

Visional Inc., FAQ for FY2021/7 3Q Financial Results

Consolidated Financial Results

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

HR Tech Segment include the following businesses: Professional recruiting platform “BizReach”, cloud based HCM platform “HRMOS”, recruiting platform for young professional talents “CareerTrek”, network for alumni “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 vulnerability management tool “Yamory”.

Q2 Is YoY comparison for Q3 financials available?

We have not created FY2020/7 3Q consolidated financials and therefore YoY comparison for FY2021/7 3Q is not available.

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

Majority of net sales in the HR Tech Segment is BizReach. BizReach has rebounded strongly from the slowdown in the recruiting market impacted by COVID-19 and have recorded positive YoY growth for 2Q and 3Q. HRMOS KPIs were also impacted by COVID-19, however, the business continues to grow. Other businesses in the HR Tech Segment were also impacted by COVID-19, however, 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 profits generated by BizReach.

Q4 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. All product and business related costs directly associated are included.

Q5 What is Liabilities from application of Equity Method?

This is an account that is derived from our divestiture of Stanby, currently our equity method affiliate, with Z Holdings.

Q6 What is the reason of changes in the Other Current Assets?

The decrease in Other Current Assets is driven by recognition of net sales from one of our businesses in the HR Tech Segment.

Q7 Based on the positive growth of BizReach business in 3Q, is the net sales financial forecast realistic?

BizReach net sales growth have turned positive since 2Q and showed stronger growth in 3Q with upside

trends, yet no change in net sales financial forecast as uncertainties remain from the pandemic.

Q8 Based on the profit levels of 9 months ended April 30, 2021, is the profit forecast realistic?

Due to the uncertainties of COVID-19 during the first half of FY2021/7, we prioritized securing profits and therefore controlled marketing and hiring spends. However, as we observe positive market trends, we have started reinvesting profits back into the business and we plan to continue to accelerate spending in 4Q to invest for midterm growth, therefore no change to profit forecasts.

Q9 What are the expenses related to the April 22 IPO?

Expenses related to the IPO recorded in 3Q are as follows: JPY 338MM recorded under non-operating expenses and JPY 70MM recorded as stock costs. These expenses include audit fees, legal fees, TSE examination fees, OC drafting and printing costs etc.

Q10 What is the amount raised at the April 22 IPO? What is the use of proceeds?

We have raised JPY 10.0Bn from the IPO. 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.

We have also disclosed as significant subsequent events with regard to the sale of the Company's shares in connection with over-allotment, as decided at the Board of Directors meetings held on March 17 and April 6, 2021. Third-party share allotment has been issued and payment was completed on May 18, 2021. Please refer to our 3Q consolidated financial results filing translation for details.

BizReach

Q11 Should we assume BizReach has rebounded from COVID-19 impact?

BizReach net sales growth have turned positive since 2Q. Demand for professionals is strong, driven by DX needs and talent needs in preparation for business growth post COVID-19. Greater metropolitan areas also showing hiring needs, and professional demand is exceeding pre-pandemic levels. We believe growth is back, but we continue to be cautious of COVID-19 uncertainties.

Q12 What is your cost structure?

Our major costs are 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 and TV commercials whilst carefully monitoring sales trend.

Q13 What is the current number of active direct employers?

Active direct employers are direct employers who have used our BizReach platform for one day or more within the relevant fiscal year. As such, the numbers are calculated once fiscal year closes and we plan to update the figures at the next full year financial results announcement.

Q14 What are the key marketing investments to be made in 4Q to drive future growth?

As we saw positive net sales growth trend in 2Q, we have resumed marketing investments and hiring that

we have controlled during most part of FY2021/7 1H when we prioritized securing profits. 4Q marketing investments will include TV commercials, online and offline marketing investments to acquire candidates and direct employers that will drive our future platform growth.

HRMOS

Q15 Why is HRMOS Churn Rate higher than historical levels?

HRMOS Monthly Churn Rate (12-month average) increased as cancellations increased by the hiring freeze driven by COVID-19 economic uncertainties. However, single month Monthly Churn Rate has been around 1.0% levels since December 2020 and therefore we expect Monthly Churn Rate (12-month average) to decrease in the future.

Q16 HRMOS ARR growth seems to be slowing down?

Currently, majority of net sales in HRMOS is driven by HRMOS ATS. HRMOS ATS has been 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 are all expected to drive ARR growth in the mid-term.

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 will continue to invest in product improvements and new product development, and our development roadmap is on track.

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