

Visional, Inc., FAQ for FY2022/7 2Q 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”, and cloud risk evaluation “Assured.”

Q2 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 double-digit growth for four consecutive quarters with 65.3% growth YoY for 2Q. In the professional hiring market, both direct employers and job seekers continue to be active. HRMOS KPIs were also impacted by COVID-19, however, KPIs are now 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.

Q3 How is the progress toward the FY2022/7 financial forecast?

Driven by the strong performance of BizReach, BizReach’s net sales forecast was revised upwards to JPY 35.3Bn, consolidated net sales forecast was also revised upwards by the same amount to JPY 41.00Bn for the full year at the announcement of 1Q results.

Professional hiring market started to grow again from 2Q FY2021/7 and continued to deliver strong growth in 3Q and 4Q. We assume strong rebound growth to continue in FY2022/7. Although the emergence of a new variant strain and delay in vaccination may further hinder economic recovery speed and timing, assuming that further economic downturn will not occur, we are on track toward our forecast of JPY 41.00Bn of consolidated net sales.

FY2022/7 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 the increasing 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 JPY 0.74Bn for FY2020/7, JPY 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)

While Visional Group will make strategic investments, driven by top line growth, we forecast our consolidated operating profit of JPY 6.00Bn. As our investments are planned to be higher in 2H, the forecast remains unchanged.

(JPY MM)	Dec. 9, 2021 Release FY2022/7 Consolidated Financial Forecast	6 months ended Jan. 31, 2022 Actual	Progress (%)
Consolidated Net Sales	41,000	19,670	48.0
HR Tech Segment	38,870	18,706	48.1
BizReach	35,300	16,904	47.9
HRMOS	1,420	683	48.1
Incubation Segment	2,010	883	43.9
Operating Profit	6,000	4,103	68.4
Ordinary Profit	6,320	4,280	67.7
Net Income attributable to Parent	4,100	2,842	69.3

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

Q4 Can you explain the acquisition as disclosed in the Consolidated Financial Results (Tanshin)?

Visional Inc. adopted a resolution at the Board of Directors' meeting held on December 9, 2021, for BizReach, Inc., a consolidated subsidiary of Visional, Inc., to acquire 100% of shares of ezSoft, Co., Ltd., an expense management cloud system provider, to make it its subsidiary and completed the acquisition on March 1, 2022, as scheduled.

Bizreach Inc. 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.

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

We issued stock acquisition rights to employees of the Company, and directors and employees of the Company's subsidiaries to increase their motivation and morale for improving business performance, and to hire talent for the Company group, leading to further enhancement in the corporate value of the overall

Company group.

- 27th series of stock acquisition rights (tax qualified stock options)

Based on resolutions of the 2nd Annual General Meeting of Shareholders held on October 27, 2021, these stock acquisition rights were issued on March 8, 2022.

- 28th, 29th, and 30th series of stock acquisition rights (stock options with charge)

These stock acquisition rights were issued on March 8, 2022, without obtaining approval at the General Meeting of Shareholders, as they are issued for a fair price and not issued under particularly favorable terms.

If all the stock acquisition rights issued as above are exercised, the increase (292,400 shares) in the total shares of the Company's common stock will be equal to 0.8% of shares outstanding (35,879,800 shares), which is within a reasonable range.

Q6 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.

Q7 What are 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.

BizReach

Q8 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 assume rebound growth will continue throughout this fiscal year. We continue to view the normalized growth rate of BizReach mid-term to be 15% to 20%.

Q9 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.

Q10 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,

1Q margins recorded 53.7%. 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 throughout this fiscal year. As such, 2Q margins recorded 45.1%.

Q11 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

Q12 What is the product lineup of HRMOS

HRMOS currently consists of an applicant tracking module "HRMOS ATS", which was ranked No.1 in customer satisfaction(*), talent management module "HRMOS Talent Management", and recently launched a freemium cloud attendance management module "HRMOS Attendance Management."

"HRMOS Attendance Management" was renewed on February 14, 2022, following the acquisition of IEYASU on November 1, 2021. Over 30,000 companies (cumulative) including SMEs and startups have used this service.

We are currently advancing product development, aiming to provide services in payroll and workforce management in future.

* Based on Seed Planning, Inc.'s "Survey on Actual Usage of Applicant Tracking System" as of August 2021. Calculated the percentage of companies which selected "comprehensively satisfied" for the question asking the degree of satisfaction about applicant tracking systems which they have used.

Q13 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. The healthy level of Monthly Churn Rate (12-month average) is around 1%., which is the level recorded pre-pandemic.

Q14 How should we think about the HRMOS results?

Currently, majority of net sales in HRMOS is driven by HRMOS ATS. The pricing structure of HRMOS ATS is company based (not employee account based) and this is a reason why ARR growth may not be as high as that of general cloud services. HRMOS is prioritizing product development in payroll and workforce management modules, in addition to product development in existing modules. Whilst such development has been proceeding as scheduled, ARR grew 26.1% YoY at the end of January 2022 and the number of unique paying customers has steadily increased. 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.

Q15 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 (now rebranded HRMOS Attendance Management), and ezSoft, expense management cloud, to our HRMOS offerings to accelerate the development of the HCM ecosystem.

Disclaimers

This document was prepared by Visional, Inc. (referred to as the "Company", "Visional" or "we" herein) solely for informational purposes. This document does not constitute an offer to sell or a solicitation of an offer to buy any security of the Company in the United States, Japan or any other jurisdiction. None of our securities have been or will be registered under the United States Securities Act of 1933, as amended, and no such securities may be offered or sold in the United States absent registration or an applicable exemption from registration requirements.

This document contains forward-looking statements, which reflect the Company's assumptions and outlook for the future and estimates based on information available to the Company and the Company's plans and expectations as of the date of this document or other date indicated. There can be no assurance that the relevant forecasts and other forward-looking statements will be achieved. Please note that significant differences between the forecasts and other forward-looking statements and actual results may arise due to various factors, including changes in economic conditions, changes in users' preferences and needs, competition, changes in the legal and regulatory environment, and other factors. Accordingly, readers are cautioned against placing undue reliance on any such forward-looking statements. Also note that this document includes information which has not been audited or reviewed by an independent certified public accountant or audit corporation, and includes financial information based on past financial statements or accounting documents as well as management figures not based on financial statements or accounting documents. The Company has no obligation to update or revise any information contained in this document based on any subsequent developments except as required by applicable law or stock exchange rules and regulations.

This document includes information derived from or based on third-party sources, including information about the markets in which we operate. These statements are based on statistics and other information from third-party sources as cited herein, and the Company has not independently verified and cannot assure the accuracy or completeness of any information derived from or based on third-party sources.

This document is an English translation of the original Japanese language document and has been prepared solely for reference purposes. No warranties or assurances are given regarding the accuracy or completeness of this English translation. In the event of any discrepancy between this English translation and the original Japanese language document, the original Japanese language document shall prevail in all respects.