

Visional, Inc., FY2022/7 FY Financial Results

September 14, 2022

(Moderator) Thank you very much for taking time out of your busy schedule to join us today for the Visional Group financial results briefing for the fiscal year ending July 31, 2022. Since we are holding today's meeting via Zoom webinar, the cameras and microphones of all participants will be automatically turned off.

Today's financial results presentation materials are available on our website.

Before I begin, I would like to remind you of the following.

In this presentation, we may discuss future prospects based on our current expectations. Please be aware that these statements are subject to risks and uncertainties, and actual results may differ from those discussed in the forward-looking statements.

Representative Director and CEO, Soichiro Minami, and Executive Director, CFO, Risako Suefuji will now explain the contents of the earnings announcement for the fiscal year ending July 31, 2022, which was disclosed at 3:00 p.m.JST today.

We will now begin the explanation.

(Suefuji) Thank you very much for your time today. My name is Risako Suefuji. Let me provide a brief explanation of our financial performance.

Financial highlights are shown on page 2. We will explain the business performance in detail using the following pages. But in summary, we grew very strongly in both net sales and in profit during FY2022/7.

On page 3 is Visional Group consolidated financial results.

Consolidated net sales for full year was JPY 43.95Bn, 53.2% growth YoY. 4Q was JPY 12.07Bn, 49.1% YoY growth. Net sales grew strongly driven by the rebound hiring demand from COVID-19 and most currently, increased momentum by employers to actively hire mid-careers.

Consolidated operating profit for full year was JPY 8.32Bn, 251.3% YoY growth. Driven by the strong net sales growth, operating profit also grew strongly. 4Q operating profit was JPY 1.10Bn post aggressive investment in customer acquisition of BizReach, similar to last fiscal year. Quarterly profit level varies depending on the quarter based on net sales and marketing campaign investment timing.

Moving to page 4. Both HR Tech and Incubation segments grew strongly.

Before going into our financials, big picture-wise, majority of Visional's net sales is driven by BizReach within HR Tech segment and investments into other businesses are conducted within the profit generated by BizReach. Looking at FY2022/7 profits, BizReach adjusted operating profit before corporate expense allocation was JPY

17.60Bn. HRMOS losses was JPY 2.95Bn, subtracting other HR Tech business investments and corporate expenses related to HR Tech segment led to HR Tech Segment profit of JPY 10.67Bn. From there, subtract Incubation segment losses of JPY 1.64Bn and corporate expenses that lead to consolidated operating profit of JPY 8.32Bn.

We will explain about HR Tech segment later in the presentation so let us briefly touch on the performance of the Incubation segment here.

Full year Incubation segment net sales grew 34.8%. Quarterly growth varies as we have several businesses in the portfolio, but overall, the performance is on track. Full year segment operating losses of JPY 1.64Bn increased compared to FY2021/7 shown here on this page, and FY2020/7 disclosed in the Appendix. This is because we limited investments from 2H of FY2020/7 to 1H of FY2021/7 due to uncertainties arising from COVID-19. We are investing mainly in people to develop our services as well as limited marketing investments. For FY2022/7, we have made the required investments, with discipline, to develop the businesses in this segment.

Page 5 is our financial forecast for FY2023/7.

Full year consolidated net sales forecast is JPY 56.00Bn, 27.4% YoY growth.

BizReach net sales is forecasted to grow 30.3% to JPY49.00Bn. Although uncertainty in the economy has slowed down hiring activities in some companies in 4Q, we assume strong demand for professionals will continue driven also by the structural growth. Adjusted operating profit before corporate expense allocation is forecasted to land between 40% to 45%.

For HRMOS net sales, we forecast YoY growth of 35.8% to JPY 1.98Bn. Product development remains our priority, however, adjusted operating profit before corporate expense allocation for FY2023/7 is expected to decrease compared to FY2022/7.

Incubation segment net sales is forecasted as JPY 2.60Bn, 29.9% YoY growth. Business development continues for mid to long term enterprise value growth. As they are early businesses, net sales fluctuation risk exists, although impact to consolidated financials is limited and profitability will be maintained by controlling expenses.

Full year consolidated operating profit forecast is JPY 12.50Bn, 50.2% YoY growth. We will continue to balance growth investments and management discipline.

We will explain the performance of our key businesses.

Starting with BizReach.

Please refer to page 8. 4Q net sales was JPY 10.21Bn, 49.2% YoY growth, full year net sales was 37.60Bn, 59.6% YoY growth.

Moving on to page 9, looking at the graph on the top, growth rate has slowed down since 1Q and we believe the rebound hiring demand from COVID-19 may have already peaked in 4Q. However, the strong growth rate shows that strong demand for professionals continues amongst direct employers. Looking at the number of jobs available on our platform, that is continuing its growth trend, and supported by the structural growth of the market, we assume the strong demand for professionals will continue in FY2023/7.

Looking at the chart below, which shows the quarterly net sales trend of BizReach, 4Q net sales decreased

compared to 3Q. This is a normal trend under the seasonality of the Japanese hiring market.

On page 10 shows adjusted operating profit before corporate expense allocation. As we touched in 3Q, we have aggressively invested in 4Q to acquire customers to drive future sales. On a full year basis, the margin landed at 46.8%, which is higher than historical years. Strong net sales growth drove higher margins. For 2023/7, growth driven by COVID-19 will stabilize, yet we forecast strong net sales growth rate and as such, we expect margins to land between 40%-45%.

On page 11 is our KPIs for BizReach. Please kindly take a look at the chart on the bottom right, which shows the number of active direct employers. Active direct employers represent the number of employers who have subscribed to BizReach at any point in time during each fiscal year. For 2022/7, the number of active direct employers grew 30% YoY to more than 10,400 companies, which we believe, shows the strong demand for professionals by direct employers using BizReach.

Moving onto page 12. The breakdown of recurring revenue and performance revenue is shown on the left. The ratio for FY2022/7 is similar to our performance last fiscal year.

On the right-hand side is the net sales ratio between direct employers and headhunters. Both direct employers and headhunters contributed to our strong net sales growth, however, the ratio of direct employers was 66% for FY2022/7, which grew stronger than anticipated in 4Q, and aligned to the growth trend we saw in the number of active direct employers. The same ratio was 62% for FY2021/7.

Moving onto HRMOS.

On page 14 is the illustration of our HCM ecosystem, which I am sure many of you are familiar with. Our differentiation is the envisioned seamless integration between our recruiting platform BizReach with our cloud HCM SaaS HRMOS Applicant Tracking System and HRMOS Talent Management, as well as other modules under development, and PMI of modules acquired through M&A.

On page 15, on the left-hand side of the page, net sales grew as planned, with full year net sales of JPY 1.45Bn, 26.2% YoY growth. 4Q was JPY 0.40Bn, 30.2% YoY growth.

Adjusted operating losses before corporate expense allocation increased in 4Q compared to 3Q, as we aired TV commercials in 4Q, as we did in 2Q, to accelerate customer acquisition for HRMOS ATS, which is driving sales growth of HRMOS.

On page 16 shows our HRMOS KPIs. July end ARR was JPY 1.62Bn, 28.2% YoY growth, 1,193 unique paying customers, 26.8% YoY growth. Churn rate is trending very low and has continued to sustain pre-COVID levels of 1.0%.

I will skip page 17.

Next, our CEO Minami will talk about Visional Group strategy and our future.

(Minami) My name is Minami, CEO of Visional. Thank you very much for your time today. I will explain the overall strategy and future prospects of the Visional Group.

(Slide 19)

The mission of the Visional Group is stated on this page as "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. We have been working hard to create new businesses to deliver our mission for the past 13 years since our establishment.

(Slide 20)

We have built various businesses including BizReach, and we have used the same framework for creating businesses.

The important thing is to start by reading national reports and research reports from various research institutes to extract what are the issues facing society now and in the future?

Then, we travel around the world with that issue in our pocket. I would fly to the U.S. market, which is particularly advanced, to learn what business models and technologies are being used to solve these issues, and then bring this know-how back to Japan, check again the potential of this market, TAM, and the trends of the various existing players. After researching how the business model will work after localization, and whether it could transform the industry and market, we will consider whether it is feasible to launch as a business.

If we decide to launch the business, we will work with a small team to launch the service with minimum functionality for this market, test hypotheses for 2-3 years, make improvements, and confirm whether the business will scale, and invest fully. This is the Visional Group's approach to business creation and what is required to build a successful new business.

(Slide 21)

For example, BizReach, after 13 years, has grown very significantly. Looking back on the start-up period, we have utilized the framework for launching new businesses.

As it has become evident in the recent reports issued by the government, but 13 years ago, the employment environment was lagging behind the rest of the world.

The latest report released last week by the Ministry of Health, Labour and Welfare (MHLW) also included comments on this very topic of job mobility.

Labor force will need to shift to segments of higher growth, mid-career hiring is becoming more active and for some companies, they will need to strengthen it. The report also states that the shift in industrial structure will change the way individuals work and the skills they need to acquire.

This is exactly what we have been thinking for the past 13 years since the company was founded, and similar statements were made in national research reports and reports from various research institutes.

(Slide 22)

In the Japanese job market, there were approximately 36 million full-time employees last year, and 0.81 million people changed jobs, which is a little over 2%. Compared to the global labor market, do you think this figure of just over 2% is sustainable or healthy? As the way of working in this country undergoes a major transformation,

and as companies seek more productivity, how will the mobility of employment change? We encourage you to consider the growth potential of the market in light of the changes happening in your industry and the working styles of those around you.

“Reforms in the way we work” and “the 100-year life”. The government has issued various key words. The way we work is likely to change in the future.

(Slide 23)

Since many of you are hearing our presentation today for the first time, let me explain a little about how BizReach has captured that trend.

When we founded the business 13 years ago, we were looking at the low job mobility of Japan and changing work styles around the world. We considered what kind of business models would be best suited to the needs of our clients.

We benchmarked the e-commerce innovation in the retail market.

Originally, manufacturers as sellers, and the consumers as buyers, were connected by wholesalers, retailers, and other distribution players.

What happened with the e-commerce innovation? A place where everyone can transact openly in the middle of the sellers and buyers were created.

E-commerce players began to provide a visible platform that was not possible with analog transactions.

This is exactly what we saw when we founded the company, and we began to advocate the new idea of direct recruiting, which is what BizReach offers, by creating the same kind of innovation in the human resources industry.

At the same time, just as in the retail market where wholesalers are participating in the e-commerce platform, we asked our headhunters to join our open direct recruiting platform. These are some of the similarities.

What actually happens with BizReach?

(Slide 24)

By individuals registering their CVs with BizReach, BizReach enables companies to directly view and send messages to those who are interested. Interviews can then be conducted, and both parties can explore the possibility of employment. At the same time, by providing BizReach's resume database to headhunters, we have opened up the market to headhunters who originally searched for candidates on an individual basis using analog methods or by spending their own advertising budget to find candidates. This is the direct recruiting platform we offer

(Slide 25)

Currently, there are approximately 10 million professionals with annual income of JPY 6MM or more that we are targeting, and we currently have 1.7 million job seekers who have registered their work history with us. At the same time, there are approximately 50,000 Japanese companies with 101 or more employees, and we have exceeded 10,000 companies that used BizReach for more than one day during the fiscal year ending July 31, 2022. Both the job seeker side and the company side have been penetrated by about 20%.

However, the volume of mid-career hires through direct recruiting via BizReach is still very small compared to the overall volume of mid-career hiring, so we would like to continue our sales efforts, especially to large companies with large hiring needs.

(Slide 26)

Although we have discussed the importance of job mobility and productivity improvements, the latest report from the Kishida administration's Council for the Realization of New Capitalism, and other reports indicate that people-related issues exist in Japan's economy and businesses today.

For our part, in addition to BizReach, we would like to continue to actively invest in our new business, HRMOS, which provides human capital management solutions.

In our country, we have not been able to invest much in human resources for the past 10 or 20 years relative to other developed countries whilst our working-age population has been declining. This must change.

(Slide 27)

In terms of international competitiveness and digital competitiveness, we are lagging behind other countries. We can look at this pessimistically, but in my personal opinion, I see this as an opportunity. After the burst of the bubble, our economy has been sustained so far by the savings from the postwar period of rapid economic growth, but we are finally in a situation where we cannot wait any longer. We are now facing a situation where the government and companies must work hand in hand to invest in human resources, utilize human resources, and improve productivity.

(Slide 28)

BizReach and HRMOS is exactly the businesses that will help improve labor productivity.

(Slide 29)

We have been developing what we call the "HCM ecosystem" for the past several years, and we would like to make this as a data platform to accelerate not only recruitment, but also human resource utilization, human resource strategy, and investment in people.

The way we create our businesses is by carefully identifying social issues and using new technologies to provide solutions to those issues. We believe that the HCM ecosystem is very aligned with our philosophy.

(Slide 30)

Entering the HCM ecosystem from applicant tracking and connecting it to talent management. Also, in the fiscal year ending July 31, 2022, we acquired a start up that provides attendance management cloud service. We intend to achieve growth not only through the creation of our own products, but also through disciplined investment by utilizing M&A.

(Slide 31)

Let me conclude with a brief explanation of our Incubation segment business. As I have explained up to this point, there is always a major social issue at the start of our business. And where the market exists. The lack of capital liquidity, including business succession, was mentioned in the Cabinet report etc. as one of the key issues. Delays in security measures with the growing use of cloud services, and delay in DX for small and medium-sized enterprises were issues also clearly indicated in the report of the Kishida administration's Grand Design for a New

Capitalism, which I mentioned earlier.

We would like to create the second, third, and fourth pillars of our business through developing these businesses.

(Slide 32)

For my part, let me conclude by clearly communicating to you my commitment as a CEO to realize Visional Group's group mission.

First, we will deliver sustained growth and profit expansion of BizReach through disciplined investments.

Second, we will promote the seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem that I mentioned earlier.

As we discussed, we have a clearer picture of the challenges we face as a country, and companies will be accelerating their investments in human resources. This may be the case in your companies as well. We would like to provide a platform that will help leaders of companies improve their productivity by visualizing and quantifying data of the labor market in Japan.

Finally, as I mentioned earlier, we will continue to incubate businesses to drive increase in enterprise value.

“Persistent creation of new possibilities.”. In line with our group mission, we will continue to create businesses that will solve social issues.

(Slide 33)

As CFO Suefuji has just provided guidance on this fiscal year's forecast, and I would like to make a final comment. We are forecasting JPY 56Bn, 27% growth in group consolidated net sales. We are forecasting JPY 12.5Bn, about 50% growth in consolidated operating profit, driven by the growth of the BizReach business. The entire management team is committed to enhancing corporate value through disciplined investments.

Thank you very much.

(Moderator) This concludes Visional Group financial results briefing for the fiscal year ending July 31, 2022. Thank you very much for your participation.

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.