

Visional, Inc., FAQ for FY2022/7 1Q Financial Results

Consolidated Financial Results

Q1 What is included in the HR Tech Segment and Incubation Segment respectively?

HR Tech Segment includes the following businesses: Professional recruiting platform “BizReach”, cloud based HCM platform “HRMOS”, recruiting platform for young professional talents “CareerTrek”, network for alumni visits “BizReach Campus”, and recruiting platform for high-skilled engineers “BINAR”.

Incubation Segment includes the following businesses: online M&A matching platform “BizReach Succeed”, online logistics matching platform “Trabox”, B to B lead generation platform “BizHint”, OSS (open source software) vulnerability management tool “yamory”.

Q2 Is YoY comparison for 1Q financials available?

We have not created FY2021/7 1Q consolidated financials and therefore YoY comparison is not available at this time.

Q3 How is the performance of each segment and the impact of COVID-19?

Majority of net sales in the HR Tech Segment is generated by BizReach. BizReach has rebounded strongly from the slowdown in the professional recruiting market impacted by COVID-19, and have recorded 68.8% growth YoY. Net sales grew strongly as market rebounded strongly in addition to activities of our customers acquired through our strategic investments made in 4Q FY2021/7. HRMOS KPIs were also impacted by COVID-19, however, KPIs are healthy, and the business continues to grow. Other businesses in the HR Tech Segment were also impacted by COVID-19, however, growth is back and impact to the consolidated financials is limited.

COVID-19 impact to the Incubation segment was limited and businesses are growing steadily. Investments are made within the amount of profits generated by BizReach.

Q4 What is the assumption behind the upward revision of the FY2022/7 financial forecast?

Driven by the strong performance of BizReach, BizReach’s net sales forecast has been revised upwards by JPY3.3Bn. As a result, consolidated net sales and operating profit forecasts have also been revised upwards by JPY 3.3Bn.

Professional hiring market started to grow again from 2Q FY21/7 and continued to deliver strong growth in 3Q and 4Q, we assume stronger rebound growth to continue in FY2022/7. Although state of emergency declaration may again be announced in the future, delay in vaccination may further hinder economic recovery speed and timing, assuming that further economic downturn will not occur, we forecast JPY 41.0Bn of consolidated net sales.

FY22/7 BizReach growth rate is estimated to be higher than the normalized growth rate driven by the strong market rebound from COVID-19. Direct employers are active with increased number of job openings available, and registration of job seekers are also growing, leading to high levels of hiring success on the platform. We continue to view BizReach’s normalized net sales growth targets of 15% to 20% mid-term remain unchanged.

HRMOS and other HR Tech Segment businesses are also back on track for growth. (Unchanged from previous disclosure)

In the HR Tech Segment, we have worked on and completed contracted assignments (including contract with the Ministry of Economy, Trade and Industry (METI) to help with hiring in Fukushima Prefecture to support areas affected by the Great Eastern Earthquake etc) in FY2021/7. Net sales financial impact was 0.74Bn for FY2020/7, 0.69Bn for FY2021/7. Impact to profits are negligible. (Unchanged from previous disclosure)

Growth in the Incubation Segment will continue to be funded by profits generated by BizReach. (Unchanged from previous disclosure)

Visualon Group will prioritize strategic investments to generate future growth. Our consolidated operating profit forecasts is JPY 6.0Bn.

(JPY MM)	Dec. 9, 2021 Release FY22/7 Consolidated Financial Forecast	Sept. 13, 2021 Release FY22/7 Consolidated Financial Forecast	Diff
Consolidated Net Sales	41,000	37,700	+3,300
HR Tech Segment	38,870	35,570	+3,300
BizReach	35,300	32,000	+3,300
HRMOS	1,420	1,420	0
Incubation Segment	2,010	2,010	0
Operating Profit	6,000	2,670	+3,330
Ordinary Profit	6,320	2,990	+3,330
Net Income attributable to Parent	4,100	1,760	+2,340

Should our forecast change based on changes in the economic assumptions etc., we will disclose as soon as appropriate.

Q5 Can you explain the acquisition as disclosed in the Consolidated Financial Results (Tanshin)?

Visualon Inc. adopted a resolution at the Board of Directors' meeting held on December 9, 2021 for BizReach, Inc., a consolidated subsidiary of Visualon, Inc., to acquire 100% of shares of ezSoft, Co., Ltd., an expense management cloud system provider, to make it its subsidiary.

Bizreach Inc., a consolidated subsidiary of the Company, provides cloud based HCM platform "HRMOS" series. This service enables companies to utilize human resources based on evidence by centralizing and visualizing information from recruitment to after joining the company. With changes in the way we work, we believe that the need for HCM (Human Capital Management - a management method that considers employees to be one of the most important management resources and aims to improve productivity through the integrated management of human resources information within a company) to support talent utilization and human resources strategies will continue to grow. Future collaboration between the HRMOS series and the services provided by ezSoft, Co., Ltd., aimed to accelerate the establishment of the HCM ecosystem, which is the mid-term growth strategy of HRMOS.

The impact of this acquisition to our consolidated financials is minimal.

Q6 What is the status of the IEYASU acquisition?

The 80.1% acquisition of IEYASU, Inc., as disclosed on September 13, 2021 on our Tanshin Report, was completed as planned on November 1, 2021.

IEYASU, Inc. offers attendance management cloud service and the anticipated connection to HRMOS will accelerate the development of the HCM ecosystem.

Q7 What is Adjusted Operating Profit before Corporate Expense Allocation?

This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general and administrative expenses associated with business administration, information systems that cannot be charged directly to specific products and services. In principle, the costs directly tied to products and services are recorded.

Q8 What is Liabilities from application of Equity Method?

This is an account that arose when 60% of Stanby, Inc. was divested to Z Holdings Corporation. Stanby is currently our equity method affiliate.

Q9 What is the amount raised at the April 22 2021 IPO? What is the use of proceeds?

We have raised JPY 11.2Bn from the IPO including overallotment. We plan to allocate the proceeds to (1) marketing investment, including advertising and sales promotion, (2) human resource expenses for expanding businesses, and (3) investment funds for use in business acquisitions (M&A), etc.

BizReach

Q10 How long should we assume COVID-19 rebound growth to continue?

Professional hiring market rebounded fast and strongly as companies resumed hiring, and the rebound trend has continued. Based on the current active trend of direct employers and job seekers, we believe rebound growth will continue throughout this fiscal year. However, we continue to view the normalized growth rate of BizReach mid-term to be 15% to 20%.

Q11 What is your cost structure?

Our major costs consist of marketing expenses and personnel expenses. As BizReach is still in its growth stage, we will continue to invest in hiring and marketing including online, offline ads and TV commercials whilst carefully monitoring sales trend.

Q12 What is the fair level of investments for BizReach?

As the business is still growing double digits, marketing and hiring investments are critical. Online, offline ads and TV commercial marketing investments drive job seekers' and direct employers' acquisitions and ROI is monitored. Hiring is also done based on # of accounts, etc.

As 1Q investment allocation tends to be smaller than other quarters, in addition to strong net sales growth this quarter, 1Q margins recorded over 50%. However, as our marketing is planned in accordance with the hiring seasonality, investments will increase going forward and margins will be on a decreasing trend.

Q13 What is the future vision of BizReach?

We believe importance of direct recruiting (direct sourcing) will increase as war for talent intensifies and liquidity in the labor market accelerates, driven by factors such as mismatch of corporation and worker life spans, shift to performance-based workstyle with clear job descriptions, and the social dynamic changes caused by the pandemic. Based on further growth in the professional hiring market, increase in our market share through further acquisition of job seekers and direct employers, reactivation of existing job seekers and investments in matching capabilities, we will pursue target growth rate of 15% to 20% in net sales in the next 3 years on a normalized basis.

HRMOS

Q14 As HRMOS Churn Rate is decreasing post COVID-19, what is the fair level?

HRMOS Monthly Churn Rate (12-month average) increased as cancellations increased by the hiring freeze driven by COVID-19 economic uncertainties. However, Monthly Churn Rate (12-month average) is currently trending around 1%, which we believe is a healthy level.

Q15 HRMOS ARR growth seems to be slowing down?

Currently, majority of net sales in HRMOS is driven by HRMOS ATS. HRMOS ATS was impacted by the market headwind of COVID-19. Also, the pricing structure of HRMOS ATS is company based (not employee account based). These are some of the reasons why ARR growth may not be as high as historical levels. However, recovery from the pandemic, launch of new modules that will be charged by employee account base are all expected to drive ARR growth in the mid-term.

Q16 What is the future vision of HRMOS?

We envision to deliver an HCM ecosystem whereas data between BizReach and HRMOS is fully integrated, leading to optimized talent management including optimization of employee efficiency. We continue to strengthen our existing services in HR database and talent management modules, as well as to develop payroll and workforce management modules in the future. In addition, we envision to connect IEYASU, attendance management cloud, and ezSoft, expense management cloud, to our HRMOS offerings to accelerate the development of the HCM ecosystem.

Q17 Is the product development of existing and new modules on track?

We have launched the Engagement Survey module in August 2020, HRMOS ATS New Graduate Edition in October 2020, HRMOS ATS Zoom built-in function in January 2021. We have also launched a beta version of workforce management module in June 2021. We will continue to invest in product improvements and new module development, and our development roadmap is currently on track.

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