fiscal year).

In the BizReach business, the number of unique paying customers increased to more than 8,000 at the end of the fiscal year ended July 31, 2021, compared to more than 6,600 at the end of the fiscal year ended July 31, 2020, due to the resumption of hiring in the professional human resources field that had been affected by COVID-19. In addition, the number of scoutable job seekers reached 1.71 million (up 330,000 from the previous fiscal year) through the effective use of online and mass media advertising, including the BizReach 12th Anniversary Campaign and television commercials, contributing to sales growth.

In the HRMOS business, the number of unique paying customers reached 941 (an increase of 144 companies from the previous fiscal year) due to active customer development. The 12-month average churn rate affected by COVID-19 was 1.23%.

(Cost of sales and gross profit)

Cost of sales amounted to ¥3,999 million (down 2.6% compared to the previous fiscal year). This was due to a decrease in labor costs in the first half of the fiscal year ended July 31, 2021, mainly as a result of temporary curbs on outsourcing related to product development in preparation for the spread of COVID-19. As a result, gross profit was ¥24,699 million (up 13.4% compared to the previous fiscal year).

(Selling, general and administrative expenses, and operating profit)

Selling, general and administrative expenses amounted to ¥22,331 million (up 14.0% compared to the previous fiscal year). This was due to an increase in personnel expenses due mainly to the expansion of the workforce, while costs were controlled in the first half of the fiscal year in preparation for the spread of COVID-19. As a result, operating profit was ¥2,368 million (up 8.3% compared to the previous fiscal year).

(Non-operating income, non-operating expenses, and ordinary profit)

Non-operating income amounted to ¥339 million, due mainly to the share of profit (loss) of entities accounted for using equity method, while non-operating expenses amounted to ¥433 million, due mainly to payments of listing expenses. As a result, ordinary profit was ¥2,274 million (up 0.9% compared to the previous fiscal year).

(Extraordinary income, extraordinary losses, and profit attributable to owners of parent)

Extraordinary income was ¥16 million of gain on sale of non-current assets, extraordinary losses were ¥0 million due to loss on valuation of investment securities, and profit before income taxes was ¥2,290 million (down 67.4% compared to the previous fiscal year). In addition, as a result of recording income taxes of ¥869 million, profit attributable to owners of parent was ¥1,420 million (down 69.5% compared to the previous fiscal year).

b. Analysis of financial position

An analysis of financial position is included in “II. Overview of Business, 3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of Operating Results, etc., 2) Financial position.”

c. Analysis of cash flows

An analysis of cash flows is included in “II. Overview of Business, 3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of Operating Results, etc., 3) Cash flows.”

3) Sources of capital and liquidity of funds

The Group’s main funding needs are for advertising expenses and personnel expenses related to sales activities. The Group raises necessary funds mainly through cash flows from operating activities and borrowings from financial institutions, etc. For working capital, the Company and its consolidated subsidiaries have introduced a CMS (cash management system), which allows the Company to centrally manage the funds within the Group. By concentrating the surplus funds of each company in the Company

and centrally managing these funds, we are working to improve our capital efficiency.

4) Factors that have a significant impact on operating results

For factors that have a significant impact on operating results, refer to “2. Business Risks.”

5) Management’s awareness of issues and future policies

For management’s awareness of issues and future policies, refer to “1. Management Policy, Business Environment, Issues to Address.”

4. Material Contracts, etc.

Not applicable.

5. Research and Development Activities

The Group is focusing on research and development in order to develop additional functions for HRMOS to build an HCM ecosystem. We also conduct research and development activities with an aim to respond quickly to market changes and provide more attractive services that solve various issues that arise with the times.

As a result of the above activities, research and development expenses for the fiscal year ended July 31, 2021 totaled ¥237 million. By segment, research and development expenses in the HR Tech segment totaled ¥199 million, and research and development expenses in the Incubation segment totaled ¥38 million.

III. Information about Facilities

1. Overview of Capital Expenditures

The total amount of capital expenditures, etc. made during the fiscal year ended July 31, 2021 was ¥138 million, mainly due to the purchase of PCs.

No important facilities were disposed of or sold during the fiscal year under review.

2. Major Facilities

(1) Filing Company

As of July 31, 2021

Office name (location)	Segment name	Description of facilities	Carrying amount (million yen)					Number of employees
			Buildings and structures	Tools, furniture and fixtures	Leased assets	Other	Total	
Head office (Shibuya-ku, Tokyo)	Company- wide	Business facilities	409	128	—	7	545	30

- (Notes)
- There are no major facilities that are currently dormant.
 - Consumption taxes, etc. are not included in the amounts shown above.
 - “Other” in the carrying amount refers to trademark right and software.
 - Buildings such as office, etc. are leased from companies other than consolidated companies, and the annual rental fee is ¥1,256 million.
 - The number of employees represents the number of employees engaged. The number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) has been omitted due to being less than 10% of all employees.

(2) Domestic Subsidiaries

As of July 31, 2021

Company name	Office name (location)	Segment name	Description of facilities	Carrying amount (million yen)					Number of employees
				Buildings and structures	Tools, furniture and fixtures	Leased assets	Other	Total	
BizReach, Inc.	Head office and three other sales offices (Shibuya-ku, Tokyo, etc.)	HR Tech	Business facilities	—	142	19	29	192	1,124 [181]

- (Notes)
- There are no major facilities that are currently dormant.
 - Consumption taxes, etc. are not included in the amounts shown above.
 - “Other” in the carrying amount refers to software.
 - The number of employees represents the number of employees engaged, excluding those seconded from BizReach, Inc. to other companies and including those seconded from other companies to BizReach, Inc. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.

3. Planned Addition, Retirement, and Other Changes of Facilities

(1) Addition of Major Facilities

Not applicable.

(2) Retirement of Major Facilities

Not applicable.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total Number of Shares

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	100,000,000
Total	100,000,000

2) Issued shares

Class	Number of issued shares at the end of the fiscal year (July 31, 2021)	Number of issued shares at the date of filing of this report (October 27, 2021)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	35,858,000	35,858,000	Mothers Section, Tokyo Stock Exchange	Shares with full voting rights that is the Company's standard share with no restrictions on voting rights. One unit consists of 100 shares.
Total	35,858,000	35,858,000	—	—

(Note) The number of issued shares at the date of filing of this report does not include the number of shares issued as a result of the exercise of share acquisition rights between October 1, 2021 and the date of filing of this annual securities report.

(2) Share Acquisition Rights

1) Stock options

1st Series to 23rd Series Share Acquisition Rights were originally issued by BizReach, Inc. and the obligation associated with share acquisition rights was succeeded to the Company upon its establishment on February 3, 2020 by means of sole share transfer by BizReach, Inc.

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Date of resolution (Note 1)	October 11, 2012	August 29, 2014
Class and number of recipients (Note 2)	Directors: 1 Employees: 29 Directors of subsidiaries: 2 Employees of subsidiaries: 3 External consultants: 4	Audit and Supervisory Committee Members: 1 Employees: 42 External consultants: 3
Number of share acquisition rights*	7,130 (Note 3)	3,430 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 713,000 (Notes 3 and 7)	Common stock: 343,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	43 (Notes 4 and 7)	43 (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to October 10, 2022	From February 3, 2020 to September 1, 2024
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes) 1. The date of resolution refers to the date of resolution originally made by BizReach, Inc.

2. Class and number of recipients refer to those as of the time when share acquisition rights were initially issued.

3. The number of shares issued upon exercise of one share acquisition right is 100 shares.

However, if the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the number of shares granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares granted after adjustment} = \text{Number of shares granted before adjustment} \times \frac{\text{Ratio of stock split or reverse stock split}}{\text{split}}$$

4. If the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the payment amount per share shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Furthermore, in the case that the Company issues new shares or disposes of its treasury shares at a price below the market value (excluding those associated with the exercise of share acquisition rights) after the day share acquisition rights are allotted, the payment amount shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of shares newly issued (disposed of)} \times \text{Payment amount per share}}{\text{Market value before new issuance}}}{\text{Number of already issued shares} + \text{Number of shares newly issued (disposed of)}}$$

5. Conditions for exercise of share acquisition rights

- (1) A person allotted with share acquisition rights may not exercise the share acquisition rights after losing his/her position as a director, auditor, and/or employee of the Company or one of the Company’s subsidiaries, and/or as external consultant; except where the Company deems that there is any reasonable cause for loss of said positions.
- (2) A share acquisition right holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of share acquisition rights.
- (3) Successor of a share acquisition right holder is not permitted to exercise the share acquisition rights.
- (4) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the Company and the person allotted with share acquisition rights, based on resolution of the Board of Directors concerning issuance of share acquisition rights.

6. Treatment in the case of reorganization

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the “Reorganization Activities”), the share acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the “Reorganized Company”) shall be delivered, in each of the above cases, to share acquisition right holders holding the share acquisition rights remaining at the time immediately before the effective date of the “Reorganization Activities” (the “Remaining Share Acquisition Rights”) in accordance with the following conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided that delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the share acquisition rights held by share acquisition right holders of the Remaining Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of share acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of share acquisition rights
Determined in accordance with Note 3, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising share acquisition rights
The value of property invested in exercising the respective share acquisition rights to be delivered shall be the amount obtained by multiplying the payment amount after a reorganization that is determined in Note 4 through adjusting the payment amount per share taking into account conditions for the Reorganization Activities, etc. by the number of shares of the Reorganized Company for the purpose of such share acquisition rights determined in accordance with (3) above.

(5) Period during which share acquisition rights can be exercised

From the first day of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement.

(6) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall require the approval of the Reorganized Company.

(7) Conditions for exercise of share acquisition rights

It shall be determined in accordance with Note 5 above.

7. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Accordingly, "Class, details and number of shares issued upon exercise of share acquisition rights," "Payment amount upon exercise of share acquisition rights" and "Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital" are adjusted.

	4th Series Share Acquisition Right	5th Series Share Acquisition Right
Date of resolution (Note 1)	April 8, 2015	December 11, 2015
Class and number of recipients (Note 2)	Employees: 80	Directors: 1
Number of share acquisition rights*	2,590 (Note 3)	– (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 259,000 (Notes 3 and 7)	Common stock: – (Note 3)
Payment amount upon exercise of share acquisition rights (yen)*	43 (Notes 4 and 7)	– (Note 4)
Exercise period of share acquisition rights*	From February 3, 2020 to April 7, 2025	From February 3, 2020 to December 21, 2024
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)	Issue price: – Amount to be included in capital: –
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	6th Series Share Acquisition Right	7th Series Share Acquisition Right
Date of resolution (Note 1)	December 11, 2015	June 19, 2017
Class and number of recipients (Note 2)	Directors: 3 Employees: 67	Directors: 2 Employees: 136
Number of share acquisition rights*	8,350 (Note 3)	10,980 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 835,000 (Notes 3 and 7)	Common stock: 1,098,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	100 (Notes 4 and 7)	250 (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to December 11, 2025	From February 3, 2020 to June 14, 2027
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 100 Amount to be included in capital: 50 (Note 7)	Issue price: 250 Amount to be included in capital: 125 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	8th Series Share Acquisition Right	9th Series Share Acquisition Right
Date of resolution (Note 1)	June 19, 2017	March 26, 2018
Class and number of recipients (Note 2)	Directors: 1	Employees: 1 External consultants: 2
Number of share acquisition rights*	– (Note 3)	– (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: – (Notes 3 and 7)	Common stock: – (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	– (Notes 4 and 7)	– (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to December 31, 2023	From January 1, 2021 to December 31, 2024
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: – Amount to be included in capital: – (Note 7)	Issue price: – Amount to be included in capital: – (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	10th Series Share Acquisition Right	11th Series Share Acquisition Right
Date of resolution (Note 1)	April 9, 2018	April 9, 2018
Class and number of recipients (Note 2)	Employees: 1	Employees: 42
Number of share acquisition rights*	1,200 (Note 3)	2,360 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 120,000 (Notes 3 and 7)	Common stock: 236,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	400 (Notes 4 and 7)	400 (Notes 4 and 7)
Exercise period of share acquisition rights*	From May 1, 2020 to March 26, 2028	From May 1, 2020 to March 26, 2028
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 400 Amount to be included in capital: 200 (Note 7)	Issue price: 400 Amount to be included in capital: 200 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	12th Series Share Acquisition Right	13th Series Share Acquisition Right
Date of resolution (Note 1)	April 17, 2019	April 17, 2019
Class and number of recipients (Note 2)	Directors: 1 Employees: 47	Employees: 6
Number of share acquisition rights*	5,395 (Note 3)	270 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 539,500 (Notes 3 and 7)	Common stock: 27,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	14th Series Share Acquisition Right	15th Series Share Acquisition Right
Date of resolution (Note 1)	April 17, 2019	April 17, 2019
Class and number of recipients (Note 2)	Employees: 19	Employees: 7
Number of share acquisition rights*	1,490 (Note 3)	1,640 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 149,000 (Notes 3 and 7)	Common stock: 164,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	16th Series Share Acquisition Right	17th Series Share Acquisition Right
Date of resolution (Note 1)	April 17, 2019	July 17, 2019
Class and number of recipients (Note 2)	Employees: 1	Audit and Supervisory Committee Members: 1 Employees: 72
Number of share acquisition rights*	1,090 (Note 3)	1,920 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 109,000 (Notes 3 and 7)	Common stock: 192,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From April 18, 2021 to April 17, 2029	From July 18, 2021 to July 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	18th Series Share Acquisition Right	19th Series Share Acquisition Right
Date of resolution (Note 1)	July 17, 2019	July 17, 2019
Class and number of recipients (Note 2)	Employees: 20	Employees: 12
Number of share acquisition rights*	1,366 (Note 3)	238 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 136,600 (Notes 3 and 7)	Common stock: 23,800 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	20th Series Share Acquisition Right	21st Series Share Acquisition Right
Date of resolution (Note 1)	July 17, 2019	July 17, 2019
Class and number of recipients (Note 2)	Employees: 2	Employees: 2
Number of share acquisition rights*	2,682 (Note 3)	1,200 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 268,200 (Notes 3 and 7)	Common stock: 120,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	22nd Series Share Acquisition Right	23rd Series Share Acquisition Right
Date of resolution (Note 1)	December 19, 2019	December 19, 2019
Class and number of recipients (Note 2)	Audit and Supervisory Committee Members: 1 Employees: 69	Audit and Supervisory Committee Members: 1 Employees: 33 Directors of subsidiaries: 1
Number of share acquisition rights*	4,315 (Note 3)	855 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 431,500 (Notes 3 and 7)	Common stock: 85,500 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	780 (Notes 4 and 7)	780 (Notes 4 and 7)
Exercise period of share acquisition rights*	From December 20, 2021 to December 19, 2029	From December 20, 2021 to December 19, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 780 Amount to be included in capital: 390 (Note 7)	Issue price: 780 Amount to be included in capital: 390 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	24th Series Share Acquisition Right	25th Series Share Acquisition Right
Date of resolution	July 20, 2020	July 20, 2020
Class and number of recipients (Note 1)	Employees of subsidiaries: 5	Employees of subsidiaries: 60
Number of share acquisition rights*	650 (Note 2)	2,383 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 65,000 (Notes 2 and 6)	Common stock: 238,300 (Notes 2 and 6)
Payment amount upon exercise of share acquisition rights (yen)*	1,250 (Notes 3 and 6)	1,250 (Notes 3 and 6)
Exercise period of share acquisition rights*	From July 21, 2022 to July 20, 2030	From July 21, 2022 to July 20, 2030
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)
Conditions for exercise of share acquisition rights*	(Note 4)	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)	(Note 5)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes) 1. Class and number of recipients refer to those as of the time when share acquisition rights were initially issued.

2. The number of shares issued upon exercise of one share acquisition right is 100 shares.

However, if the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the number of shares granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\frac{\text{Number of shares granted after adjustment}}{\text{Number of shares granted before adjustment}} = \frac{\text{Number of shares granted before adjustment}}{\text{Number of shares granted before adjustment}} \times \frac{\text{Ratio of stock split or reverse stock split}}{\text{Ratio of stock split or reverse stock split}}$$

3. If the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the payment amount per share shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Furthermore, in the case that the Company issues new shares or disposes of its treasury shares at a price below the market value (excluding those associated with the exercise of share acquisition rights) after the day share acquisition rights are allotted, the payment amount shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of shares newly issued (disposed of)} \times \text{Payment amount per share}}{\text{Market value before new issuance}}}{\text{Number of already issued shares} + \text{Number of shares newly issued (disposed of)}}$$

4. Conditions for exercise of share acquisition rights

- (1) A person allotted with share acquisition rights may not exercise the share acquisition rights after losing his/her position as a director, auditor, and/or employee of the Company or one of the Company’s subsidiaries, and/or as external consultant; except where the Company deems that there is any reasonable cause for loss of said positions.
- (2) A share acquisition right holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of share acquisition rights.
- (3) Successor of a share acquisition right holder is not permitted to exercise the share acquisition rights.
- (4) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the Company and the person allotted with share acquisition rights, based on resolution of the Board of Directors concerning issuance of share acquisition rights.

5. Treatment in the case of reorganization

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the “Reorganization Activities”), the share acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the “Reorganized Company”) shall be delivered, in each of the above cases, to share acquisition right holders holding the share acquisition rights remaining at the time immediately before the effective date of the “Reorganization Activities” (the “Remaining Share Acquisition Rights”) in accordance with the following conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided that delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the share acquisition rights held by share acquisition right holders of the Remaining Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of share acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of share acquisition rights
Determined in accordance with Note 3, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising share acquisition rights
The value of property invested in exercising the respective share acquisition rights to be delivered shall be the amount obtained by multiplying the payment amount after a reorganization that is determined in Note 4 through adjusting the payment amount per share taking into account conditions for the Reorganization Activities, etc. by the number of shares of the Reorganized Company for the purpose of such share acquisition rights determined in accordance with (3) above.
- (5) Period during which share acquisition rights can be exercised
From the first day of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement.
- (6) Restriction on acquisition of share acquisition rights by transfer
Any acquisition of share acquisition rights by transfer shall require the approval of the Reorganized Company.
- (7) Conditions for exercise of share acquisition rights
It shall be determined in accordance with Note 5 above.

6. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Accordingly, "Class, details and number of shares issued upon exercise of share acquisition rights," "Payment amount upon exercise of share acquisition rights" and "Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital" are adjusted.

	26th Series Share Acquisition Right
Date of resolution	July 20, 2020
Class and number of recipients (Note 1)	Employees: 5 Employees of subsidiaries: 31
Number of share acquisition rights*	950 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 95,000 (Notes 2 and 6)
Payment amount upon exercise of share acquisition rights (yen)*	1,250 (Notes 3 and 6)
Exercise period of share acquisition rights*	From July 21, 2022 to July 20, 2030
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2021).

(Notes 1 to 6) As described in Notes 1 to 6 for the 24th Series Share Acquisition Right.

For the 1st Series through 26th Series Share Acquisition Rights, the numbers of shares issued upon exercise of share acquisition rights that will become exercisable as of the end of the month prior to the date of filing of this annual securities report are given by fiscal year below.

	Fiscal year ending July 31, 2022	Fiscal year ending July 31, 2023	Fiscal year ending July 31, 2024	Fiscal year ending July 31, 2025	Fiscal year ending July 31, 2026
Number of shares	(Note 1) 3,615,800	(Note 2) 478,600	(Note 3) 450,600	(Note 4) 444,000	(Note 5) 404,400

	Fiscal year ending July 31, 2027	Fiscal year ending July 31, 2028	Fiscal year ending July 31, 2029
Number of shares	(Note 6) 381,900	(Note 7) 235,800	(Note 8) 237,300

- (Notes)
1. Of these 3,615,800 shares, 109,000 shares will become exercisable on August 1, 2021 and 3,506,800 shares will become exercisable on April 23, 2022, one year from the day following the listing date.
 2. Exercisable from April 23, 2023, two years from the day following the listing date.
 3. Exercisable from April 23, 2024, three years from the day following the listing date.
 4. Exercisable from April 23, 2025, four years from the day following the listing date.
 5. Exercisable from April 23, 2026, five years from the day following the listing date.
 6. Exercisable from April 23, 2027, six years from the day following the listing date.
 7. Exercisable from April 23, 2028, seven years from the day following the listing date.
 8. Exercisable from April 23, 2029, eight years from the day following the listing date.

2) Rights plans

Not applicable.

3) Other share acquisition rights

Not applicable.

(3) Exercises of Bonds with Share Acquisition Rights Containing a Clause for Exercise Price Amendment

Not applicable.

(4) Changes in Total Number of Issued Shares, Share Capital and Others

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
February 3, 2020 (Note 1)	Common stock 232,353 Class A preferred stock 53,301	Common stock 232,353 Class A preferred stock 53,301	100	100	4,438	4,438
October 27, 2020 (Note 2)	Common stock 40,000	Common stock 272,353 Class A preferred stock 53,301	202	302	202	4,641
December 6, 2020 (Note 3)	Common stock 53,301 Class A preferred stock (53,301)	Common stock 325,654	—	302	—	4,641
December 7, 2020 (Note 4)	Common stock 32,239,746	Common stock 32,565,400	—	302	—	4,641
January 8, 2021 (Note 5)	Common stock 898,000	Common stock 33,463,400	134	436	134	4,775
April 21, 2021 (Note 6)	Common stock 2,127,700	Common stock 35,591,100	5,000	5,436	5,000	9,775
May 18, 2021 (Note 7)	Common stock 266,900	Common stock 35,858,000	627	6,063	627	10,402

(Notes) 1. The increases in the total number of issued shares, share capital and legal capital surplus are due to the establishment of the Company on February 3, 2020 by means of share transfer.

2. Exercise of share acquisition rights.

3. The Company redeemed all shares of Class A preferred stock as treasury stock as a result of exercising put option by the Company in accordance with the resolution reached at the Board of Directors' meeting held on November 20, 2020, pursuant to the provisions for acquisition of the Articles of Incorporation, and issued common stock to the shareholders in return. On December 6, 2020, all shares of the treasury stock redeemed were then canceled in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors' meeting held on November 20, 2020.

4. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020.

5. Exercise of share acquisition rights.

6. Public offering with consideration (Offering by book building method)

Issue price: ¥5,000

Underwriting price: ¥4,700

Amount to be included in capital: ¥2,350

7. As a result of the capital increase by a third-party allotment to Nomura Securities Co., Ltd. in connection with the secondary offering by over-allotment, with a payment date of May 18, 2021, the total number of issued shares increased by 266,900 shares, and share capital and legal capital surplus increased by ¥627 million, respectively.

(Reference) Description about BizReach, Inc., which is a wholly-owned subsidiary of the Company by transfer of shares

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
November 30, 2017 (Note 1)	Common stock 11,690	Common stock 232,353 Class A preferred stock 53,301	24	2,097	24	2,067

(Note) 1. Exercise of share acquisition rights.

(5) Shareholding by Shareholder Category

As of July 31, 2021

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individual investors			
Number of shareholders	—	11	31	122	99	8	3,265	3,536	—
Number of shares owned (units)	—	27,574	11,001	593	102,557	8	216,810	358,543	3,700
Percentage of shareholdings (%)	—	7.69	3.07	0.17	28.60	0.00	60.47	100	—

(6) Major Shareholders

As of July 31, 2021

Name/company name	Address	Number of shares owned (shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Soichiro Minami	Shibuya-ku, Tokyo	16,224,400	45.24
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	One Lincoln Street, Boston, MA U.S.A. 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	3,629,068	10.12
YJ2 Investment Partnership	1-3 Kioicho, Chiyoda-ku, Tokyo	1,721,400	4.80
Japan Entrepreneur Collaboration Limited	3rd Floor, J&C Building Road Town, Tortola British Virgin Islands, VG 1110 (Latham & Watkins LLP 4-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo)	1,561,300	4.35
Custody Bank of Japan, Ltd. (Trust account 9)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	999,800	2.78
Shin Takeuchi	Shibuya-ku, Tokyo	929,800	2.59
Morgan Stanley MUFG Securities Co., Ltd.	9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo	882,045	2.45
Toru Shimada	Kamakura-shi, Kanagawa	685,000	1.91
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY-PB (Standing proxy: BofA Securities Japan Co., Ltd.)	Merrill Lynch Financial Centre, 2 King Edward Street, London, United Kingdom (4-1, Nihombashi 1-chome, Chuo-ku, Tokyo)	596,333	1.66
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	582,100	1.62
Total	—	27,811,246	77.56

- (Notes) 1. JAFCO Super V3 Investment Limited Partnership, which was a major shareholder as of the end of the previous fiscal year, is no longer a major shareholder as of the end of the current fiscal year.
2. In the large shareholding report (change report) dated May 18, 2021, which is available for public inspection, Capital Research and Management Company and its joint holders are listed as holding the following shares as of May 11, 2021. However, since the Company is unable to confirm the number of shares actually held as of July 31, 2021, Capital Research and Management Company and its joint holders are not included in the above list of major shareholders.
- Major holder: Capital Research and Management Company and three other companies
 Number of shares held: 5,016,800 shares
 Percentage of shares held: 14.10%

(7) Voting Rights

1) Issued shares

As of July 31, 2021

Category	Number of shares (shares)	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	—	—	—
Shares with full voting rights (Other)	Common stock 35,854,300	358,543	The Company's standard share with no restrictions on voting rights. One unit consists of 100 shares.
Shares less than one unit	3,700	—	—
Total number of issued shares	35,858,000	—	—
Number of voting rights held by all shareholders	—	358,543	—

2) Treasury shares, etc.

Not applicable.

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.

Redemption of Class A preferred stock that falls under Article 155, Paragraph 1, Item 1 of the Companies Act and redemption of common stock in accordance with Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by Resolution of Board of Directors' Meeting

Category	Number of shares (shares)	Total amount (yen)
Status of resolution of the Board of Directors' meeting (November 20, 2020) (Acquisition period: December 4, 2020)	Class A preferred stock 53,301	—
Treasury shares acquired before the current fiscal year	—	—
Treasury shares acquired during the current fiscal year	Class A preferred stock 53,301	—
Total number and price of remaining shares to be acquired	—	—
Ratio of unexercised put option at the end of the current fiscal year (%)	—	—
Treasury shares acquired during the current term	—	—
Ratio of unexercised put option as of the filing date (%)	—	—

(Note) The Company redeemed all shares of Class A preferred stock as treasury stock effective December 6, 2020 based on the resolution reached at the Board of Directors' meeting held on November 20, 2020 pursuant to the provisions of the Articles of Incorporation, and issued one share of common stock for one share of Class A preferred stock to the shareholders in return. All shares of Class A preferred stock redeemed were then canceled effective December 6, 2020 in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors' meeting held on November 20, 2020.

(3) Acquisition Not Based on Resolution of General Meeting of Shareholders or Board of Directors' Meeting

Category	Number of shares (shares)	Total amount (million yen)
Treasury shares acquired during the current fiscal year	—	—
Treasury shares acquired during the current term	46	0

(Note) The number of treasury shares held during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from October 1, 2021 to the date of filing of this annual securities report.

(4) Disposal of Acquired Treasury Shares and Number of Treasury Shares Held

Category	Current fiscal year		Current term	
	Number of shares (shares)	Total amount of disposition (million yen)	Number of shares (shares)	Total amount of disposition (million yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	Class A preferred stock 53,301	—	—	—
Acquired treasury shares that were transferred due to merger, share exchange, share issuance, or company split	—	—	—	—
Other (—)	—	—	—	—
Number of treasury shares held	—	—	46	—

- (Notes) 1. All shares of Class A preferred stock were canceled effective December 6, 2020 in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors' meeting held on November 20, 2020.
2. The number of treasury shares held during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from October 1, 2021 to the date of filing of this annual securities report.

3. Dividend Policy

While the Group considers the return of profits to shareholders to be one of key management issues, it places its focus on achieving sustainable growth of its corporate value over the medium to long term and regards it as important to actively make upfront investments in services and capital expenditure looking to future growth, as well as forge a capital and business alliance. Currently, the Company is focusing on enhancing its internal capital reserves and making investments aimed for higher efficiency and expansion of its business to prioritize the enhancement of its corporate value.

In the current fiscal year, the Company did not pay dividends for the reasons mentioned above, and prioritized the retention of internal capital reserves. The Company's policy on internal capital reserves is to utilize them for investing in conducting marketing and other activities in the existing business and in enhancing product developments as well as reinforcing and training employees in new businesses, aimed at diversifying its revenue base and reinforcing earnings capabilities.

The Company plans to consider providing appropriate returns to its shareholders in the future, taking into account its operating results and financial position, but it has currently not made a decision as to the possibility of paying dividends and when it will pay dividends.

If the Company decides to pay dividends, it may basically declare two dividend payments per fiscal year—one interim and one year-end dividend—as the Company's Articles of Incorporation provide that it may pay an interim dividend. Furthermore, pursuant to Article 459, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation provide that, unless otherwise provided in laws and regulations, the Board of Directors is the decision-making body in respect of the distribution of surplus.

4. Corporate Governance

(1) Overview of Corporate Governance

1) Basic views on corporate governance

The Company's basic views on corporate governance is to enhance its corporate value on a long-term basis by optimizing management and creating customer value, as well as increasing transparency of the corporation by proactively disclosing corporate information to shareholders so as to build long-term relationships of trust with them. Accordingly, the Company strives to strengthen corporate governance placing importance on shareholders' rights, responding to the social trust, and achieving sustainable growth and development.

2) Overview of corporate governance system and reasons for adopting the system

In order to keep a good balance between making prompt management judgments and establishing a system that enables transparent, fair, speedy, and bold decision-making, the Company became a company with an audit and supervisory committee in February 2020. In addition to appointing four Outside Directors, including three Audit and Supervisory Committee Members, the Company segregated the supervisory body that oversees management decision-making and business execution from the executing body to accelerate decision-making and ensure the function of monitoring management. The current system is considered best suited for the Company.

a. Board of Directors

Board of Directors' meetings are held monthly, in principle, to make decisions on the Group's management policies, management plans, annual budgets, and other important matters of each Group company. The Board of Directors also oversees business execution through examining reports on monthly budget control, monthly business performance, and other important business matters from each Group company. The Board of Directors consists of five Directors (excluding Directors who are Audit and Supervisory Committee Members; namely, Messrs. Soichiro Minami, Shin Takeuchi, Satoshi Murata, Yosuke Tada and Toru Shimada) and three Directors who are Audit and Supervisory Committee Members (Ms. Naoko Harima, Mr. Tadatsugu Ishimoto and Ms. Maiko Chihara) and is chaired by Representative Director and CEO Soichiro Minami. Mr. Toru Shimada, one of the Directors (excluding Directors who are Audit and Supervisory Committee Members), and the three Directors who are Audit and Supervisory Committee Members are Outside Directors.

b. Audit and Supervisory Committee

Audit and Supervisory Committee meetings are held monthly, in principle, to discuss matters stipulated by laws and regulations and the Articles of Incorporation, as well as matters regarding important audit operations. The Committee consists of three Outside Directors serving as Audit and Supervisory Committee Members Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara, and is chaired by full-time Audit and Supervisory Committee Member Naoko Harima.

In addition to attending Board of Directors' meetings, Audit and Supervisory Committee Members also attend important management meetings to audit and supervise the status of business execution by Directors. Furthermore, the committee works closely with the accounting auditor and the Internal Audit Department, the internal audit division, to conduct necessary audits on the status of internal control, compliance, and others.

c. Directors' Compensation Committee

The Company has established the Directors' Compensation Committee as a voluntary committee for the objective of determining compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members), etc. The Directors' Compensation Committee consists of five members, namely Representative Director Soichiro Miami, Outside Director Toru Shimada, Outside Directors serving as Audit and Supervisory Committee Members Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara, and is chaired by Representative Director and CEO Soichiro Minami.

d. Executive Committee

The Executive Committee of the Company is chaired by Representative Director and CEO Soichiro Minami, and consists of Directors Shin Takeuchi, Satoshi Murata and Yosuke Tada, and Executive Officers, as well as those who are invited to attend by the chair as needed. The Executive Committee meetings are convened as needed by Representative Director and CEO to have a preliminary discussion on matters to be resolved at a Board of Directors' meeting and matters requiring the approval of

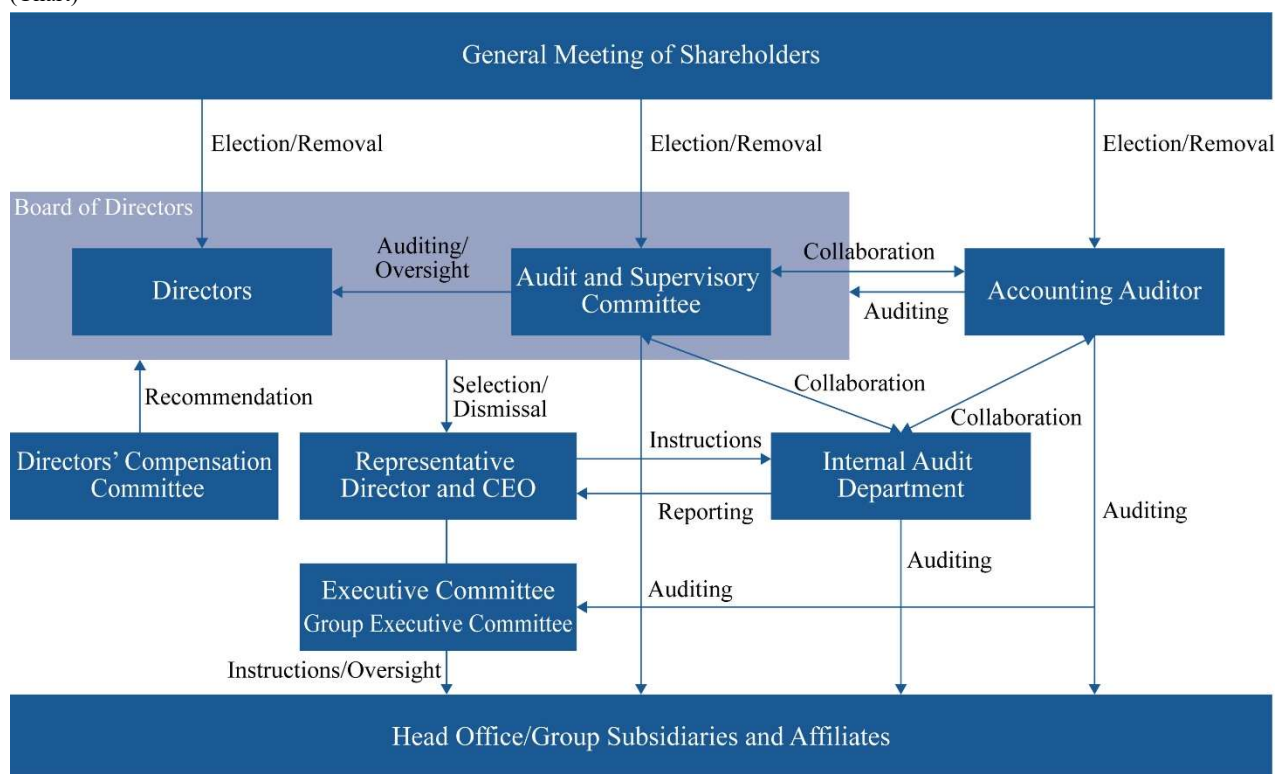
representative directors, and to deliberate and decide other operational policies of the Company. Outside Director and full-time Audit and Supervisory Committee Member Naoko Harima attends Executive Committee meetings as observer to monitor business execution.

e. Group Executive Committee

The Group Executive Committee of the Company is a committee for controlling the management of the Group under the Board of Directors. The Committee is chaired by Representative Director and CEO Soichiro Minami, and consists of Directors Shin Takeuchi, Satoshi Murata and Yosuke Tada, and Executive Officers, as well as those who are invited to attend by the chair as needed. The Group Executive Committee meetings are convened once a week by Representative Director and CEO, in principle, to have a preliminary discussion on matters to be resolved at a Board of Directors’ meeting and matters requiring the approval of representative directors, and to deliberate and decide other operational policies of the Group. Outside Director and full-time Audit and Supervisory Committee Member Naoko Harima attends Executive Committee meetings as observer to monitor business execution.

The chart below shows the corporate governance system of the Group.

(Chart)



3) Other matters regarding corporate governance

a. Development of internal control system

Pursuant to Rule 439 of the Securities Listing Regulations set forth by Tokyo Stock Exchange, the Company has the basic policy of the internal control system in place as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, as described below.

I. System to ensure that directors and employees of the corporate group, which consists of the Company and its consolidated subsidiaries (hereinafter referred to as the “Visional Group”), execute their duties in compliance with laws, regulations and the Articles of Incorporation

- (i) For the objective of operating fair corporate activities and enhancing social trust in the Visonal Group, the Company shall develop and implement rules and regulations to ensure thorough compliance, and shall comply with laws, regulations Articles of Incorporation, rules and regulations in every aspect of performing duties.
- (ii) While developing and implementing an organizational system such as the Group Compliance Committee to ensure thorough compliance, the Company shall inspect the Visonal Group’s status of legal compliance periodically and take

appropriate measures to address the results of the inspection.

- (iii) The Company shall develop and implement an internal reporting system in an effort to early detect and correct violations of laws and regulations as well as to appropriately protect whistleblowers that report violations of laws and regulations. To prevent whistleblowers who made reports to the Company via the internal reporting system or other appropriate means from being unfairly treated for making the report, the Company shall develop and implement necessary systems such as clarifying in related rules and regulations that such treatment is prohibited.
- (iv) For appropriate operations of the Board of Directors, the Company shall formulate the “Board of Directors Regulations,” based on which Board of Directors’ meetings shall be held once a month in principle to make decisions on important business executions upon sufficient deliberations. The Company shall receive reports from Directors on the status of their execution of duties appropriately.
- (v) The Company shall ensure objectivity and further improve reasonableness of determination regarding business execution by inviting Outside Directors to attend the Board of Directors’ meetings and take part in deliberation.
- (vi) The Company shall establish an Internal Audit Department responsible for internal audits. The Internal Audit Department shall conduct audits independently from each division.
- (vii) The Company shall develop and implement an internal control system to ensure the reliability of its financial reporting. The Company shall evaluate the effectiveness of the system annually and make corrections as necessary.
- (viii) In order to eliminate any relations with anti-social forces, the Company shall stipulate the “Rules for Eliminating Anti-Social Forces,” based on which each company within the Visional Group develops and implements rules and regulations suitable for its own business practice and thoroughly complies with the said rules and regulations.

II. System for storage and management of information concerning the execution of duties by the Company’s Directors and staff (employees)

- (i) Information regarding the execution of duties by Directors shall be recorded as a written document or on electromagnetic media (hereinafter referred to as the “Documents, etc.”), and the Company shall develop and implement rules and regulations concerning the creation and management, etc. of the Documents, etc.
- (ii) The Company shall prevent unauthorized use, disclosure or leakage of corporate information. The Company shall develop and implement rules and regulations concerning proper treatment of confidential and personal information. In addition, the Company shall hold internal training sessions, etc., to have employees thoroughly comply with the said rules and regulations.
- (iii) In addition to preparing materials including business reports, financial statements, and annual securities reports appropriately in accordance with the Companies Act, Financial Instruments and Exchange Act, and timely disclosure rules set forth by securities exchanges, the Company shall disclose corporate information in a timely and appropriate manner.

III. Rules and other systems concerning management of the Visional Group’s risk of loss

- (i) In order to prevent risks from arising as well as to maintain and improve a system for mitigating damages in the event of risks materializing, the Company shall establish risk management rules, based on which the Company performs self-inspections on the status of risk management, identifies material risks requiring priority countermeasures, and implements risk management under detailed action plans.
- (ii) Policies for dealing with material risks concerning management and other important matters concerning risk management shall be reported to the Board of Directors and the Audit and Supervisory Committee.
- (iii) The Company shall promote internal control to prevent fraud, errors and losses in the course of business execution, and shall develop and implement systems and rules and regulations necessary to achieve this.

IV. System to ensure the efficient execution of duties by the Company’s Directors and employees

- (i) The “Organization Rules,” “Rules for Administrative Authority,” and “Rules for Segregation of Duties” shall stipulate details about management bodies, organization of positions, segregation of duties, and matters to be approved and approval authorities per position so that duties are executed efficiently.
- (ii) Regular meetings of the Board of Directors shall be held once a month to make decisions on important matters and oversee the status of business execution by Directors. In order to improve the efficiency of the Board of Directors’ management, meetings of the Executive Committee shall be held, attended by Directors and individuals appointed by representative directors, as a system that facilitates flexible decision-making on fundamental and significant matters

regarding business execution.

- (iii) In addition to setting out management plans, the Company shall develop and implement management control systems such as a budget system and a target control system.
- (iv) The Company shall build and implement an IT system that would be best suited from standpoints including proper information management, standardization and streamlining of operations, and strengthening of internal control.

V. Visional Group's system to ensure the appropriateness of business operations of the corporate group

- (i) The "Visional Group Code of Conduct" is formulated as the philosophy and standards of behavior common to each company within the Visional Group, and the Company shall strive to inculcate and thoroughly implement it within the Group.
- (ii) The Group's management plans shall be adequately set out by the Company's Board of Directors and the Group Executive Committee. Furthermore, for the objective of appropriate decision-making on matters regarding business execution at each of the Company's subsidiaries, the Company's personnel may be dispatched as directors of the subsidiaries, and when necessary, officers and employees of each of the Company's subsidiaries shall attend important meeting bodies of the Company.
- (iii) Of matters regarding business execution at each of the Company's subsidiaries, the "Rules for Administrative Authority" stipulates those that shall be resolved by, approved by, or reported to the Board of Directors, the Executive Committee and important meeting bodies of the Company, and the rules shall be implemented appropriately.
- (iv) The "Subsidiaries and Affiliates Management Regulations" stipulate basic matters concerning Group management such as the basic roles and the authoritative system of decision-making of the Company and its affiliated companies including each of the Company's subsidiaries. In addition, the Company shall develop and implement rules and regulations that should apply to the entire Visional Group (hereinafter referred to as the "Group Rules"), and ensure that they are shared and thoroughly complied with among each company within the Visional Group.

VI. System to ensure effective auditing by the Company's Audit and Supervisory Committee

- (i) The Company shall respect the audit plans set forth by the Audit and Supervisory Committee, and cooperate so they can perform audits smoothly and improve the audit environment.
- (ii) The Company shall adopt necessary measures to enable Audit and Supervisory Committee Members to attend important meeting bodies such as Executive Committee meetings in order for them to gain an understanding of the process of important decision-making and the status of business execution. The Company shall also develop and implement a system for each company within the Visional Group to make appropriate reports on matters required by the Audit and Supervisory Committee Members.
- (iii) The Company shall develop and implement a system for each company within the Visional Group to immediately report to the Audit and Supervisory Committee on issues including the occurrence of significant violations of laws, regulations and the Articles of Incorporation, misconduct, or activity that may potentially cause significant damage to the Company at the time of their discovery.
- (iv) Representative directors and other management executives shall meet with the Audit and Supervisory Committee Members as necessary to exchange opinions regarding matters such as the Visional Group's management issues.
- (v) The Internal Audit Department responsible for internal audits shall work in close cooperation with the Audit and Supervisory Committee such as through exchanging opinions regarding audit plans and audit results.
- (vi) The Company may appoint staff to assist the duties of Audit and Supervisory Committee Members when needed, and opinions of the Audit and Supervisory Committee Members shall be respected when selecting such staff. Personnel affairs such as evaluation and transfer of such staff shall be decided through prior consultation with full-time Audit and Supervisory Committee Members in order to ensure the effectiveness of instructions given to such staff.
- (vii) Pursuant to Article 399-2, Paragraph 4 of the Companies Act, any expenses or liabilities incurred through the execution of duties by the Audit and Supervisory Committee Members shall be borne appropriately by the Company upon receiving a claim from the Audit and Supervisory Committee Members.

b. Development of risk management system

The Group has established a department at the Company that controls risk management of the Group, and considers measures against risks and compliance issues at the Group Compliance Committee meetings held quarterly. In addition, the Group has

built a risk management system for each company within the Visional Group, under which rules and regulations on corporate organizations and business operations are developed and appropriately implemented in order to ensure compliance. Specifically, the Group is focusing on thorough implementation of the risk control system in accordance with internal rules and regulations of each company within the Visional Group to ensure that the internal check-and-balance system functions throughout the organization. Furthermore, in order to establish corporate ethics and ensure thorough compliance, the Group works to raise awareness of all directors and employees at internal meetings and internal training sessions held at each company within the Visional Group, with the aim of educating appropriate business conduct.

c. Development of system to ensure the appropriateness of business operations of the reporting company's subsidiaries

As for a system to ensure the appropriateness of business operations of the Company's subsidiaries, the Company has a system for managing appropriateness of business operations in place at its subsidiaries in accordance with the "Subsidiaries and Affiliates Management Regulations."

The Company has built a system to gain an understanding of the status of management of the subsidiaries and give guidance to them when necessary through dispatching the Company's personnel to its subsidiaries as directors and audit and supervisory committee members of the subsidiaries, as well as receiving reports from the subsidiaries and holding consultations regarding business results and management issues in a timely manner. At Group Executive Committee meetings and Board of Directors' meetings at the Company, the status of business execution at the subsidiaries is reported and discussed to appropriately deal with any issues.

Furthermore, the Company has built a system that enables the Company's persons in charge of internal audits and the Company's Audit and Supervisory Committee to directly conduct audits of the subsidiaries.

4) Requirements for resolution regarding election of directors

The Company's Articles of Incorporation provide that resolution for the election of Directors requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority of the votes of the shareholders present, and that the election of Directors shall not be conducted by cumulative voting.

5) Number of Directors

The Company's Articles of Incorporation provide that the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed nine, and the number of Directors who are Audit and Supervisory Committee Members shall not exceed four.

6) Requirements for special resolution at general meetings of shareholders

The Company's Articles of Incorporation provide that special resolution at a general meeting of shareholders pursuant to Article 309, Paragraph 2 of the Companies Act requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by two-thirds or more of the votes of the shareholders present. This arrangement aims to smoothly operate general meetings of shareholders by relaxing the quorum for special resolution at general meetings of shareholders.

7) Limitation of liability of Directors and accounting auditor

The Company's Articles of Incorporation provide that in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may exempt Directors (including those who previously served as Director) and the accounting auditor from their liabilities under Article 423, Paragraph 1 of the same Act to the extent provided for by laws and regulations by resolution of the Board of Directors. This arrangement aims to create an environment in which Directors and the accounting auditor can make use of their abilities sufficiently and fulfill the roles expected of them in executing their duties.

8) Liability limitation agreement with Outside Directors/Audit and Supervisory Committee Members

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with four Outside Directors (three of whom are Audit and Supervisory Committee Members) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations.

9) Details of the directors and officers liability insurance concluded with Directors and officers, etc., as the insured

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with Directors, Audit and Supervisory Committee Members, executive officers, and managerial employees at the Company and its subsidiaries as the insured. Based on the agreement, damages, litigation expenses, and other expenses incurred by the insured parties, resulting from claims for compensation for damages arising from acts (including failures to act) by the insured parties, based on their position as company officers, will be compensated. The Company bears the full amount of insurance premiums.

The Company has taken measures to ensure that the appropriateness of the execution of duties by officers, etc. is not impaired, by excluding damages, etc. caused by the willful misconduct or gross negligence of the insured parties, from coverage.

10) Redemption of treasury shares

The Company's Articles of Incorporation provide that the Company may redeem its treasury shares by resolution of the Board of Directors through market transactions or other means pursuant to Article 165, Paragraph 2 of the Companies Act, in order to flexibly carry out its capital policy in response to changes in the business environment.

11) Decision-making body for distribution of surplus

The Company's Articles of Incorporation provide that, in order to enable flexible return of profits to its shareholders, matters provided for in each item of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors, not by resolution of the general meeting of shareholders, unless otherwise provided for in laws and regulations.

(2) Directors

1) List of Directors

Six male Directors and two female Directors (Ratio of female directors: 25.0%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Representative Director and CEO	Soichiro Minami	June 15, 1976	July 1999 January 2001 September 2004 August 2007 October 2010 December 2017 February 2020	Joined Morgan Stanley Dean Witter Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.) Joined Pacific Century CyberWorks Japan K.K. (currently PCCW Limited) Joined Rakuten Baseball, Inc. Founded BizReach, Inc. Representative Director and President of BizReach, Inc. Representative Director of LUXA, Inc. (currently au Commerce & Life, Inc.) Representative Director of BizReach Trading, Inc. (currently Stanby, Inc.) (current position) Representative Director and CEO of the Company (current position)	(Note 3)	16,224,400
Director CTO	Shin Takeuchi	July 5, 1978	April 2001 March 2007 April 2012 January 2013 September 2019 February 2020	Joined FUJISOFT ABC Incorporated (currently FUJISOFT Incorporated) Began freelancing Joined BizReach, Inc. Director of BizReach, Inc. Director of Japan CTO Association (current position) Director and CTO of the Company (current position)	(Note 3)	929,800
Director Executive Officer	Satoshi Murata	April 13, 1979	May 2003 May 2006 December 2008 February 2011 November 2012 August 2019 February 2020 August 2021	Joined Global Media Online, Inc. (currently GMO Internet, Inc.) Joined Viacom International Japan K.K. (currently Viacom Networks Japan K.K.) Joined SELECT SQUARE Co., Ltd. Joined LUXA, Inc. (currently au Commerce & Life, Inc.) Representative Director of LUXA, Inc. Joined BizReach, Inc. Director of BizReach, Inc. (current position) Director, Executive Officer and COO of the Company Director and Executive Officer of the Company (current position) Representative Director and CEO of Visualon Incubation, Inc. (current position)	(Note 3)	206,500
Director Executive Officer	Yosuke Tada	June 15, 1982	April 2006 April 2012 October 2015 February 2020	Founded Pleiades Inc. Representative Director of Pleiades Inc. Joined BizReach, Inc. Director of BizReach, Inc. Director and Executive Officer of the Company (current position) Representative Director and CEO of BizReach, Inc. (current position)	(Note 2)	120,000

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director	Toru Shimada	March 3, 1965	April 1987	Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)	(Note 3)	685,000
			June 1989	Founded Intelligence, Ltd. (currently Persol Career Co., Ltd.)		
			September 1989	Director of Intelligence, Ltd.		
			November 2004	Director and Vice-President of Rakuten Baseball, Inc.		
			December 2004	President & CEO of Rakuten Baseball, Inc.		
			March 2005	Director of Rakuten, Inc.		
			March 2006	Senior Executive Officer of Rakuten, Inc.		
			January 2008	CEO & Owner of Rakuten Baseball, Inc.		
			August 2014	Executive Vice-President of Rakuten, Inc.		
			November 2014	Representative Director of Rakuten, Inc.		
			June 2016	Director of transcosmos inc. (current position)		
			January 2017	Special Advisor to U-NEXT Co., Ltd.		
			December 2017	Director, Executive Vice-President and COO of USEN-NEXT HOLDINGS Co., Ltd., which was established by a merger of U-NEXT Co., Ltd. and USEN Corporation and organizational restructuring (current position)		
			June 2018	Director of TSUKUI CORPORATION		
April 2019	Director of BizReach, Inc.					
June 2019	Director of MITANI SANGYO Co., Ltd. (current position)					
February 2020	Director of the Company (current position)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
<p>Outside Director (Full-time Audit and Supervisory Committee Member)</p>	<p>Naoko Harima</p>	<p>October 27, 1980</p>	<p>October 2003 July 2007 April 2008 July 2017 January 2018 June 2018 January 2019 February 2020</p>	<p>Joined Asahi & Co. (currently KPMG AZSA LLC) Registered as certified public accountant Founded Naoko Harima Accounting Firm Representative of Naoko Harima Accounting Firm (current position) Joined Japan Hotel and Resort, Inc. (currently Japan Hotel REIT Advisors Co., Ltd.) Auditor of JEPLAN, INC. Auditor of KinoPharma, Inc. (current position) Director of ATSUGI CO., LTD. (current position) Auditor of BizReach, Inc. (current position) Director and Audit and Supervisory Committee Member of the Company (current position) Auditor of Visional Incubation, Inc. (current position)</p>	<p>(Note 4)</p>	<p>—</p>
<p>Outside Director (Audit and Supervisory Committee Member)</p>	<p>Tadatsugu Ishimoto</p>	<p>October 9, 1973</p>	<p>August 1997 April 2000 April 2001 October 2002 January 2005 January 2011 December 2012 April 2013 January 2015 February 2015 June 2016 February 2020</p>	<p>Joined KPMG Peat Marwick (currently KPMG Tax Corporation) Registered as tax accountant Director of Doctor-NET Inc. Representative Partner of Mentor Capital Tax Office (currently Mentor Capital Tax Corporation) (current position) Representative Director of Mentor Capital FAS (current position) Auditor of Goodman Japan Limited Auditor of Enigmo Inc. Auditor of UNITED, Inc. Auditor of BizReach, Inc. Auditor of i-mobile Co., Ltd. (current position) Auditor of Money Forward, Inc. Director of UNITED, Inc. (current position) Director and Audit and Supervisory Committee Member of the Company (current position)</p>	<p>(Note 4)</p>	<p>—</p>

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director (Audit and Supervisory Committee Member)	Maiko Chihara	May 3, 1974	October 2002	Registered as attorney-at-law Joined Nagashima Ohno & Tsunematsu	(Note 4)	—
			November 2011	Joined Kataoka & Kobayashi LPC		
			January 2014	Partner of Kataoka & Kobayashi LPC (current position)		
			June 2014	Audit Officer of Tokyo Marine Private Reit, Inc. (current position)		
			June 2015	Auditor of Nippon Avionics Co., Ltd. (current position)		
			December 2017	Auditor of Japan Renewable Energy Corporation (current position)		
			August 2019 February 2020	Auditor of BizReach, Inc. Director and Audit and Supervisory Committee Member of the Company (current position)		
Total						18,165,700

- (Notes) 1. Directors Toru Shimada, Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara are Outside Directors.
2. The structure of the Company's Audit and Supervisory Committee is as follows:
Chairperson: Naoko Harima; Member: Tadatsugu Ishimoto; Member: Maiko Chihara
3. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) is from the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ended July 31, 2021 until the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ending July 31, 2022.
4. The term of office of Directors who are Audit and Supervisory Committee Members is from the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ended July 31, 2021 until the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ending July 31, 2023.
5. The Company is a company with an Audit and Supervisory Committee and has introduced an executive officer system in order to improve management efficiency by further vitalizing the Board of Directors and clearly separating the function of overseeing decision-making and business execution of the Board of Directors and the function of business execution of the Visional Group.
There are six executive officers, namely Executive Officer Yosuke Tada (Representative Director and CEO of BizReach, Inc.), Executive Officer Tetsuya Sakai (Director and Vice President of BizReach, Inc.), Executive Officer Satoshi Murata (Representative Director and CEO of Visional Incubation, Inc.), Executive Officer, CFO and CAO Risako Suefujii, Executive Officer and CHRO Kanako Miyoshi, and Executive Officer and CISO Daisuke Wakai.
6. The Company has elected one substitute Director who is an Audit and Supervisory Committee Member as stipulated in Article 329, Paragraph 3 of the Companies Act, in case the position of a Director who is an Audit and Supervisory Committee Member stipulated in laws and regulations becomes vacant. The career summary of the substitute Audit and Supervisory Committee Member is as follows:

Name	Date of birth	Career summary		Number of shares held (shares)
Yukihiro Hattori	November 22, 1974	April 1996	Joined Japan Sports Vision Co., Ltd.	—
		August 2004	Joined CYBIRD Co., Ltd.	
		April 2009	Auditor of GIGAFLOPS Japan Inc. Auditor of S-CREW Co., Ltd.	
		September 2013 August 2014 February 2020	Joined BizReach, Inc. General Manager of Administration Division, BizReach, Inc. Transferred to the Company Head of Group Strategy Office, the Company (current position)	

2) Outside Directors

As of the date of submission of this document, the Company has elected four Outside Directors (including three Directors who are Audit and Supervisory Committee Members).

Outside Directors position the strengthening and enhancing of corporate governance systems as one of the top priorities for corporate management and have developed a system that enables them and Outside Directors serving as Audit and Supervisory Committee Members to conduct valuable oversight and audits from a neutral standpoint with the aim of achieving sound corporate management with higher transparency, thereby reinforcing management oversight functions.

Although the Company has not established specific standards or policies concerning the independence of Outside Directors, the Company elects Outside Directors who will contribute to the enhancement and improvement of corporate governance, taking into consideration the criteria set forth by Tokyo Stock Exchange, Inc. for judging the independence of Outside Directors. The Company has designated four Outside Directors as independent directors.

Personal, capital, business relationships, or other conflicts of interests between the Outside Directors and the Company are as follows.

- a) Outside Director Toru Shimada has a wealth of experience in corporate management and a broad range of insight as a representative director of a listed company, and the Company has appointed him in expectation of viewing the dynamism in corporate management from a higher perspective and give well-balanced, valuable advice about the Company's investment strategy and business portfolio as the Company focuses on reinforcing its business portfolio for future growth, including M&As and other active investments, amid a rapidly changing social structure and business environment.

Outside Director Toru Shimada owns 685,000 shares of the Company and 150 share acquisition rights (the number of shares issued upon exercise of share acquisition rights: 15,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than these.

- b) Outside Director serving as full-time Audit and Supervisory Committee Member Naoko Harima has professional knowledge in finance and accounting as a certified public accountant, as well as experience of management supervision as an outside auditor and Outside Director for general business corporations. The Company has appointed her as Outside Director serving as Audit and Supervisory Committee Member with the expectation that she could draw on her knowledge and experience in audit system of the Company from a female perspective.

Outside Director serving as full-time Audit and Supervisory Committee Member Naoko Harima owns 100 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition rights: 10,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

- c) Outside Director serving as Audit and Supervisory Committee Member Tadatsugu Ishimoto has professional knowledge in finance and accounting as a tax accountant, as well as experience of management supervision as an outside auditor and Outside Director for general business corporations. The Company has appointed him as Outside Director serving as Audit and Supervisory Committee Member with the expectation that he could draw on his knowledge and experience in audit system of the Company.

Outside Director serving as Audit and Supervisory Committee Member Tadatsugu Ishimoto owns 150 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition rights: 15,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

- d) Outside Director serving as Audit and Supervisory Committee Member Maiko Chihara has professional insight in corporate legal affairs as a lawyer, as well as experience of management supervision as an outside auditor for general business corporations. The Company has appointed her as Outside Director serving as Audit and Supervisory Committee Member with the expectation that she could draw on her knowledge and experience in audit system of the Company from a female perspective.

Outside Director serving as Audit and Supervisory Committee Member Maiko Chihara owns 50 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition rights: 5,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

3) Coordination between supervision or audits by Outside Directors, internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationship with the internal control division.

Outside Directors (excluding Outside Directors who are Audit and Supervisory Committee Members) give detailed advice at the Board of Directors meetings to help improve business operations and to operate business appropriately, and express opinions to ensure the reasonableness and appropriateness of decision making by the Board of Directors.

Outside Directors who are Audit and Supervisory Committee Members attend Board of Directors' meetings and Audit and Supervisory Committee meetings held monthly, and fulfill their function of monitoring and supervising the Board of Directors as well as function of supervising the executive divisions from the neutral standpoint, through the attendance by the chairperson of the Audit and Supervisory Committee at important meetings such as Management Committee meetings, and periodical interviews by the Audit and Supervisory Committee to representative directors and other individuals.

In addition, Outside Directors who are Audit and Supervisory Committee Members receive reports on the status of quarterly audit and its results from the accounting auditor and exchange opinions, including those for confirming that the accounting auditor conducts its audits appropriately from the independent standpoint, as well as holding sessions for questions and answers.

Furthermore, Outside Directors who are Audit and Supervisory Committee Members are able to request reports on internal audits by the persons in charge of internal audits as needed, and the Audit and Supervisory Committee and the persons in charge of internal audits periodically report and exchange information on the status of internal audits. Meanwhile, Outside Directors who are Audit and Supervisory Committee Members, the persons in charge of internal audits, and the accounting auditor exchange information on the status of their audits and audit results to forge mutual collaboration and enhance the effectiveness of their audits by obtaining necessary information and receiving reports from the internal control division.

(3) Audits

1) Audits by the Audit and Supervisory Committee

a. Organization, staff and procedure of audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company consists of three Audit and Supervisory Committee Members (one of them is full-time Audit and Supervisory Committee Member) and all of them are Outside Directors. Full-time Audit and Supervisory Committee Member Naoko Harima has professional knowledge in finance and accounting as a certified public accountant. Audit and Supervisory Committee Member Tadatsugu Ishimoto has professional insight in finance and accounting as a tax accountant. Audit and Supervisory Committee Member Maiko Chihara has professional insight in corporate legal affairs as a lawyer.

The Audit and Supervisory Committee meetings are held once a month, in principle, while also being held as needed, to report, discuss or resolve important matters regarding audits, and to share information. Primary matters to be discussed at Audit and Supervisory Committee meetings are the formulation of audit plans and audit policies, approval of internal audit plans, consent to compensation, etc., for the accounting auditor, and preparation of audit reports.

The Audit and Supervisory Committee formulates audit policies, audit items, and audit plans, etc., and conduct statutory audits, as well as carry out audits on business execution by Directors while placing an emphasis on strengthening management supervisory functions. The Committee receives periodic reports on the status of audits conducted by the accounting auditor, based on which the Committee conducts audits effectively in collaboration with the Internal Audit Department.

Furthermore, full-time Audit and Supervisory Committee Members attend important meetings, liaises with the Head of the Internal Audit Department, and conducts one-on-one interviews with executive Directors, among other activities. They also request the executive divisions to submit reports as necessary for the purpose of collecting information on the status of the Company's business execution, and by providing timely reports to other Audit and Supervisory Committee Members, they strive to improve the supervisory functions of the committee.

b. Activities of Audit and Supervisory Committee Members and the Audit and Supervisory Committee

During the current fiscal year, the Company held a total of thirteen Audit and Supervisory Committee meetings. The status of attendance of individual Audit and Supervisory Committee Member is given below.

Name	Number of meetings held	Number of attendance
Naoko Harima	13	13
Tadatsugu Ishimoto	13	13
Maiko Chihara	13	13

2) Internal audits

a. Organization, staff and procedure of internal audits

The Internal Audit Department, which is under direct control of the representative directors, is responsible for the internal audit of the Company, and one staff member is appointed to perform such duties. In accordance with the Company's "Internal Audit Regulations" and an annual internal audit plan that was approved by the Representative Director and CEO, the office carries out internal audits periodically to confirm whether each of the Group companies operate their business in compliance with their respective internal rules and regulations, whether they operate their business efficiently, and whether they maintain compliance. The Head of the Internal Audit Department reports the outcome of these audits to representative directors, gives comments to improve operations and on other issues to each of the business divisions that were audited, and follows up on the status of improvement at a later date.

b. Coordination between internal audits, audits by the Audit and Supervisory Committee, and accounting audits

Audit and Supervisory Committee Members, the Internal Audit Department, and the accounting auditor facilitate their mutual coordination through holding three-party meetings periodically for the purpose of sharing information such as on matters to be addressed and improved, and strive to conduct efficient and effective audits.

3) Accounting audits

a. Name of audit firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

Six years

As the Company was established as the wholly owning parent company of BizReach, Inc. by means of a share transfer, the period of duration begins from the time when the audit firm began an audit of BizReach, Inc.

c. Engagement certified public accountants

Takao Yoshimura

Kunikazu Awashima

d. Other personnel engaged in assisting the accounting audit

Six certified public accountants and eleven other personnel engage in assisting the accounting audit of the Company.

e. Policy and reasons for selecting audit firm

When selecting certified public accountants, etc., for accounting audits, the Company compares the audit plan and system, and compensation of certified public accountants of the current fiscal year with those of past fiscal years, and evaluates their quality management system and the quality, etc., while the Audit and Supervisory Committee determines removal of the accounting auditor for reasons that fall under any item of Article 340, Paragraph 1 of the Companies Act, and, decides on the details of proposal on removal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders, when the Audit and Supervisory Committee believes that circumstances have emerged that cause serious impediment for the accounting auditor to appropriately carry out audits of the Company due to reasons that damage competency or independence of the accounting auditor. The evaluation results of the accounting auditor by the Audit and Supervisory Committee are described in f. The Company has selected the accounting auditor after judging that the criteria of removal or non-reappointment are not applicable to the accounting auditor.

f. Evaluation of the accounting firm by Audit and Supervisory Committee Members and the Audit and Supervisory Committee

The Audit and Supervisory Committee monitored and verified that the accounting auditor maintained its independence and appropriately conducted audits and received reports from the accounting auditor on the status of execution of its duties, and received a notification stating that the accounting auditor has developed a system to secure the appropriateness of execution of its duties in accordance with the quality management criteria for audits.

Furthermore, as a result of the evaluation conducted during and at the end of the fiscal year about the effectiveness of audits, quality management, audit system, independence, audit fees and other matters in accordance with the evaluation and selection criteria of accounting auditor, the Committee has judged that the accounting auditor holds required independence, expertise and competence, and that its audit activities are adequate.

4) Audit fees, etc.

a. Fees paid to the certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (million yen)	Fees for non-audit services (million yen)	Audit fees (million yen)	Non-audit fees (million yen)
Reporting company	19	—	36	61
Consolidated subsidiaries	8	—	—	—
Total	28	—	36	61

(Note) Non-audit fees for the current fiscal year are for auditing of English audit tables and preparing a comfort letter pertaining to the Company's initial listing on the Tokyo Stock Exchange Mothers Market.

b. Fees for member firms of certified public accountants, etc. (excluding a.)

Not applicable.

c. Other important details of fees for audit service

Not applicable.

d. Policy for determining audit fees

The Company determines audit fees by taking into account factors such as its business scale, the number of days necessary for the audit and characteristics of the audit work.

e. Reasons the Audit and Supervisory Committee's consent to the fees, etc., of the accounting auditor

In giving consent to the fees of the accounting auditor for the current fiscal year, the Audit and Supervisory Committee analyzed and evaluated the accounting auditor's audit performance of the previous fiscal year by comparing it with the audit plan and other means, examined its audit system, risk awareness, audit plan, etc., in the audits for the current fiscal year, requested necessary explanation from the accounting auditor on details of the estimate of fees submitted by the accounting auditor, and exchanged opinions with the Board of Directors to discuss the reasonableness of details of the fees. As a result, the Committee accepted the reasonableness of the fees, etc., and has given consent in accordance with the Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Directors

1) Policy for determining amount or calculation method of compensation for Directors

- i) Matters concerning the status at the time of the resolution on the compensation for Directors at the general meeting of shareholders

The extraordinary general meeting of shareholders held on December 4, 2020 resolved that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be ¥400 million or less per year, including ¥40 million or less for Outside Directors. The number of Directors (excluding Directors who were Audit and Supervisory Committee Members) at the conclusion of this extraordinary general meeting of shareholders was six including one Outside Director.

The extraordinary general meeting of shareholders held on December 4, 2020 also resolved that the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members shall be ¥30 million or less per year. The number of Directors who were Audit and Supervisory Committee Member at the conclusion of this extraordinary general meeting of shareholders was three.

- ii) Matters concerning the policy for determining the content of compensation, etc., for individual Directors (excluding Directors who are Audit and Supervisory Committee Members)

The Company's Board of Directors has decided the policy for determining the content of compensation, etc., for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) at the Board of Directors' meeting held on October 20, 2020 after receiving the recommendation of the Directors' Compensation Committee, a voluntary compensation committee, as follows:

The compensation system for Directors of the Company is designed to contribute to the enhancement of medium- to long-term business performance and corporate value. The compensation for Directors shall be discussed and determined by the Board of Directors within the limit of the aggregate amount of compensation resolved at the general meeting of shareholders and in accordance with the basic policy of maintaining appropriate compensation levels that take into consideration the roles, responsibilities and levels of contribution to formulating and controlling Group-wide strategies of each Director, as well as compensation levels at other companies and the performance of the Company, based on the recommendation by the voluntary compensation committee. Compensation for individual Directors is comprised only of fixed compensation.

- iii) Reasons the Board of Directors determined that the content of compensation, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) pertaining to the fiscal year under review is in line with the policy

The Board of Directors determined that the content of compensation, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) is in line with the policy for determining the content of compensation, etc., for individual Directors because, in deciding its content, etc., the roles, responsibilities and levels of contribution to formulating and controlling Group-wide strategies of each Director were evaluated by the voluntary compensation committee that is comprised of the representative director and Outside Directors, and comprehensive examination and discussion were conducted at a Board of Directors' meeting based on the recommendation summarizing the evaluation results.

- iv) Matters concerning the policy for determining the content of compensation, etc., for individual Directors who are Audit and Supervisory Committee Members

The amount of compensation for Directors who are Audit and Supervisory Committee Members is determined by consultation among Directors who are Audit and Supervisory Committee Members, within the limit of the aggregate amount of compensation resolved at the general meeting of shareholders and by taking into consideration levels of contribution of each committee member to audits conducted by the Audit and Supervisory Committee.

2) Total amount of compensation, etc., by category of Director, total amount of compensation, etc., by type of compensation, and number of recipients

Category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc., by type of compensation (million yen)			Number of recipients
		Basic compensation	Stock options	Performance-linked compensation	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	100	100	—	—	5
Outside Directors (excluding Audit and Supervisory Committee Members)	6	6	—	—	1
Outside Directors (Audit and Supervisory Committee Members)	17	17	—	—	3

3) Consolidated total amount of compensation, etc., by Director

Information is not provided as there is no Director whose consolidated amount of compensation, etc., totals ¥100 million or more.

4) Significant portion of employee salaries paid to Directors who concurrently serve as employees

Not applicable.

(5) Shareholdings

1) Criteria for and approach to investment shares

The Company classifies shares as investment shares held for pure investment if they are held for the purpose of making profit from changes in the value of shares or dividends on shares, and other shares as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

(Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of holding individual shares by the Board of Directors)

The Company currently holds no investment shares held for purposes other than pure investment. However, it shall set out its shareholding policy if it holds any such shares.

3) Investment shares held for pure investment

(Number of shares and carrying amount)

Category	Current fiscal year		Previous fiscal year	
	Number of issues	Carrying amount (million yen)	Number of issues	Carrying amount (million yen)
Non-listed shares	5	86	4	61
Shares other than the above	—	—	—	—

Category	Current fiscal year			
	Total of dividends received (million yen)	Total of gain (loss) on sale (million yen)	Total of valuation gain (loss) (million yen)	
			Unrealized gain (loss)	Impairment
Non-listed shares	—	—	0	0
Shares other than the above	—	—	—	—

V. Financial Information

1. Method of Preparing Consolidated Financial Statements and Financial Statements

(1) The Company prepares its consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the “Regulation on Consolidated Financial Statements”).

(2) The Company prepares its financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to Article 127 of the Regulation on Financial Statements.

(3) The Company prepared its consolidated financial statements for the previous fiscal year by taking over the consolidated financial statements of BizReach, Inc., which became its wholly owned consolidated subsidiary by means of sole share transfer.

2. Audit Certification

The consolidated financial statements for the consolidated fiscal year from August 1, 2020 to July 31, 2021 and the financial statements for the fiscal year from August 1, 2020 to July 31, 2021 of the Company have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has undertaken special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to develop a system for gaining proper understanding of the details of accounting standards, etc., or appropriately responding to changes in them, the Company is actively working to collect information through such measures as participating in seminars hosted by organizations that hold expert knowledge and subscribing to expert journals of accounting.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Million yen)

	As of July 31, 2020	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	9,114	25,630
Notes and accounts receivable - trade	2,012	3,258
Work in process	167	—
Other	878	679
Allowance for doubtful accounts	(34)	(36)
Total current assets	12,137	29,532
Non-current assets		
Property, plant and equipment		
Buildings	775	743
Accumulated depreciation	(255)	(334)
Buildings, net	519	409
Leased assets	148	148
Accumulated depreciation	(79)	(128)
Leased assets, net	69	19
Construction in progress	2	—
Other	630	585
Accumulated depreciation	(322)	(313)
Other, net	307	271
Total property, plant and equipment	899	700
Intangible assets		
Software	36	35
Goodwill	1,186	1,296
Customer relationship	1,265	1,123
Other	—	1
Total intangible assets	2,488	2,457
Investments and other assets		
Investment securities	*1 61	*1 86
Leasehold deposits	890	782
Deferred tax assets	1,234	1,501
Other	13	18
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	2,196	2,385
Total non-current assets	5,584	5,544
Total assets	17,722	35,076

(Million yen)

	As of July 31, 2020	As of July 31, 2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	—	200
Accounts payable - other	1,486	3,341
Income taxes payable	578	842
Unearned revenue	1,917	3,042
Lease obligations	53	24
Provision for bonuses	522	955
Provision for repayment	32	38
Provision for loss on closing branches	17	—
Other	682	601
Total current liabilities	5,290	9,046
Non-current liabilities		
Lease obligations	25	0
Liabilities from application of equity method	3,070	2,773
Deferred tax liabilities	129	114
Long-term borrowings	—	600
Other	0	5
Total non-current liabilities	3,225	3,494
Total liabilities	8,516	12,540
Net assets		
Shareholders' equity		
Share capital	100	6,063
Capital surplus	4,064	10,027
Retained earnings	5,021	6,442
Total shareholders' equity	9,185	22,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total accumulated other comprehensive income	(0)	0
Share acquisition rights	20	3
Total net assets	9,205	22,536
Total liabilities and net assets	17,722	35,076

2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(Million yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Net sales	25,879	28,698
Cost of sales	4,104	3,999
Gross profit	21,775	24,699
Selling, general and administrative expenses	*1, *2 19,588	*1, *2 22,331
Operating profit	2,186	2,368
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	52	297
Penalty income	16	30
Other	11	11
Total non-operating income	80	339
Non-operating expenses		
Interest expenses	1	1
Share issuance costs	—	77
Issuance cost of subscription rights to shares	6	2
Foreign exchange losses	3	0
Listing expenses	—	341
Other	1	8
Total non-operating expenses	11	433
Ordinary profit	2,254	2,274
Extraordinary income		
Gain on transfer from business divestitures	4,799	—
Gain on sale of non-current assets	—	*3 16
Total extraordinary income	4,799	16
Extraordinary losses		
Provision of allowance for loss on office closing	17	—
Impairment losses	2	—
Loss on valuation of investment securities	1	0
Loss on liquidation of subsidiaries and associates	0	—
Loss on midterm cancelation	9	—
Total extraordinary losses	31	0
Profit before income taxes	7,023	2,290
Income taxes - current	3,241	1,151
Income taxes - deferred	(876)	(281)
Total income taxes	2,364	869
Profit	4,658	1,420
Profit attributable to owners of parent	4,658	1,420

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Profit	4,658	1,420
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total other comprehensive income	* (0)	* 0
Comprehensive income	4,658	1,420
Comprehensive income attributable to		
Owners of parent	4,658	1,420
Non-controlling interests	—	—

3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended July 31, 2020 (From August 1, 2019 to July 31, 2020)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	2,097	2,067	362	4,527
Changes during period				
Issuance of new shares				—
Increase (decrease) by share transfers	(1,997)	1,997		—
Profit attributable to owners of parent			4,658	4,658
Net changes in items other than shareholders' equity				
Total changes during period	(1,997)	1,997	4,658	4,658
Balance at end of period	100	4,064	5,021	9,185

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	—	20	4,547
Changes during period			
Issuance of new shares			—
Increase (decrease) by share transfers			—
Profit attributable to owners of parent			4,658
Net changes in items other than shareholders' equity	(0)	—	(0)
Total changes during period	(0)	—	4,658
Balance at end of period	(0)	20	9,205

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	100	4,064	5,021	9,185
Changes during period				
Issuance of new shares	5,963	5,963		11,926
Increase (decrease) by share transfers				—
Profit attributable to owners of parent			1,420	1,420
Net changes in items other than shareholders' equity				
Total changes during period	5,963	5,963	1,420	13,347
Balance at end of period	6,063	10,027	6,442	22,533

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	(0)	20	9,205
Changes during period			
Issuance of new shares			11,926
Increase (decrease) by share transfers			—
Profit attributable to owners of parent			1,420
Net changes in items other than shareholders' equity	0	(16)	(16)
Total changes during period	0	(16)	13,331
Balance at end of period	0	3	22,536

4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Cash flows from operating activities		
Profit before income taxes	7,023	2,290
Depreciation	440	480
Amortization of goodwill	107	189
Listing expenses	—	341
Share issuance costs	—	77
Gain on transfer from business divestitures	(4,799)	—
Share of loss (profit) of entities accounted for using equity method	(52)	(297)
Loss (gain) on sale of property, plant and equipment	—	(16)
Increase (decrease) in provision for bonuses	86	432
Decrease (increase) in trade receivables	186	(1,245)
Increase (decrease) in unearned revenue	(2)	1,129
Increase (decrease) in accounts payable - other	(480)	1,834
Increase (decrease) in accrued consumption taxes	170	(222)
Other, net	53	315
Subtotal	2,733	5,310
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes paid	(2,966)	(992)
Net cash provided by (used in) operating activities	(234)	4,315
Cash flows from investing activities		
Proceeds from business divestitures	*3 8,000	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	² (2,363)	—
Purchase of property, plant and equipment	(447)	(116)
Proceeds from sale of property, plant and equipment	—	23
Purchase of shares of subsidiaries	—	(300)
Payments of leasehold deposits	(108)	—
Proceeds from refund of leasehold and guarantee deposits	—	97
Payments for money held in trust	(300)	—
Proceeds from cancellation of money held in trust	—	300
Other, net	19	(38)
Net cash provided by (used in) investing activities	4,799	(33)

(Million yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Cash flows from financing activities		
Proceeds from allocation of new shares to a third party of consolidated subsidiaries	120	—
Proceeds from short-term borrowings	2,000	—
Repayments of short-term borrowings	(2,000)	—
Proceeds from issuance of share acquisition rights	—	1
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	651
Proceeds from issuance of shares	—	11,176
Proceeds from long-term borrowings	—	1,000
Repayments of long-term borrowings	(86)	(200)
Repayments of lease obligations	(52)	(53)
Payments of listing expenses	—	(341)
Other, net	—	(1)
Net cash provided by (used in) financing activities	(19)	12,234
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	4,544	16,515
Cash and cash equivalents at beginning of period	4,761	9,114
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	*4 (192)	—
Cash and cash equivalents at end of period	*1 9,114	*1 25,630

[Notes]

(Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements)

1. Matters Regarding Scope of Consolidation

(1) Consolidated Subsidiaries

- Number of consolidated subsidiaries: 5
- Names of major consolidated subsidiaries

BizReach, Inc.

Visional Incubation, Inc.

BINAR, Inc.

Cloud Solutions, Inc.

Trabox, Inc.

(2) Unconsolidated Subsidiaries

- Names of unconsolidated subsidiaries

Not applicable.

BIZREACH SINGAPORE PTE. LTD., which had been an unconsolidated subsidiary until the previous fiscal year, is no longer an unconsolidated subsidiary as its liquidation was completed in the current fiscal year.

2. Matters Regarding Application of Equity Method

(1) Unconsolidated Subsidiaries and Associated Companies Accounted for by the Equity Method

- Number of associated companies accounted for by the equity method: 1
- Names of major associated companies accounted for by the equity method

Stanby, Inc.

(2) Fiscal Years of Associated Companies Accounted for by the Equity Method

For the companies accounted for by the equity method whose closing dates differ from the consolidated closing date, their financial statements for the latest fiscal year are used.

(3) Unconsolidated Subsidiaries Not Accounted for by the Equity Method

- Names of unconsolidated subsidiaries

Not applicable.

BIZREACH SINGAPORE PTE. LTD., which had been an unconsolidated subsidiary not accounted for by the equity method until the previous fiscal year, is no longer an unconsolidated subsidiary not accounted for by the equity method as its liquidation was completed in the current fiscal year.

3. Matters Regarding Fiscal Years, etc., of Consolidated Subsidiaries

The closing dates of the consolidated subsidiaries are the same as the consolidated closing date.

4. Matters Regarding Accounting Policies

(1) Valuation Standard and Method for Significant Assets

1) Valuation standard and method for securities

Shares of subsidiaries

Stated at cost determined by the moving-average method

Available-for-sale securities

Available-for-sale securities without market value

Stated at cost determined by the moving-average method

2) Inventories

Work in process

Stated at cost determined by the specific identification method (the consolidated balance sheets amount is calculated by writing down the carrying amount based on a decline in profitability)

(2) Depreciation Method of Significant Depreciable Assets

1) Property, plant and equipment (excluding leased assets)

Depreciation of buildings is computed by the straight-line method, whereas the declining-balance method is applied to tools, furniture and fixtures.

Major useful lives are as follows:

Buildings: 2 to 41 years

Tools, furniture and fixtures: 2 to 15 years

2) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

The amortization period for major intangible assets is as follows:

Software for internal use: 5 years (estimated useful life of the software within the company)

Customer relationship: 7 to 10 years

3) Leased assets

Leased assets relating to finance lease transactions without transfer of ownership

Depreciation and amortization of leased assets is computed by the straight-line method over the leasing period without any residual value.

(3) Treatment Method of Significant Deferred Assets

Share issuance costs are fully charged to expenses when incurred.

(4) Accounting Standards for Significant Allowances

1) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, an allowance for doubtful accounts is recorded at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other certain receivables.

2) Provision for bonuses

To prepare for bonus payments to employees, a provision for bonuses is recorded at the estimated payment amount attributable to the current fiscal year.

3) Provision for repayment

To prepare for losses expected to be incurred in relation to sales returns after the end of the current fiscal year, a provision for repayment is recorded at an estimated amount of losses due to future sales returns determined based on the Group's historical refund rates and other factors.

4) Provision for loss on closing branches

To prepare for costs to be incurred in relation to the scheduled closing of branch offices, a provision for loss on closing branches is recorded at an estimated amount of costs for closing.

(5) Translation Standards of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the consolidated closing date, and foreign exchange gains or losses arising from such translation are recognized as profit or loss.

(6) Amortization Method and Period of Goodwill

The straight-line method is applied. The amortization period is 7 to 10 years.

(7) Scope of Funds in the Consolidated Statements of Cash Flows

Funds in the consolidated statements of cash flows comprise cash on hand, deposits withdrawable at any time, and easily cashable short-term investments with maturities of three months or less from the acquisition date and insignificant risks of changes in value.

(8) Other Significant Matters for Preparation of Consolidated Financial Statements

1) Accounting method for consumption tax, etc.

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

2) Adoption of the consolidated taxation system

The Company has adopted the consolidated taxation system.

(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system established in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system, the Company does not apply the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with the treatment of Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the pre-revision tax law.

(Significant Accounting Estimates)

1. Valuation of Goodwill and Customer Relationship

(1) Amount Recorded in Consolidated Financial Statements for the Current Fiscal Year

(Million yen)

	Current fiscal year
Goodwill	1,296
Customer relationship	1,123

Goodwill and customer relationship identified in connection with the acquisition of consolidated subsidiaries (Trabox, Inc. and Cloud Solutions, Inc.) are recorded under intangible assets in the consolidated balance sheets.

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

With regard to goodwill and customer relationship identified upon the acquisition, their residual value after amortization over the amortization period of 7 to 10 years are recorded under intangible assets in the consolidated balance sheets.

In addition, impairment tests are conducted and impairment losses are recognized for assets or asset groups for which there is a sign of impairment such as significant deterioration of the management environment, if the total amount of undiscounted future cash flows from such assets or asset groups is less than their carrying amount.

2) Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the current fiscal year

Estimates of future cash flows necessary for impairment tests are calculated based on the business plan at the time of acquisition of shares, and using a growth rate that takes future uncertainty into account after the period covered by the plan.

The business plan and other information that forms the basis of estimates take into account the past business performance and the currently estimated economic condition based on the assumption that the business growth will continue despite the ongoing uncertainty.

3) Impact on the consolidated financial statements for the following fiscal year

Goodwill, etc., of Trabox, Inc. and Cloud Solutions, Inc. may incur impairment losses if changes in the assumption for the business plan cause future cash flows to fall below the carrying amount.

2. Recoverability of Deferred Tax Assets

(1) Amount Recorded in Consolidated Financial Statements for the Current Fiscal Year

(Million yen)

	Current fiscal year
Deferred tax assets	1,501

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

As for the recoverability of deferred tax assets, future taxable income to be generated within 5 years is estimated using the earning power based on the Group companies' business performance and other achievements in the past fiscal years as criteria, and deferred tax assets are calculated by multiplying deductible temporary differences with the effective statutory tax rate.

2) Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the current fiscal year

The amount of deferred tax assets recorded is calculated by estimating taxable income of Group companies based on their business plans for the following fiscal year and profit before tax set out in the medium-term business plan, and based on the results of scheduling of future recovery. The estimates also take into account risk factors, including those related to COVID-19, and achievement of business plans in the past fiscal years.

3) Impact on the consolidated financial statements for the following fiscal year

If a revision of the above estimates and assumptions becomes necessary due to changes in uncertain future economic conditions, including the timing when the spread of COVID-19 will be contained, the amounts of deferred tax assets

and income taxes - deferred in the consolidated financial statements for the following fiscal year and thereafter may be affected.

(New Accounting Standards Not Yet Applied)

- “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 26, 2021)

(1) Outline

The standard is a comprehensive accounting standard concerning revenue recognition. Revenue is recognized by applying the following five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

(2) Planned Date of Application

The Company plans to apply the accounting standard, etc., from the beginning of the fiscal year ending July 31, 2022.

(3) Effects of Application of the Accounting Standard, etc.

The effects of application of the accounting standard, etc., are immaterial.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020)

(1) Outline

With a view to enhancing the comparability with international accounting standards, the “Accounting Standard for Fair Value Measurement” and the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (hereinafter referred to as the “Fair Value Measurement Accounting Standards”) were developed, and guidance on the method for fair value measurements, among others, has been established. The Fair Value Measurement Accounting Standards are applied to the calculation of the fair value for the following items:

- Financial instruments subjected to the “Accounting Standard for Financial Instruments”
- Inventories held for trading purposes subjected to the “Accounting Standard for Measurement of Inventories”

In addition, “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” has been revised stipulating the required disclosure of a breakdown of financial instruments according to their fair value levels among other requirements.

(2) Planned Date of Application

The Company plans to apply the accounting standard, etc., from the beginning of the fiscal year ending July 31, 2022.

(3) Effects of Application of the Accounting Standard, etc.

The effects of application of the accounting standard, etc., are immaterial.

(Changes in Presentation Methods)

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements as of the end of the fiscal year ended July 31, 2021, and provided notes concerning significant accounting estimates for the consolidated financial statements.

However, the notes do not provide information relevant to the previous fiscal year pursuant to the transitional treatment prescribed in the proviso of Paragraph 11 of this accounting standard.

(Consolidated Statements of Cash Flows)

“Increase (decrease) in provision for bonuses” and “Increase (decrease) in unearned revenue,” which were included in “Other, net” under “Cash flows from operating activities” in the previous fiscal year, are separately presented from the current fiscal year due to their increased materiality. In order to reflect these changes in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, ¥138 million presented in “Other, net” under “Cash flows from operating activities” have been reclassified as ¥86 million of “Increase (decrease) in provision for bonuses,” ¥(2) million of “Increase (decrease) in unearned revenue,” and ¥53 million of “Other, net.”

(Consolidated Balance Sheets)

*1 Items related to unconsolidated subsidiaries are as follows:

	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Investment securities (shares)	0 million yen	— million yen

*2 The Company has entered into commitment line agreements with three of its partner banks in order to efficiently procure working capital. In addition, its consolidated subsidiaries BizReach, Inc., Visional Incubation, Inc., BINAR, Inc., and Trabox, Inc. have entered into bank overdraft agreements with one of their banks in order to efficiently procure working capital.

The balance of unexecuted borrowings and other amounts under bank overdraft agreements and commitment line agreements at the end of the fiscal years are as follows:

	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Total amount of bank overdrafts and loan commitments	9,430	10,130
Less amounts executed	—	—
Unexecuted balance	9,430	10,130

(Million yen)

(Consolidated Statement of Income)

*1 Major expenses included in selling, general and administrative expenses and their amounts are as follows:

	(Million yen)	
	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Advertising expenses	7,640	9,562
Salaries and allowances	4,589	5,077
Provision for bonuses	365	721

*2 The total amount of research and development expenses included in general and administrative expenses is as follows:

	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
	125 million yen	237 million yen

*3 Details of gain on sale of non-current assets are as follows:

	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Other (Property, plant and equipment)	— million yen	16 million yen

(Consolidated Statement of Comprehensive Income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	(Million yen)	
	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Valuation difference on available-for-sale securities		
Difference arising during the current fiscal year	(1)	(0)
Reclassification adjustments	1	0
Before tax effect adjustment	(0)	0
Tax effects	—	—
Valuation difference on available-for-sale securities	(0)	0
Total other comprehensive income	(0)	0

(Consolidated Statements of Changes in Net Assets)

Previous fiscal year (from August 1, 2019 to July 31, 2020)

1. Matters Regarding Issued Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common stock (shares)	232,353	—	—	232,353
Class A preferred stock (shares)	53,301	—	—	53,301
Total (shares)	285,654	—	—	285,654

2. Matters Regarding Treasury Shares

Not applicable.

3. Matters Regarding Share Acquisition Rights, etc.

Company name	Breakdown	Class of shares issued upon exercise	Number of shares issued upon exercise (shares)				Balance at the end of the current fiscal year (million yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Reporting company	5th Series Share Acquisition Right (stock option)	—	—	—	—	—	4
	8th Series Share Acquisition Right (stock option)	—	—	—	—	—	10
	9th Series Share Acquisition Right (stock option)	—	—	—	—	—	5
Total			—	—	—	—	20

(Note) For the 9th Series Share Acquisition Right, the commencement date of the exercise period has not yet arrived.

4. Matters Regarding Dividends

Not applicable.

Current fiscal year (from August 1, 2020 to July 31, 2021)

1. Matters Regarding Issued Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common stock (shares)	232,353	35,625,647	—	35,858,000
Class A preferred stock (shares)	53,301	—	53,301	—
Total (shares)	285,654	35,625,647	53,301	35,858,000

(Major cause of movement)

The breakdown of the increase in shares of common stock is as follows:

Increase in shares due to delivery of shares associated with the acquisition of class stock: 53,301 shares

Increase in shares due to issuance of new shares associated with the exercise of share acquisition rights: 938,000 shares

Increase in shares due to stock split: 32,239,746 shares

Increase in shares due to issuance of new shares through public offering: 2,127,700 shares

Increase in shares due to issuance of new shares through third-party allotment: 266,900 shares

The decrease in shares of class stock is due to cancellation of treasury shares associated with the acquisition of such class stock.

2. Matters Regarding Treasury Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Class A preferred stock (shares)	—	53,301	53,301	—
Total (shares)	—	53,301	53,301	—

(Major cause of movement)

The breakdown of the increase in treasury shares of class A preferred stock is as follows:

Increase in shares due to acquisition of shares associated with the acquisition of class stock: 53,301 shares

The decrease in shares of class stock (treasury shares) is due to cancellation of treasury shares associated with the acquisition of such class stock.

3. Matters Regarding Share Acquisition Rights, etc.

Company name	Breakdown	Class of shares issued upon exercise	Number of shares issued upon exercise (shares)				Balance at the end of the current fiscal year (million yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Consolidated subsidiaries	1st Series Share Acquisition Right (stock option)	—	—	—	—	—	3
Total			—	—	—	—	3

(Note) For the 1st Series Share Acquisition Right, the commencement date of the exercise period has not yet arrived.

4. Matters Regarding Dividends

Not applicable.

(Consolidated Statements of Cash Flows)

*1 Reconciliation between the balance of cash and cash equivalents at end of period and the amount of items presented in the consolidated balance sheets is as follows:

	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Cash and deposits	9,114 million yen	25,630 million yen
Cash and cash equivalents	9,114 million yen	25,630 million yen

*2 Major breakdown of assets and liabilities of companies newly consolidated due to acquisition of shares

Previous fiscal year (from August 1, 2019 to July 31, 2020)

The breakdown of assets and liabilities at the beginning of consolidation of Cloud Solutions, Inc. due to the acquisition of shares, and the relation between the acquisition costs of shares of the newly consolidated subsidiary and expenditures to acquire the newly consolidated subsidiary (net increase) are as follows:

	(Million yen)
Current assets	21
Non-current assets	14
Goodwill	318
Customer relationship	115
Current liabilities	(22)
Non-current liabilities	(38)
Acquisition cost of shares	409
Cash and cash equivalents	—
Net: Expenditures for acquisition	409

The breakdown of assets and liabilities at the beginning of consolidation of Trabox, Inc. due to the acquisition of shares, and the relation between the acquisition costs of shares of the newly consolidated subsidiary and expenditures to acquire the newly consolidated subsidiary (net increase) are as follows:

	(Million yen)
Current assets	132
Non-current assets	1
Goodwill	1,111
Customer relationship	1,260
Current liabilities	(82)
Non-current liabilities	(423)
Acquisition cost of shares	2,000
Cash and cash equivalents	(45)
Net: Expenditures for acquisition	1,954

Current fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

- *3 Major breakdown of assets and liabilities related to the business divestitures with cash and cash equivalents as consideration

Previous fiscal year (from August 1, 2019 to July 31, 2020)

The Stanby business, which is a job search engine business of BizReach, Inc., a consolidated subsidiary, was transferred by means of a company split and succeeded by Stanby, Inc. The breakdown of assets and liabilities accompanying the company split, consideration for the company split, and proceeds from business divestitures are as follows:

	(Million yen)
Non-current assets	0
Gain on transfer from business divestitures	4,799
Liabilities from application of equity method	3,199
Transfer price for company split	8,000
Cash and cash equivalents	—
Net: Proceeds from business divestitures	8,000

Current fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

- *4 Breakdown of assets and liabilities of companies that ceased to be consolidated subsidiaries due to the decline in the ratio of voting rights as a result of third-party allotment as of the date of deconsolidation

Previous fiscal year (from August 1, 2019 to July 31, 2020)

The breakdown of assets and liabilities of Stanby, Inc., which ceased to be a consolidated subsidiary due to the decline in the ratio of voting rights as a result of a third-party allotment, as of the date of its deconsolidation are as follows:

	(Million yen)
Current assets (Note)	192
Non-current assets	—
Total assets	192
Current liabilities	—
Non-current liabilities	—
Total liabilities	—

(Note) ¥192 million of cash and cash equivalents is included, and presented as “Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation” in the consolidated statements of cash flows.

Current fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

(Lease Transactions)

Description is omitted due to lack of materiality.

(Financial Instruments)

1. Matters Regarding Financial Instruments

(1) Group Policy for Financial Instruments

As for fund procurement, the Group utilizes the Group CMS (cash management system) for effective use of the Group funds, while procuring necessary funds (mainly from banks) in line with its investment plan. In order to raise funds flexibly and stably, the Group has entered into commitment line agreements and bank overdraft agreements. The Group manages its assets only through investments in low-risk financial assets.

(2) Nature of and Risks Arising from Financial Instruments

Accounts receivable, which are operating receivables, are exposed to customer credit risks. Investment securities are subject to market price volatility risks. Leasehold deposits are mainly related to office rental agreements and exposed to the counterparty's credit risks.

Most of accounts payable - other, which are operating payables, are due within a year.

(3) Risk Management System for Financial Instruments

1) Credit risk (default risks of customers) management

As for operating receivables, the Group controls due dates and balances of individual customers and monitors their financial conditions to identify and reduce the default risk of the counterparties at an early stage.

2) Market risk management

As for investment securities, the Group periodically monitors their market value and financial positions of issuers (business partners), and continuously reviews the status of holding in light of the relationship with business partners.

3) Management of liquidity risk associated with fund procurement (risk of failing to repay on the due date)

The Group has introduced Group CMS to effectively utilize its funds among the Group companies. The Group prepares and updates internal fund management plans in a timely manner, thereby monitoring and managing the fund requirement throughout the Group. In addition, the Group has entered into commitment line agreements and bank overdraft agreements to secure and maintain cash on hand stably.

(4) Supplementary Explanation on Market Value and Other Matters of Financial Instruments

The market value of financial instruments is calculated based on their market price and, if a market price is not available, the value is calculated in a reasonable manner. As the market value calculation incorporates fluctuating factors, the value may differ if different assumptions are used in calculation.

2. Matters Regarding Market Value, etc. of Financial Instruments

The amounts in the consolidated balance sheets and market value of financial instruments along with their differences are shown below. The following tables do not include financial instruments whose market values are deemed extremely difficult to determine. (Please refer to Note 2.)

Previous fiscal year (as of July 31, 2020)

	Amounts in the consolidated balance sheets (million yen)	Market value (million yen)	Differences (million yen)
(1) Cash and deposits	9,114	9,114	—
(2) Notes and accounts receivable - trade	2,012		
Allowance for doubtful accounts (*)	(34)		
	1,977	1,977	—
(3) Leasehold deposits	692	693	1
Total assets	11,784	11,785	1
(1) Accounts payable - other	1,486	1,486	—
Total liabilities	1,486	1,486	—

* Allowance for doubtful accounts for accounts receivable - trade is deducted.

Current fiscal year (as of July 31, 2021)

	Amounts in the consolidated balance sheets (million yen)	Market value (million yen)	Differences (million yen)
(1) Cash and deposits	25,630	25,630	—
(2) Notes and accounts receivable - trade	3,258		
Allowance for doubtful accounts (*)	(36)		
	3,222	3,222	—
(3) Leasehold deposits	645	645	(0)
Total assets	29,498	29,497	(0)
(1) Accounts payable - other	3,341	3,341	—
Total liabilities	3,341	3,341	—

* Allowance for doubtful accounts for accounts receivable - trade is deducted.

(Note 1) Matters regarding the method to determine market value of financial instruments

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable - trade

As the above are all settled in the short term and their market value approximates the carrying amount, the carrying amount is used as market value.

(3) Leasehold deposits

Leasehold deposits are calculated by discounting the estimated future cash flows at the discount rate that is determined by estimating when the deposits will be returned, using the yield of government bonds corresponding to the period up to the return, and taking credit risks into consideration.

The “Amounts in the consolidated balance sheets” and “Market value” are net of the amount of the portion that is considered ultimately unrecoverable from leasehold deposits (unamortized asset retirement obligations).

Liabilities

(1) Accounts payable - other

As accounts payable - other are all settled in the short term and their market value approximates the carrying amount, the carrying amount is used as market value.

(Note 2) Amounts in the consolidated balance sheets of financial instruments whose market values are deemed extremely difficult to determine

(Million yen)

Category		July 31, 2020	July 31, 2021
Investment securities	Non-listed shares	61	86

As there is no market price available and it is deemed extremely difficult to determine the market value, their market value is not disclosed.

(Note 3) Scheduled redemption amount of monetary receivables after the consolidated closing date and scheduled repayment amount of monetary payables

Previous fiscal year (as of July 31, 2020)

	Within one year (million yen)	Over one year within five years (million yen)	Over five years within ten years (million yen)	Over ten years (million yen)
Cash and deposits	9,114	—	—	—
Notes and accounts receivable - trade	2,012	—	—	—
Total monetary receivables	11,126	—	—	—
Accounts payable - other	1,486	—	—	—
Total monetary payables	1,486	—	—	—

Current fiscal year (as of July 31, 2021)

	Within one year (million yen)	Over one year within five years (million yen)	Over five years within ten years (million yen)	Over ten years (million yen)
Cash and deposits	25,630	—	—	—
Notes and accounts receivable - trade	3,258	—	—	—
Total monetary receivables	28,889	—	—	—
Accounts payable - other	3,341	—	—	—
Total monetary payables	3,341	—	—	—

(Changes in Presentation Methods)

Notes are provided for “Accounts payable - other” from the current fiscal year due to the increased materiality in terms of amount. In order to reflect this change in presentation method, notes are also provided for the previous fiscal year.

(Securities)

1. Available-for-sale Securities

Previous fiscal year (from August 1, 2019 to July 31, 2020)

Description of non-listed shares (amounts in the consolidated balance sheets: ¥61 million) is not provided, as they have no market price available and it is deemed extremely difficult to reflect their market value.

Current fiscal year (from August 1, 2020 to July 31, 2021)

Description of non-listed shares (amounts in the consolidated balance sheets: ¥86 million) is not provided, as they have no market price available and it is deemed extremely difficult to reflect their market value.

2. Impairment Loss on Securities

In the previous fiscal year, ¥1 million of impairment loss was recognized for securities (shares classified as available-for-sale securities whose market values are deemed extremely difficult to determine).

In the current fiscal year, ¥0 million of impairment loss was recognized for securities (shares classified as available-for-sale securities whose market values are deemed extremely difficult to determine).

Impairment loss was recognized for securities whose market values are deemed extremely difficult to determine when their net asset value significantly drops due to the deterioration of the financial condition of the issuer, in consideration of recoverability.

(Stock Options)

Reporting Company

1. Amount and Account Items of Expenses Related to Stock Options

Not applicable.

2. Details and Scale of Stock Options and Changes Thereof

1st Series to 23rd Series Share Acquisition Rights were originally issued by BizReach, Inc. and the obligation associated with share acquisition rights was succeeded to the Company upon its establishment on February 3, 2020 by means of sole share transfer by BizReach, Inc.

The following tables show the stock options that existed in the current fiscal year, and the number of stock options is translated into the number of shares.

The number of shares reflects the 100-for-1 stock split conducted on December 7, 2020.

(1) Stock Options

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 1 Employees: 29 Directors of subsidiaries: 2 Employees of subsidiaries: 3 External consultants: 4	Auditors: 1 Employees: 42 External consultants: 3
Number of stock options by class of shares	Common stock: 990,000 shares	Common stock: 507,000 shares
Date of grant (Note 2)	October 15, 2012	September 1, 2014
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to October 10, 2022	From February 3, 2020 to September 1, 2024

	4th Series Share Acquisition Right	5th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 80	Directors: 1
Number of stock options by class of shares	Common stock: 360,000 shares	Common stock: 4,000,000 shares
Date of grant (Note 2)	April 10, 2015	December 21, 2015
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to April 7, 2025	From February 3, 2020 to December 21, 2024

	6th Series Share Acquisition Right	7th Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 3 Employees: 67	Directors: 2 Employees: 136
Number of stock options by class of shares	Common stock: 985,000 shares	Common stock: 1,282,000 shares
Date of grant (Note 2)	December 21, 2015	June 30, 2017
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to December 11, 2025	From February 3, 2020 to June 14, 2027

	8th Series Share Acquisition Right	9th Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 1	External consultants: 3
Number of stock options by class of shares	Common stock: 715,000 shares	Common stock: 183,000 shares
Date of grant (Note 2)	June 30, 2017	March 30, 2018
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to December 31, 2023	From January 1, 2021 to December 31, 2024

	10th Series Share Acquisition Right	11th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 1	Employees: 42
Number of stock options by class of shares	Common stock: 120,000 shares	Common stock: 268,000 shares
Date of grant (Note 2)	April 27, 2018	April 27, 2018
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From May 1, 2020 to March 26, 2028	From May 1, 2020 to March 26, 2028

	12th Series Share Acquisition Right	13th Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 1 Employees: 47	Employees: 6
Number of stock options by class of shares	Common stock: 549,500 shares	Common stock: 27,000 shares
Date of grant (Note 2)	April 26, 2019	April 26, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029

	14th Series Share Acquisition Right	15th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 19	Employees: 7
Number of stock options by class of shares	Common stock: 162,000 shares	Common stock: 164,000 shares
Date of grant (Note 2)	April 26, 2019	April 26, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029

	16th Series Share Acquisition Right	17th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 1	Auditors: 1 Employees: 72
Number of stock options by class of shares	Common stock: 109,000 shares	Common stock: 212,500 shares
Date of grant (Note 2)	April 26, 2019	July 19, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From April 18, 2021 to April 17, 2029	From July 18, 2021 to July 17, 2029

	18th Series Share Acquisition Right	19th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 20	Employees: 12
Number of stock options by class of shares	Common stock: 142,600 shares	Common stock: 25,200 shares
Date of grant (Note 2)	July 19, 2019	July 19, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029

	20th Series Share Acquisition Right	21st Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 2	Employees: 2
Number of stock options by class of shares	Common stock: 268,200 shares	Common stock: 120,000 shares
Date of grant (Note 2)	July 19, 2019	July 19, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029

	22nd Series Share Acquisition Right	23rd Series Share Acquisition Right
Class and number of recipients (Note 1)	Auditors: 1 Employees: 69	Auditors: 1 Employees: 33 Directors of subsidiaries: 1
Number of stock options by class of shares	Common stock: 434,500 shares	Common stock: 85,500 shares
Date of grant (Note 2)	December 30, 2019	December 30, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From December 20, 2021 to December 19, 2029	From December 20, 2021 to December 19, 2029

	24th Series Share Acquisition Right	25th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees of subsidiaries: 5	Employees of subsidiaries: 60
Number of stock options by class of shares	Common stock: 65,000 shares	Common stock: 238,300 shares
Date of grant (Note 2)	July 31, 2020	July 31, 2020
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 21, 2022 to July 20, 2030	From July 21, 2022 to July 20, 2030

	26th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 5 Employees of subsidiaries: 31
Number of stock options by class of shares	Common stock: 95,000 shares
Date of grant (Note 2)	July 31, 2020
Vesting conditions	(Note 3)
Required service period	There is no required service period.
Exercise period of share acquisition rights	From July 21, 2022 to July 20, 2030

- (Notes)
1. Class and number of recipients show those at the time of granting share acquisition rights.
 2. Date of grant shows the original date of grant at BizReach, Inc.
 3. Vesting conditions are as described in “IV. Information about Reporting Company, 1. Company’s Shares, etc., (2) Share Acquisition Rights.”

(2) Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year (fiscal year ended July 31, 2021), and the number of stock options is translated into the number of shares.

1) Number of stock options

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	713,000	348,000
Vested	—	—
Exercised	—	—
Forfeited	—	5,000
July 31, 2021—Outstanding	713,000	343,000

	4th Series Share Acquisition Right	5th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	265,000	4,000,000
Vested	—	—
Exercised	—	4,000,000
Forfeited	6,000	—
July 31, 2021—Outstanding	259,000	—

	6th Series Share Acquisition Right	7th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	841,000	1,140,000
Vested	—	—
Exercised	—	—
Forfeited	6,000	42,000
July 31, 2021—Outstanding	835,000	1,098,000

	8th Series Share Acquisition Right	9th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	—	183,000
Granted	—	—
Forfeited	—	—
Vested	—	183,000
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	715,000	—
Vested	—	183,000
Exercised	715,000	183,000
Forfeited	—	—
July 31, 2021—Outstanding	—	—

	10th Series Share Acquisition Right	11th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	120,000	246,000
Vested	—	—
Exercised	—	—
Forfeited	—	10,000
July 31, 2021—Outstanding	120,000	236,000

	12th Series Share Acquisition Right	13th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	549,500	27,000
Granted	—	—
Forfeited	10,000	—
Vested	539,500	27,000
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	539,500	27,000
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	539,500	27,000

	14th Series Share Acquisition Right	15th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	149,000	164,000
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	149,000	164,000
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	149,000	164,000
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	149,000	164,000

	16th Series Share Acquisition Right	17th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	109,000	205,500
Granted	—	—
Forfeited	—	13,500
Vested	109,000	192,000
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	109,000	192,000
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	109,000	192,000

	18th Series Share Acquisition Right	19th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	142,600	25,200
Granted	—	—
Forfeited	6,000	1,400
Vested	136,600	23,800
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	136,000	23,800
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	136,000	23,800

	20th Series Share Acquisition Right	21st Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	268,200	120,000
Granted	—	—
Forfeited	—	—
Vested	268,200	120,000
July 31, 2021—Outstanding	—	—
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	268,200	120,000
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	268,200	120,000

	22nd Series Share Acquisition Right	23rd Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	434,500	85,500
Granted	—	—
Forfeited	3,000	—
Vested	—	—
July 31, 2021—Outstanding	431,500	85,500
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	—	—

	24th Series Share Acquisition Right	25th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2020—Outstanding	65,000	238,300
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2021—Outstanding	65,000	238,300
Vested (shares)		
July 31, 2020—Outstanding	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
July 31, 2021—Outstanding	—	—

	26th Series Share Acquisition Right
Non-vested (shares)	
July 31, 2020—Outstanding	95,000
Granted	—
Forfeited	—
Vested	—
July 31, 2021—Outstanding	95,000
Vested (shares)	
July 31, 2020—Outstanding	—
Vested	—
Exercised	—
Forfeited	—
July 31, 2021—Outstanding	—

2) Unit price information

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Exercise price (yen)	43	43
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	4th Series Share Acquisition Right	5th Series Share Acquisition Right
Exercise price (yen)	43	100
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	6th Series Share Acquisition Right	7th Series Share Acquisition Right
Exercise price (yen)	100	250
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	8th Series Share Acquisition Right	9th Series Share Acquisition Right
Exercise price (yen)	250	400
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	10th Series Share Acquisition Right	11th Series Share Acquisition Right
Exercise price (yen)	400	400
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	12th Series Share Acquisition Right	13th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	14th Series Share Acquisition Right	15th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	16th Series Share Acquisition Right	17th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	18th Series Share Acquisition Right	19th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	20th Series Share Acquisition Right	21st Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	22nd Series Share Acquisition Right	23rd Series Share Acquisition Right
Exercise price (yen)	780	780
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	24th Series Share Acquisition Right	25th Series Share Acquisition Right
Exercise price (yen)	1,250	1,250
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	26th Series Share Acquisition Right
Exercise price (yen)	1,250
Average share price at exercise (yen)	—
Fair value at date of grant (yen)	—

3. Method for Estimating the Fair Value Unit Price of Stock Options

As the Company's shares are unlisted at the time of granting of stock options, the fair value unit price of stock options is estimated based on the estimated intrinsic value per unit. Furthermore, the value of the Company's shares, which is the basis for determining the intrinsic value per unit, is determined in comprehensive consideration of the results using the net assets method, the DCF method and other means.

4. Method for Estimating the Number of Vested Stock Options

As it is basically difficult to reasonably estimate the future number of invalidated stock options, only the actual number of invalidated stock options is reflected in the estimation.

5. The total amount of intrinsic value as of July 31, 2021 in the case of using the intrinsic value per unit of stock option, and the total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2021

Total amount of intrinsic value as of July 31, 2021	¥32,207 million
Total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2021	¥— million

Consolidated Subsidiary (Trabox, Inc.)

1. Amount and Account Items of Expenses Related to Stock Options

Not applicable.

2. Details and Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year, and the number of stock options is translated into the number of shares.

(1) Stock Options

	1st Series Share Acquisition Right
Class and number of recipients (Note 1)	Director of the company: 1
Number of stock options by class of shares	Common stock: 11 shares
Date of grant	July 30, 2021
Vesting conditions	(Note 2)
Required service period	There is no required service period.
Exercise period of share acquisition rights	From January 1, 2026 to December 31, 2030

(Notes) 1. Class and number of recipients show those at the time of granting share acquisition rights.

2. Conditions for exercise of share acquisition rights are as follows:

- 1) Persons allotted with share acquisition rights (hereinafter referred to as the "Share Acquisition Rights Holders") may exercise share acquisition rights only when the Company transfers a part or all of the issued shares of the consolidated subsidiary to a third party (excluding the transfer to the Company's wholly owned subsidiaries).
- 2) Notwithstanding the preceding item 1), the Share Acquisition Rights Holders, if they lose their position as officers and employees of the Company, the consolidated subsidiary, or their subsidiaries (which collectively mean officers (who hold the meaning provided for in Article 329, Paragraph 1 of the Companies Act), executive officers and employees), may not exercise all of the share acquisition rights after the day they lose their position; provided, however, that this shall not apply to cases where the Board of Directors of the consolidated subsidiary judges that there is a justifiable reason for such loss of positions mentioned above.
- 3) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the consolidated subsidiary and the Share Acquisition Rights Holders.

(2) Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year (fiscal year ended July 31, 2021), and the number of stock options is translated into the number of shares.

1) Number of stock options

	1st Series Share Acquisition Right
Non-vested (shares)	
July 31, 2020—Outstanding	—
Granted	11
Forfeited	—
Vested	—
July 31, 2021—Outstanding	11
Vested (shares)	
July 31, 2020—Outstanding	—
Vested	—
Exercised	—
Forfeited	—
July 31, 2021—Outstanding	—

2) Unit price information

	1st Series Share Acquisition Right
Exercise price (yen)	2,127,659
Average share price at exercise (yen)	—
Fair value at date of grant (yen)	—

3. Method for Estimating the Fair Value Unit Price of Stock Options

As the shares of Trabox, Inc. are unlisted at the time of granting of stock options, the fair value unit price of stock options is estimated based on the estimated intrinsic value per unit.

Furthermore, the value of the Company's shares, which is the basis for determining the intrinsic value per unit, is determined by using the value calculated by the DCF method.

4. Method for Estimating the Number of Vested Stock Options

As it is basically difficult to reasonably estimate the future number of invalidated stock options, only the actual number of invalidated stock options is reflected in the estimation.

5. The total amount of intrinsic value as of July 31, 2021 in the case of using the intrinsic value per unit of stock option, and the total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2021

Total amount of intrinsic value as of July 31, 2021 ¥— million

Total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2021 ¥— million

(Tax Effect Accounting)

1. Breakdown of Main Causes for Deferred Tax Assets and Deferred Tax Liabilities

	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
(Million yen)		
Deferred tax assets		
Tax loss carryforwards (Note 2)	28	182
Unrealized gains	947	849
Provision for bonuses	184	337
Research and development expenses	172	346
Provision for loss on guarantees	130	—
Shares of subsidiaries and associates	106	—
Other	59	393
Subtotal deferred tax assets	1,629	2,109
Valuation allowance for tax loss carryforwards (Note 2)	(28)	(182)
Valuation allowance for aggregate deductible temporary differences	(367)	(161)
Subtotal valuation allowances (Note 1)	(395)	(344)
Total deferred tax assets	1,234	1,764
Deferred tax liabilities		
Customer relationship	(129)	(377)
Other	—	(1)
Total deferred tax liabilities	(129)	(378)
Net deferred tax assets (liabilities)	1,104	1,386

(Notes) 1. There is a significant change in the amount deducted from deferred tax assets (valuation allowance). The change was mainly due to an increase in the amount of valuation allowance for tax loss carryforwards.

2. Tax loss carryforwards and corresponding deferred tax assets by carryforward period

Previous fiscal year (July 31, 2020)							(Million yen)
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforwards (a)	—	—	—	—	—	28	28
Valuation allowances	—	—	—	—	—	(28)	(28)
Deferred tax assets	—	—	—	—	—	—	—

(a) Tax loss carryforwards are the amount obtained by multiplying them with the effective statutory tax rate.

Current fiscal year (July 31, 2021)							(Million yen)
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total
Tax loss carryforwards (b)	—	—	—	—	—	182	182
Valuation allowances	—	—	—	—	—	(182)	(182)
Deferred tax assets	—	—	—	—	—	—	—

(b) Tax loss carryforwards are the amount obtained by multiplying them with the effective statutory tax rate.

2. Breakdown of Main Causes of Difference Between the Effective Statutory Tax Rate and the Income Tax Rate after Applying Tax Effect Accounting

	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Effective statutory tax rate of the company submitting the consolidated financial statements (Adjustments)	—	30.6%
Valuation allowances	—	5.0%
Amortization of goodwill	—	2.5%
Other	—	(0.2)%
Income tax rate after applying tax effect accounting	—	37.9%

(Note) Notes are omitted for the previous fiscal year because the difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting was 5% or less of the effective statutory tax rate.

(Asset Retirement Obligations)

Pursuant to the real estate lease agreement for the head office, the Group reasonably estimates the amount that is considered ultimately unrecoverable from leasehold deposits related to the real estate lease agreement, instead of recording liabilities relating to asset retirement obligations for restoration costs upon withdrawal from the real estate, and records the amount that is attributable to the current fiscal year.

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

(1) Method of Determining Reportable Segments

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance.

The Group consists of segments organized by business based on companies, and classifies its businesses into two reportable segments, namely, “HR Tech” and “Incubation.”

(2) Type of Products and Services Belonging to Each Reportable Segment

“HR Tech” segment provides services including “BizReach,” a membership-based job change site specialized for professional human resources, “HRMOS,” a cloud based HCM (Human Capital Management) platform, “CareerTrek,” a job change site designed for people in their 20s that are looking for new challenges, “BizReach Campus,” network for alumni visits, and “BINAR,” a recruiting platform for high-skilled engineers.

“Incubation” segment provides services including “Trabox,” a logistics DX (digital transformation) platform, “BizReach SUCCEED,” a business succession and M&A platform, “BizHint,” a B to B lead generation platform, and “yamory,” a vulnerability management tool.

2. Method of Calculating Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting methods for the reported business segments are the same as provided in “Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements.”

Reportable segment profit figures are based on operating profit. Intersegment sales and transfers are based on market prices.

The Group does not allocate assets to business segments for internal management purposes, but allocates depreciation and amortization of goodwill.

3. Information on Sales, Profit (Loss) and Other Items by Reportable Segment

Previous fiscal year (from August 1, 2019 to July 31, 2020)

(Million yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	24,914	892	25,807	72	25,879
Intersegment sales or transfers	200	129	330	(330)	0
Total	25,114	1,022	26,137	(257)	25,879
Segment profit (loss)	3,343	(868)	2,474	(288)	2,186
Other items					
Depreciation	227	95	323	117	440
Amortization of goodwill	23	83	107	—	107
Impairment losses	—	—	—	2	2

(Notes) 1. Reconciliations of sales to external customers mainly represent office rental fees from an associated company accounted for by the equity method.

2. Reconciliations are as follows:

(1) Reconciliations of segment profit (loss) of ¥(288) million represent general and administrative expenses that are not allocable to the reportable segments of ¥(288) million.

(2) Reconciliations of depreciation of ¥117 million represent general and administrative expenses that are not allocable to the reportable segments of ¥117 million.

3. Segment profit (loss) is adjusted based on operating profit.

Current fiscal year (from August 1, 2020 to July 31, 2021)

(Million yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	27,052	1,485	28,537	161	28,698
Intersegment sales or transfers	236	94	330	(330)	—
Total	27,288	1,579	28,868	(169)	28,698
Segment profit (loss)	4,000	(863)	3,137	(768)	2,368
Other items					
Depreciation	176	126	303	177	480
Amortization of goodwill	26	163	189	—	189
Impairment losses	—	—	—	—	—

- (Notes) 1. Reconciliations of sales to external customers mainly represent office rental fees from an associated company accounted for by the equity method.
2. Reconciliations are as follows:
- (1) Reconciliations of segment profit (loss) of ¥(768) million represent general and administrative expenses that are not allocable to the reportable segments of ¥(768) million.
- (2) Reconciliations of depreciation of ¥177 million represent general and administrative expenses that are not allocable to the reportable segments of ¥177 million.
3. Segment profit (loss) is adjusted based on operating profit.

[Related Information]

Previous fiscal year (from August 1, 2019 to July 31, 2020)

1. Information by Product and Service

This information is omitted as similar information is disclosed in segment information.

2. Information by Geographical Area

(1) Net Sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, Plant and Equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

Current fiscal year (from August 1, 2020 to July 31, 2021)

1. Information by Product and Service

This information is omitted as similar information is disclosed in segment information.

2. Information by Geographical Area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, Plant and Equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]

This information is omitted as similar information is disclosed in segment information.

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from August 1, 2019 to July 31, 2020)

(Million yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	158	1,028	1,186	—	1,186

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

Current fiscal year (from August 1, 2020 to July 31, 2021)

(Million yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	132	1,164	1,296	—	1,296

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

[Related Party Information]

1. Related Party Transactions

(1) Transactions Between the Company Submitting Consolidated Financial Statements and Related Parties

Previous fiscal year (from August 1, 2019 to July 31, 2020)

Not applicable.

Current fiscal year (from August 1, 2020 to July 31, 2021)

Class	Company name or name	Location	Issued capital or investments in capital (million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related parties	Transactions	Transaction amount (million yen)	Account item	Outstanding balance (million yen)
Officer	Soichiro Minami	—	—	Representative Director and CEO of the Company	(Held) Direct 45.25	—	Exercise of share acquisition rights (Note 1)	400	—	—
Officer	Shin Takeuchi	—	—	Director of the Company	(Held) Direct 2.59	—	Exercise of share acquisition rights (Note 2)	178	—	—
Officer	Satoshi Murata	—	—	Director of the Company	(Held) Direct 0.57	—	Exercise of share acquisition rights (Note 3)	16	—	—
Officer	Junji Tanaka	—	—	Executive Officer of the Company	(Held) Direct 0.27	—	Exercise of share acquisition rights (Note 3)	40	—	—
Officer	Tetsuya Sakai	—	—	Executive Officer of the Company	(Held) Direct 0.07	—	Exercise of share acquisition rights (Note 3)	16	—	—

- (Notes)
- Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on December 11, 2015 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 - Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on June 19, 2017 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 - Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on March 26, 2018 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.

(2) Transactions Between Consolidated Subsidiaries of the Company Submitting Consolidated Financial Statements and Related Parties

Previous fiscal year (from August 1, 2019 to July 31, 2020)

Class	Company name or name	Location	Issued capital or investments in capital (million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related parties	Transactions	Transaction amount (million yen)	Account item	Outstanding balance (million yen)
Associated company	Stanby, Inc.	Shibuya-ku, Tokyo	100 (Note 3)	Information providing service	(Holding) Direct 40.0	Concurrent holding of officer positions, transfer of businesses, etc.	Proceeds from business divestitures (Note 2)	8,000	—	—
							Gain on transfer from business divestitures	4,799	—	—

- (Notes)
1. The amounts above do not include consumption taxes.
 2. The amount of consideration was negotiated with Stanby, Inc. and determined considering the appraisal value computed by a third party appraiser based on the business plan and operating results in prior years.
 3. At the time of the business transfer, 40% of voting rights of Stanby, Inc. was directly held by BizReach, Inc. Upon the Group's organizational restructuring executed on February 3, 2020, shares of Stanby, Inc. were transferred to Visonal, Inc. by means of a dividend in kind.

Current fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

2. Notes on Parent Company or Significant Associated Companies

Condensed financial information of significant associated companies

Not applicable.

(Per Share Information)

	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Net assets per share	185.42 yen	628.40 yen
Basic earnings per share	163.08 yen	43.37 yen
Diluted earnings per share	—	35.84 yen

- (Notes)
- On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share, basic earnings per share and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2020.
 - The amount of residual assets distributed to preferred shareholders was deducted from the calculation of the net assets per share for the fiscal year ended July 31, 2020.
 - With regard to basic earnings per share for the fiscal year ended July 31, 2020, Class A preferred stock was treated as equivalent to common stock as Class A preferred stock has the same rights as common stock to claim dividends from surplus.
 - The diluted earnings per share for the fiscal year ended July 31, 2020 are not disclosed, as the Company's shares were unlisted in the fiscal year ended July 31, 2020, and the average share value during the period cannot be calculated despite the existence of diluted shares.
 - The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Item	Previous fiscal year (from August 1, 2019 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	4,658	1,420
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	4,658	1,420
Average number of shares of common stock during the period (shares)	28,565,400	32,759,934
(Of which, number of common stock (shares))	(23,235,300)	(32,759,934)
(Of which, number of Class A preferred stock (shares))	(5,330,100)	(—)
Diluted earnings per share		
Increase in common stock (shares)	—	6,879,007
(Of which, share acquisition rights (shares))	(—)	(6,879,007)
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

- The bases for calculating net assets per share are as follows:

Item	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Total net assets (million yen)	9,205	22,536
Amount deducted from total net assets (million yen)	4,897	3
(Of which, Class A preferred stock (million yen))	(4,877)	(—)
(Of which, share acquisition rights (million yen))	(20)	(3)
Net assets at the end of the period related to common stock (million yen)	4,308	22,533
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	23,235,300	35,858,000

(Significant Subsequent Events)

(Business Combination through Acquisition)

BizReach, Inc., a consolidated subsidiary of the Company, adopted a resolution to acquire the shares of IEYASU, Inc. to make it a subsidiary at the Board of Directors' meeting held on August 16, 2021, and entered into a share transfer agreement with the company on the same day. BizReach, Inc. plans to acquire these shares on November 1, 2021.

(1) Outline of the Business Combination

1) Name and business of the company to be acquired

- a. Name of the company to be acquired: IEYASU, Inc.
- b. Description of its business: development and sales of attendance management systems

2) Main purpose of the business combination

To accelerate the medium-term growth strategy of HRMOS, in anticipation of future collaboration with HRMOS payroll and labor management domain that is under development by BizReach, Inc., a consolidated subsidiary of the Company.

3) Date of the business combination

November 1, 2021 (planned)

4) Legal form of the business combination

Acquisition of shares

5) Name following the business combination

No change in the company name

6) Ratio of voting rights to be acquired

80.1%

7) Major grounds for deciding on the acquiring company

BizReach, Inc., a consolidated subsidiary of the Company, entered into a basic agreement with the company to acquire shares thereof in consideration of cash.

(2) Acquisition Costs of the Company to Be Acquired and Breakdown by Type of Consideration

They are not disclosed in accordance with the arrangement with the company to be acquired.

(3) Description and Amount of Major Expenses Related to the Acquisition

They are not finalized at this time.

(4) Amount of Goodwill That Accrued, the Cause for the Accrual, the Amortization Method and the Amortization Period

They are not finalized at this time.

(5) Amount of Assets Accepted and Liabilities Assumed on the Date of the Business Combination, and the Major Breakdown Thereof

They are not finalized at this time.

(Stock Options)

The Company resolved at the Board of Directors' meeting held on September 21, 2021 to submit a proposal at the 2nd annual general meeting of shareholders that was held on October 27, 2021 to seek approval for issuing share acquisition rights as stock options without consideration to employees of the Company, and directors, auditors and employees of the Company's subsidiaries in accordance with the provision of Articles 236, 238, and 239 of the Companies Act, and delegating the decision on the offering of such share acquisition rights to the Board of Directors of the Company. The proposal was submitted to and approved by the general meeting of shareholders.

I. Reason for the need to solicit subscribers to stock acquisition rights under particularly favorable terms

The solicitation is for the purpose of acquiring exceptional human resources for the Group and helping to increase the corporate value of the Group overall by providing further incentive and motivation to improve the Group's performance to employees of the Company and directors, auditors, and employees of the Company's subsidiaries.

II.Upper limit on the number of stock acquisition rights for which offering terms may be determined based on the matters resolved at this General Meeting of Shareholders and the need for monetary payment

1.The upper limit for stock acquisition rights for which offering terms may be determined based on this authorization

The upper limit of stock acquisition rights whose details are stipulated in III below shall be 1,500. The upper limit on the number of shares granted with exercise of stock acquisition rights shall be 150,000 shares of common stock of the Company, and if the number of shares granted (defined below) is adjusted as stipulated in III-1 below, the upper limit shall be the number of granted shares after adjustment multiplied by the maximum number of stock acquisition rights stated above.

2.No monetary payment shall be required for stock acquisition rights whose offering terms may be determined based on this authorization.

III.Details of stock acquisition rights whose offering terms may be determined based on this authorization

1. Class and number of shares granted upon exercise of stock acquisition rights

The class of shares granted upon exercise of stock acquisition rights shall be common stock of the Company, and the number of shares granted upon each exercise of stock acquisition rights (hereinafter referred to as the “Number of Shares Granted”) shall be 100 shares. However, if the Company conducts a stock split of common stock of the Company (including gratis allotment of common stock of the Company; the same applies to stock splits below) or a reverse stock split of common stock of the Company after the day stock acquisition rights are allotted (hereinafter referred to as the “Allotment Date”), the Number of Shares Granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\begin{array}{rcccl} \text{Number of shares after} & & \text{Number of shares} & & \\ \text{adjustment} & = & \text{before adjustment} & \times & \text{Ratio of stock split or reverse stock split} \end{array}$$

If the Company conducts a merger, company split, share exchange, or share transfer (hereinafter referred to collectively as “Merger, etc.”) or it otherwise becomes necessary to adjust the number of shares, the number of shares may be adjusted within a reasonable scope after the conditions, etc. of the Merger, etc. are considered.

2.Value of property contributed upon exercise of each stock acquisition right

The value of property to be invested when exercising one unit of stock acquisition rights shall be the amount calculated by multiplying the payment amount per share which can be delivered when exercising stock acquisition rights (the “Exercise Price”) to be determined as follows, by the number of shares to be granted. The Exercise Price shall be the average value of closing prices of the Company’s shares on the Tokyo Stock Exchange for each day (excluding days on which no trading was reported) of the month immediately before the month to which the Allotment Date of the stock acquisition rights belongs, with any fractions less than one yen rounded up. However, if the amount obtained is lower than the closing price on the Allotment Date of the stock acquisition rights (if no trading was reported, the closing price on the day immediately before that day), the closing price on the Allotment Date of the stock acquisition rights shall be used as the Exercise Price.

3.Adjustment of the Exercise Price

(1)If the Company conducts (i) or (ii) below for the Company’s common stock after the Allotment Date, the Exercise Price in each case shall be adjusted by the following formula (the “Exercise Price Adjustment Formula”) and any fractions less than one yen resulting from the adjustment shall be rounded up.

(i) In the case that the Company conducts a stock split or a reverse stock split

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

(ii) In the case that the Company issues new shares of the Company’s common stock or disposes of its treasury shares at a price below the market value (excluding a case of issuing new shares by exercising stock acquisition rights) after the Allotment Date of stock acquisition rights, the above Exercise Price shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued shares} \times \text{Payment amount per share}}{\text{Market value per share}}}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

i. The “market value” used in the above Exercise Price Adjustment Formula shall be the average of the closing prices (including indicative prices; the same applies below) for 30 trading days (excluding days when no trading occurs) beginning 45 trading days prior to the effective date of the adjusted Exercise Price (hereinafter referred to as the “Effective Date”) stipulated in (2) below. The average price is calculated to the first decimal place by rounding the second decimal place of amounts less than one yen.

ii. The “number of already issued shares” used in the above Exercise Price Adjustment Formula shall be the total number of shares of common stock issued by the Company as of the record date if there is one, or, if not, as of the day one month prior to the Effective Date, less the number of shares of common stock held by the Company as treasury shares.

iii. If the Company disposes of treasury shares, then “number of newly issued shares” shall be replaced with “number of treasury shares disposed of” in the Exercise Price Adjustment Formula.

(2) The Effective Date of the adjusted Exercise Price shall be determined as follows.

(i) If adjustment is conducted in accordance with (1)-(i) above, the adjusted Exercise Price, in the case of a stock split, shall take effect on the day following the record date of the stock split (or, if there is no record date, the date the stock split goes into effect), and in the case of a reverse stock split, shall take effect on or after the day the reverse stock split goes into effect. However, if a stock split is conducted on the condition that a proposal to decrease the amount of surplus and increase share capital or legal capital surplus is approved by the Company’s General Meeting of Shareholders and the record date for the stock split is prior to the date of the close of the meeting, the adjusted Exercise Price shall be applied retroactively to the day following the record date beginning on the day after the date of the close of meeting. In the case stipulated in the above exception, the number of shares of common stock in the Company issued to holders of stock acquisition rights who exercised those rights between the day after the record date of the stock split and the day of the close of the General Meeting of Shareholders (the number of shares that may be acquired by exercise of the corresponding stock acquisition rights hereinafter referred to as the “Pre-split Number of Shares”) shall be adjusted using the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares newly issued} = \frac{(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}) \times \text{Pre-split Number of Shares}}{\text{Exercise Price after adjustment}}$$

(ii) If adjustment is conducted in accordance with (1)-(ii) above, the Exercise Price after adjustment shall take effect

beginning the day (if there is a record date, then beginning the day after that date) following the payment date for that issuance or disposal (if a payment period has been specified, then the final day of that period).

(3) In addition to the cases stipulated in (1)-(i) and (ii) above, if after the Allotment Date a gratis allotment of another class of shares is made to ordinary shareholders, or shares of another company are allocated to ordinary shareholders as stock dividend, and in other such cases where the Exercise Price needs to be adjusted, the Company may adjust the Exercise Price within a reasonable scope upon considering the terms of the allotment or dividend, etc. and other such matters.

(4) When the Exercise Price is adjusted, the Company shall inform holders of stock acquisition rights of necessary matters, or publicly announce them, by the day prior to the Effective Date. However, if notification or announcement cannot be made by the day prior to the Effective Date, notification or announcement shall be promptly made thereafter.

4. Exercise period for stock acquisition rights

The exercise period shall be from the day on which two years have elapsed after the day on which issuance of stock acquisition rights is resolved through the day on which 10 years have elapsed after the day on which said issuance is resolved.

If the first day of the exercise period falls on a holiday of the Company, the first day shall be the business day following the first day and if the final day of the exercise period falls on a holiday of the Company, the final day shall be the business day immediately before the final day.

5. Conditions for exercise of stock acquisition rights

(1) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company's subsidiaries may not exercise the stock acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.

(2) A stock acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company or its subsidiary and the holder is not judged to be lost at the time of his/her exercise of stock acquisition rights.

(3) Transferring the stock acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the stock acquisition rights is not permitted.

(4) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the stock acquisition rights.

(5) Other conditions for allotment of the stock acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom stock acquisition rights will be allotted, based on resolutions of the General Meeting of Shareholders and the Board of Directors concerning issuance of stock acquisition rights.

6. Restriction on transfer of stock acquisition rights

Any acquisition of stock acquisition rights by transfer shall require approval of the Board of Directors of the Company.

7. Terms for acquisition of stock acquisition rights

If any of the following events occurs, the Company may acquire the stock acquisition rights gratis; provided that in the case of (1) or (4), the acquisition date shall be separately determined by a resolution of the Company's Board of Directors.

(1) A proposal to approve a merger contract under which the Company becomes a dissolved company, a proposal to approve a split contract or split plan under which the Company becomes a split company or a proposal to approve a share exchange contract or share transfer plan under which the Company becomes a wholly-owned company has been approved at the Company's General Meeting of Shareholders (or by a resolution of the Company's Board of Directors, if a resolution of the General Meeting of Shareholders is not required).

- (2) A stock acquisition right holder no longer falls under the conditions for the exercise of stock acquisition rights.
- (3) A stock acquisition right holder has waived all or part of the stock acquisition rights in a written form designated by the Company.
- (4) In addition to the preceding paragraphs, the Company's Board of Directors meeting has resolved to acquire all or part of the stock acquisition rights.

8. Treatment in the case of reorganization, etc.

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the "Reorganization Activities"), the stock acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") shall be delivered, in each of the above cases, to stock acquisition right holders holding the stock acquisition rights remaining at the time immediately before the effective date of the "Reorganization Activities" (the "Remaining Stock Acquisition Rights") in accordance with the following conditions. In this case, the Remaining Stock Acquisition Rights shall be extinguished and the Reorganized Company shall issue new stock acquisition rights; provided that delivery of stock acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of stock acquisition rights of the Reorganized Company to be delivered
 - The same number of the rights as the stock acquisition rights held by stock acquisition right holders of the Remaining Stock Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of stock acquisition rights
 - Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of stock acquisition rights
 - Determined in accordance with 1 above, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising stock acquisition rights
 - The value of property invested in exercising the respective stock acquisition rights to be delivered shall be the amount obtained by multiplying the Exercise Price after a reorganization obtained by adjusting the Exercise Price determined in 2 above by the number of shares of the Reorganized Company for the purpose of such stock acquisition rights determined in accordance with (3) above, taking into account conditions for the Reorganization Activities, etc.
- (5) Period during which stock acquisition rights can be exercised
 - From the first day of the period during which stock acquisition rights can be exercised stipulated in 4 above or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which stock acquisition rights can be exercised stipulated in 4 above.
- (6) Matters concerning share capital and legal capital surplus to be increased upon issuance of shares through exercise of stock acquisition rights
 - It shall be determined in accordance with 9 below.
- (7) Restriction on acquisition of stock acquisition rights by transfer
 - Any acquisition of stock acquisition rights by transfer shall require the approval of the Reorganized Company.
- (8) Conditions for acquisition of stock acquisition rights
 - It shall be determined in accordance with 7 above.
- (9) Conditions for exercise of stock acquisition rights
 - It shall be determined in accordance with 5 above.

9. Amounts of share capital and legal capital surplus to be increased upon issuance of shares through exercise of stock acquisition rights

- (1) The amount of share capital to be increased upon issuing new shares through the exercise of stock acquisition rights shall be

one-half of the maximum amount of an increase in share capital, etc., calculated pursuant to Article 17, paragraph 1 of the Rules of Corporate Accounting and any fractions less than one yen resulting from the calculation shall be rounded up.

(2)The amount of legal capital surplus to be increased upon issuing new shares through the exercise of stock acquisition rights shall be the amount obtained by subtracting the amount of share capital to be increased set forth in (1) above from the maximum amount of an increase in share capital, etc., as stated in (1) above.

10. Other details

Other matters related to stock acquisition rights shall be stipulated by resolution of the Company's Board of Directors at its meeting convened separately.

5) [Annexed consolidated detailed schedules]

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (%)	Repayment due
Current portion of long-term borrowings	—	200	0.2	—
Current portion of lease obligations	53	24	—	—
Long-term borrowings (except for the current portion)	—	600	0.2	July 2025
Lease obligations (except for the current portion)	25	0	—	August 2022 – May 2023
Other interest-bearing liabilities	—	—	—	—
Total	78	825	—	—

- (Notes)
1. The average interest rate shows the weighted average interest rate applicable to the balance at end of period, etc.
 2. The average interest rate is not provided for lease obligations since lease obligations are recorded in the consolidated balance sheets at the amount before the deduction of interest that is included mainly in the total amount of lease payments.
 3. Total amount of scheduled repayments of long-term borrowings and lease obligations (except for the current portions) for each year within five years after the consolidated closing date

Category	Over one year within two years (million yen)	Over two years within three years (million yen)	Over three years within four years (million yen)	Over four years within five years (million yen)
Long-term borrowings	200	200	200	—
Lease obligations	0	—	—	—

[Annexed consolidated detailed schedule of asset retirement obligations]

Not applicable.

(2) [Other]

Quarterly information, etc., for the current fiscal year

(Cumulative accounting period)	Three months ended October 31, 2020	Six months ended January 31, 2021	Nine months ended April 30, 2021	Fiscal year ended July 31, 2021
Net sales (million yen)	—	12,167	20,601	28,698
Profit before income taxes (million yen)	—	1,665	2,933	2,290
Profit attributable to owners of parent (million yen)	—	1,086	1,885	1,420
Basic earnings per share (yen)	—	35.28	59.41	43.37

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings (losses) per share (yen)	—	13.36	23.71	(12.97)

- (Notes)
1. The Company was listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021 and therefore did not submit the quarterly securities report for the first quarter and the second quarter. However, the quarterly consolidated financial statements for the second quarter and for the first six months were subjected to quarterly review conducted by Deloitte Touche Tohmatsu LLC pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

2. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Basic earnings or loss per share were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2021.

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Million yen)

	As of July 31, 2020	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	554	16,990
Accounts receivable from subsidiaries and associates - other	699	1,489
Deposits paid	300	—
Other	*1 204	*1 158
Total current assets	1,758	18,638
Non-current assets		
Property, plant and equipment		
Buildings	519	409
Tools, furniture and fixtures	189	128
Total property, plant and equipment	708	538
Intangible assets		
Software	8	5
Other	—	1
Total intangible assets	8	7
Investments and other assets		
Investment securities	61	86
Shares of subsidiaries and associates	8,365	8,665
Long-term loans receivable from subsidiaries and associates	370	840
Leasehold deposits	889	781
Deferred tax assets	74	106
Other	0	0
Total investments and other assets	9,760	10,479
Total non-current assets	10,477	11,024
Total assets	12,235	29,662

(Million yen)

	As of July 31, 2020	As of July 31, 2021
Liabilities		
Current liabilities		
Accounts payable - other	*1 191	*1 270
Provision for loss on closing branches	17	543
Short-term borrowings from subsidiaries and associates	876	—
Current portion of long-term borrowings	—	200
Deposits received from subsidiaries and associates	489	6,720
Provision for bonuses	10	37
Provision for loss on closing branches	17	—
Other	26	41
Total current liabilities	2,001	7,813
Non-current liabilities		
Long-term borrowings	—	600
Total non-current liabilities	—	600
Total liabilities	2,001	8,413
Net assets		
Shareholders' equity		
Share capital	100	6,063
Capital surplus		
Legal capital surplus	4,438	10,402
Other capital surplus	5,662	5,662
Total capital surplus	10,101	16,064
Retained earnings		
Other retained earnings		
Retained earnings brought forward	12	(879)
Total retained earnings	12	(879)
Total shareholders' equity	10,214	21,249
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(0)	0
Total valuation and translation adjustments	(0)	0
Share acquisition rights	20	—
Total net assets	10,234	21,249
Total liabilities and net assets	12,235	29,662

2) Statement of Income

(Million yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Operating revenue	*1 1,385	*1 1,736
Operating expenses	*1, *2 1,354	*1, *2 2,504
Operating profit (loss)	31	(768)
Non-operating income		
Interest income	*1 0	*1 1
Other	0	0
Total non-operating income	0	1
Non-operating expenses		
Interest expenses	*1 0	*1 16
Issuance cost of subscription rights to shares	2	2
Share issuance costs	—	77
Listing expenses	—	341
Other	0	4
Total non-operating expenses	4	442
Ordinary profit (loss)	27	(1,209)
Extraordinary income		
Gain on liquidation of subsidiaries	0	—
Total extraordinary income	0	—
Extraordinary losses		
Provision of allowance for loss on office closing	17	—
Impairment losses	2	—
Loss on valuation of investment securities	1	0
Loss on valuation of shares of subsidiaries and associates	32	—
Loss on midterm cancelation	9	—
Other	2	—
Total extraordinary losses	65	0
Loss before income taxes	(37)	(1,209)
Income taxes - current	23	(285)
Income taxes - deferred	(74)	(32)
Total income taxes	(50)	(317)
Profit (loss)	12	(892)

3) Statements of Changes in Net Assets

For the fiscal year ended July 31, 2020 (From February 3, 2020 to July 31, 2020)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	—	—	—	—
Changes during period				
Issuance of new shares				
Increase by share transfers	100	4,438	5,662	10,101
Profit				
Net changes in items other than shareholders' equity				
Total changes during period	100	4,438	5,662	10,101
Balance at end of period	100	4,438	5,662	10,101

	Shareholders' equity		
	Retained earnings		Total shareholders' equity
	Other retained earnings	Total retained earnings	
	Retained earnings brought forward		
Balance at beginning of period	—	—	—
Changes during period			
Issuance of new shares			—
Increase by share transfers			10,201
Profit	12	12	12
Net changes in items other than shareholders' equity			
Total changes during period	12	12	10,214
Balance at end of period	12	12	10,214

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	—	—	—	—
Changes during period				
Issuance of new shares				—
Increase by share transfers			20	10,221
Profit				12
Net changes in items other than shareholders' equity	(0)	(0)	—	(0)
Total changes during period	(0)	(0)	20	10,234
Balance at end of period	(0)	(0)	20	10,234

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	100	4,438	5,662	10,101
Changes during period				
Issuance of new shares	5,963	5,963		5,963
Increase by share transfers				
Profit (loss)				
Net changes in items other than shareholders' equity				
Total changes during period	5,963	5,963	—	5,963
Balance at end of period	6,063	10,402	5,662	16,064

	Shareholders' equity			Total shareholders' equity
	Retained earnings		Total retained earnings	
	Other retained earnings	Retained earnings brought forward		
	Retained earnings brought forward			
Balance at beginning of period	12	12	10,214	
Changes during period				
Issuance of new shares			11,926	
Increase by share transfers			—	
Profit (loss)	(892)	(892)	(892)	
Net changes in items other than shareholders' equity				
Total changes during period	(892)	(892)	11,034	
Balance at end of period	(879)	(879)	21,249	

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(0)	(0)	20	10,234
Changes during period				
Issuance of new shares				11,926
Increase by share transfers				—
Profit (loss)				(892)
Net changes in items other than shareholders' equity	0	0	(20)	(20)
Total changes during period	0	0	(20)	11,014
Balance at end of period	0	0	—	21,249

[Notes]

(Significant Accounting Policies)

1. Valuation Standard and Method for Assets

(1) Valuation Standard and Method for Securities

1) Shares of subsidiaries and associates

Stated at cost determined by the moving-average method

2) Available-for-sale securities

Available-for-sale securities without market value

Stated at cost determined by the moving-average method

2. Depreciation Method of Non-current Assets

(1) Property, Plant and Equipment (Excluding Leased Assets)

Depreciation of buildings is computed by the straight-line method, whereas the declining-balance method is applied to tools, furniture and fixtures.

Major useful lives are as follows:

Buildings: 2 to 41 years

Tools, furniture and fixtures: 2 to 15 years

Assets with acquisition costs of ¥100,000 or more and less than ¥200,000 that lack materiality are equally depreciated in lump sum over 3 years.

(2) Intangible Assets (Excluding Leased Assets)

Intangible assets are amortized by the straight-line method.

Software for internal use: 5 years (estimated useful life of the software within the company)

3. Treatment Method of Deferred Assets

Share issuance costs are charged to expenses when incurred.

4. Accounting Standards for Allowances

(1) Provision for Bonuses

To prepare for bonus payments to employees, a provision for bonuses is recorded at the estimated payment amount attributable to the current fiscal year.

(2) Provision for Loss on Closing Branches

To prepare for costs to be incurred in relation to the scheduled closing of branch offices, a provision for loss on closing branches is recorded at an estimated amount of costs for closing.

5. Standards for Converting Foreign-Currency-Denominated Assets and Liabilities into Japanese Yen

Foreign-currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate at the fiscal year end, and foreign exchange gains and losses from translation are recognized as profit or loss.

6. Other Significant Matters for Preparation of Consolidated Financial Statements

(1) Accounting Method for Consumption Tax, etc.

Consumption tax and local consumption tax are accounted for by the tax exclusion method.

(2) Adoption of the Consolidated Taxation System

The Company has adopted the consolidated taxation system.

(Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system)

With regard to the transition to the group tax sharing system established in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system, the Company does not apply the

provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment of Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the pre-revision tax law.

(Significant Accounting Estimates)

1. Valuation of Shares of Subsidiaries and Associates

(1) Amount Recorded in Financial Statements for the Current Fiscal Year

(Million yen)

	Current fiscal year
Shares of subsidiaries and associates	8,665

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the financial statements for the current fiscal year

As described in “Notes, Significant Accounting Policies, 1. Valuation Standard and Method for Assets, (1) Valuation Standard and Method for Securities,” the excess earning power is reflected in the net asset value for the shares of subsidiaries and associates purchased at the price with the excess earning power taken into account. If the net asset value of such shares substantially declines and the recoverability of the value is not supported by sufficient evidence, such shares shall be appropriately written off.

2) Major assumptions used for the calculation of amounts recorded in the financial statements for the current fiscal year

Estimates of future cash flows necessary for judging the excess earning power are calculated based on the business plan at the time of acquisition of shares, and using a growth rate that takes future uncertainty into account after the period covered by the plan.

The business plan and other information that forms the basis of estimates take into account the past business performance and the currently estimated economic condition based on the assumption that the business growth will continue amid continued uncertain conditions.

3) Impact on the financial statements for the following fiscal year

Loss on valuation of shares of subsidiaries and associates may be incurred if changes in the assumption for the business plan cause future cash flows to fall below the carrying amount.

2. Recoverability of Deferred Tax Assets

(1) Amount Recorded in Financial Statements for the Current Fiscal Year

(Million yen)

	Current fiscal year
Deferred tax assets	106

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the financial statements for the current fiscal year

As for the recoverability of deferred tax assets, future taxable income to be generated within 5 years is estimated using the earning power based on the business performance and other achievements in the past fiscal years as criteria, and deferred tax assets are calculated by multiplying deductible temporary differences with the effective statutory tax rate.

2) Major assumptions used for the calculation of amounts recorded in the financial statements for the current fiscal year

The amount of deferred tax assets recorded is calculated by estimating taxable income based on the business plan for the following fiscal year and profit before tax set out in the medium-term business plan, and based on the results of scheduling of future recovery. The estimates also take into account risk factors, including those related to COVID-19, and achievement of business plans in the past fiscal years.

3) Impact on the financial statements for the following fiscal year

If a revision of the above estimates and assumptions becomes necessary due to changes in uncertain future economic conditions, including the timing when the spread of COVID-19 will be contained, the amounts of deferred tax assets and income taxes - deferred in the financial statements for the following fiscal year and thereafter may be affected.

(Changes in Presentation Methods)

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the financial statements as of the end of the fiscal year ended July 31, 2021, and provided notes concerning significant accounting estimates for the financial statements.

However, the notes do not provide information relevant to the previous fiscal year pursuant to the transitional treatment prescribed in the proviso of Paragraph 11 of this accounting standard.

(Balance Sheets)

*1 Assets and liabilities related to affiliates

Assets and liabilities included in each item other than those presented separately are as follows:

	(Million yen)	
	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Shot-term monetary receivables	37	656
Shot-term monetary payables	120	222

*2 The Company has entered into commitment line agreements with three of its partner banks in order to efficiently procure working capital.

The balance of unexecuted borrowings and other amounts under commitment line agreements at the end of the fiscal years are as follows:

	(Million yen)	
	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Total amount of loan commitments	9,000	9,000
Less amounts executed	—	—
Unexecuted balance	9,000	9,000

(Statement of Income)

*1 Transactions with affiliates

(Million yen)

	Previous fiscal year (from February 3, 2020 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Amount of operating transactions		
Operating revenue	1,385	1,736
Operating expenses	70	170
Amount of non-operating transactions (income)	0	1
Amount of non-operating transactions (expense)	2	14

*2 Major items of operating expenses and their amount are as follows:

(Million yen)

	Previous fiscal year (from February 3, 2020 to July 31, 2020)	Current fiscal year (from August 1, 2020 to July 31, 2021)
Provision for bonuses	23	36
Salaries and allowances	149	278
Rent expenses on land and buildings	677	1,256
Depreciation	117	177

(Securities)

Shares of subsidiaries and shares of associates

As there is no market value available for the shares of subsidiaries and associates and it is deemed extremely difficult to determine their market value, the market value of the shares of subsidiaries is not provided.

The carrying amount of shares of subsidiaries whose market values are deemed extremely difficult to determine is as follows:

(Million yen)

Category	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Shares of subsidiaries	8,284	8,585
Shares of associates	80	80
Total	8,365	8,665

(Tax Effect Accounting)

1. Breakdown of Main Causes for Deferred Tax Assets and Deferred Tax Liabilities

	(Million yen)	
	Previous fiscal year (July 31, 2020)	Current fiscal year (July 31, 2021)
Deferred tax assets		
Asset retirement obligations	66	68
Tax loss carryforwards	—	64
Excess depreciation	44	39
Accrued enterprise tax, etc.	2	26
Investment securities	21	19
Shares of subsidiaries and associates	14	10
Other	10	12
Subtotal deferred tax assets	158	241
Valuation allowance for tax loss carryforwards	—	(64)
Valuation allowance for aggregate deductible temporary differences	(84)	(69)
Subtotal valuation allowances	(84)	(134)
Total deferred tax assets	74	107
Deferred tax liabilities		
Other	—	(1)
Total deferred tax liabilities	—	(1)
Net deferred tax assets (liabilities)	74	106

2. Breakdown of main causes of any significant difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

Notes are omitted as the Company recorded loss before income taxes for the previous and current fiscal years.

(Significant Subsequent Events)

(Stock Options)

Notes are omitted as the same details are provided in Notes (Significant Subsequent Events) to the consolidated financial statements.

4) [Annexed detailed schedules]

[Annexed detailed schedule of property, plant and equipment, etc.]

(Million yen)

Category	Type of assets	Beginning carrying amount	Increase during period	Decrease during period	Depreciation or amortization during period	Ending carrying amount	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	519	—	—	110	409	334
	Tools, furniture and fixtures	189	3	—	64	128	156
	Construction in progress	—	—	—	—	—	—
	Total	708	3	—	174	538	491
Intangible assets	Software	8	—	—	2	5	—
	Other	—	2	—	0	1	—
	Total	8	2	—	2	7	—

[Annexed detailed schedule of provisions]

(Million yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Provision for bonuses	10	37	10	37
Provision for loss on closing branches	17	—	17	—

(2) [Components of major assets and liabilities]

Description is not provided as the Company prepares the consolidated financial statements.

(3) [Others]

Not applicable.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From August 1 to July 31 of the following year
Annual general meeting of shareholders	Held within three months from the day immediately following the end of the fiscal year
Record date	July 31
Record date for distribution of surplus	January 31 and July 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer office	-
Purchasing fee	Free of charge
Method of giving public notice	The Company publishes its notice by means of electronic public notice. However, in the event where electronic public notice cannot be released due to accidents or other unavoidable circumstances, public notice shall be posted on the Nihon Keizai Shimbun (Nikkei) newspaper. Public notice of the Company is available on its website at the following URL. https://visional.inc
Shareholder privileges	Not applicable.

(Note) The Articles of Incorporation of the Company stipulate that the shareholders of the Company may not exercise any rights other than those listed below with respect to shares less than one unit held by such shareholders.

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act
- (2) Rights to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act
- (3) Rights to receive an allotment of shares offered and share acquisition rights offered in proportion to the number of shares held by such shareholders

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company has no parent company, etc. as provided for in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following reports during the period from the beginning of the current fiscal year to the date of filing of this annual securities report.

(1) Securities Registration Statement and Accompanying Documents

General public offering with consideration (public offering by the book building method) and secondary offering of shares (secondary offering by the book building method): Submitted to the Director, Kanto Local Finance Bureau on March 17, 2021.

(2) Amended Statement for the Securities Registration Statement

An amended statement for (1) above was submitted to Director, Kanto Local Finance Bureau on April 6, 2021 and April 12, 2021.

(3) Extraordinary Report

1) An extraordinary report was submitted to Kanto Local Finance Bureau on March 17, 2021.

The Extraordinary Report was submitted based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs.

2) An extraordinary report was submitted to Kanto Local Finance Bureau on April 22, 2021.

The Extraordinary Report was submitted based on the provisions of Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act, and Article 19, Paragraph 2, Item 4 of the Cabinet Office Order on Disclosure of Corporate Affairs.

(4) Amended Report for the Extraordinary Report

An amended report for (3) 1) above was submitted to Director, Kanto Local Finance Bureau on April 6, 2021 and April 12, 2021.

(5) Quarterly Securities Report and Its Confirmation Letter

A quarterly securities report for the third quarter of the second fiscal year (from February 1, 2021 to April 30, 2021) was submitted to Director, Kanto Local Finance Bureau on June 8, 2021.

Part 2 Information about Reporting Company's Guarantor, etc.

Not applicable.

Independent Auditor's Report

October 27, 2021

To the Board of Directors of Visonal, Inc.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan

Designated limited liability partner Engagement partner	Certified Public Accountant	Takao Yoshimura	(Seal)
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Designated limited liability partner Engagement partner	Certified Public Accountant	Kunikazu Awashima	(Seal)
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Opinion

We have audited Visonal, Inc.'s consolidated financial statements referred to in the Financial Information section of this annual securities report for the consolidated fiscal year from August 1, 2020 to July 31, 2021, which comprise the consolidated balance sheets, consolidated statement of income, consolidated statement of comprehensive income, consolidated statements of changes in net assets, consolidated statements of cash flows, material matters that serve as the basis for preparation of consolidated financial statements, other notes, and annexed consolidated detailed schedules, in order to certify the audit pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Visonal, Inc. and its consolidated subsidiaries as of July 31, 2021, and the results of its operations and cash flows for the consolidated fiscal year then ended, in accordance with corporate accounting standards generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Consolidated Financial Statements. We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matter

A key audit matter is a matter, in our professional judgment, which is of most significance in our audit of the consolidated financial statements for the current consolidated fiscal year. The key audit matter is addressed in the context of our audit of the consolidated financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on this matter.

Reliability of IT systems as the basis for recording revenue	
Description of the key audit matter and reason for determination as key audit matter	How the key audit matter was addressed in the audit
<p>As stated in the consolidated statement of income for the fiscal year under review, the Company recorded ¥28,698 million in net sales, of which those from the BizReach business accounted for 82%.</p> <p>The BizReach business is a members-only job search platform specializing in professional human resources (managers, professionals, etc.) that efficiently matches business professionals, blue-chip and growing companies in Japan and overseas, and headhunters (career change agents affiliated to</p>	<p>To examine the key audit matter stated on the left, we utilized IT experts within our firm and placed particular focus on the following examination of the development and operation status of internal controls.</p> <ul style="list-style-type: none"> • We examined jobs related to the interface between the core system that carries out contract management and fee calculations and the sales system, examined error logs related to important jobs, and verified the response to job errors.

<p>recruitment agencies) who are experts in their respective industries. The amounts of fees billed to the above three parties are recorded as consolidated net sales in the consolidated statement of income.</p> <p>Net sales of the BizReach business comprise recurring revenue based on contracts with business professionals, blue-chip and growing companies in Japan and overseas, and headhunters who are experts in their respective industries, and performance revenue for successful hiring.</p> <p>Due to the large number of corporate users, net sales from the BizReach business are recorded in the accounting system only after the contract conditions of each corporate user and various information on the business professionals including their annual salaries are gathered in the core system, revenues based on the contract conditions are automatically calculated in the sales system and the net sales data are prepared.</p> <p>The major processes from the inception of transaction to the recording of revenue are automatically executed through data coordination and other processes, in which IT systems are extensively used.</p> <p>Given the materiality of the amount of net sales from the BizReach business and based on our conclusion that, in order to accurately record revenues based on a large number of contracts with service users, annual salary information, etc., and the calculation of fees based thereon, it is extremely important to appropriately develop and operate internal control related to the relevant IT systems, we have determined this matter to be a key audit matter.</p>	<ul style="list-style-type: none"> • For the automated work processing controls over the accuracy of the calculation of fees on the recurring revenue and performance revenue input in the core system and sales system, we assessed the consistency of the recalculation results of the amount of net sales using the contract conditions and annual salary information, etc. with the actual processing results data. • To confirm that the reliability of the core system and the sales system has been ensured, we assessed the effectiveness of the general controls applied for the development management, change management, security management and operational management of these systems.
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Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with corporate accounting standards generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is

not to express an opinion on the effectiveness of the entity's internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with corporate accounting standards generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions on professional ethics in Japan regarding independence as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

From the matters discussed with the Audit and Supervisory Committee, the auditor judges the matter that is of most significance in the audit of the consolidated financial statements of the current consolidated fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

(Notes) 1. The above is the digitized form of the matters described in the original audit report, and the original copy is in the custody of the Company (the company submitting the annual securities report).

2. XBRL data are not in the audit scope of the Independent Auditor.

Independent Auditor's Report

October 27, 2021

To the Board of Directors of Visional, Inc.

Deloitte Touche Tohmatsu LLC
Tokyo, Japan

Designated limited liability partner Engagement partner	Certified Public Accountant	Takao Yoshimura	(Seal)
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Designated limited liability partner Engagement partner	Certified Public Accountant	Kunikazu Awashima	(Seal)
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Opinion

We have audited Visional, Inc.'s financial statements referred to in the Financial Information section of this annual securities report for the 2nd fiscal year from August 1, 2020 to July 31, 2021, which comprise the balance sheets, statement of income, statements of changes in net assets, significant accounting policies, other notes, and annexed detailed schedules, in order to certify the audit pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Visional, Inc. as of July 31, 2021, and the results of its operations for the fiscal year then ended, in accordance with corporate accounting standards generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in Auditor's Responsibility for the Audit of the Financial Statements. We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Key Audit Matter

A key audit matter is a matter, in our professional judgment, which is of most significance in our audit of the financial statements for the current fiscal year. The key audit matter is addressed in the context of our audit of the financial statements as a whole, and informing our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of non-listed shares of subsidiaries and associates	
Description of the key audit matter and reason for determination as key audit matter	How the key audit matter was addressed in the audit
<p>In the balance sheets, the Company has recorded ¥8,665 million in shares of subsidiaries and associates including investments (of ¥8,665 million) in non-listed companies. The Company has disclosed the valuation standards for these shares of subsidiaries and associates in the notes to the financial statements, "(Significant Accounting Policies) 1. (1) Valuation Standard and Method for Securities."</p> <p>Non-listed shares of subsidiaries and associates are shares whose market values are deemed extremely difficult to determine, and the Company has assessed whether the net asset value (value based on net assets per share) of these shares of subsidiaries and associates has fallen significantly below their</p>	<p>To examine the valuation of non-listed shares of subsidiaries and associates, we primarily conducted the following audit procedures.</p> <ul style="list-style-type: none"> • We gained an understanding of the internal control that examines and approves the valuation process and valuation results from comparing the acquisition cost of the shares of subsidiaries and associates with the net asset value calculated on the basis of the net assets per share of the issuing company, and carried out assessment procedures on its development and operation status. • We compared the business plans with results of previous fiscal years, identified the factors for discrepancies, and

<p>carrying amount. Net asset value may be assessed reflecting the expected excess earning power in M&As and management rights. If the net asset value has significantly declined, an impairment loss must be recorded accordingly. However, if the net asset value significantly declined but its recoverability is backed by sufficient evidence, the Company may opt to not record an impairment at the end of the fiscal year.</p> <p>When assessing the necessity of reporting valuation losses, particularly on non-listed shares of subsidiaries and associates, assessment factors include the recoverability of the net asset value based on the business plans of the said subsidiaries and associates. Given that business plans are based on the budget for the following fiscal year and the medium-term management plans approved by management, and include estimates of growth rates that take into account elements of future uncertainty, such valuations contain the subjective views and judgment of management and thus entail material uncertainty.</p> <p>Regarding the necessity of reporting impairment of shares of subsidiaries and associates in the audit for the period under review, the situation was found to be not necessarily high in terms of risks of material misstatements, upon assessing the status of the acquisition cost of the shares of each subsidiary and associate and the net asset value calculated on the basis of the net assets per share of the issuing company. However, given the monetary significance of non-listed shares of subsidiaries and associates on the balance sheets, we have determined this matter to be a key audit matter.</p>	<p>assessed the accuracy of management’s estimates, while also examining the existence of excessive deviations in the estimates.</p> <ul style="list-style-type: none"> • We compared the net asset value (value based on net assets per share) based on the net assets of the said subsidiaries and associates with the carrying amount, and examined the Company’s assessment of whether there were any significant declines in the net asset value. • In determining the necessity of reporting impairment in conjunction with a significant decline in net asset value, those judgments taking into account the recoverability based on the business plans of the said subsidiaries and associates were assessed by examining the consistency between the underlying business plans and the budget for the following fiscal year and the medium-term business plans approved by management, and whether they reflected management’s estimates on uncertainty.
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Responsibilities of Management and the Audit and Supervisory Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with corporate accounting standards generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing whether it is appropriate to prepare the financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with corporate accounting standards generally accepted in Japan.

The Audit and Supervisory Committee is responsible for monitoring the execution of the duties of Directors related to designing and operating the financial reporting process.

Auditor’s Responsibility for the Audit of the Financial Statements

Our responsibility is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity’s audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements is not to express an opinion on the effectiveness of the entity’s internal control.

- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements in the audit report, or if the notes to the financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements are in accordance with corporate accounting standards generally accepted in Japan, assess the presentation, structure, and content of the financial statements including related notes, and whether the financial statements fairly present the transactions and accounting events on which they are based.

The auditor reports to the Audit and Supervisory Committee regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to the Audit and Supervisory Committee regarding the observance of provisions on professional ethics in Japan as regarding independence well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

From the matters discussed with the Audit and Supervisory Committee, the auditor judges the matter that is of most significance in the audit of the financial statements of the current fiscal year and determines it as the key audit matter, and describes the matter in the auditor's report. However, in the event that laws and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, the auditor determined that a matter should not be reported in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such report, such matter shall not be described in the report.

Interest

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