

# Our Business Model and Strategy

October 2022



Visional, Inc.

- 1. Introduction to Visional Group**
- 2. Creation of HCM Ecosystem<sup>(1)</sup>:  
Accelerating Japan's Workstyle Reform**
  - 2-1 : BizReach
  - 2-2 : HRMOS
- 3. Investments for Long Term Growth**
- 4. Message to Investors**

## **Appendix**

1

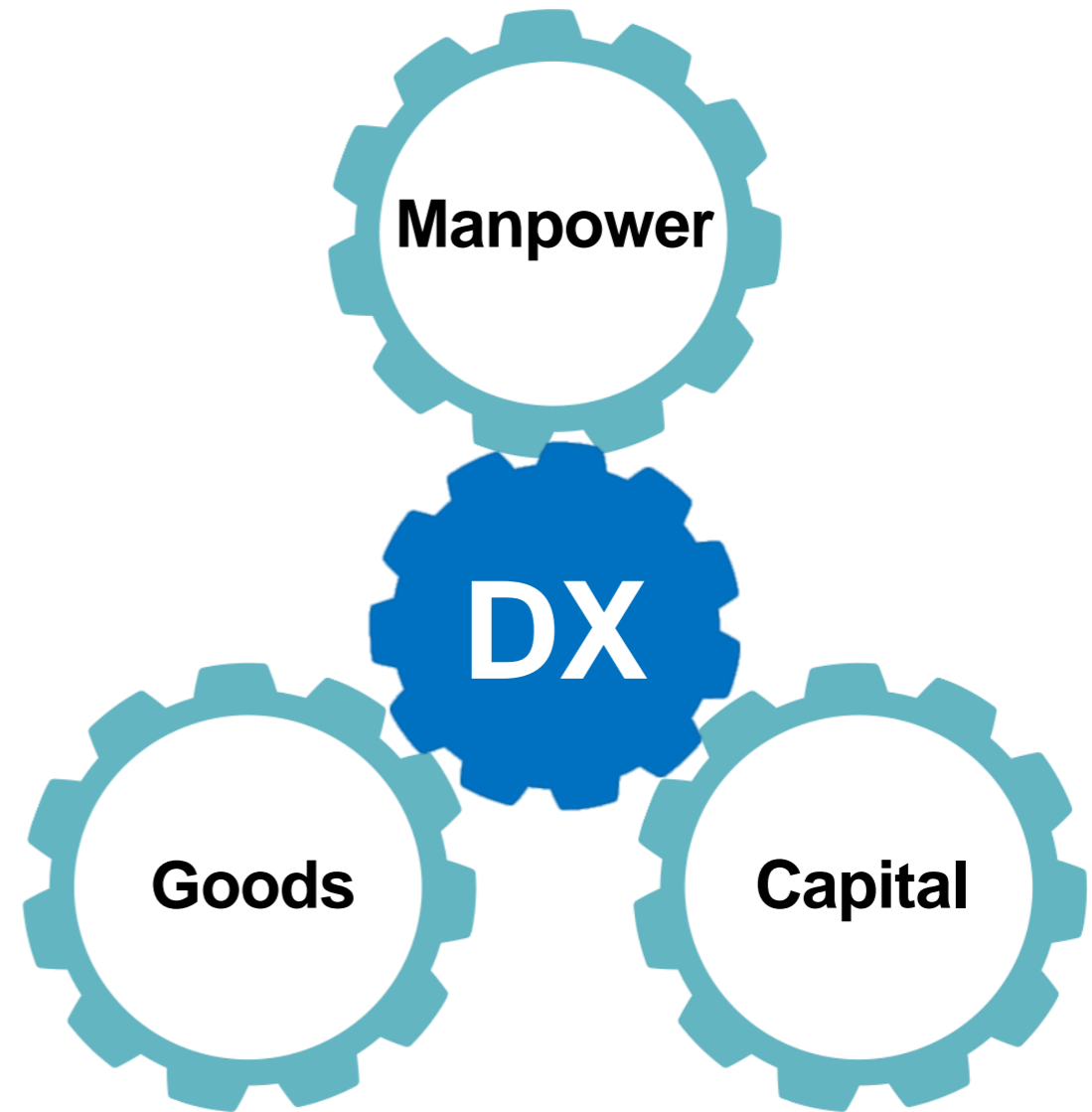
# Introduction to Visional Group

# Persistent Creation of New Possibilities.

Our vision is to tap into the power of the internet to support the innovative progress of our world by persistently transforming social obstacles into new possibilities.

Our mission is to achieve “continuous contribution to impact the world.”

With these ambitions, we aspire together as partners to create unique ecosystems and movements that accelerate the world to a tomorrow in which we desire to be.



**Supporting new possibilities for  
Manpower, Goods and Capital**

**Building on the proven set of principles and approaches that enabled our prior successes, we will continue to evaluate all potential areas of growth that will emerge from seismic shifts and technological innovation in Japan**

## Guidelines for deciding on a market and a business model

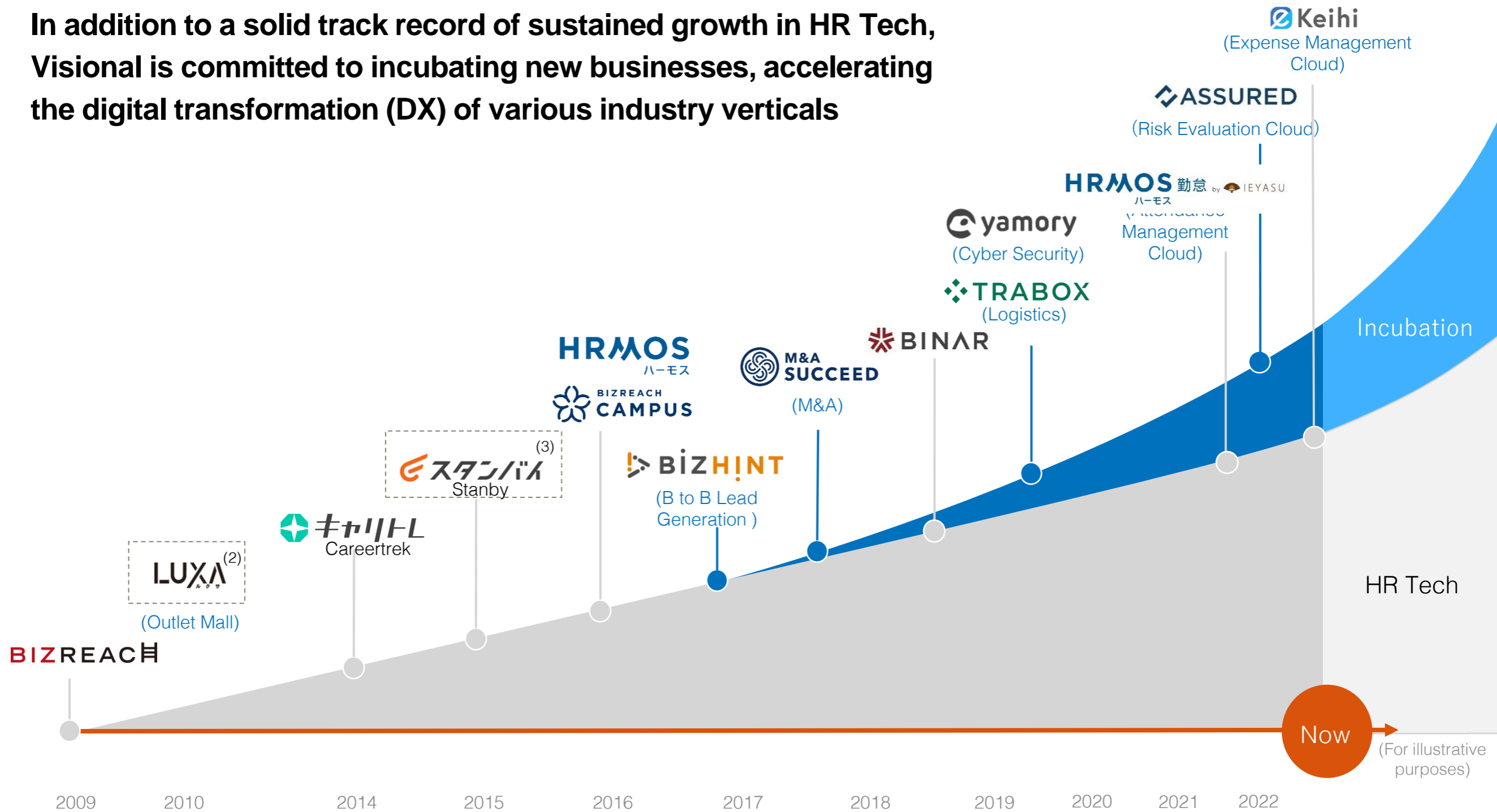
- ✓ Potential for dynamic growth emerging from structural shifts and technological innovation in Japan
- ✓ Obvious need for digital transformation (DX) in the industry
- ✓ Large total addressable market (TAM)
- ✓ Clear trend and benchmark in overseas markets
- ✓ Existence of established competitors with significant profitability



## MVP<sup>(1)</sup> and lean startup organization

- ✓ Start with a small team
- ✓ Incubate businesses for 2-3 years in “Build-Measure-Learn” feedback cycle to check business models and pivot if necessary
- ✓ Invest further when the business model is prepared to scale

In addition to a solid track record of sustained growth in HR Tech, Visional is committed to incubating new businesses, accelerating the digital transformation (DX) of various industry verticals

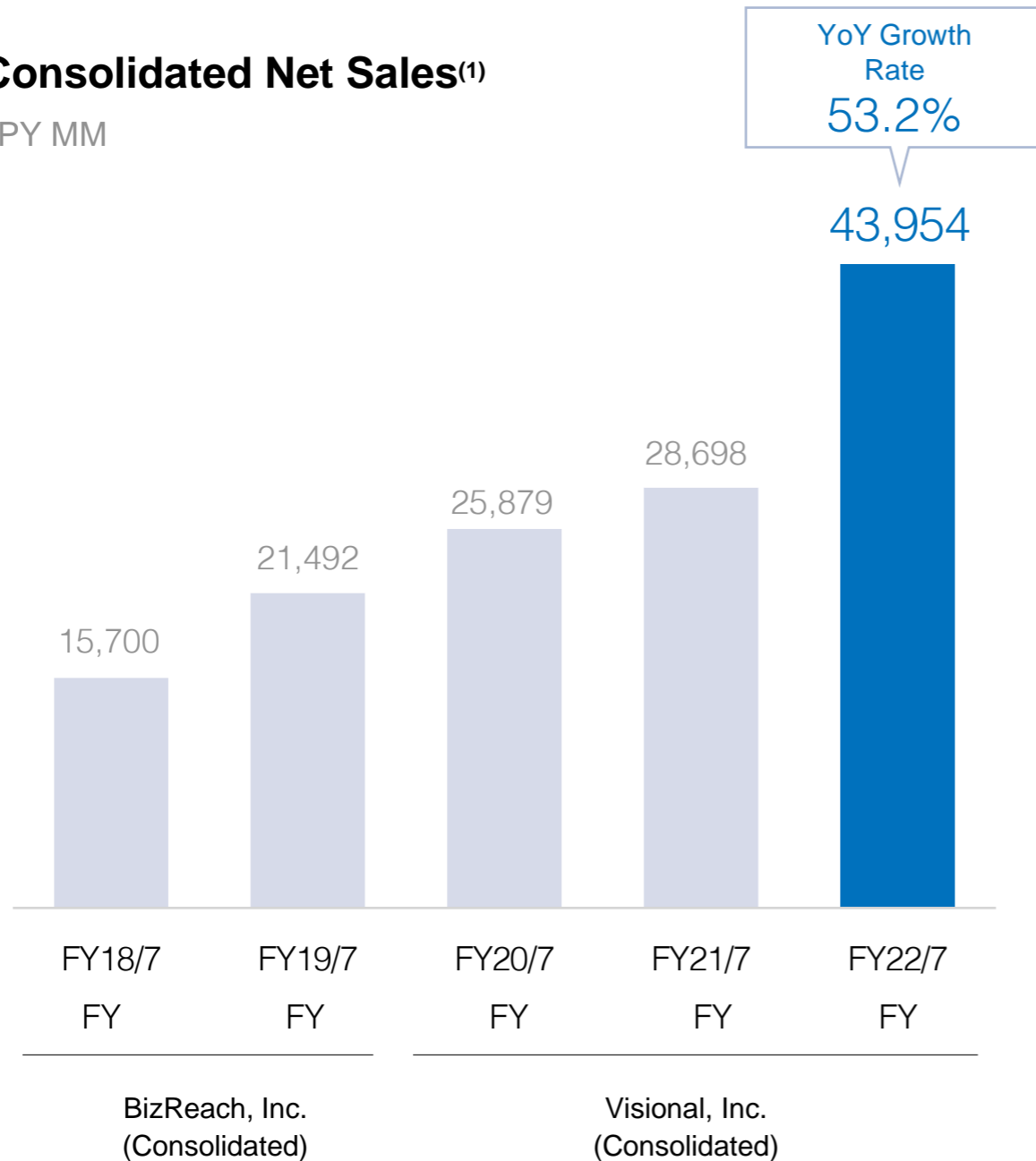


Notes: (1) For illustrative purpose. Dates (year) below the horizontal line represent the timing of launch for each service (2) LUXA was fully incubated inside of BizReach, spun out as a subsidiary and sold entirely to KDDI in April 2015 (3) Stanby was fully incubated inside of BizReach, spun out as a subsidiary and partially (60%) sold to Z Holdings in December 2019. Visional continues to co-manage the joint venture together with Z Holdings as a 40% equity owner

**Driven by the rebound hiring demand from COVID-19, and increased momentum by employers to actively hire mid-careers, Visonal Group's net sales for FY2022/7 full year grew 53.2%. Operating profit grew 251.3%, with operating profit margin of 18.9%**

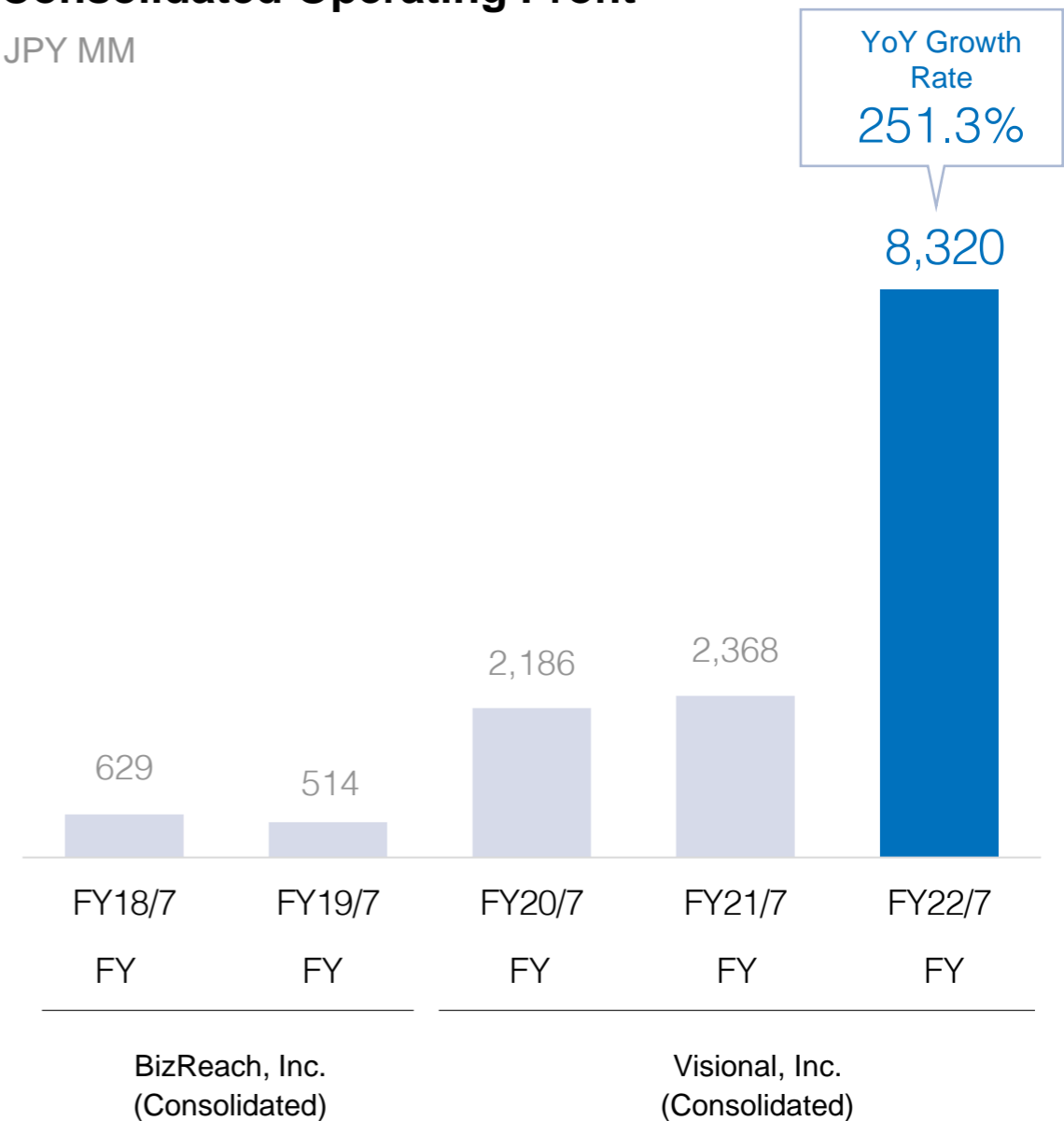
## Consolidated Net Sales<sup>(1)</sup>

JPY MM



## Consolidated Operating Profit<sup>(1)</sup>

JPY MM



Note: (1) Based on FY20 financials prepared by Visonal, Inc. continued from the financials of BizReach, Inc. Visonal, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visonal, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs end in July and prepared in accordance with J-GAAP)

## 2

# Creation of HCM Ecosystem: Accelerating Japan's Workstyle Reform

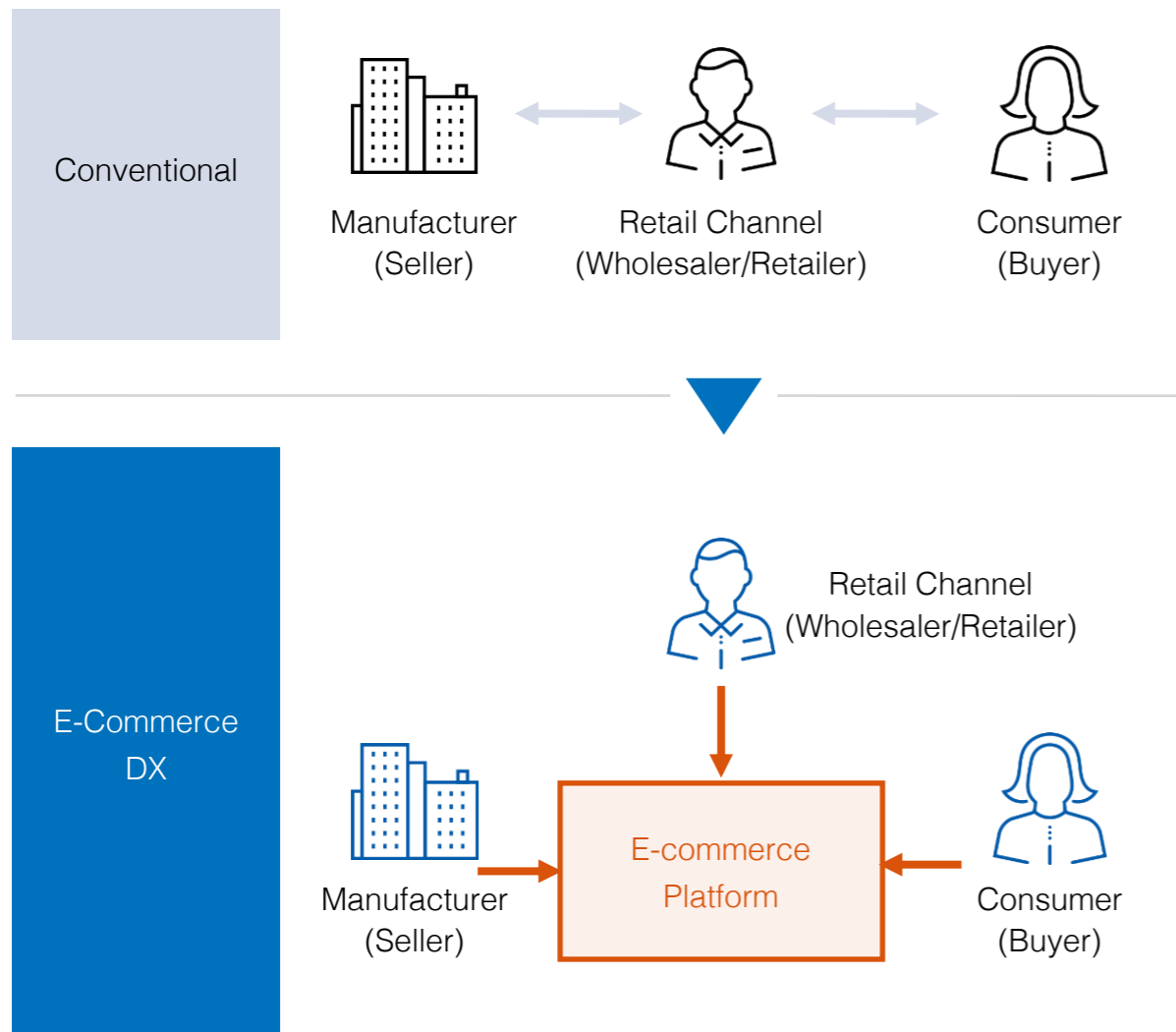


2-1

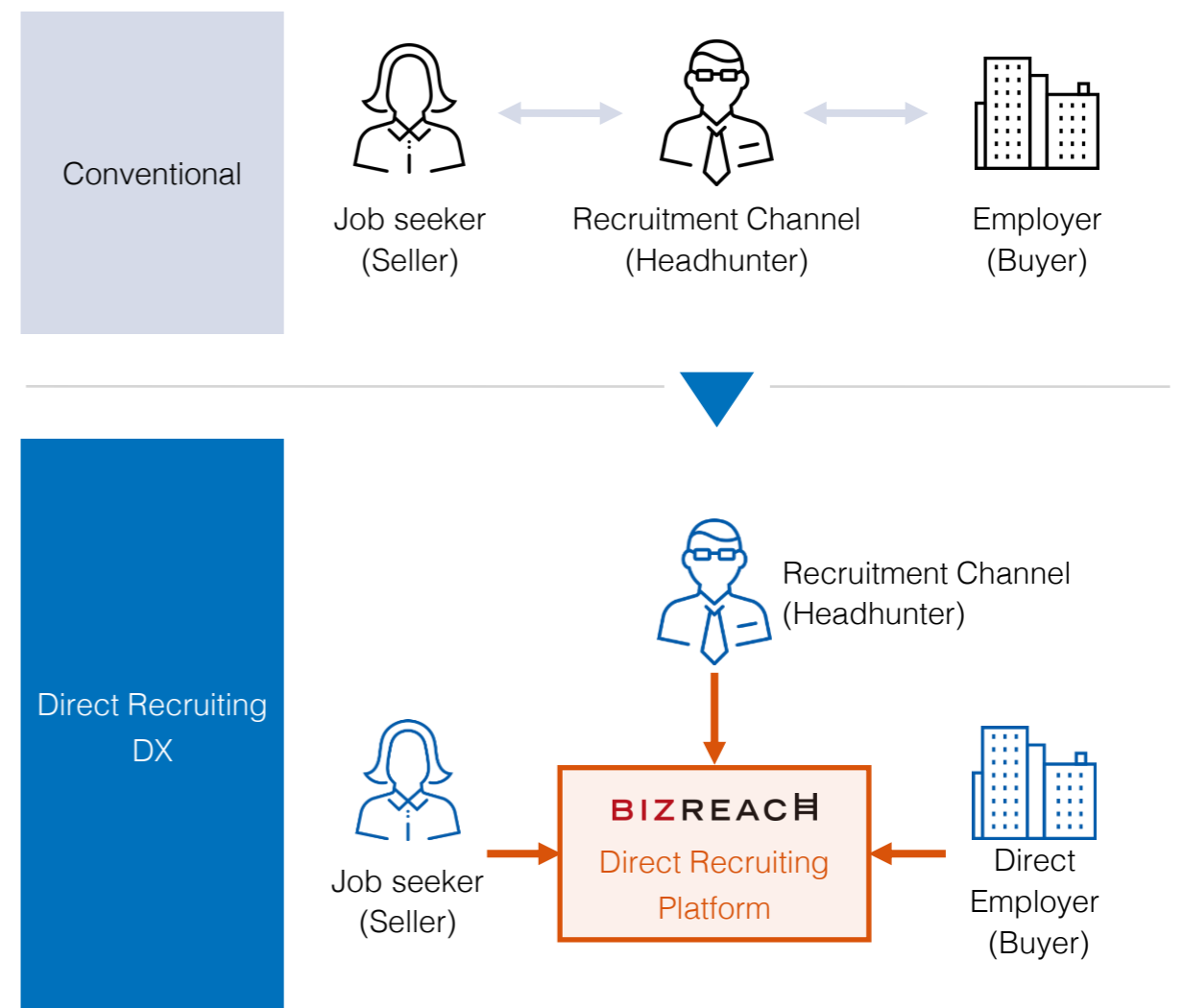
**BizReach**

Similar to the structural transformation of the retail market caused by e-commerce, BizReach pioneered the concept of “Direct Recruiting” by creating an online career networking platform, which raised the transparency and efficiency of the professional recruitment market in Japan

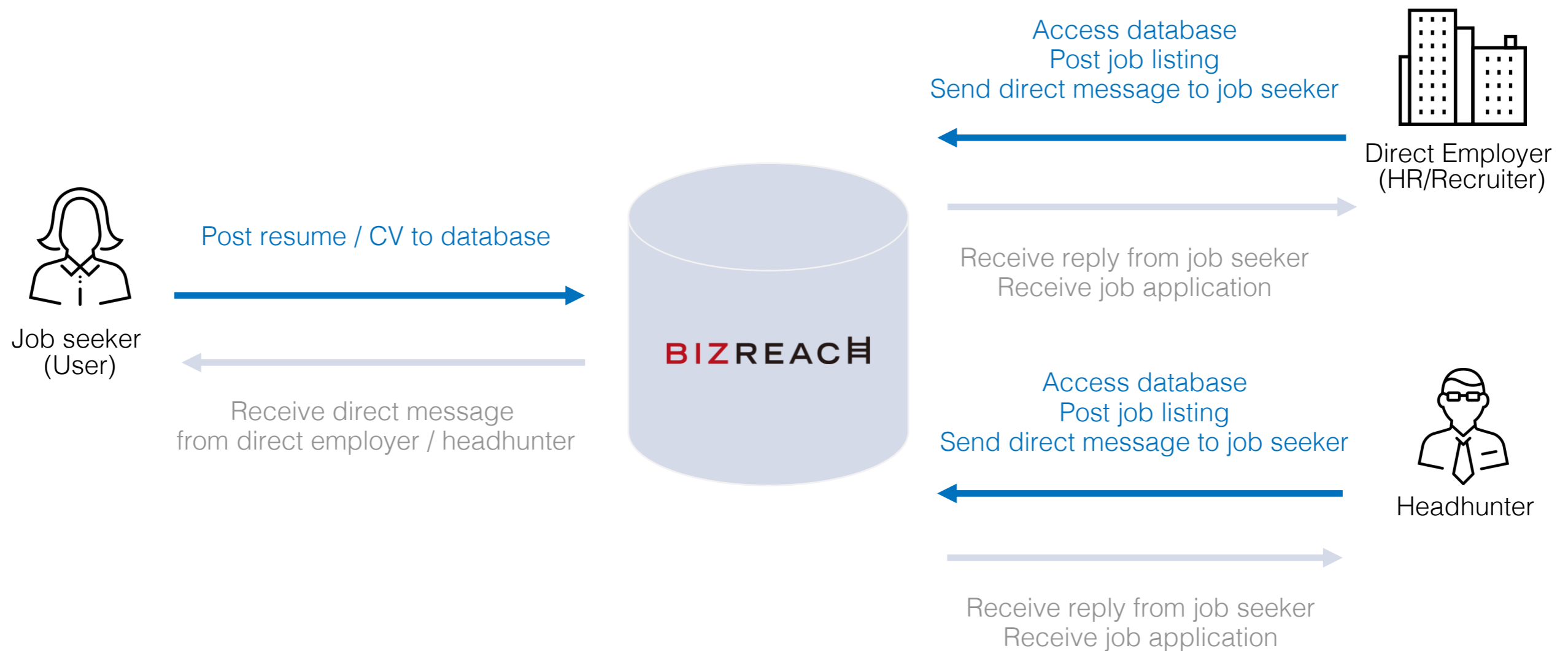
## DX of Retail Market



## DX of Professional Recruitment Market

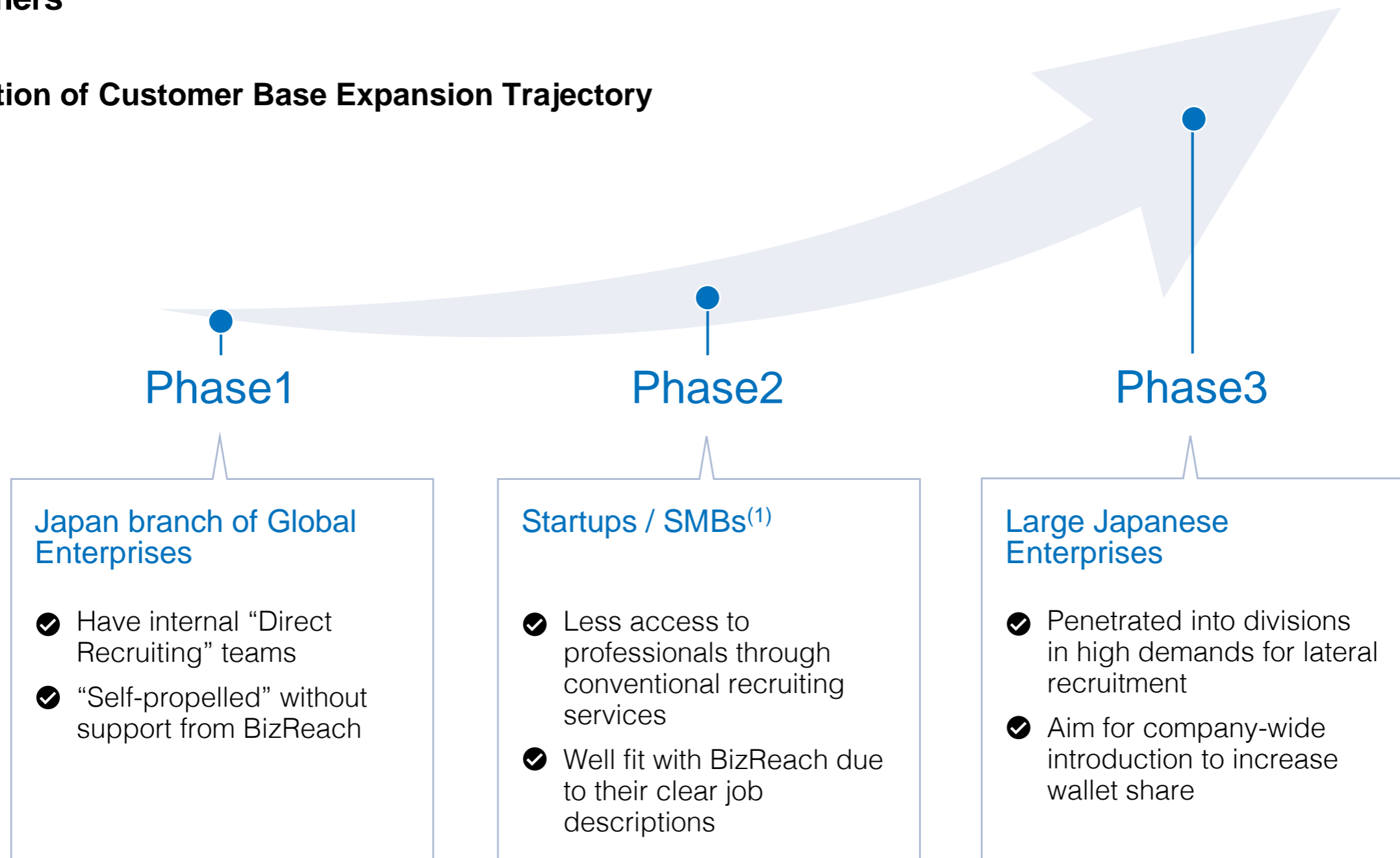


The financially attractive and unique business model targeting for professional job seekers<sup>(1)</sup> is the foundation behind the scalability of BizReach

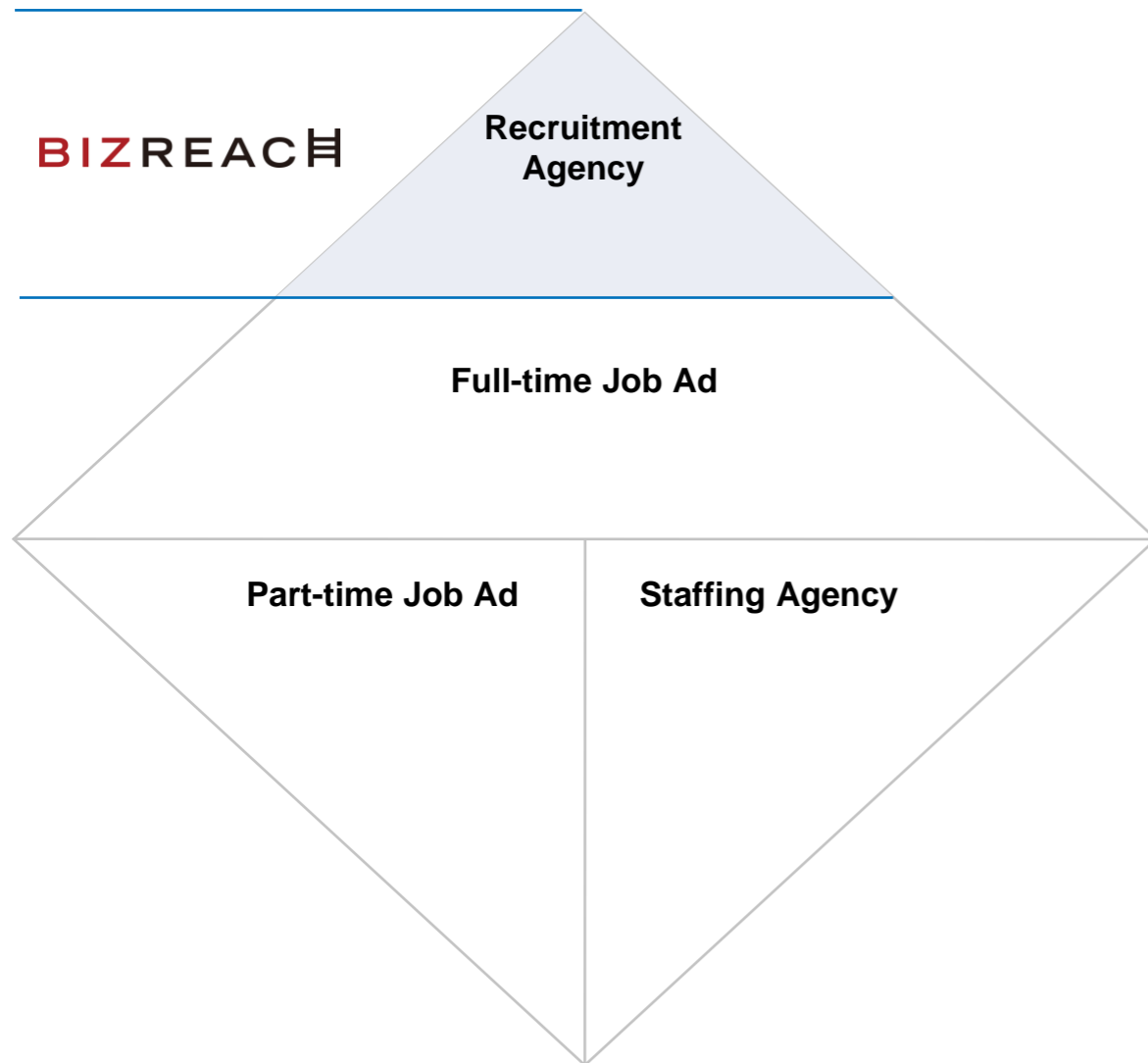


Customer base has expanded from Japan branch of global enterprises and startups to large Japanese enterprises, but still massive untapped wallet exists for company-wide introduction and new customers

## Illustration of Customer Base Expansion Trajectory



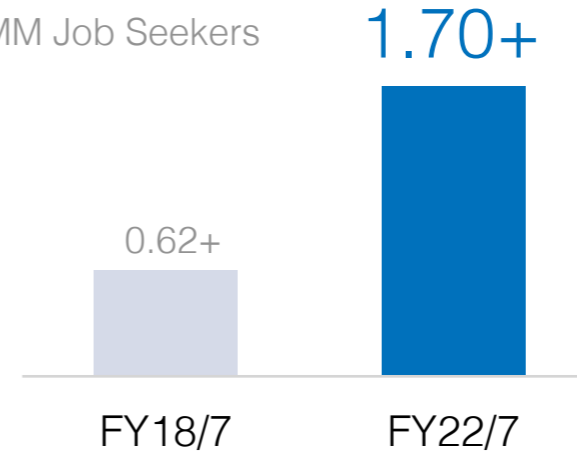
Unique value proposition in professional recruiting as an online career platform working with headhunters



## Increase of Job Seekers

# of Scoutable Job Seekers<sup>(1)</sup>

MM Job Seekers

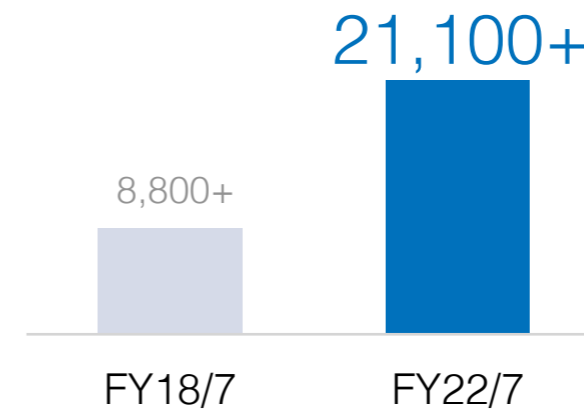


Steady acquisition of scoutable job seekers through effective marketing activities increasing brand recognition



## Expansion of “Direct Recruiting”

# of Registered Direct Employers<sup>(2)</sup>



Increased number of direct employers adopting direct recruiting

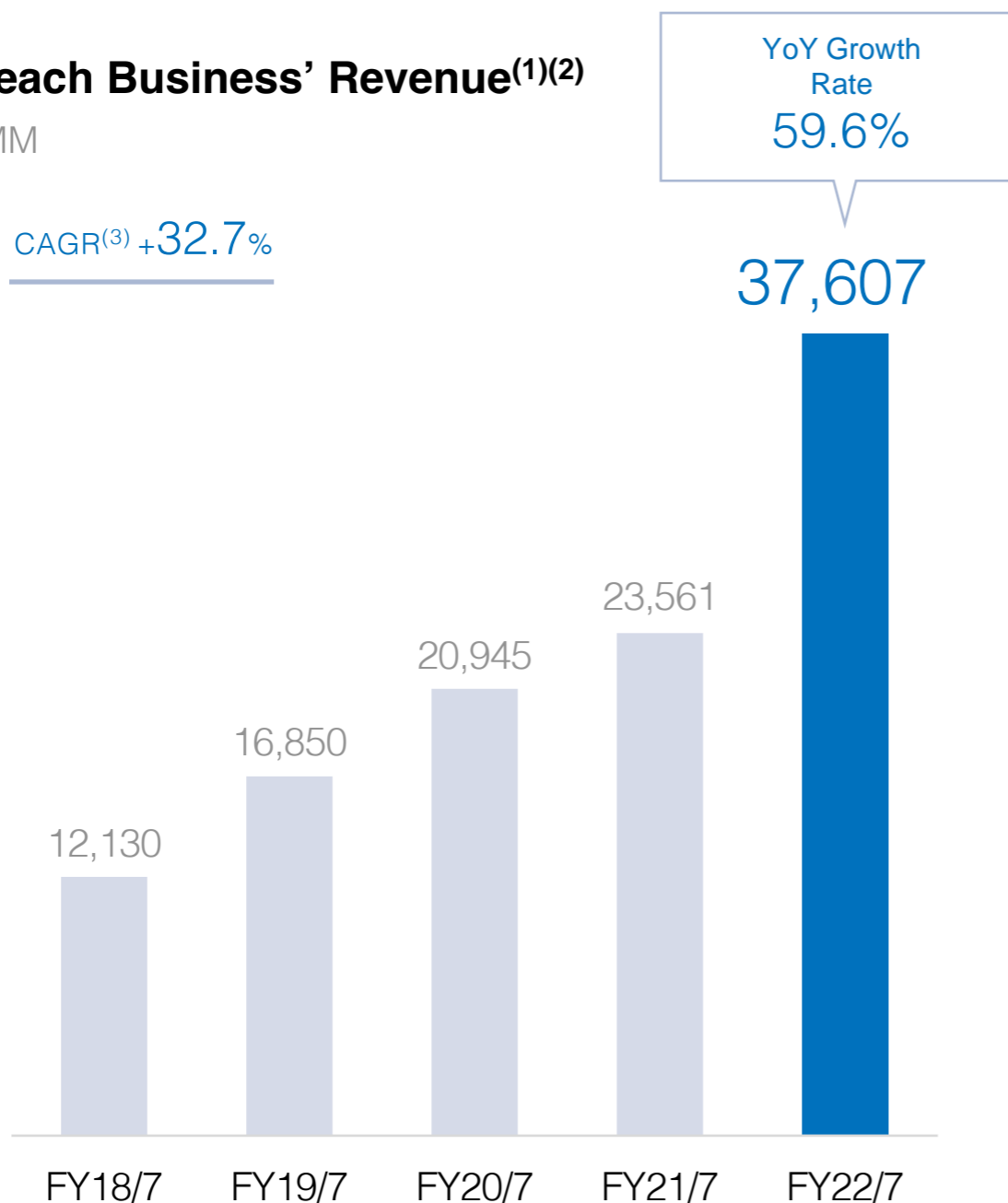
Notes: (1) # of users who registered on BizReach platform with resume that have passed a general screening process and whose profile is set to be viewable by direct employers and headhunters (2) Direct employers who have subscribed to our BizReach platform (excluding headhunters)

## Strong revenue growth while scaling profitability

### BizReach Business' Revenue<sup>(1)(2)</sup>

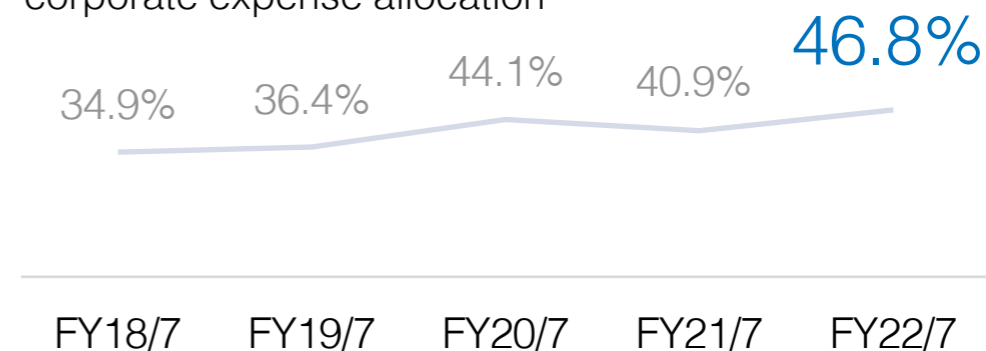
JPY MM

CAGR<sup>(3)</sup> +32.7%



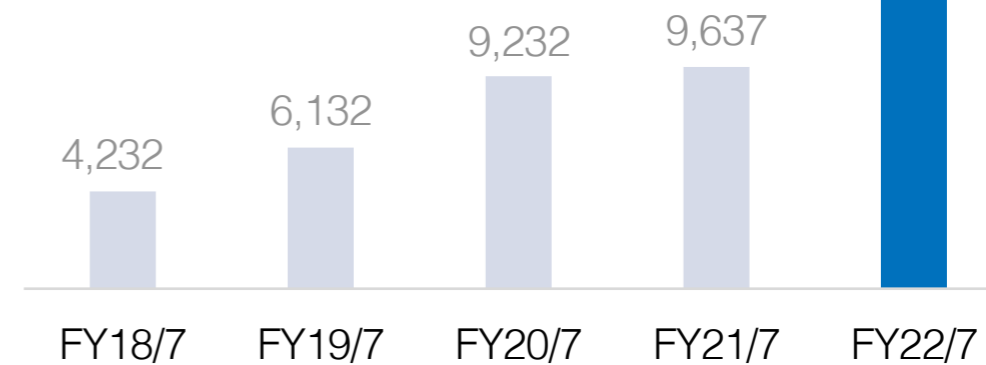
### BizReach Business' Adjusted Operating Profit before Corporate Expense Allocation and Margin<sup>(1)(2)(4)</sup>

Adjusted operating profit margin before corporate expense allocation



Adjusted operating profit before corporate expense allocation

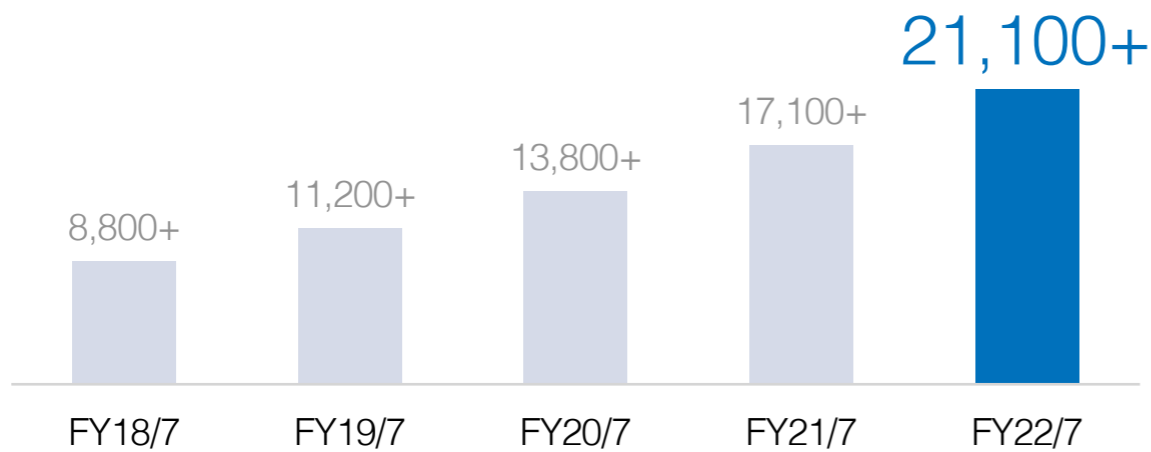
JPY MM



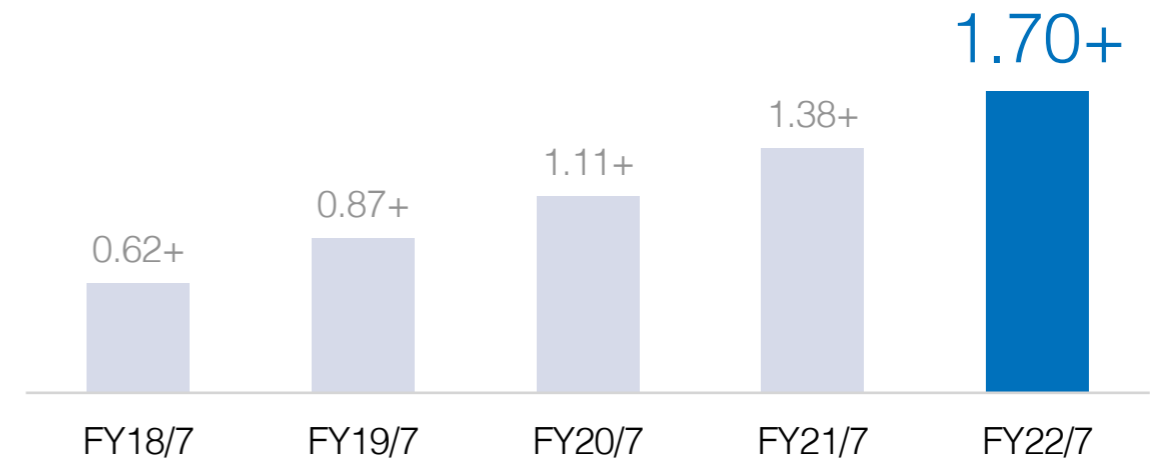
Notes: (1) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.) (2) BizReach business' revenue and adjusted operating profit / profit margin is recorded within the HR Tech reporting segment. Please refer to Appendix for segment data (3) CAGR from FY18 to FY22 (FY ending July) (4) Adjusted operating profit does not include corporate expenses (such as accounting, HR, legal, general affairs, etc.) which are not directly allocated to each business unit. Please refer to reconciliations in the Appendix

**Strong customer base driven by hiring needs and increased job seekers. The increased number of Active Direct Employers indicates the strong demand for professionals by Direct Employers**

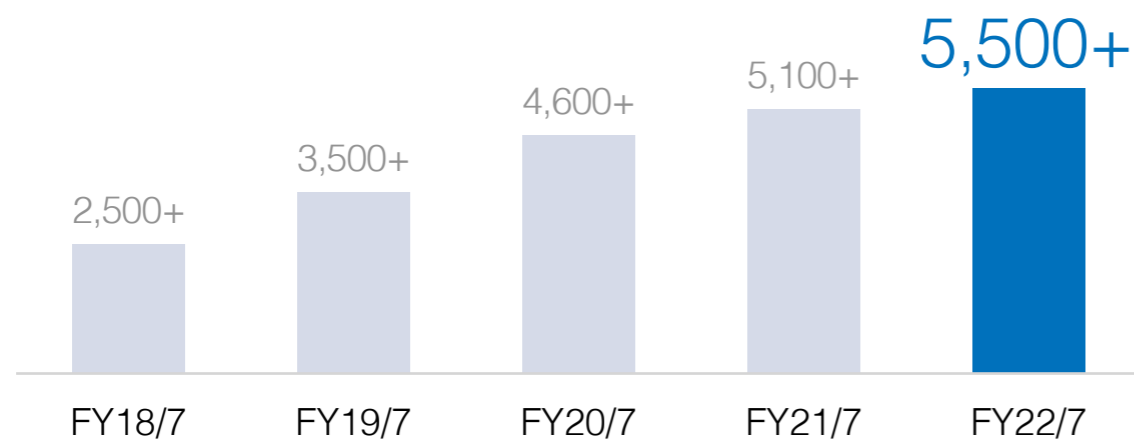
**# of Registered Direct Employers<sup>(1)</sup>**



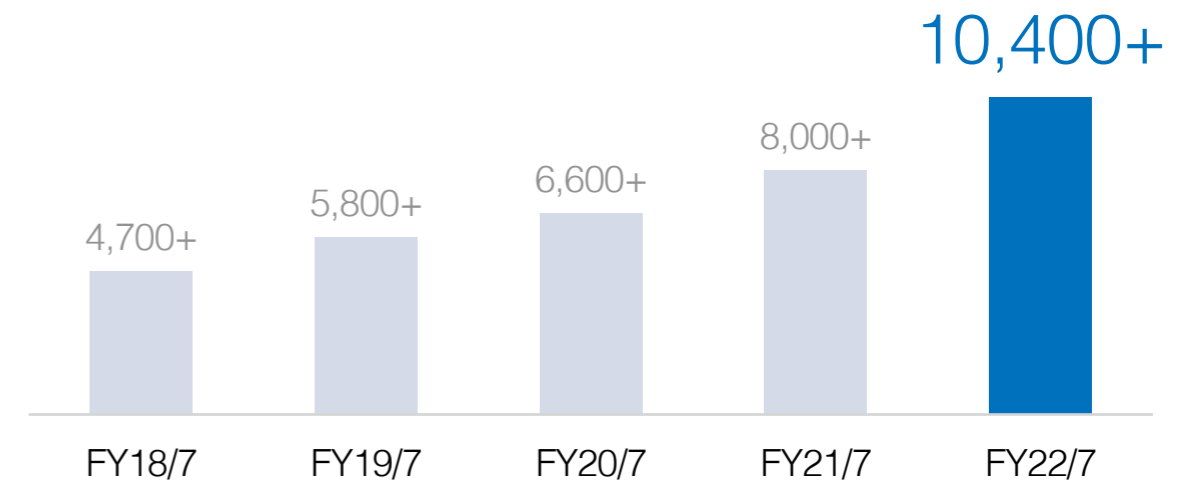
**# of Scoutable Job Seekers<sup>(3)</sup>**



**# of Active Headhunters<sup>(2)</sup>**



**# of Active Direct Employers<sup>(4)</sup>**

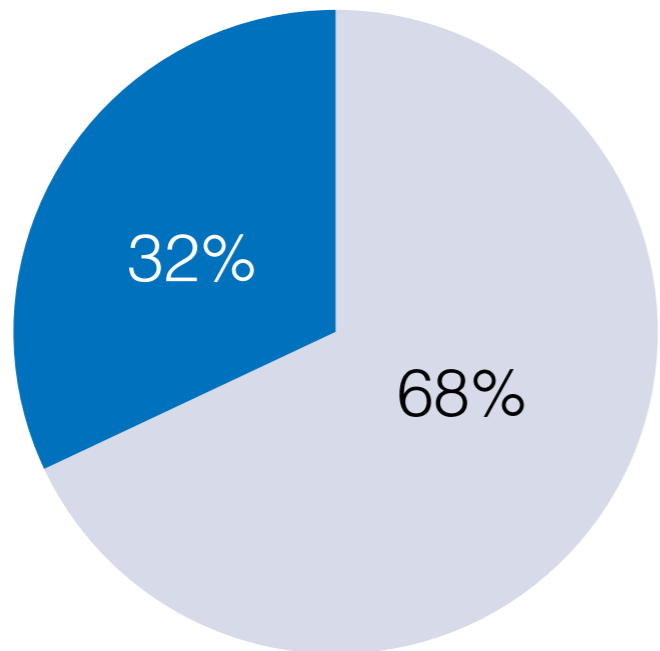


Notes: (1) Direct employers who have subscribed to our BizReach platform (excluding headhunters) (2) All passed screening by BizReach (3) # of users who registered on BizReach platform with resume that have passed a general screening process and whose profile is set to be viewable by direct employers and headhunters (4) Direct employers who have subscribed to our BizReach platform at any point in time during each fiscal year

**Unique mix of recurring revenue<sup>(1)</sup> and performance revenue<sup>(2)</sup> as well as well-balanced customer breakdown of direct employers and headhunters have positioned BizReach to deliver solid and strong revenue growth**

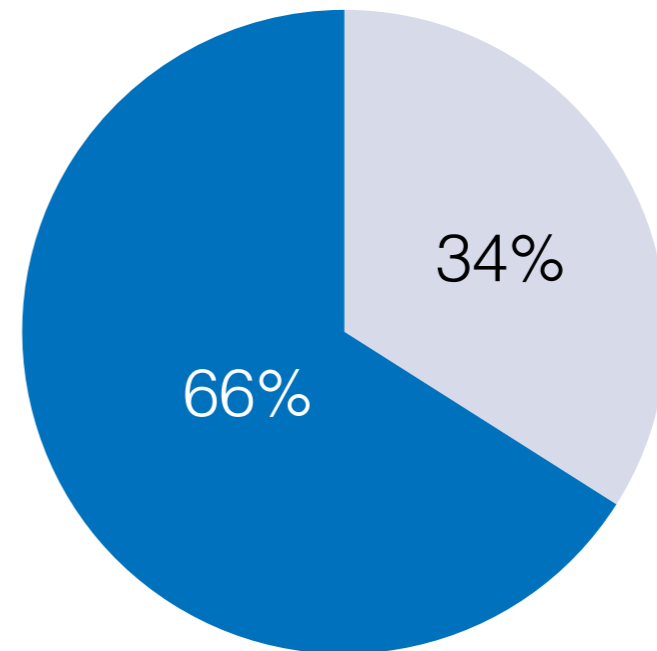
**FY22/7 BizReach Business Revenue Breakdown by Fee Type<sup>(3)</sup>**

- Performance Revenue
- Recurring Revenue



**FY22/7 BizReach Business Revenue Breakdown by Direct Employers / Headhunters<sup>(3)(4)</sup>**

- Headhunters
- Direct Employers



Notes: (1) "Recurring Revenue" consists of subscription fees from direct employers, headhunters accessing our platform and purchasing additional "platinum scout", and job seekers accessing our platform (2) "Performance Revenue" consists of success fees from direct employers and headhunters, which is derived from the successful hiring results of the client (3) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.) (4) Consists of recurring revenue and performance revenue

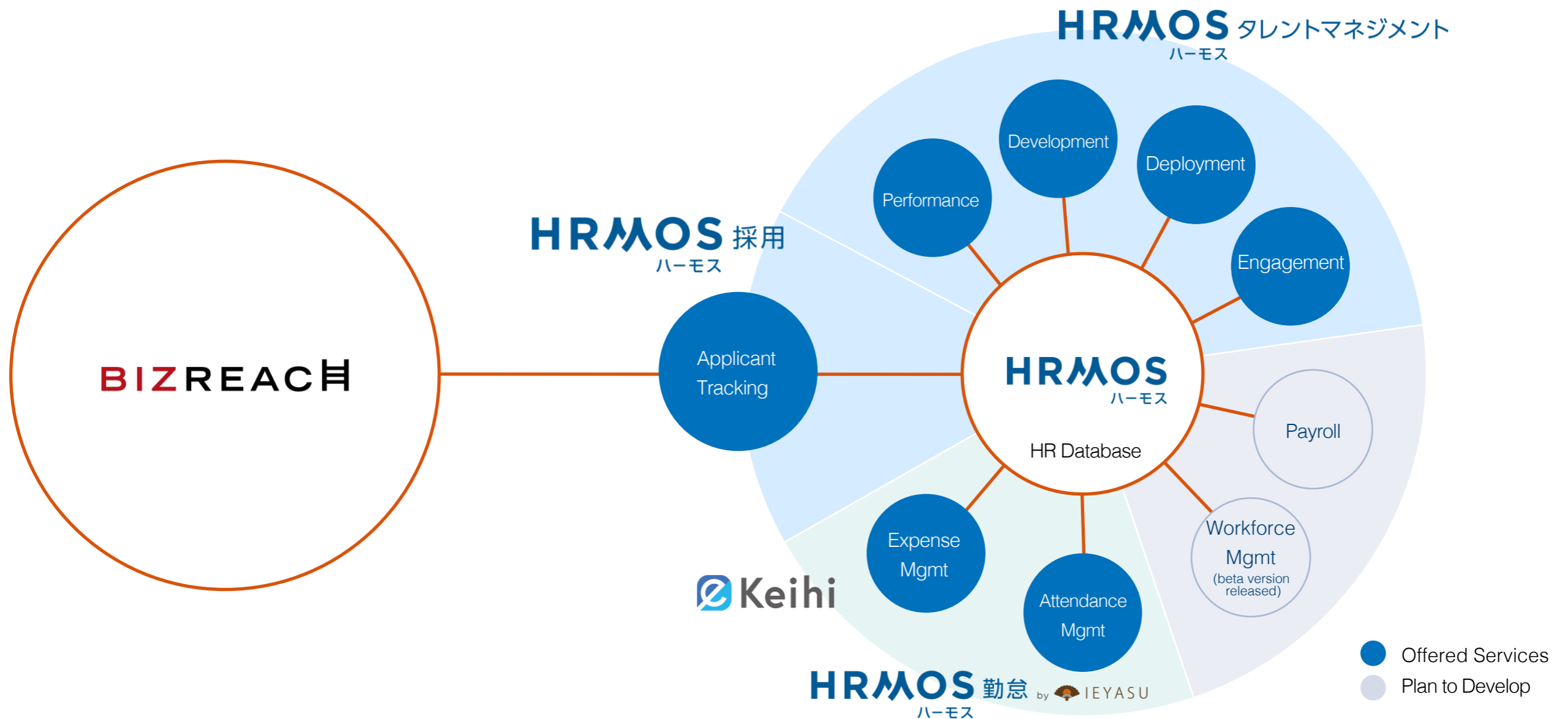


2-2

HRMOS

Seamless integration of BizReach and HRMOS to create a unified, data-driven HCM Ecosystem where employee productivity is optimized, business operations are streamlined to guide our customers make smarter decisions

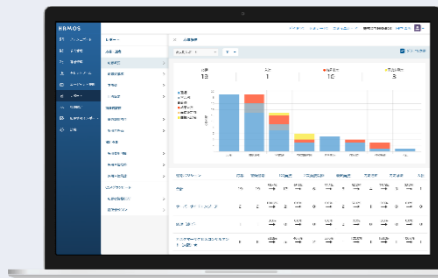
## Human Capital Management (HCM) Ecosystem



80.1% acquisition of IEYASU (attendance management cloud provider) completed on Nov. 1, 2021, and 100% acquisition of ezSoft (expense management cloud provider) completed on Mar. 1, 2022. Figures are included in the consolidated financials and impact is negligible. Figures are not included in HRMOS

Data linkage between modules in the cloud-based HCM SaaS Solution enables optimization of different operational processes

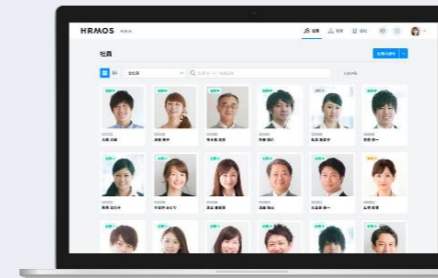
## HRMOS 採用 ハーモス



ATS

- ✓ Recruiting process is visualized and analyzed real time
- ✓ Optimizes process by storing recruiting information in a centralized repository
- ✓ Increases recruiting efficiency through scheduling, linkage to different recruiting media
- ✓ Can be automatically linked to BizReach

## HRMOS タレントマネジメント ハーモス



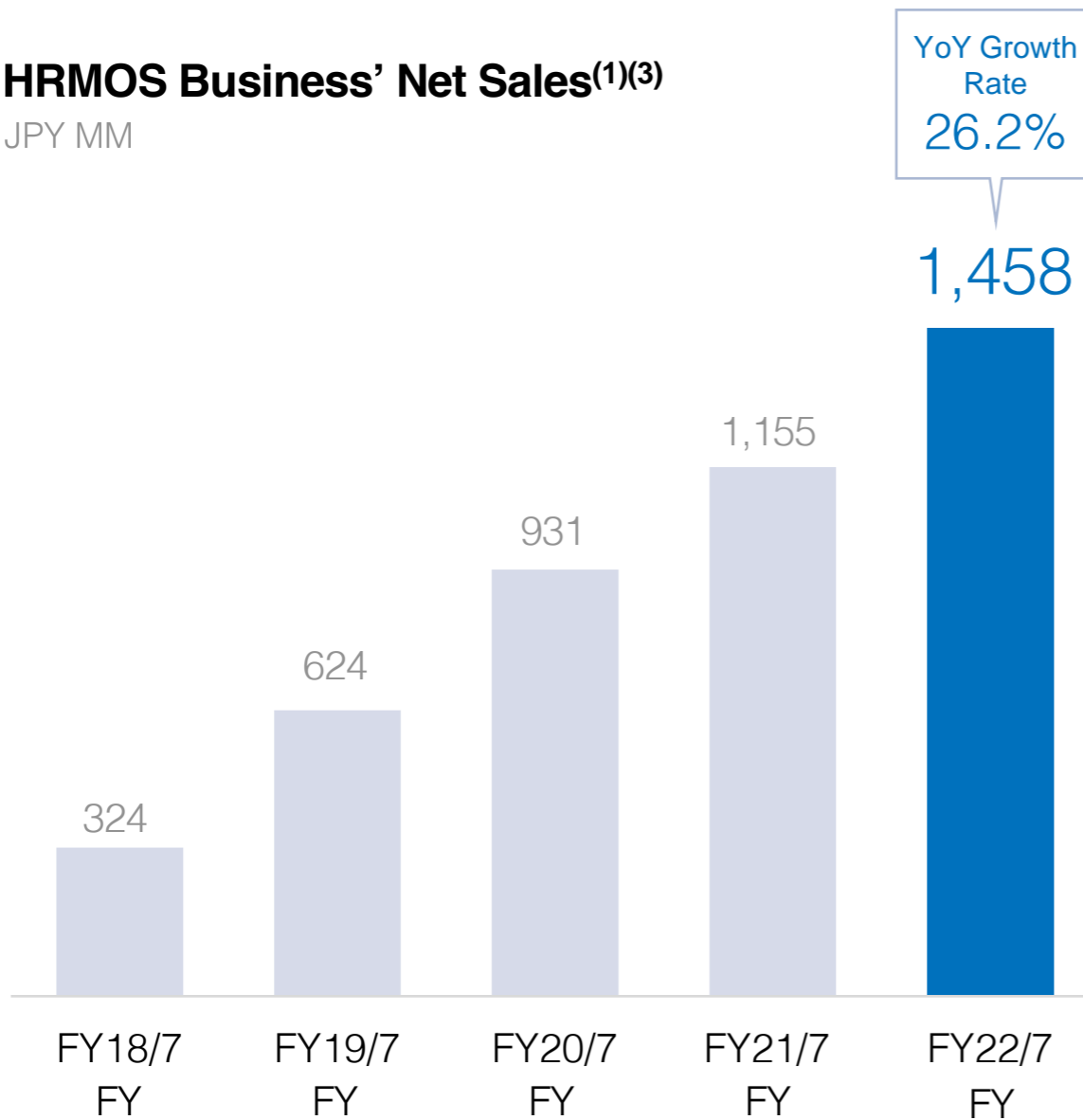
|             |                   |           |
|-------------|-------------------|-----------|
| Employee DB | Engagement survey | Workflows |
| Performance | Reporting         | 1 on 1    |

- ✓ Employee database storing organizational and employee data
- ✓ Increases productivity in objective setting / performance evaluation process
- ✓ Visualization of organizational condition real time
- ✓ Automate daily operation in talent management
- ✓ Can be linked with other HCM systems through an API interface

**HRMOS performance is on track as we prioritize product development. HRMOS ATS drove net sales growth**

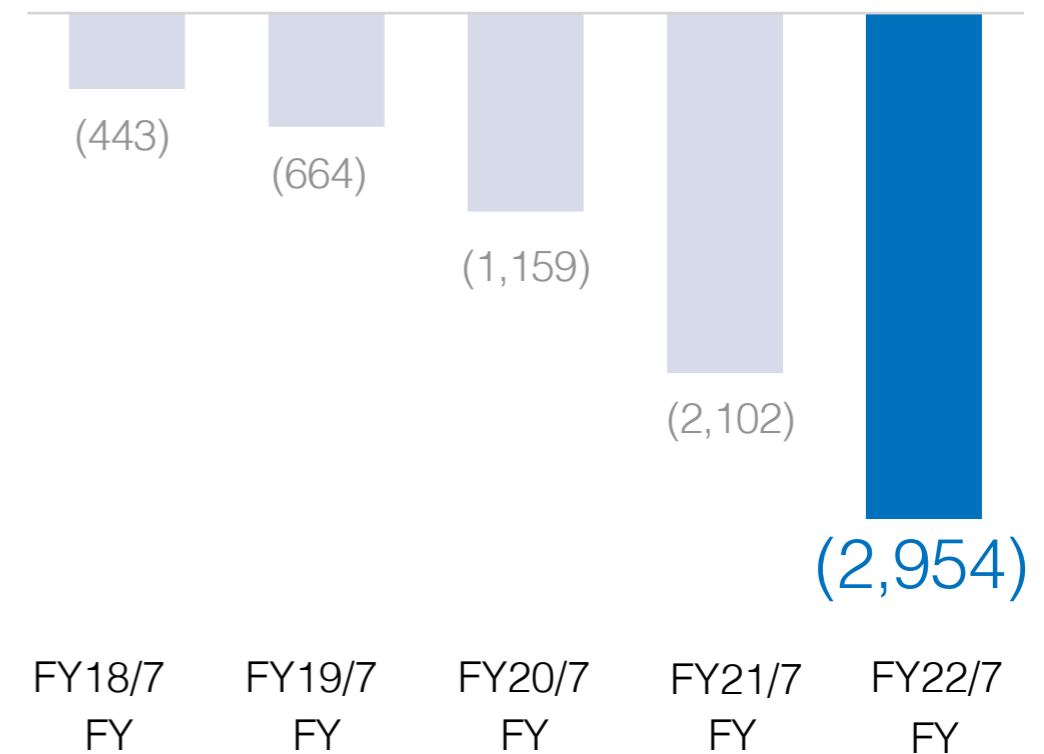
## HRMOS Business' Net Sales<sup>(1)(3)</sup>

JPY MM



## HRMOS Business' Adjusted Operating Profit before Corporate Expense Allocation<sup>(1)(2)(3)</sup>

JPY MM



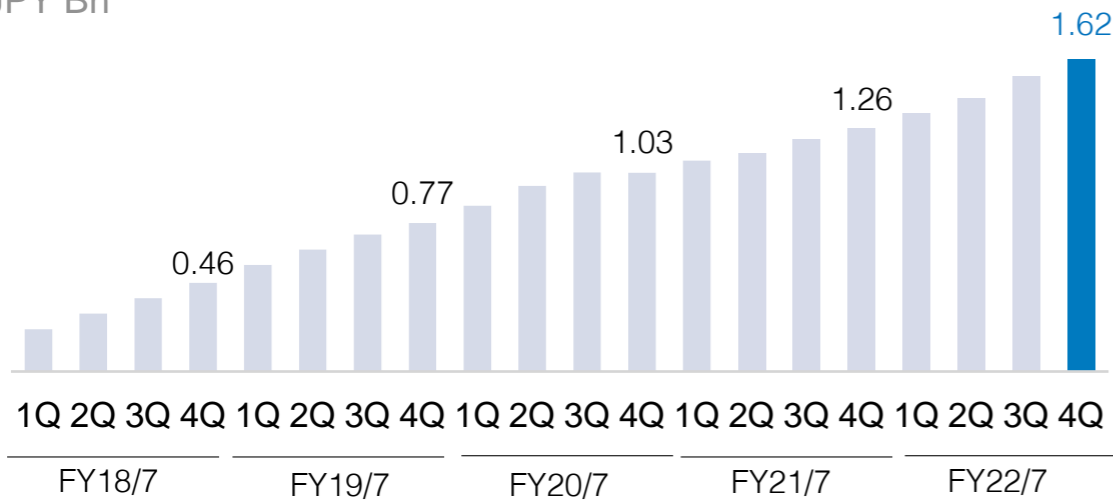
Notes: (1) HRMOS business' revenue and adjusted operating profit is recorded within the HR Tech reporting segment (2) Adjusted operating profit does not include corporate expenses (such as accounting, HR, legal, general affairs, etc.) which are not directly allocated to each business unit (3) We acquired the shares in IEYASU on November 1, 2021 and ezSoft Co., Ltd. on March 1, 2022 and included them in the scope of consolidation. However, they are not included in figures of the HRMOS business in the above chart

**ARR exceeded JPY 1.62Bn in FY22/7 (28.2% YoY growth) driven by solid growth of customer expansion. Churn rate, which was impacted by COVID-19, has continued to sustain pre COVID-19 level of 1.0%**

## ARR<sup>(1)(2)</sup>

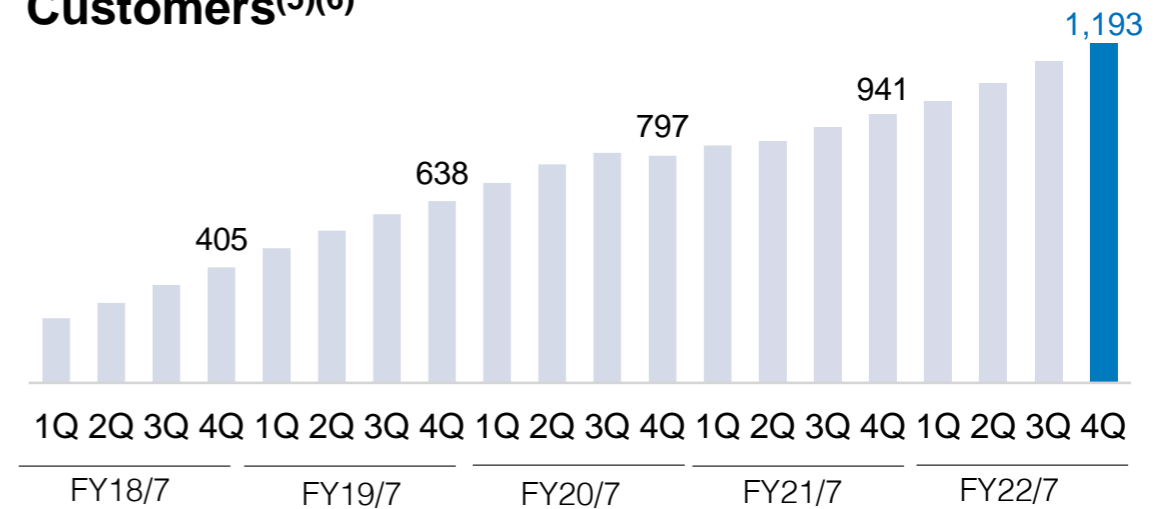
JPY Bn

¥1.62Bn (YoY +28.2%)



## # of Unique Paying Customers<sup>(5)(6)</sup>

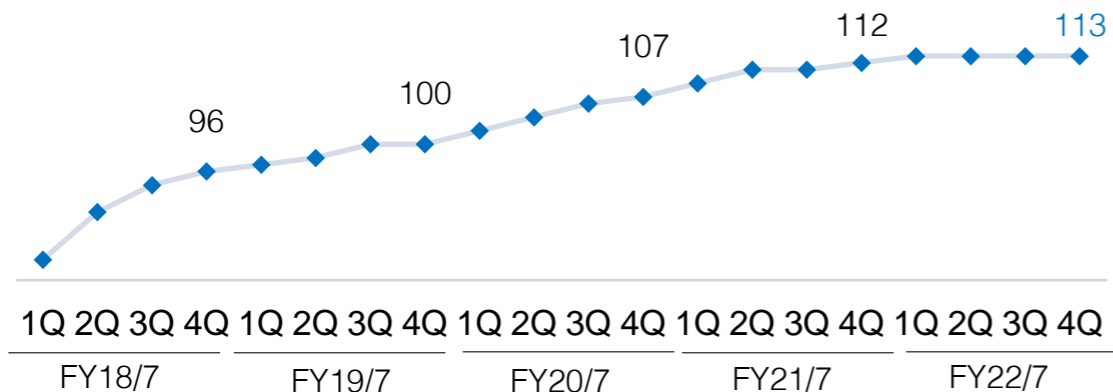
1,193 (YoY +26.8%)



## ARPU<sup>(3)(4)</sup>

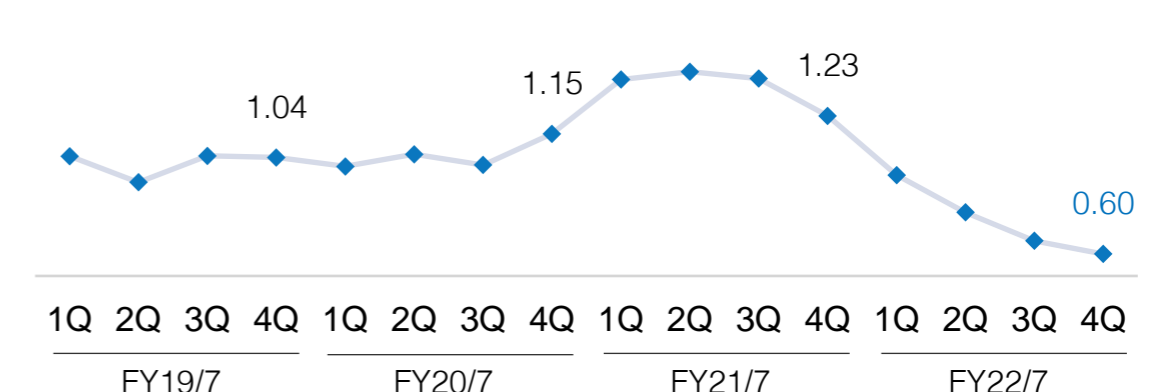
JPY thousands

¥113k (YoY +1.1%)



## Churn Rate<sup>(7)(8)</sup>

Last 12-month average: 0.60%



Notes: (1) HRMOS Annual Recurring Revenue (ARR). HRMOS MRR (Monthly Recurring Revenue) for the last month of a quarter multiplied by 12 (MRR = previous month's monthly recurring revenue + newly acquired monthly recurring revenue + upsell monthly recurring revenue – down-sell monthly recurring revenue – churned monthly recurring revenue. Excludes one-time fees such as initial setup fees) (2) As of the end of July 2022 (3) HRMOS Average Revenue Per User (ARPU). HRMOS MRR for the last month of the relevant quarter divided by the number of unique paying customers as of the end of the same quarter (4) As of the end of July 2022 (5) Unique fee-paying customers as of the final month of the quarter. Customers using multiple HRMOS modules are counted as one customer (6) As of the end of July 2022 (7) Last 12-month average of Monthly Churn Rate based on HRMOS MRR as of the final month of the quarter. Monthly Churn Rate = churned monthly HRMOS MRR divided by HRMOS MRR at the end of previous month (8) As of July 2022

# 3

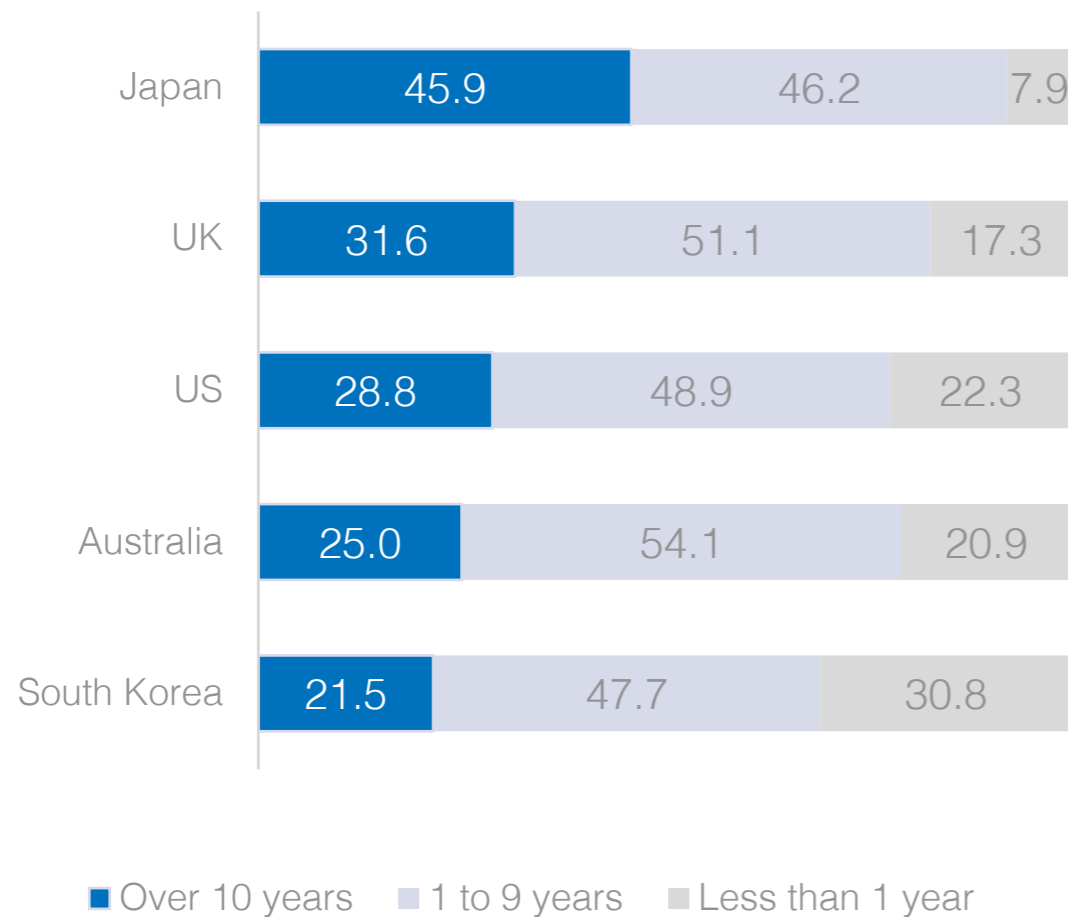
## Investments for Long Term Growth

**Japan has a high portion of employees with long tenure.**

**Liquidity in the labor market is required to shift labor force to segments of higher labor demand**

## Global Comparison of Employment Ratio By length of Service<sup>(1)</sup>

%



## Why Increased Labor Liquidity is Required

- ✔ Mid-career hiring required to address decreasing work force caused by shrinking working-age population and the number of new graduates entering the work force in the long term
- ✔ Professionals required to address changes in the business environment and business models, and to build a diverse and inclusive organization
- ✔ Miss match of supply and demand in labor force as industry structures change. Shifting labor force to segments of higher labor demand required
- ✔ Labor productivity drives wage increase

Note: (1) From the Ministry of Health, Labour and Welfare "Analysis of the Labor Economy, 2022 Edition – Issues in Promoting Labor Mobility through Support for Workers' Independent Career Development" in September 2022

**Japanese recruitment market is undergoing a structural stage of expansion due to the ongoing changes in workstyle, which will increase liquidity in the Japanese labor market going forward**

## Significant Room for Job Mobility in Japan

2021



## Acceleration of Workstyle Shifts in Japan

- ✓ Conventional workstyle no longer sustainable due to a mismatch of corporation and worker life spans
- ✓ Performance-based workstyle with clear job descriptions accelerates the job change movement
- ✓ “Direct Recruiting” becomes essential for employers as the war for talent accelerates
- ✓ The shift to remote work caused by COVID-19 is expected to further drive this movement

Notes: (1) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2021. Figures are calculated as taking twelve months average of the monthly research on the number of employees, as of the end of each month (2) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2021. Figures are calculated as taking twelve months average of the monthly research on the number of full-time employees, as of the end of each month (3) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2021. Figures are calculated as taking twelve months average of the monthly research on the number of full-time employees, who changed jobs to full-time jobs within a year, as of the end of each month



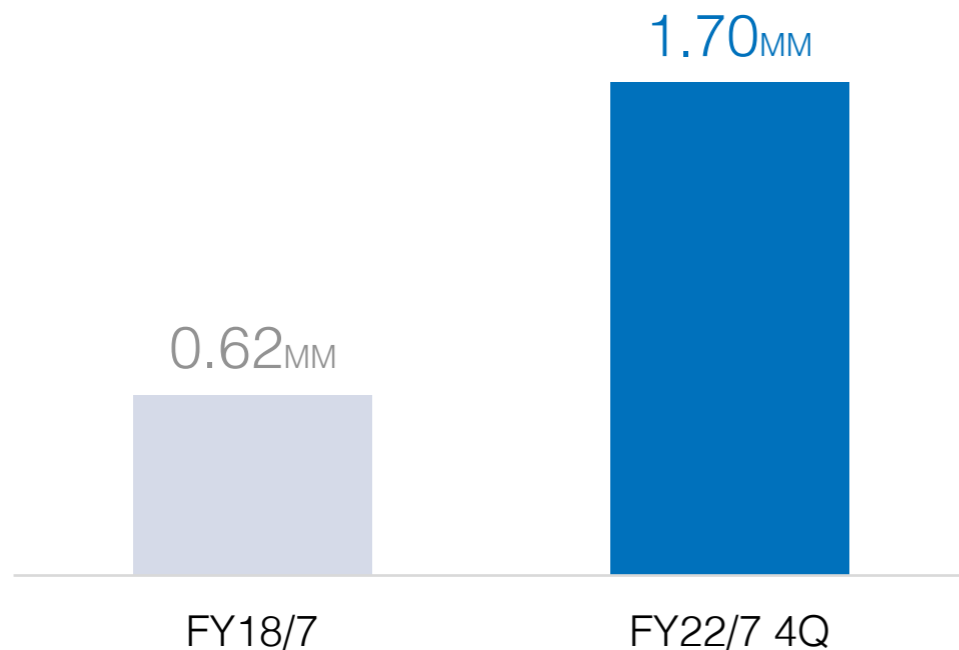
**While penetrating further into the professionals' population, accelerate new client acquisitions and increase wallet share of existing clients to drive further top-line growth**

## Growing # of "Scoutable" Job Seekers on BizReach with Huge Upside Potential

# of "Scoutable" Job Seekers on BizReach<sup>(1)</sup>

# of wage earners in Japan in 2020<sup>(2)</sup>

|         |                       |
|---------|-----------------------|
| 2.40MM  | Annual income ¥10 MM+ |
| 10.51MM | Annual income ¥6 MM+  |



## Potential Market Penetration of Direct Employers

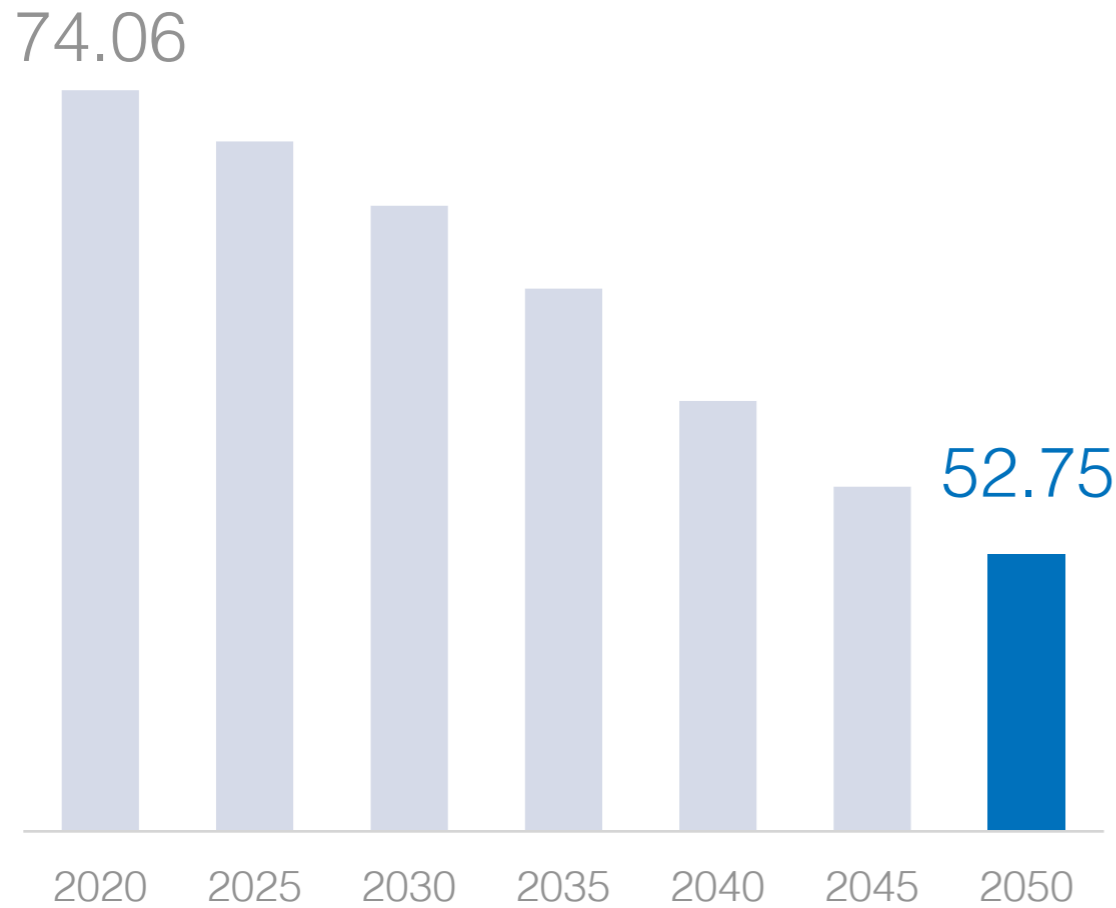


Notes: (1) # of users who registered on BizReach platform with resume that have passed a general screening process and whose profile is set to be viewable by direct employers and headhunters (2) Based on "2020 Statistical Survey of Actual Statistics for Salary in the Private Sector" by Japanese National Tax Agency (<https://www.nta.go.jp/publication/statistics/kokuzeicho/minkan2020/pdf/002.pdf>) (3) Direct employers who have subscribed to our BizReach platform at any point in time within FY22/7 (4) As of the end of June 2022. Based on "Notification and Certification Status of General Employers Action Plan Formulation Notification by Prefecture (As of the end of June 2022)" by Ministry of Health, Labor and Welfare ([https://www.mhlw.go.jp/general/seido/koyou/jisedai/dl/jyoukyou\\_r04\\_06.pdf](https://www.mhlw.go.jp/general/seido/koyou/jisedai/dl/jyoukyou_r04_06.pdf))

## Working-age population is shrinking, whilst companies are decreasing investments in people

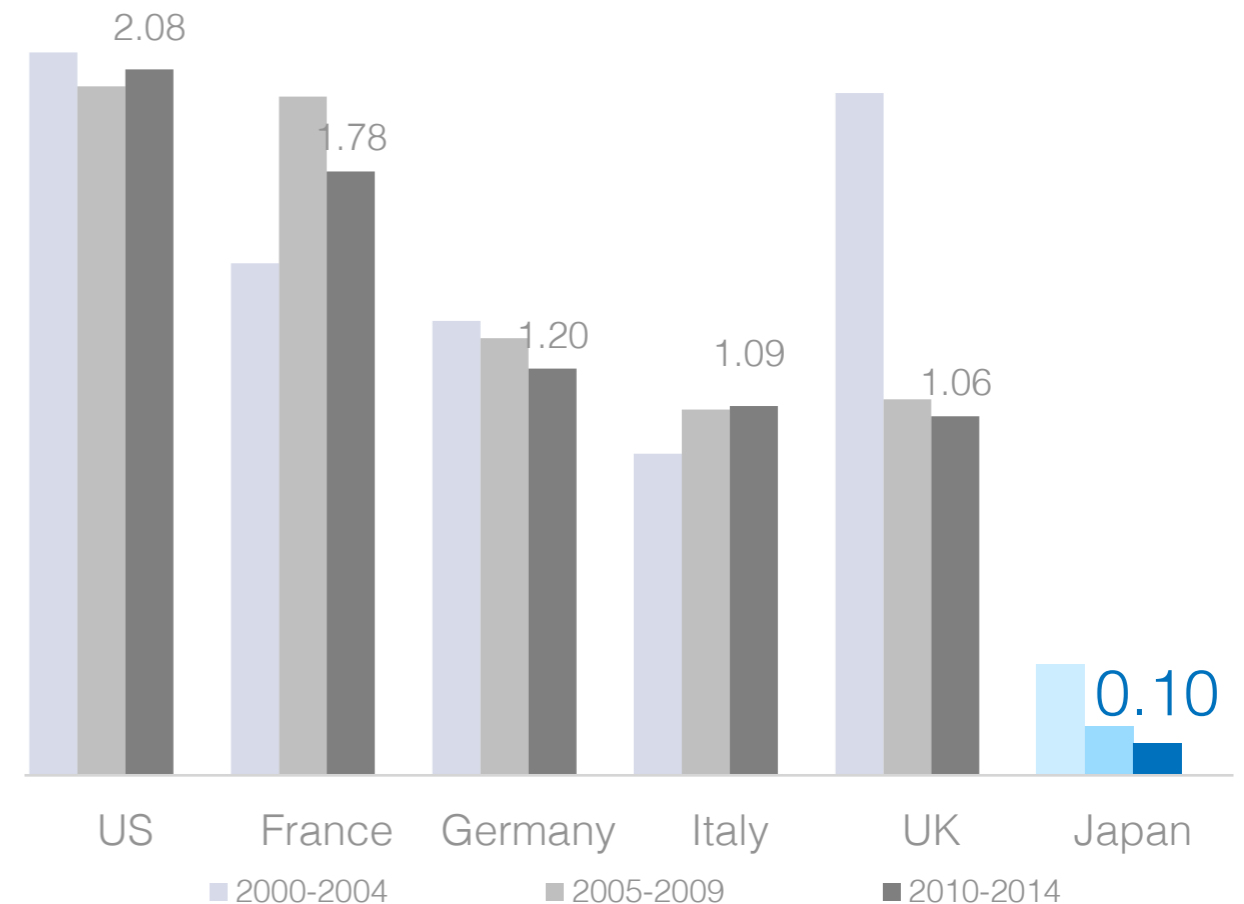
### Long Term Trends in Japan's Working-Age Population<sup>(1)</sup>

Unit: MM persons



### International Comparison of Corporate Investments in HR (excluding OJT) (% of GDP)<sup>(2)</sup>

Unit: %

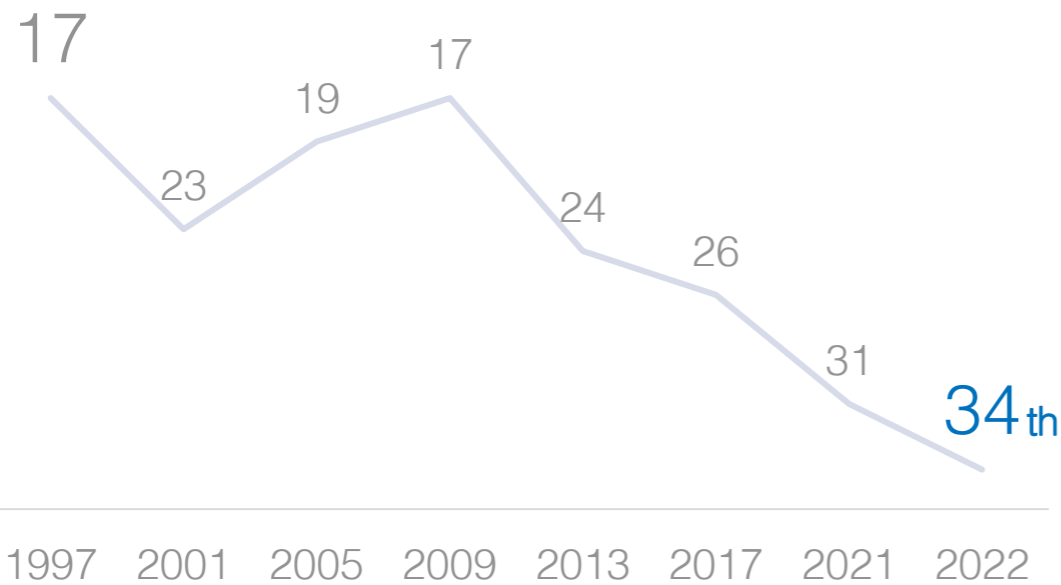


Notes: (1) From the medium-fertility (medium-mortality) projection of National Institute of Population and Social Security Research "Population Projections for Japan (2017)" (2) From the Ministry of Economy, Trade and Industry "METI Future Human Resource Vision 2022" in May 2022 (<https://www.meti.go.jp/press/2022/05/20220531001/20220531001-1.pdf>)

Also as seen in the world competitiveness rankings, Japan's position is on a decreasing trend

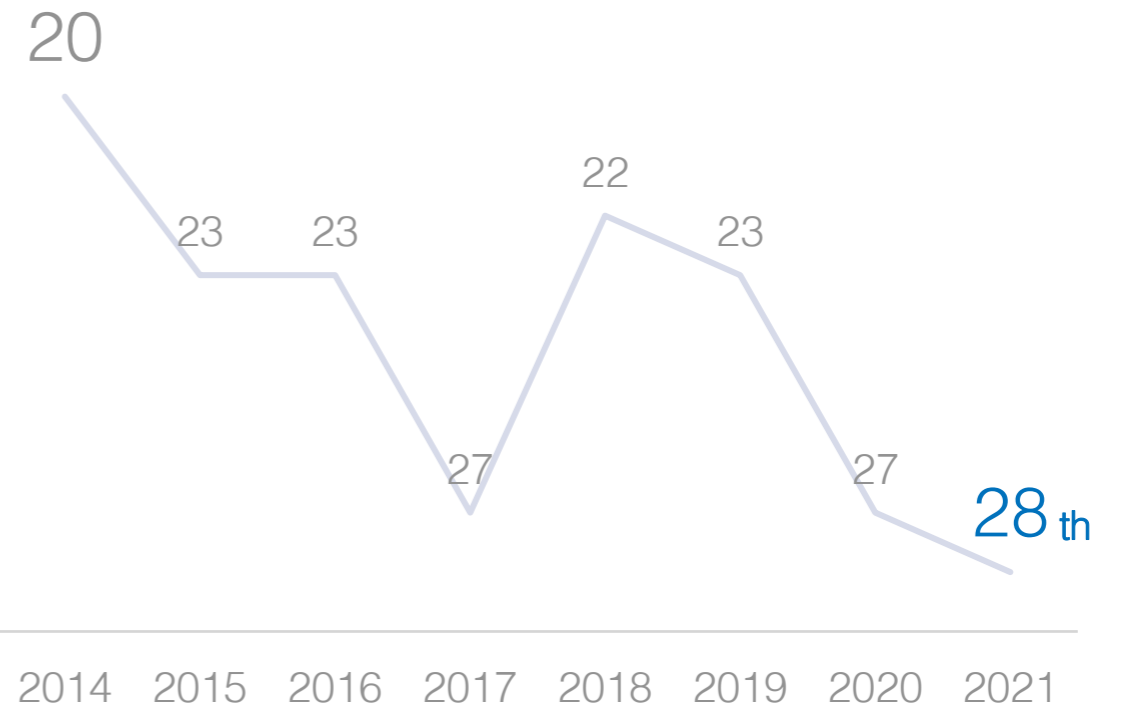
### Japan's International Competitiveness Ranking<sup>(1)</sup>

Rank



### Japan's Digital Competitiveness Ranking<sup>(2)</sup>

Rank

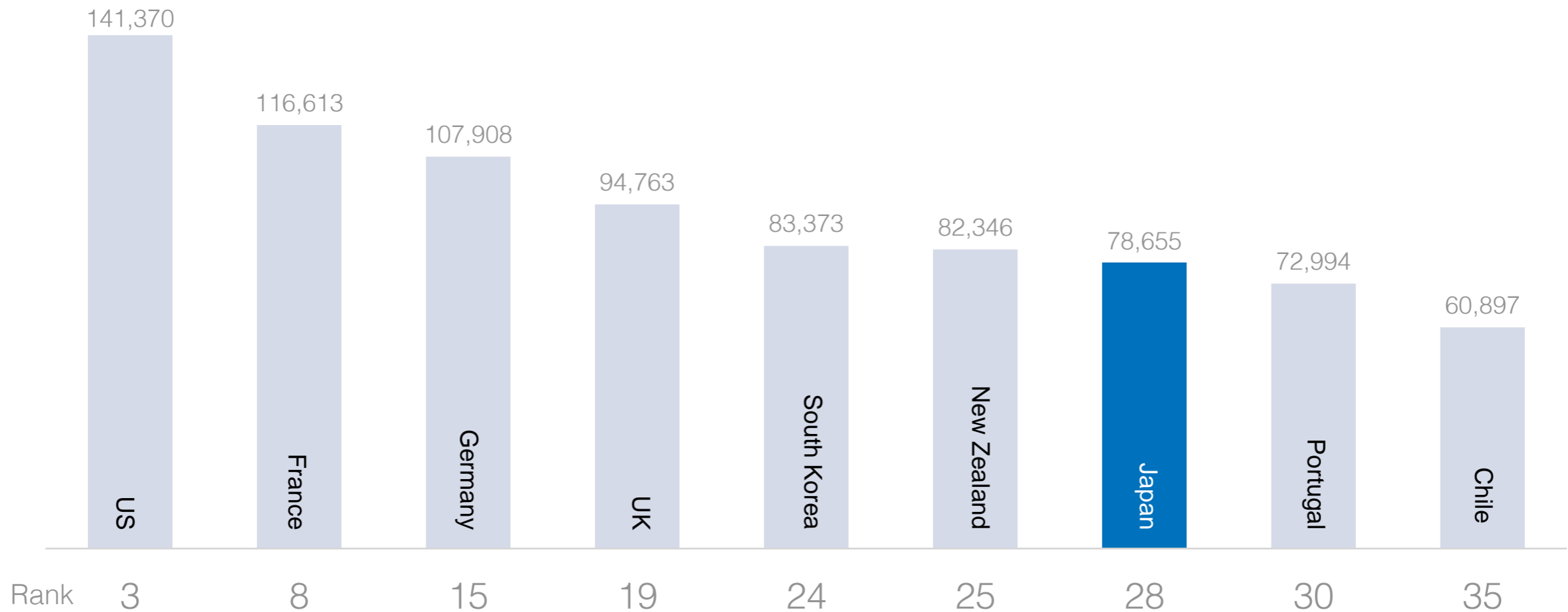


Notes: (1) From "IMD World Competitiveness Ranking" by The IMD World Competitiveness Center (<https://www.imd.org/centers/world-competitiveness-center/>) (2) From "IMD World Digital Competitiveness Ranking" by The IMD World Competitiveness Center (<https://www.imd.org/centers/world-competitiveness-center/>)

**Priority investments mentioned in the “New Form of Capitalism” include investments in people, acceleration of DX for SMEs, strengthening cyber security, etc. Increasing labor productivity and digital competitiveness to solve social issues and achieve market growth in Japan is key**

## Labor Productivity of OECD Member Countries<sup>(1)</sup>

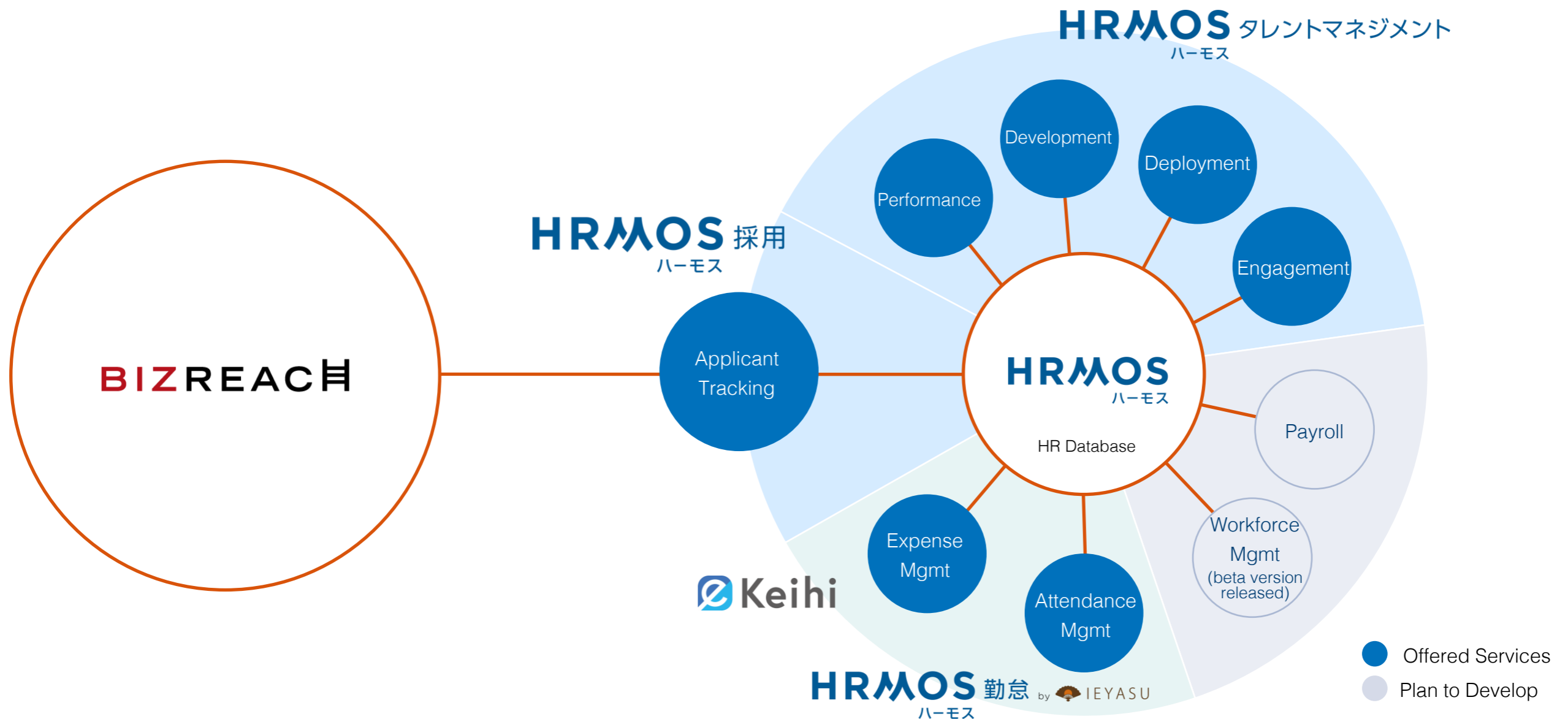
Year 2020, per employed worker, comparison among 38 countries  
Unit: US dollar at purchasing power parity



Note: (1) From Japan Productivity Center “International Comparison of Labor Productivity 2021” (<https://www.jpc-net.jp/research/detail/005625.html>)






Seamless integration of BizReach and HRMOS to create a unified, data-driven HCM Ecosystem where employee productivity is optimized, business operations are streamlined to guide our customers make smarter decisions

## Human Capital Management (HCM) Ecosystem



80.1% acquisition of IEYASU (attendance management cloud provider) completed on Nov. 1, 2021, and 100% acquisition of ezSoft (expense management cloud provider) completed on Mar. 1, 2022. Figures are included in the consolidated financials and impact is negligible. Figures are not included in HRMOS

**Building businesses in potential areas of growth emerging from seismic shifts and technological innovation. Driving mid to long term growth whilst contributing to improving Japan’s productivity**

| Issue 1   | Issue 2   | Issue 3  |
|---|---|--|
| <p><b>Lack of capital liquidity including business succession</b></p> <p>“Japan’s Economy 2020-2021”<sup>(1)</sup></p> <p>“...for companies with promising business and appropriate technological capabilities, retaining their know-how and employment in the form of M&amp;A will help maintain the technological capabilities of Japan as a whole...”</p> <p>M&amp;A matching platform</p>  | <p><b>Delay in security measures as cloud service utilization increases</b></p> <p>“Grand Design and Action Plan for a New Form of Capitalism”<sup>(2)</sup></p> <p>“To enhance cyber security throughout the supply chain, subsidies will also be provided for the introduction of security systems by SMEs...”</p> <p>Vulnerability management cloud</p>  <p>Risk evaluation cloud</p>  | <p><b>Delay in DX for SMEs</b></p> <p>“Grand Design and Action Plan for a New Form of Capitalism”<sup>(2)</sup></p> <p>“It is vital to strengthen competitiveness through productivity improvements and optimizing trade...”</p> <p>Logistics matching platform</p>  <p>B to B lead generation platform</p>  |

Notes: (1) Extracts from Director for Economic and Fiscal Analysis, Cabinet Office, Government of Japan “Japan’s Economy 2020-2021: Rising from the Crisis of Infectious Disease” in March 2021 (2) Extracts from the “Grand Design and Action Plan for a New Form of Capitalism” on June 7, 2022

4

# Message to Shareholders and Investors

## **Persistent Creation of New Possibilities.**

**We will tap into the power of the internet to support the digital transformation of the Japanese economy.  
We will continue to maximize mid-to-long term enterprise value by persistently transforming social obstacles into new possibilities.**

## **Commitment towards our group mission**

- ✔ Sustained growth and profit expansion of the BizReach business
- ✔ Seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem
- ✔ Continue to incubate businesses to drive sustainable long-term growth



# Appendix

|                          |   |
|--------------------------|---|
| <b>Company Name</b>      | Visional, Inc.  |
| <b>Address</b>           | 2-15-1, Shibuya, Shibuya-ku, Tokyo  |
| <b>CEO</b>               | Representative Director and CEO Soichiro Minami   |
| <b># of Employees</b>    | 1,528 people (As of July end, 2022)   |
| <b>Share Capital</b>     | JPY 6,662 MM (As of July end, 2022)   |
| <b>Business Overview</b> | Management support of group companies   |
| <b>Subsidiaries</b>      | BizReach, Inc.<br>IEYASU, Inc.<br>ezSoft Co., Ltd.<br>M&A Succeed, Inc.<br>Trabox, Inc.<br>BizHint, Inc.<br>Assured, Inc. |



## Soichiro Minami - Representative Director and CEO BizReach, Inc. / Chairman

After graduating from Tufts University in the U.S. in 1999, he joined the Investment Banking Division of Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.). He was involved in founding a professional baseball team “Tohoku Rakuten Golden Eagles” in 2004, and then, in 2009, established BizReach, Inc. Since then, he has successively established businesses to promote digital transformation (DX) in HR Tech including recruiting platforms and Human Capital Management (HCM) SaaS, and also in other business domains including M&A matching platform, logistics matching platform, B to B lead generation platform and cybersecurity. He assumed his current position from February 2020 when BizReach, Inc. was reorganized into a holding company structure and Visional, Inc. was established. He was appointed as Chairman of BizReach, Inc. in July 2022. In 2014, he was chosen as one of the Young Global Leaders at the World Economic Forum (Davos).



## Shin Takeuchi - Director and CTO

After graduating from the Department of Computer Science at University of Electro-Communications in 2001, he joined FUJISOFT Incorporated where he was engaged in system development mainly for government offices and major telecom companies. In 2007, he was engaged in development of a company-wide common infrastructure framework at Recruit Co., Ltd. and at the same time, started OSS activities within the Seasar Project. In 2008, he founded Lei Hau’oli Co., Ltd. He joined BizReach, Inc. from the pre-founding days and assumed the position of Director and CTO. In February 2020, he assumed his current position. Outside the company, he serves as Director of the Japan CTO Association.



## Satoshi Murata – Director Trabox, Inc. / Representative Director and CEO

After graduating from the Faculty of Law at Aoyama Gakuin University in 2002, he joined Global Media Online, Inc. (currently GMO Internet, Inc.). Afterward, he held positions of responsibility in business development and marketing departments at Viacom International Japan K.K. (currently Viacom Networks Japan K.K.), and in 2011, he became Representative Director at LUXA, Inc. (currently au Commerce & Life, Inc.). In 2019, he became Director and COO of BizReach, Inc. and in February 2020, Director and COO of Visional, Inc. In August 2022, he assumed his current position.



## Tetsuya Sakai – Director BizReach, Inc. / Representative Director and CEO

After graduating from the Faculty of Business and Commerce at Keio University in 2003, he joined Japan Sports Vision Co., Ltd. He later joined Recruit Career Co., Ltd. where he was engaged in sales and business development roles, and then served as the Head of Sales in the mid-career recruiting domain. In November 2015, he joined BizReach, Inc. and held various positions such as Head of the BizReach Division, Head of the Recruiting Platform, and Vice President of BizReach, Inc. In July 2022, he became Director and CEO of Bizreach, Inc. In October 2022, he was appointed as Director of Visional, Inc.



## Toru Shimada – Outside Director

He joined Recruit Co., Ltd. in 1987. In 1989, he founded Intelligence, Ltd. (currently Persol Career Co., Ltd.). After leaving Intelligence in 1999 to date, he has supported more than 180 startup companies as an angel investor. During this period, from 2004 to 2015, he has held various positions such as CEO & Owner of Rakuten Baseball, Inc., and Representative Director and Executive Vice-President of Rakuten, Inc. From 2017 to 2021, he has served as Director, Executive Vice-President and COO of USEN-NEXT HOLDINGS Co., Ltd. He is also involved in management of various companies.



## Naoko Harima – Outside Director (Audit & Supervisory Committee Member)

After graduating from the Faculty of Economics at Keio University in 2003, she joined Asahi & Co. (currently KPMG AZSA LLC). In 2007, she registered as a certified public accountant. After opening her private office in 2008, she was engaged in acquisitions, oversight, and supervision of hotel operation companies and disclosure of financial results at Japan Hotel and Resort, Inc. (currently Japan Hotel REIT Advisors Co., Ltd.). After that, she served as outside auditor of JEPLAN, INC. and KinoPharma, Inc., and outside director of ATSUGI CO., LTD. In 2019, she became an Auditor of BizReach, Inc. In February 2020, she assumed her current position.



## Maiko Chihara – Outside Director (Audit & Supervisory Committee Member)

She graduated from the Faculty of Law at University of Tokyo in 1998, and in 2008, graduated from Columbia Law School (LL.M.) in the U.S. After registering as an attorney-at-law in 2002, she joined Nagashima Ohno & Tsunematsu and then, in 2011, Kataoka & Kobayashi LPC where she has been serving as Partner since 2014. Mainly focusing on financial legal affairs including structured finance and financing, she is engaged in general corporate legal affairs including litigation relating to general commercial/financial transactions, responses to crisis management, and compliance and M&A cases. Alongside this, she served as outside director at listed companies.



## Tadatsugu Ishimoto – Outside Director (Audit & Supervisory Committee Member)

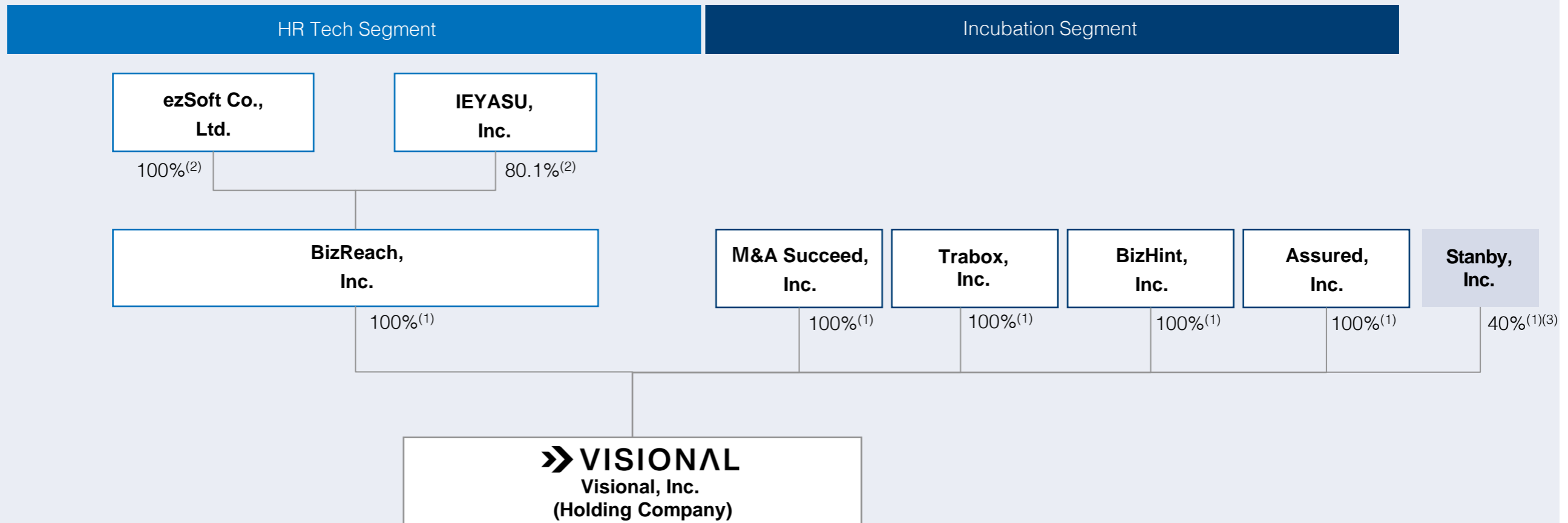
He graduated from the School of Commerce at Meiji University in 1996 and joined the Tokyo Office of KPMG Peat Marwick where he was engaged in international tax affairs and corporate finance. Afterward, he worked as a venture capitalist and CFO at a startup company and in 2001, founded Mentor Capital Tax Office. Since then, alongside providing support to startups, he has held various positions such as researcher at Mitsui & Co. Global Strategic Studies Institute and outside director at Enigmo Inc. and UNITED, Inc.



## Risako Suefuji - Executive Officer, CFO

After graduating from Keio University, she joined Morgan Stanley Japan Securities Co., Ltd. (currently Morgan Stanley MUFG Securities Co., Ltd.). In 2010, she participated in the Global Leadership Program at General Electric (GE) and she later engaged in marketing and strategy roles within GE. From 2016, she successively served in executive positions in finance, business strategy and compliance at GlaxoSmithKline K.K. In 2019, she joined BizReach, Inc. and in 2020, she assumed her current position.

## Current Group Structure (As of October 27, 2022)



Notes: (1) Visual, Inc.'s shareholding ratio of its subsidiaries and affiliate (2) BizReach, Inc.'s shareholding ratio of its subsidiary (3) Joint venture with Z Holdings Corporation, in which Visual, Inc. holds a 40% stake as an equity method affiliate

**Below are some of the risks associated with our business model and strategy. Please refer to the risk section in our disclosure for details.**

## Risks Related to Our business

## Probability of manifestation and Actions to Mitigate Risks

### Our results of operations could be adversely affected by negative economic conditions in Japan

The performance of our businesses is generally sensitive to economic, social and geopolitical conditions in Japan, which is currently our sole operating market, as well as global economic conditions more generally. In our online recruiting businesses, our results of operations are sensitive to negative developments in the labor and employment market resulting from economic downturns or uncertainty. Our ability to achieve expected growth of emerging businesses in our Incubation segment, could also be adversely impacted by economic downturns. Negative economic trends may also result in downward competitive pressure on the pricing of our services across our businesses, and we may be unable to reduce selling and administrative expenses without negatively impacting our market presence, quality of service, infrastructure or capacity to respond to future increases in demand for our services.



Probability : Mid, Impact : Mid

Not only businesses related to hiring that could be adversely affected by negative economic conditions and the labor market, including BizReach, etc., we operate other businesses that are less adverse to the labor market. Also, we aim to create a revenue structure that is less susceptible to changes in the business environment by providing services in a wide range of recruiting fields and diversifying our revenue sources.

### Our past and future acquisitions, minority investments, joint ventures and strategic alliances could fail to deliver the anticipated benefits or otherwise have an adverse effect on our businesses and results of operations

As part of our business strategy, we actively engage in acquisitions, minority investments, joint ventures and other strategic alliances with third parties to expand our product and service offerings, enter into new business areas and acquire related technologies, focusing on businesses operating in Japan. As part of our acquisition strategy, we have in the past acquired and may in the future acquire or invest in early-stage or emerging companies that are unprofitable, and the consolidation of such target companies into our overall results may negatively impact our consolidated results of operations and any future acquisitions or minority investments we undertake may similarly adversely affect our consolidated results of operations. In addition, we may have difficulty accurately assessing the future viability and growth trajectory of early-stage companies, especially in cases where the relevant technologies are in the early stages of development and still relatively untested or are rapidly evolving in ways that are difficult to predict. We may also face uncertainties when we acquire or invest in companies with a limited operating history or a management system that requires improvement, which is often the case for early-stage companies, including potential compliance issues or liabilities that were not identified in due diligence.



Probability : Low, Impact : Low

We will continue to conduct due diligence and consider risks when executing acquisitions, minority investments, joint ventures and other strategic alliances with third parties. Also, we will support growth through post merger integration (PMI) after the acquisition.

## Risks Related to Our business

## Probability of manifestation and Actions to Mitigate Risks

### Security breaches or unauthorized access or use of our or our customers' data could adversely affect our reputation and expose us to claims from customers and penalties from authorities

Our services involve the generation, processing, storage and transmission of large amounts of personal, confidential and other sensitive information, including personal and employment information about job seekers, highly confidential financial information and transaction data regarding our customers' businesses and personal or identifying information regarding their employees. Our systems and those of our third-party cloud infrastructure providers are vulnerable to computer viruses, break-ins, phishing attacks and other cyberattacks that could lead to unauthorized disclosure of personally identifiable or other sensitive information. If we gain greater visibility or market share, we may face a higher risk of being targeted by cyberattacks. If we experience any of the foregoing security breaches or other incidents involving personal information, our business, results of operations and reputation could be adversely impacted.



Probability : Low, Impact : High  
We will continue to develop a rigorous process to manage personal information and confidential information of our customers and business partners. Rules are put in place and we will continue to refine as necessary, as well as continue our efforts to educate our employees.

### We may have difficulties or incur significant costs in recruiting and retaining talented employees

Our future success depends, in part, on our ability to continue to attract, retain and motivate highly skilled personnel. In particular, we are in constant need of software engineers to support our product development activities. We face intense competition in hiring these types of employees from a broad range of companies, including global technology and other companies that are larger than us and have more financial and other resources than we do. In order to compete with such companies, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing employees, we may be unable to manage our business effectively, including the development, marketing and sale of our solutions, which could adversely affect our business, results of operations and financial condition.



Probability : Low, Impact : Low  
We will attract, hire and retain the best talent through demonstrating our Direct Recruiting efforts. We also focus on on-the-job training and training programs to develop talents.

**We will continue to conduct active advertising and investment in talent for BizReach that continues to be in the expansion phase, active investment in product development for HRMOS to complete the HCM ecosystem, and investment in other new businesses. In addition, M&A will be an option to accelerate the development of the HCM ecosystem, as well as to enter into other business domains.**

## Use of Proceeds from IPO

JPY MM

| Use of Proceeds   | Used Amount (FY2021/7) | Used Amount (FY2022/7) | Estimated Use (FY2023/7) | Estimated Use Total |
|---|------------------------|------------------------|--------------------------|---------------------|
| 1. Marketing investment, including advertising and sales promotion        | 500 <sup>(1)</sup>     | 1,500 <sup>(1)</sup>   | 2,000                    | 4,000               |
| 2. Human resource expenses for expanding businesses                       | 500 <sup>(1)</sup>     | 1,500 <sup>(1)</sup>   | 2,000                    | 4,000               |
| 3. Investment funds for use in business acquisitions (M&A) <sup>(2)</sup> | -                      | 1,656 <sup>(2)</sup>   | -                        | 1,656               |

Notes: (1) Allocated as originally anticipated (2) Acquired the shares of IEYASU, Inc. on November 1, 2021 and the shares of esSoft Co., Ltd., on March 1, 2022 partially allocated by the proceeds from IPO as part of HRMOS growth strategy.



# Key Financials: Profit and Loss Statement<sup>(1)</sup>

|  | JPY MM     |            |              |              |              |                    |
|--|------------|------------|--------------|--------------|--------------|--------------------|
|  | FY18/7     | FY19/7     | FY20/7       | FY21/7       | FY22/7       | FY23/7<br>Forecast |
| <b>Revenue</b>                             | 15,700     | 21,492     | 25,879       | 28,698       | 43,954       | 56,000             |
| YoY Growth (%)                             | -          | 36.9%      | 20.4%        | 10.9%        | 53.2%        | 27.4%              |
| <b>HR Tech Segment</b>                     | 15,543     | 21,175     | 24,914       | 27,052       | 41,791       | 53,275             |
| YoY Growth (%)                             | -          | 36.2%      | 17.7%        | 8.6%         | 54.5%        | 27.5%              |
| <b>Incubation Segment</b>                  | 156        | 316        | 892          | 1,485        | 2,002        | 2,600              |
| YoY Growth (%)                             | -          | 101.6%     | 182.1%       | 66.3%        | 34.8%        | 29.9%              |
| Cost of Sales                              | 2,011      | 3,228      | 4,104        | 3,999        | 5,802        | -                  |
| Gross Profit                               | 13,689     | 18,263     | 21,775       | 24,699       | 38,151       | -                  |
| Margin (%)                                 | 87.1%      | 85.0%      | 84.1%        | 86.1%        | 86.8%        | -                  |
| Selling, General & Administrative Expenses | 13,060     | 17,749     | 19,588       | 22,331       | 29,830       | -                  |
| Marketing                                  | -          | 8,020      | 7,640        | 9,562        | 14,697       | -                  |
| Payroll                                    | -          | 4,633      | 5,301        | 6,308        | 7,410        | -                  |
| Rent                                       | -          | 824        | 1,251        | 1,258        | 1,243        | -                  |
| Others                                     | -          | 4,270      | 5,394        | 5,202        | 6,478        | -                  |
| <b>Operating Income</b>                    | <b>629</b> | <b>514</b> | <b>2,186</b> | <b>2,368</b> | <b>8,320</b> | <b>12,500</b>      |
| Margin (%)                                 | 4.0%       | 2.4%       | 8.4%         | 8.3%         | 18.9%        | 22.3%              |
| <b>HR Tech Segment</b>                     | 1,531      | 1,732      | 3,343        | 4,000        | 10,670       | -                  |
| <b>Incubation Segment</b>                  | (156)      | (663)      | (868)        | (863)        | (1,649)      | -                  |
| Pre-tax Profit                             | 590        | 393        | 7,023        | 2,290        | 8,755        | -                  |
| Income Tax Expense                         | (25)       | 58         | 2,364        | 869          | 2,896        | -                  |
| <b>Net Income</b>                          | <b>616</b> | <b>335</b> | <b>4,658</b> | <b>1,420</b> | <b>5,858</b> | <b>8,330</b>       |
| Margin (%)                                 | 3.9%       | 1.6%       | 18.0%        | 5.0%         | 13.3%        | 14.9%              |

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

## Reconciliation of Adjusted Operating Profit before Corporate Expense Allocation to Operating Income<sup>(1)</sup>

JPY MM

|  | FY20/7       | FY21/7       | FY22/7       |
|--|--------------|--------------|--------------|
| Total Adjusted Operating Profit before corporate expense allocation  | 7,531        | 6,170        | 12,622       |
| BizReach Business <sup>(2)(3)</sup>  | 9,232        | 9,637        | 17,609       |
| HRMOS Business <sup>(3)</sup>  | (1,159)      | (2,102)      | (2,954)      |
| Other Businesses <sup>(3)</sup>  | (541)        | (1,364)      | (2,032)      |
| Adjustment item  |              |              |              |
| -) Corporate and general administrative expenses (such as accounting, HR, legal, general affairs, etc.) <sup>(4)</sup> | 5,345        | 3,802        | 4,301        |
| -) HR Tech Segment <sup>(4)</sup>  | 4,647        | 3,263        | 3,731        |
| -) Incubation Segment <sup>(4)</sup>   | 697          | 538          | 570          |
| <b>Operating Income (J-GAAP)</b>   | <b>2,186</b> | <b>2,368</b> | <b>8,320</b> |

## Adjusted Headcount by Function and Business (FY22/7)<sup>(5)</sup>

|   | Adjusted headcount | % of subtotal for HR Tech businesses |
|---|--------------------|--------------------------------------|
| HR Tech businesses                      |                    |                                      |
| BizReach Business                       | 677                | 60.1%                                |
| HRMOS Business                          | 278                | 24.7%                                |
| Other HR Tech businesses                | 172                | 15.3%                                |
| Subtotal for HR Tech businesses         | <b>1,127</b>       | <b>100%</b>                          |
| General functions of HR Tech businesses | 125                | n/a                                  |
| Total for HR Tech businesses            | <b>1,252</b>       | <b>n/a</b>                           |
| Incubation businesses                   | 142                | n/a                                  |
| Corporate                               | 134                | n/a                                  |
| <b>Total</b>                            | <b>1,528</b>       | <b>n/a</b>                           |

Notes: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. (2) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.) (3) Calculated as revenue of each business minus cost of sales and selling, general and administrative expenses which are directly allocated to each business (4) These expenses comprise corporate and general administrative expenses that we have not directly allocated to individual businesses for our internal management purposes (5) Adding headcount calculated back to those who belong to each business, based on man-hours equivalent to labor costs, which is directly allocated to each such business and included in the relevant adjusted operating profit before corporate expense allocation

# Key Financials: Balance Sheet<sup>(1)</sup>

| JPY MM                             |        |        |        |        |        | JPY MM  |        |        |        |        |        |
|------------------------------------|--------|--------|--------|--------|--------|---|--------|--------|--------|--------|--------|
| Assets                             | FY18/7 | FY19/7 | FY20/7 | FY21/7 | FY22/7 | Liabilities and Equity                        | FY18/7 | FY19/7 | FY20/7 | FY21/7 | FY22/7 |
| <b>Current Assets</b>              | 7,453  | 7,515  | 12,137 | 29,532 | 36,743 | <b>Current Liabilities</b>                    | 4,583  | 5,190  | 5,290  | 9,046  | 13,988 |
| Cash and Cash Equivalents          | 4,953  | 4,761  | 9,114  | 25,630 | 31,362 | Accounts Payable                              | 1,582  | 1,937  | 1,486  | 3,341  | 4,054  |
| Notes and Accounts Receivable      | 2,158  | 2,132  | 2,012  | 3,258  | 4,356  | Deferred Revenue                              | 1,937  | 1,910  | 1,917  | 3,042  | –      |
| Other Current Assets               | 341    | 620    | 1,011  | 643    | 1,025  | Contract liabilities                          | -      | -      | -      | -      | 4,941  |
| <b>Fixed Assets</b>                | 1,442  | 2,340  | 5,584  | 5,544  | 9,018  | Other Current Liabilities                     | 1,062  | 1,342  | 1,886  | 2,662  | 4,993  |
| Tangible Assets                    | 527    | 755    | 899    | 700    | 735    | <b>Fixed Liabilities</b>                      | 95     | 118    | 3,225  | 3,494  | 2,994  |
| Intangible Assets                  | 60     | 39     | 2,488  | 2,457  | 4,964  | Liabilities from application of Equity Method | -      | -      | 3,070  | 2,773  | 2,453  |
| Goodwill                           | -      | -      | 1,186  | 1,296  | 3,958  | Other Fixed Liabilities                       | 95     | 118    | 155    | 720    | 541    |
| Other Intangible Assets            | 60     | 39     | 1,301  | 1,160  | 1,006  | <b>Total Liabilities</b>                      | 4,678  | 5,308  | 8,516  | 12,540 | 16,983 |
| Total Investments and Other Assets | 853    | 1,545  | 2,196  | 2,385  | 3,318  | <b>Total Equity</b>                           | 4,217  | 4,547  | 9,205  | 22,536 | 28,779 |
| <b>Total Assets</b>                | 8,895  | 9,856  | 17,722 | 35,076 | 45,762 | <b>Total Liabilities and Equity</b>           | 8,895  | 9,856  | 17,722 | 35,076 | 45,762 |

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

# Key Financials: Cash Flow Statement<sup>(1)</sup>

|  | JPY MM       |              |              |               |                |
|--|--------------|--------------|--------------|---------------|----------------|
|  | FY18/7       | FY19/7       | FY20/7       | FY21/7        | FY22/7         |
| <b>Cash Flows from Operating Activities</b>  |              |              |              |               |                |
| Pre-tax Profit   | 590          | 393          | 7,023        | 2,290         | 8,755          |
| Depreciation and Amortization of Goodwill  | 118          | 231          | 547          | 670           | 807            |
| Gain on Transfer of Business   | -            | -            | (4,799)      | -             | -              |
| Income Taxes Paid  | (0)          | (332)        | (2,966)      | (992)         | (2,049)        |
| Others   | 1,134        | 480          | (38)         | 2,347         | 2,094          |
| <b>Cash Flows from Operating Activities</b>  | <b>1,843</b> | <b>771</b>   | <b>(234)</b> | <b>4,315</b>  | <b>9,608</b>   |
| <b>Cash Flows from Investing Activities</b>  |              |              |              |               |                |
| Proceeds from Business Divestiture   | -            | -            | 8,000        | -             | -              |
| Purchases of Shares of Subsidiaries Resulting in Change in Scope of Consolidation      | -            | -            | (2,363)      | -             | (2,875)        |
| Purchases of Property and Equipment  | (301)        | (313)        | (447)        | (116)         | (325)          |
| Others   | (304)        | (508)        | (389)        | 82            | (753)          |
| <b>Cash Flows from Investing Activities</b>  | <b>(606)</b> | <b>(823)</b> | <b>4,799</b> | <b>(33)</b>   | <b>(3,954)</b> |
| <b>Cash Flows from Financing Activities</b>  |              |              |              |               |                |
| Proceeds from issuance of shares   | -            | -            | -            | 11,176        | -              |
| Others   | (47)         | (112)        | (19)         | 1,057         | 77             |
| <b>Cash Flows from Financing Activities</b>  | <b>(47)</b>  | <b>(112)</b> | <b>(19)</b>  | <b>12,234</b> | <b>77</b>      |
| Net Increase (Decrease) in Cash and Cash Equivalents                                   | 1,189        | (165)        | 4,544        | 16,515        | 5,731          |
| Cash and Cash Equivalents at Beginning of Year   | 3,763        | 4,953        | 4,761        | 9,114         | 25,630         |
| Increase (Decrease) in Cash and Cash Equivalents from Change of Scope of Consolidation | -            | (26)         | (192)        | -             | -              |
| <b>Cash and Cash Equivalents at End of Year</b>  | <b>4,953</b> | <b>4,761</b> | <b>9,114</b> | <b>25,630</b> | <b>31,362</b>  |

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

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