

Annual Securities Report

The 3rd Fiscal Year
From August 1, 2021 to July 31, 2022

Visional, Inc.

This is an English translation prepared for the convenience of non-resident shareholders by translating the Annual Securities Report (“Yukashoken Hokokusho”) submitted to the Director of the Kanto Local Finance Bureau of the Ministry of Finance of Japan on October 26, 2022 pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.

Annual Securities Report

1. This document is the Annual Securities Report submitted pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act via the Electronic Disclosure for Investors' Network ("EDINET") as set forth in Article 27-30-2 of the same Act, generated and printed with a Table of Contents and page numbers added.
2. The end of the report contains the Independent Auditor's Reports that were attached to the above Annual Securities Report submitted via the above method and the Internal Control Report and Confirmation Letter that were submitted with the Annual Securities Report.

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[Cover]	
[Document Submitted]	Annual Securities Report (“Yukashoken Hokokusho”)
[Article of the Applicable Law Requiring Submission of This Document]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director, Kanto Local Finance Bureau
[Date of Submission]	October 26, 2022
[Accounting Period]	The 3rd Fiscal Year (from August 1, 2021 to July 31, 2022)
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Part 1 Company Information

I. Overview of Company

1. Key Financial Data

(1) Consolidated Financial Data, etc.

(Million yen, unless otherwise stated)

Fiscal Year	1st	2nd	3rd	BizReach, Inc.'s 12th
Fiscal Year End	July 31, 2020	July 31, 2021	July 31, 2022	July 31, 2019
Net sales	25,879	28,698	43,954	21,492
Ordinary profit	2,254	2,274	8,751	511
Profit attributable to owners of parent	4,658	1,420	5,858	335
Comprehensive income	4,658	1,420	5,859	334
Net assets	9,205	22,536	28,779	4,547
Total assets	17,722	35,076	45,762	9,856
Net assets per share (Yen)	185.42	628.40	748.87	(15.06)
Basic earnings per share (Yen)	163.08	43.37	160.93	11.73
Diluted earnings per share (Yen)	—	35.84	140.50	—
Equity ratio (%)	51.8	64.2	62.8	45.9
Return on equity (%)	67.9	9.0	22.9	7.7
Price earnings ratio (Times)	—	127.7	45.0	—
Cash flows from operating activities	(234)	4,315	9,608	771
Cash flows from investing activities	4,799	(33)	(3,954)	(823)
Cash flows from financing activities	(19)	12,234	77	(112)
Cash and cash equivalents at end of period	9,114	25,630	31,362	4,761
Number of employees [Average number of temporary employees not included in the above numbers] (Persons)	1,186 [240]	1,271 [195]	1,528 [277]	1,112 [207]

- (Notes)
- The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share for the 1st fiscal year.
 - Although there are potential shares, diluted earnings per share for the 1st fiscal year are not shown because the average share value for the year cannot be determined due to the Company's shares being unlisted in the 1st fiscal year.
 - The price earnings ratio for the 1st fiscal year is not shown due to the Company's shares being unlisted.
 - The number of employees represents the number of employees engaged, excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 - The consolidated financial statements for the 1st fiscal year have been prepared by taking over the consolidated financial statements of BizReach, Inc., which is now a wholly owned subsidiary, and therefore includes the figures for BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019).
 - The consolidated financial statements for the 1st fiscal year have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
 - The consolidated financial statements for BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019) have been audited

by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

8. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share, basic earnings per share, and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the Company's 1st fiscal year and the beginning of BizReach, Inc.'s 12th fiscal year (year ended July 31, 2019).
9. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 3rd fiscal year. The key financial data on the 3rd fiscal year are those after applying this accounting standard.

(2) Financial Data, etc. of Reporting Company

(Million yen, unless otherwise stated)

Fiscal Year		1st	2nd	3rd
Year End		July 31, 2020	July 31, 2021	July 31, 2022
Operating revenue		1,385	1,736	7,001
Ordinary profit (loss)		27	(1,209)	2,816
Profit (loss)		12	(892)	2,963
Share capital		100	6,063	6,226
Total number of issued shares				
Common stock	(Shares)	232,353	35,858,000	38,346,700
Class A preferred stock	(Shares)	53,301	—	—
Net assets		10,234	21,249	24,596
Total assets		12,235	29,662	41,423
Net assets per share	(Yen)	229.71	592.59	639.89
Dividend per share	(Yen)	—	—	—
(Interim dividend per share)	(Yen)	(—)	(—)	(—)
Basic earnings (loss) per share	(Yen)	0.45	(27.23)	81.41
Diluted earnings per share	(Yen)	—	—	71.08
Equity ratio	(%)	83.5	71.6	59.3
Return on equity	(%)	0.1	—	12.9
Price earnings ratio	(Times)	—	—	88.9
Dividend payout ratio	(%)	—	—	—
Number of employees		29	30	130
[Average number of temporary employees not included in the above numbers]	(Persons)			[26]
Total shareholder return	(%)	—	—	130.7
(Comparison index: —)	(%)	(—)	(—)	(102.1)
Highest share price	(Yen)	—	7,490	11,550
Lowest share price	(Yen)	—	5,290	5,300

- (Notes)
- The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020. As a result, our 1st fiscal year was from February 3, 2020 to July 31, 2020.
 - The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share in the 1st fiscal year.
 - Although there are potential shares, diluted earnings per share for the 1st fiscal year are not shown because the average share value for the year cannot be determined due to the Company's shares being unlisted in the 1st fiscal year. Although there are potential shares, diluted earnings per share for the 2nd fiscal year are not shown due to loss per share being recorded.
 - The return on equity in the 1st fiscal year is calculated based on the equity at the end of the year. The return on equity in the 2nd fiscal year is not shown due to loss being recorded.
 - The price earnings ratio is not shown due to the Company's shares being unlisted in the 1st fiscal year. The price earnings ratio is not shown due to loss being recorded in the 2nd fiscal year.
 - Dividend per share and dividend payout ratio are not shown because the Company does not pay dividends.
 - The number of employees represents the number of employees engaged, excluding those seconded from the Company to other companies and including those seconded from other companies to the Company. The number in parentheses

indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total. The numbers of temporary employees in the 1st and 2nd fiscal years have been omitted due to being less than 10% of all employees.

8. The financial statements for the 1st fiscal year have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
9. On December 6, 2020, pursuant to the provisions for acquisition in the Articles of Incorporation, the Company redeemed 53,301 shares of Class A preferred stock as treasury stock and issued shares of 53,301 common stock to the shareholders in return, following the resolution reached at the Board of Directors' meeting held on November 20, 2020. On the same day, all shares of the treasury stock redeemed were then canceled in accordance with the resolution reached at the Board of Directors' meeting held on November 20, 2020.
10. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share and basic earnings or loss per share were calculated assuming that the stock split was conducted at the beginning of the 1st fiscal year.
11. The total shareholder return and the comparison index for the 1st and 2nd fiscal years are not shown due to being listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021. The total shareholder return and the comparison index for the 3rd fiscal year were calculated as of the end of the fiscal year ended July 31, 2021.
12. The highest and lowest share price is the share price on the Tokyo Stock Exchange Mothers Market until April 3, 2022, and the share price on the Tokyo Stock Exchange Growth Market from April 4, 2022. The Company was listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021, and therefore share prices prior to that date are not shown.
13. The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the 3rd fiscal year. The key financial data on the 3rd fiscal year are those after applying this accounting standard.

(Reference Information)

The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020. The key financial data and trends at BizReach, Inc., the wholly owned subsidiary company resulting from a share transfer, are shown below.

(Million yen, unless otherwise stated)

Fiscal Year	11th	12th
Year End	July 31, 2018	July 31, 2019
Net sales	15,658	21,492
Ordinary profit	658	520
Profit	600	346
Share capital	2,097	2,097
Total number of issued shares		
Common stock (Shares)	232,353	232,353
Class A preferred stock (Shares)	53,301	53,301
Net assets	4,212	4,559
Total assets	8,888	9,865
Net assets per share (Yen)	(2,946.50)	(14.55)
Dividend per share (Interim dividend per share) (Yen)	— (—)	— (—)
Basic earnings per share (Yen)	2,132.68	12.13
Diluted earnings per share (Yen)	—	—
Equity ratio (%)	47.2	46.0
Return on equity (%)	15.5	7.9
Price earnings ratio (Times)	—	—
Dividend payout ratio (%)	—	—
Number of employees [Average number of temporary employees not included in the above numbers] (Persons)	1,006 [180]	1,112 [202]

- (Notes)
1. The amount of residual assets to be distributed to preferred shareholders is deducted when calculating net assets per share.
 2. Although there are potential shares, BizReach, Inc.'s shares are unlisted and diluted earnings per share are not shown because the average share value for the year cannot be determined.
 3. The price earnings ratio is not shown due to BizReach, Inc.'s shares being unlisted.
 4. Dividend per share and dividend payout ratio are not shown because BizReach, Inc. does not pay dividends.
 5. The number of employees represents the number of employees engaged, excluding those seconded from BizReach, Inc. to other companies and including those seconded from other companies to BizReach, Inc. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 6. Financial statements for the 11th and 12th fiscal years are the respective figures calculated pursuant to the provisions of the Regulation on Corporate Accounting (Ministry of Justice Order No. 13, 2006), and have not been audited pursuant to the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

2. History

The Company was established as the wholly owning parent company of BizReach, Inc. through a share transfer on February 3, 2020.

The following is a brief history of the Group, combined with the history of our subsidiary, BizReach, Inc.

Period	Overview
August 2007	Established BizReach, Inc. in Minato-ku, Tokyo [capital: ¥7 million]
April 2009	Launched BizReach, a job change site that connects professional human resources ^(Note) to companies
August 2010	Launched LUXA, an online outlet mall service
November 2010	Established LUXA, Inc. in Shibuya-ku, Tokyo, transferred LUXA business
May 2012	Relocated head office to Shibuya-ku, Tokyo
April 2014	Launched CareerTrek, a job change site designed for people in their 20s that are looking for new challenges
September 2014	Opened Kansai Office in Chuo-ku, Osaka-shi, Osaka following the business expansion
May 2015	Opened Nagoya Office in Naka-ku, Nagoya-shi, Aichi following the business expansion
May 2015	Launched Stanby, a job search engine
October 2015	Opened Fukuoka Office in Chuo-ku, Fukuoka-shi, Fukuoka following the business expansion
October 2015	Sold LUXA, Inc. (to KDDI CORPORATION)
December 2015	Relocated Kansai Office to Kita-ku, Osaka-shi, Osaka
June 2016	Launched HRMOS ATS, an applicant tracking management cloud
August 2016	Launched BizHint, a B to B lead generation platform
October 2016	Launched BizReach Campus, an online alumni networking service
November 2017	Launched BizReach SUCCEED (currently M&A Succeed), an M&A matching platform
December 2017	Relocated Nagoya Office to Nakamura-ku, Nagoya-shi, Aichi
December 2017	Established BizReach Trading, Inc. (currently Stanby, Inc.) in Shibuya-ku, Tokyo
October 2018	Launched BINARY (currently BINAR), career change support service for professionals
January 2019	Launched HRMOS (currently HRMOS Talent Management), an HCM cloud
August 2019	Established BINAR, Inc. in Shibuya-ku, Tokyo
August 2019	Launched yamory, a vulnerability management tool
September 2019	Acquired 100% of shares of Cloud Solutions, Inc. and took over Reclog, a recruitment management platform
November 2019	Acquired 100% of shares of Trabox, Inc. took over Trabox, a logistics DX (digital transformation) platform
November 2019	Stanby, Inc. performed a third-party allotment to BizReach, Inc. and Z Holdings Corporation
December 2019	Transferred the Stanby business to Stanby, Inc. through an absorption-type company split
February 2020	Established Visonal, Inc. in Shibuya-ku, Tokyo, and transitioned to a holding company system Established Visonal Incubation, Inc. through an incorporation-type company split in Shibuya-ku, Tokyo, to succeed BizReach SUCCEED (currently M&A Succeed, Inc.), BizHint, and yamory businesses
May 2020	Relocated BizReach, Inc.'s Fukuoka office to Hakata-ku, Fukuoka-shi, Fukuoka
July 2020	Terminated provision of Reclog, a recruitment management platform
April 2021	Listed on the Tokyo Stock Exchange Mothers Market
November 2021	BizReach, Inc. acquired 80.1% of shares of IEYASU, Inc., a provider of a cloud-based attendance management system IEYASU (currently HRMOS Attendance Management), and made it a subsidiary
November 2021	BizReach, Inc. completed the absorption-type merger of BINAR, Inc.
November 2021	Renamed Visonal Incubation, Inc. to M&A Succeed, Inc.
November 2021	Established Visonal Incubation, Inc. in Shibuya-ku, Tokyo, through an incorporation-type company split with M&A Succeed, Inc. as the split company to succeed BizHint, yamory, and ASSURED businesses.

Period	Overview
January 2022	Launched ASSURED, a risk evaluation cloud
February 2022	Launched HRMOS Attendance Management, a cloud-based attendance management system
March 2022	BizReach, Inc. acquired 100% of shares of ezSoft Co., Ltd. a provider of an expense management system eKeihi, and made it a subsidiary
April 2022	Transitioned from the Mothers Market to the Growth Market due to the reclassification of the Tokyo Stock Exchange markets
August 2022	Opened Shizuoka Office in Aoi-ku, Shizuoka-shi, Shizuoka following the business expansion
August 2022	Opened Chugoku and Shikoku Office in Naka-ku, Hiroshima-shi, Hiroshima following the business expansion
August 2022	Established BizHint, Inc. through an incorporation-type company split with Visional Incubation, Inc. as the split company in Shibuya-ku, Tokyo, to succeed BizHint business
August 2022	Renamed Visional Incubation, Inc. to Assured, Inc.

(Note) Managers and professionals, etc.

3. Description of Business

As a holding company, the Company formulates management policies for and manages the Group. The Group consists of the Company, seven domestic subsidiaries (BizReach, Inc., IEYASU, Inc., ezSoft Co., Ltd., M&A Succeed, Inc., Trabox, Inc., Visional Incubation, Inc. (currently Assured, Inc.), and Cloud Solutions, Inc.), and one domestic affiliate (Stanby, Inc.).

The Group's mission is the "persistent creation of new possibilities." We are a digital transformation company with multiple businesses that solve a wide variety of issues facing society through services created using technology.

We organize our operations into two business segments for financial reporting purposes: our HR Tech segment and our Incubation segment. Our services provided by HR Tech and Incubation segments are described below.

Visional falls under a specified listed company stipulated in Article 49, Paragraph 2 of the Cabinet Office Order on Restrictions on Securities Transactions. Of the insignificance criteria for material facts in the regulations for insider trading, numerical criteria established in comparison to the size of the listed company will be judged based on consolidated figures.

■ HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech businesses.

(1) BizReach Business

1) Overview of services

BizReach is a members-only job search platform specializing in professional human resources (managers, professionals, etc.) that efficiently matches business professionals, Japan and multinational blue-chip and growing companies and headhunters (career change agents affiliated to recruitment agencies) who are experts in their respective industries.

2) BizReach has revolutionized the hiring market

We believe that conventional employment practices such as lifetime employment and mass hiring of new graduates have kept the liquidity of the Japanese labor market low. Many companies have no choice but to leave the hiring of professional talent to recruitment agencies and headhunters, making it difficult to conduct proactive recruitment activities. We believe that it was also difficult for professionals looking to change jobs to visualize their career options and find opportunities that should have been available to them.

In other countries, meanwhile, "direct sourcing," an approach by which companies use online recruiting and professional networking platforms (business SNS) to directly approach and hire talent who meet their requirements, is standard practice. We believe that encouraging companies to proactively engage in recruitment activities based on their hiring needs, and job seekers to register information about their background and skills on recruitment platforms and business SNS, increases the likelihood of obtaining information about attractive employment opportunities.

The Group introduced the concept of "direct sourcing" to the Japanese job market and came up with the phrase "direct recruiting" (Note), a recruitment activity in which companies take the initiative in considering and actively implementing a range of recruiting methods to hire the human resources that meet their needs, and we developed "BizReach," a recruitment platform specializing in professional human resources. Before BizReach, platforms that enabled direct interaction between companies and job seekers in the Japanese human resource industry was not common. By opening up a human resource database to companies and headhunters engaged in recruiting activities, we believe BizReach has enabled the visualization of the job market for professional human resources in Japan. Similar to the structural transformation of the retail market (e-commerce revolution) caused by the emergence of online electronic transactions (e-commerce platforms), we aim to make the recruitment market visible through the internet and to increase the transparency and efficiency of the job market.

We believe that by approaching job seekers directly, companies are able to hire talented individuals faster and at a lower cost, while job seekers are able to expand their career options and possibilities by being approached by companies they may otherwise never knew existed.

(Note) Trademark registration number: 6002236

3) Strong revenue base supported by business models

BizReach provides services to direct employers, headhunters, and job seekers. As a result, it has a unique revenue structure that includes not only sales billed to direct employers, in the same way as the general recruitment business model, but also sales billed to headhunters (recruitment agencies) and job seekers. Our specific sources of revenue are described below.

Target Customer	Type of Revenue	Outline
Direct employers (responsible for HR/recruitment)	Recurring revenue (platform usage fees)	Revenue generated from the use of BizReach by direct employers. We offer multiple payment plans, according to the length of the subscription and the number of platinum scouts (special scout emails that guarantee meetings/interviews), etc. The standard plan is ¥850,000 for six months. Subscription fees are collected as a lump-sum advance payment, and are recorded as contract liabilities until the time revenue is recorded.
	Recurring revenue (additional platinum scout fees)	Revenue generated when direct employers purchase additional platinum scout messages to reach out to more job seekers.
	Performance revenue (contingency recruitment fees)	Revenue generated when direct employers successfully hire through BizReach. We receive a fixed percentage (15% under the standard plan) of the theoretical annual salary of the person hired.

Target Customer	Type of Revenue	Outline
Headhunters (recruitment agencies)	Recurring revenue (platform usage fees)	Revenue generated from the use of BizReach by headhunters. We offer multiple payment plans according to the length of the subscription, etc. The standard plan is ¥600,000 for six months. Subscription fees are collected as a lump-sum advance payment, and are recorded as contract liabilities until the time revenue is recorded.
	Recurring revenue (additional platinum scout fees)	Revenue generated when headhunters purchase additional platinum scout messages to reach out to more job seekers.
	Performance revenue (contingency fees for recruitment support)	Revenue generated when headhunters successfully support hiring by introducing talent they have connected to through BizReach to a company. We receive a fixed percentage of the contingency fee paid by the company to the headhunter.

Target Customer	Type of Revenue	Outline
Job seekers (member users)	Recurring revenue (premium fees)	Monthly fee model that charges premium BizReach members. The platform can also be used for free as a standard member, albeit with restrictions on the functions available.

In the fiscal year ended July 31, 2022, the ratio of each revenue when recurring revenue and performance revenue in the table above total 100% was 32% and 68% for recurring revenue and performance revenue.

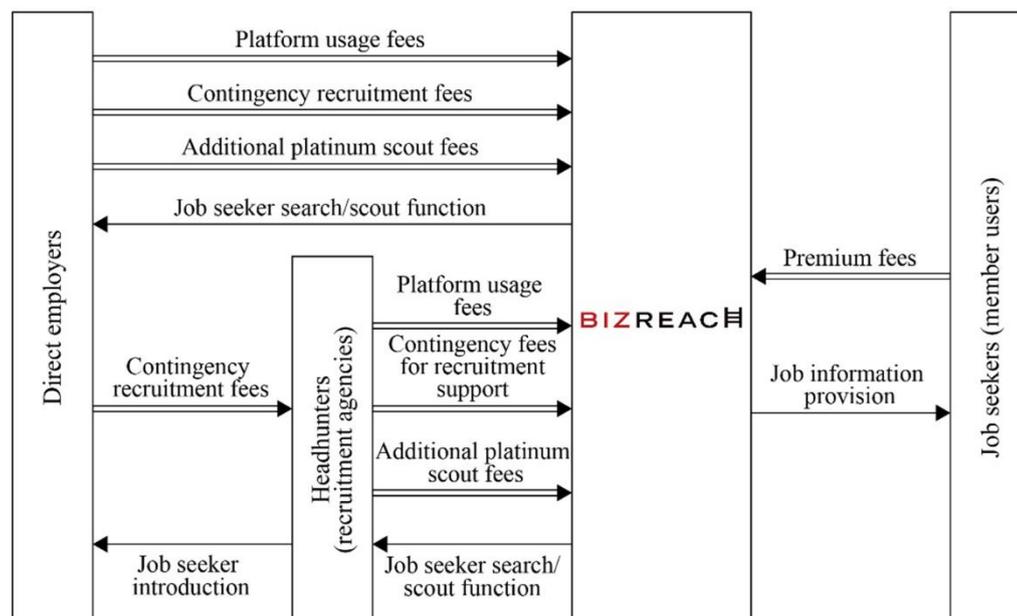
In terms of the breakdown of revenue from direct employers and headhunters (recruitment agencies) in the table above, for the fiscal year ended July 31, 2022, revenue from direct employers represented 66%, while revenue from headhunters represented 34%.

Net sales to external customers in our BizReach business grew at a compound annual growth rate (CAGR) of 32.7% from the fiscal year ended July 31, 2018 to the fiscal year ended July 31, 2022.

Net sales to external customers in the BizReach business

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Net sales to external customers in the BizReach business (million yen)	12,130	16,850	20,945	23,561	37,607

The BizReach business organization chart is shown below.



(*) Double line arrows indicate the flow of money.

4) BizReach competitive strategy and competitive edge

The strengths of BizReach that make it the preferred choice of direct employers, headhunters and job seekers are listed in the table below.

Target Customer	Strengths	Outline
Direct employers	One of the largest professional recruitment platforms in Japan	As of the end of July 2022, companies can send scout emails directly to more than 1.70 million professionals (see internal BizReach indicators below) from the platform. All job seekers who wish to register with the platform are screened.
	Support from full-time consultants	Support from full-time consultants who are experts in “direct recruiting” to help companies develop their recruiting skills.
	User-friendly system specifications	The system was developed in-house by BizReach’s product team, not by an outsourcer, and priority was given to ensuring user-friendly functions and design.

Target Customer	Strengths	Outline
Headhunters (recruitment agencies)	One of the largest professional recruitment platforms in Japan	As of the end of July 2022, headhunters can send scout emails directly to more than 1.70 million professionals (see internal BizReach indicators below) from the platform. All job seekers who wish to register with the platform are screened.
	Enables branding as a headhunter	BizReach has introduced a “headhunter score” system, which provides an objective evaluation of headhunters based on unique indicators, such as their track record and preliminary job offer rate. We also hold a “headhunter of the year” event to award the headhunter with the best track record in each year, and contribute to the enhancement of their brand.
	User-friendly system specifications	The system was developed in-house by BizReach’s product team, not by an outsourcer, and priority was given to ensuring user friendly functions and design.

Target Customer	Strengths	Outline
Job seekers (member users)	Wide range of job openings focused on professionals	Our platform is focused on recruitment opportunities for professionals, enabling them to efficiently find attractive career opportunities.
	Scout messages from companies and leading headhunters	Leading Japanese and multinational companies and highly skilled headhunters, who have passed our rigorous screening process, directly contact job seekers based on their resume. Scout messages not only help job seekers find employment, but will also enable them to understand their market value.
	Provide services through an app	We provide both a web version and an app version of our platform, enabling individual members to access job information that will expand their career options at any time.

We are expanding direct employers registered on the platform by mobilizing our in-house corporate sales team, and the increase in the number of direct employers is managed by using the cumulative number of registered companies (Note 1) and the number of annual active employers (Note 2) as internal indicators. The number of active headhunters (recruitment agencies) is secured by our operations team as they also focus on ensuring quality in turn. The increase in the number of headhunters is managed by using the number of headhunters that use the platform (Note 3) as an internal indicator. Job seekers (user members) are acquired through online advertising and other methods, and the increase in job seekers is managed by using the number of scoutable job seekers (Note 4) as an internal indicator. The trends with regard to these internal indicators are shown below.

Internal BizReach Indicators

	Fiscal year ended July 31, 2018	Fiscal year ended July 31, 2019	Fiscal year ended July 31, 2020	Fiscal year ended July 31, 2021	Fiscal year ended July 31, 2022
Cumulative number of registered companies (companies) (Note 1)	More than 8,800	More than 11,200	More than 13,800	More than 17,100	More than 21,100
Number of annual active employers (companies) (Note 2)	More than 4,700	More than 5,800	More than 6,600	More than 8,000	More than 10,400
Number of active headhunters (persons) (Note 3)	More than 2,500	More than 3,500	More than 4,600	More than 5,100	More than 5,500
Number of scoutable job seekers (ten thousand persons) (Note 4)	More than 62	More than 87	More than 111	More than 138	More than 170

- (Notes) 1. The total number of employers that have subscribed to BizReach, excluding headhunters
 2. The number of direct employers who have subscribed to BizReach on at least one day during the accounting period
 3. Number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 4. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters

Through BizReach, the Group will work to raise the transparency and productivity of the job market in Japan by supporting optimal online matching of business professionals with direct employers and headhunters.

(Affiliate) BizReach, Inc.

(2) HRMOS Business

1) Overview of services

HRMOS, our human capital management cloud (hereinafter referred to as “HRMOS series” in this section) enables evidence-based human resource utilization by centralizing and visualizing information from recruitment to activities after joining the company. The HRMOS series allows companies and organizations to continuously grow by enabling “recruitment, evaluation, training and deployment” based on objective judgments.

HCM (Human Capital Management) is a management approach that values employees as a key management resource and aims to drive productivity through the integrated management of human resource information within the company, and which supports corporate human capital utilization and human capital strategies. We believe that the need for HCM will steadily increase as employment mobility continues to progress.

We currently offer an applicant tracking management cloud HRMOS ATS, an HCM cloud HRMOS Talent Management, and a cloud-based attendance management system HRMOS Attendance Management (Note 1) as part of the HRMOS series. We plan to rebrand the expense management system eKeihi provided by ezSoft Co., Ltd., which was acquired in March 2022, as part of the HRMOS series. In addition, we are planning to develop cloud solutions in the area of human resource operations such as payroll and workforce management which will be provided as part of the HRMOS series. We aim to streamline operations and enable data-based human resource utilization by providing services starting with a common employee database for key human resource operations such as recruitment, talent management, and payroll/workforce management.

(Note) 1. We rebranded IEYASU, an attendance management cloud acquired in November 2021, and started offering it as HRMOS Attendance Management in February 2022. This service is not included in net sales, ARR, and other indicators for the HRMOS business in the fiscal year ended July 31, 2022. We plan to include it in said indicators from the fiscal year ending July 31, 2023.

2) Service lineup

Our applicant tracking management cloud, HRMOS ATS, is a service that provides integrated support for forming a pool of candidates, selection process management, analysis of recruitment activities, and recruitment strategy planning. Centralizing the management of recruitment activities streamlines operations and enables strategic recruitment activities over the medium to long term by analyzing data from each process. HRMOS ATS enables recruitment related tasks, such as scheduling interviews and communicating with recruitment agencies, to be completed simply in the same system. It also makes it possible to visualize the number of applications, screening rates, hiring results, and hiring unit costs, etc. for each recruitment media and recruitment agency, and to identify cost effective recruitment channels.

Our HCM cloud, HRMOS Talent Management, is a service which supports corporate human capital utilization by visualizing human resource operations and organizational conditions by storing all sorts of information on employees in a centralized repository. Based on its central employee database, HRMOS Talent Management offers functions such as Goal and Performance Management, Individual Condition Surveys, and One-on-One Support, which ties to strategic human capital utilization.

Data on employees is often scattered throughout companies and stored by various departments and tools. HRMOS Talent Management can be used to centrally manage data and quickly track trends such as changes in the number of employees, average years of service, and turnover rates, etc. with reporting tools. Users can also narrow down searches using keywords, etc., to create lists of employees to be trained or high performers, etc., which links to the utilization of human resources.

Performance Management, an additional function under HRMOS Talent Management, is compatible with a wide range of systems such as Management By Objectives (MBO) and competency-based (behavioral characteristics) evaluations. This enables employers to set goals and record feedback on a daily basis. Furthermore, integration with employee databases allows companies to easily assign goals and pick out appropriate evaluation sheets for each employee as well as set evaluators. A new feature, Engagement Survey, has been added that is designed to help ascertain organizational challenges through 74 questions in 10 categories related to employee engagement and organizational performance. We also provide an Individual Condition Survey function which identifies changes in employee conditions through a Pulse Survey (Note 1), which asks questions related to employee satisfaction and opportunity to demonstrate

abilities (perform duties) at a pace of once or twice per month. This enables companies to identify deeper issues by analyzing organizational issues and employee conditions and measure the effectiveness of recruitment methods and onboarding by understanding the conditions of recruited talent after they join the company. One-on-One Support enables companies to visualize the state of implementation of one-on-one interactions on an organizational basis, in addition to supporting one-on-one initiatives through the accumulation of implementation records through linking to the employee database.

Our attendance management cloud, HRMOS Attendance Management, is a cloud-based attendance management system that enables digitalization of the processes involved in attendance management such as recording start times, calculating work hours and submitting/approving requests. This system provides all the functions necessary for attendance management, including automatic calculation of start times, working hours and overtime, automatic granting of leave, automatic time calculation, adjustment of remaining figures, overtime, leave request/approval workflow, the Article 36 Agreement, and management reporting functions based on the new Labor Standards Act, allowing companies to reduce the amount of manual processes.

(Note) 1. A Pulse Survey is a survey approach in which a simple survey is repeated over a short period of time, and is used primarily to identify the conditions of employees.

HRMOS ATS, HRMOS Talent Management, and HRMOS Attendance Management are all provided as SaaS (Software as a Service) on a subscription (recurring subscription billing) basis. Our specific sources of revenue are described below.

Service	Revenue	Outline
HRMOS ATS, an applicant tracking management cloud	Annual subscription fees	Revenue generated from the use of HRMOS ATS by companies. We offer multiple payment plans according to the number of job applicants that can be registered, etc.

Service	Revenue	Outline
HRMOS Talent Management, HCM cloud	Introduction support fees	Revenue generated as compensation for initial setup support such as registering data on all officers and employees, creating an organization chart, setting workflows and permissions.
	Annual subscription fees	Revenue generated from the use of HRMOS Talent Management by companies. We offer multiple plans according to the number of officers and employees to be registered and functions used (Performance Management, Engagement Survey, etc.)

Service	Revenue	Outline
HRMOS Attendance Management, an attendance management cloud	Monthly subscription fees	Revenue generated from the use of HRMOS Attendance Management by companies. In addition to a free plan for basic attendance management, we offer plans that provide functions to further streamline operations.

Our HRMOS business has continued to grow steadily since we launched HRMOS ATS in June 2016. We introduced HRMOS Talent Management and HRMOS Attendance Management to the market in January 2019 and February 2022, respectively, with an aim to strengthen the HCM ecosystem, and additional functions are being launched as necessary. The HRMOS business uses ARR (Note 1), churn rate (Note 2), the number of unique paying customers (Note 3), and ARPU (Note 4) as internal indicators.

Trends in each indicator are shown below.

(Notes) 1. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as

of the end of the target period (excluding one-time revenue)

2. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months
3. The number of paying users of HRMOS series services
4. Average Revenue per User. $MRR \text{ as of the end of the month} \div \text{number of unique paying customers}$

HRMOS Business Indicators (ARR)

	Fiscal year ended July 31, 2019				Fiscal year ended July 31, 2020			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARR (million yen)	552	632	711	772	860	962	1,032	1,032

	Fiscal year ended July 31, 2021				Fiscal year ended July 31, 2022			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARR (million yen)	1,093	1,132	1,203	1,269	1,347	1,427	1,537	1,627

HRMOS Indicators (churn rate)

	Fiscal year ended July 31, 2020				Fiscal year ended July 31, 2021			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Churn rate (%)	1.00	1.05	1.01	1.15	1.40	1.43	1.40	1.23

	Fiscal year ended July 31, 2022			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Churn rate (%)	0.96	0.79	0.66	0.60

HRMOS Indicators (number of unique paying customers)

	Fiscal year ended July 31, 2019				Fiscal year ended July 31, 2020			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Number of unique paying customers	473	535	592	638	702	767	807	797

	Fiscal year ended July 31, 2021				Fiscal year ended July 31, 2022			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
Number of unique paying customers	833	849	897	941	989	1,050	1,127	1,193

HRMOS Indicators (ARPU)

	Fiscal year ended July 31, 2019				Fiscal year ended July 31, 2020			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARPU (yen)	97,307	98,493	100,139	100,876	102,207	104,529	106,598	107,984

	Fiscal year ended July 31, 2021				Fiscal year ended July 31, 2022			
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end
ARPU (yen)	109,382	111,154	111,808	112,429	113,503	113,290	113,651	113,688

We are dedicated to seamlessly integrating BizReach and HRMOS to create a unified, data-driven HCM Ecosystem where employee productivity is optimized and business operations are streamlined to guide our customers toward making smarter decisions.

(Affiliates) BizReach, Inc., IEYASU, Inc.

(3) Other HR Tech Businesses

In addition to BizReach and the HRMOS series, we also provide recruitment support services for different age groups and job categories. Specifically, we provide CareerTrek, a job change site designed for people in their 20s that are looking for new challenges, BizReach Campus, an online alumni networking service, BINAR, a recruiting platform for high-skilled engineers, and Stanby, a job search engine. We will continue to invest in these businesses to further expand our human resource database.

(Affiliates) BizReach, Inc., Stanby, Inc.

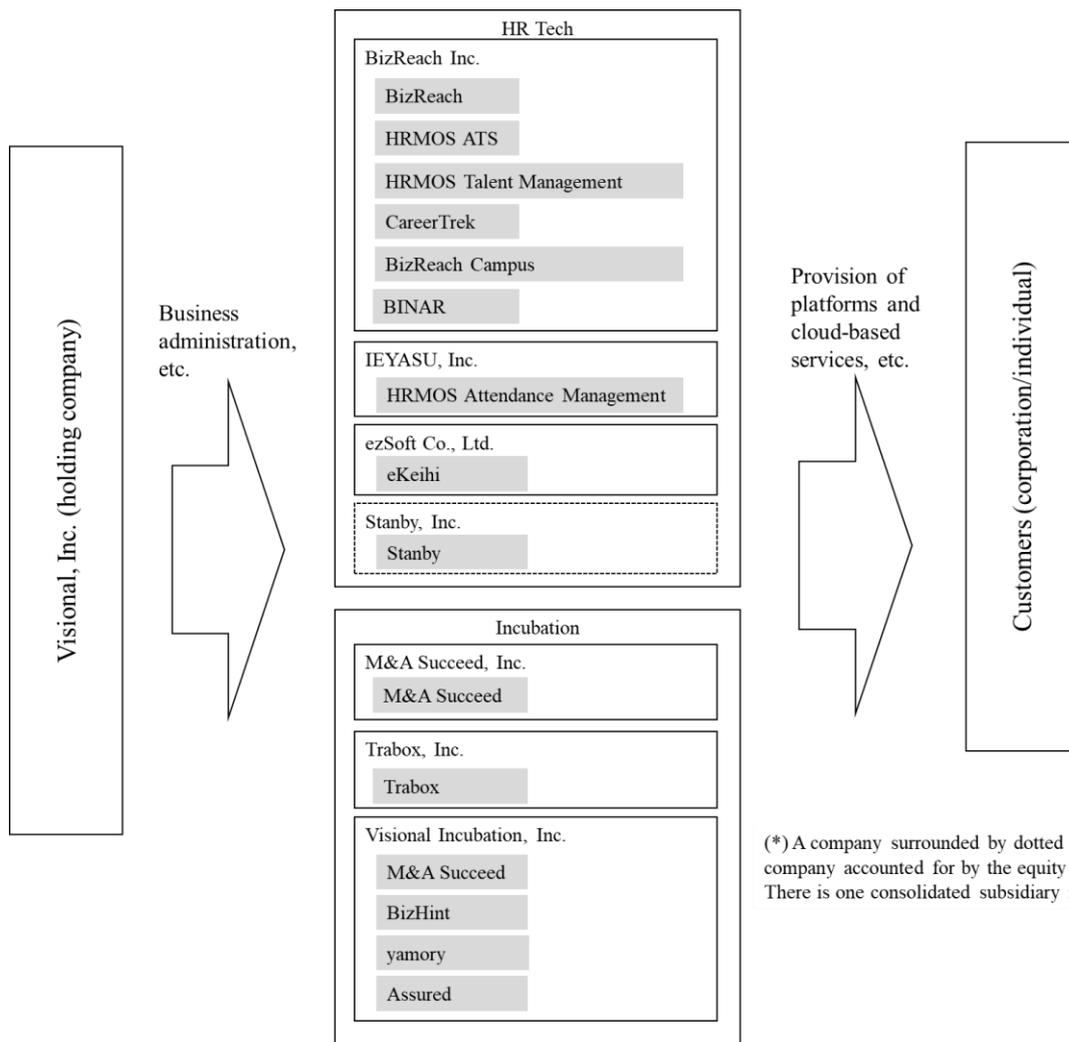
■ Incubation

The Incubation segment analyzes industry structures and leading market trends, and is involved in new businesses in areas with large market potential where digital transformation can be promoted. Specifically, we provide M&A Succeed, an M&A matching platform, Trabox, a logistics DX (digital transformation) platform, BizHint, a B to B lead generation platform, yamory, a vulnerability management tool, and ASSURED, a risk evaluation cloud.

As stated in the Group’s mission of “persistent creation of new possibilities,” we will continue to invest in efforts to realize the growth of new businesses, and maximize the Group’s corporate value over the medium to long term through business creation.

(Affiliates) M&A Succeed, Inc., Trabox, Inc., Visonal Incubation, Inc. (currently Assured, Inc.)

The Group's business organization chart is shown below.



(*) A company surrounded by dotted lines is an associated company accounted for by the equity method. There is one consolidated subsidiary in addition to the above.

4. Subsidiaries and Other Affiliated Entities

Company name	Location	Issued capital (million yen)	Main business	Percentage of voting rights holding / held (%)	Relationship
(Consolidated subsidiaries)					
BizReach, Inc. (Notes 3 and 4)	Shibuya-ku, Tokyo	130	HR Tech	100.0	Three (3) concurrent directors Administrative support Lease of facilities and equipment, etc.
IEYASU, Inc.	Shibuya-ku, Tokyo	1	HR Tech	80.1	One (1) concurrent director Administrative support Lease of facilities and equipment, etc.
ezSoft Co., Ltd.	Sagamihara-shi, Kanagawa	100	HR Tech	100.0	One (1) concurrent director Administrative support Lease of facilities and equipment, etc.
M&A Succeed, Inc.	Shibuya-ku, Tokyo	10	Incubation	100.0	Two (2) concurrent directors Administrative support Lease of facilities and equipment, etc.
Trabox, Inc.	Shibuya-ku, Tokyo	10	Incubation	100.0	Three (3) concurrent directors Administrative support Lease of facilities and equipment, etc.
Visualon Incubation, Inc.	Shibuya-ku, Tokyo	10	Incubation	100.0	Two (2) concurrent directors Administrative support Lease of facilities and equipment, etc.
Another company	—	—	—	—	—
(Associated company accounted for by the equity method)					
Stanby, Inc.	Shibuya-ku, Tokyo	100	HR Tech	40.0	One (1) concurrent director Lease of facilities and equipment

- (Notes)
- The main business column states the names listed in the segment information.
 - None of the above companies filed a Securities Registration Statement or an Annual Securities Report.
 - This company is a specified subsidiary company.
 - Net sales from BizReach, Inc. (excluding internal net sales recorded among consolidated companies) accounts for more than 10% of consolidated net sales.
- Information on major profit (loss)
- | | |
|--------------------|-----------------|
| 1) Net sales | ¥41,652 million |
| 2) Ordinary profit | ¥11,502 million |
| 3) Profit | ¥6,478 million |
| 4) Net assets | ¥12,506 million |
| 5) Total assets | ¥29,873 million |
- Other than the above, BizHint, Inc. was established on August 1, 2022 through an incorporation-type company split with Visualon Incubation, Inc. as the split company to succeed BizHint business.
 - Visualon Incubation, Inc. was renamed Assured, Inc. on August 1, 2022.

5. Employees

(1) Consolidated Companies

As of July 31, 2022

Segment name	Number of employees	
HR Tech	1,258	[228]
Incubation	140	[23]
Company-wide (common)	130	[26]
Total	1,528	[277]

- (Notes)
1. The number of employees represents the number of employees engaged, excluding those seconded from the Group to outside the Group and including those seconded from outside the Group to the Group.
 2. The number not included in the total in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 3. The number of employees indicated as the company-wide (common) figure is the number of employees at the holding company (the Company).
 4. The number of employees increased by 257 in comparison to the end of the previous fiscal year, which is mainly due to new recruitment in association with business expansion.

(2) The Company

As of July 31, 2022

Number of employees	Average age (years old)	Average length of service (years)	Average annual salary (thousand yen)
130 [26]	37.0	3.5	8,818

- (Notes)
1. The number of employees represents the number of employees engaged, excluding those seconded from the Company to other companies and including those seconded from other companies to the Company.
 2. The number in the parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.
 3. Average annual salary includes bonuses and extra wages.
 4. Only the total number of employees is stated due to the number of employees of the Company being included in the segment company-wide (common).
 5. The number of employees increased by 100 in comparison to the end of the previous fiscal year. This is mainly due to an increase in the number of employees seconded to the Company in association with the transition of the Group management function to the Company, a holding company.

(3) Status of Labor Union

Although no labor union has been formed, the relationship between labor and management is amicable.

II. Overview of Business

1. Management Policy, Business Environment, Issues to Address

Statements in this document about the future reflect the Group's judgments as of the date of submission of this document.

(1) Basic Management Policy of the Company

The Group's mission is the "persistent creation of new possibilities." We will contribute to society as a digital transformation company with multiple businesses that solve a wide variety of issues facing society, through services created using technology.

(2) Management Strategy

Going forward, the Group will work to expand its business domains and increase its corporate value through further business growth in the HR Tech field, including its core service, BizReach, the continuous creation of new businesses that address social issues, and investment in and provision of know-how to promising companies in Japan and abroad.

(3) Objective Indicators for Judging the Status of Achievement of Management Goals

The Group focuses on net sales and operating profit as indicators for measuring the scale and profitability of its business. While maintaining the creation of operating profit, we plan to continue making upfront investments in new businesses, in order to increase our corporate value over the medium to long term. In addition, by service, in BizReach, which is our mainstay service, we are focusing on expanding the cumulative number of registered direct employers, the number of annual active employers, and the number of scoutable job seekers, as we believe that the activity of the recruitment platform is important. Because HRMOS is a subscription-based service (continuous billing through subscription purchases), we are focusing on expanding the number of unique paying customers, and maintaining a low churn rate.

(4) Strengths of the Group

1) Clear positioning of BizReach in the market and potential for further expansion

The number of companies with 101 or more employees in Japan, the main target of BizReach, is 49,242 (calculated by processing the "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), and the number of annual active employers that have subscribed to BizReach now exceeds 10,400 (as of the end of July 2022). Even in the current market, we have the potential to achieve further growth by acquiring new companies that have not yet used this service, and by further promoting in-depth sales to corporate users.

The Group's core service, BizReach, is a service that supports the recruitment of professionals such as management executives, and thus has the nature of providing solutions to the management issues that are faced by our client companies. With a database of more than 1.70 million scoutable professionals (as of the end of July 2022), we have established relationships with our client companies, as their management partners.

2) A full lineup of services in each area of recruitment

The Group provides services for each stage of career development, including BizReach Campus, which targets new graduates, CareerTrek, which supports young people in their 20s who are changing jobs for the first time, and BizReach, which supports the recruitment of professionals who will play a central role in corporate activities. In addition, the Group provides recruitment services that are specialized for each domain through BINAR, a career change support service for professionals, and Stanby, a job search engine for part-time and casual workers. As the competition for human resources in Japan becomes increasingly fierce, the Group aims to establish a solid position as a comprehensive platform for recruitment.

3) Diversification of revenue structure

In addition to the flow-type revenue structure represented by BizReach, the Group aims to diversify its revenue structure, and create a stable and sustainable revenue structure through the provision of subscription-based services (continuous billing through subscription purchases), as represented by the HRMOS series.

4) Ability to create new businesses in a wide range of fields

In addition to business development in the area of recruitment, the Group has created new services in a wide range of areas, including the HRMOS series in the HR SaaS domain, M&A Succeed in the M&A domain, and Yamory and ASSURED in the cyber security domain. The Group has a strong commitment to the continuous creation of new businesses.

In addition, the Group has a track record of creating new businesses, growing them to a certain scale, and then transferring equity interests to partner companies that highly value these businesses, to obtain funds for growth. Specifically, BizReach, Inc. launched an online outlet mall service, LUXA, in 2010. We spun off this business as LUXA, Inc., and then sold the shares to KDDI CORPORATION in 2015. Furthermore, BizReach, Inc. conducted an absorption-type split of its Stanby business, a search engine business specializing in the recruitment field that BizReach, Inc. started in 2015, to Stanby, Inc., which started its business in 2019 as a joint venture between Z Holdings Corporation and BizReach, Inc. The funds obtained from these transactions are being reinvested in new business development and other areas, to support the further growth of the Group.

5) Positioning as a platform

The Group has established itself as a major platform in other domains, by leveraging the platform management know-how it has cultivated through the operation of its core service, BizReach.

We operate Trabox, an online platform that promotes the digital transformation of the logistics industry by connecting shippers and logistics companies, and M&A Succeed, an M&A matching platform that supports the liquidation of capital, including business succession, which is a national issue.

(5) Business Environment

Factors such as a mismatch between corporate life expectancy and work life expectancy, a change to performance-based employment, and the penetration of remote working due to the effects of the spread of COVID-19, are fundamentally changing both work styles and the way we think about changing jobs. We believe that employment mobility will accelerate.

In addition, we believe that there will be increased investment toward strengthening human resources through mid-career hiring and improving labor productivity as Japan's working-age population continues to shrink.

Furthermore, we believe that the hiring market in Japan has much more room for market expansion due to employment mobility, compared to the U.S. market. For example, according to the "Analysis of the Labor Economy, 2022 Edition – Issues in Promoting Labor Mobility through Support for Workers' Independent Career Development" released by the Ministry of Health, Labour and Welfare, the percentage of employees with over 10 years of service is 45.9% in Japan, compared to 28.8% in the U.S., and the length of service for employees is continuing to grow. We believe that liquidity in the labor market is required to shift the labor force to segments of higher labor demand.

(6) Business and Financial Issues to be Addressed

The following are the priority business and financial issues that the Group must address in order to implement the management strategy described in (2) above.

1) Penetration of direct recruiting in the recruitment market

The penetration of direct recruiting has become a major growth driver for the Group's core HR-related services. In order to achieve this goal, the Group has been making efforts to increase the visibility of its services and raise awareness of direct recruiting, through sales activities at our offices in Tokyo, Osaka, Nagoya, Fukuoka, and elsewhere, aggressive advertising including TV commercials, and strategic public relations using various media, and considerable results have been achieved through these efforts. In this manner, we have succeeded in gaining recognition as a leading direct recruiting service.

On the other hand, if we consider the number of job changes for full-time employees in Japan as a potential market, we believe that the percentage of job changes conducted using the Group's services is still at a low level. In the future, we will achieve revenue growth by linking the increased recognition of the Group's services to a further expansion in the number of job changes using the Group's services. In order to achieve this goal, we will strive to accumulate and disseminate concrete examples of successful direct recruiting, and provide a wealth of know-how to help executives and recruiters put our services into practice.

2) Diversification of sources of revenue

Most of the Group's businesses are growing steadily in terms of net sales, which is an indicator of business scale. Meanwhile,

operating profit, which is an indicator of profitability, is highly dependent on the BizReach business. In order to be a group that grows over the medium to long term, we believe that it is important to establish a pillar of revenue that follows the BizReach business.

3) Securing talented human resources

The Group believes that it is essential to continue hiring talented personnel with diverse backgrounds, as we continue to expand our business domains and aim for growth in each of our businesses. We have built an organization of more than 1,500 employees through the practice of direct recruiting, by combining the aggressive method of recruiting, in which executives, business managers, and recruiters identify and approach candidates on their own, with the traditional “wait-and-see” method of recruiting, such as posting on recruitment media and using recruitment agencies, while independently selecting the best method from among various options. We will continue to strive to acquire talented personnel using a variety of recruitment methods, and to embody the concept of direct recruiting.

4) Strengthening of our information management structure

In the businesses operated by the Group, we handle a large amount of customer and personal information. Accordingly, we recognize the management of this information as an important issue.

The Company strictly manages this information through the establishment of internal regulations, including a personal information protection policy and rules for prevention of insider trading, the thorough implementation of such regulations, and the implementation of internal training. We will continue to further strengthen the security of related internal systems, develop more internal training programs, and expand the management structure for information management.

In addition, BizReach, Inc. and ezSoft Co., Ltd. have been certified under the PrivacyMark System operated by JIPDEC.

5) Strengthening of the internal management system

The Group’s business is growing rapidly, and the required functions are also expanding. In order for the Group to achieve continuous growth, we believe that it is important to build a more robust internal management system, which will allow us to properly identify management risks and control such risks. To this end, we will continue to strengthen our compliance system through risk management in our business operations and regular internal audits, and enhance our corporate governance functions based on audits by the Audit and Supervisory Committee. In addition, we will conduct continuous recruitment and training activities to secure and develop human resources that match the growth rate of our group.

2. Business Risks

Among the matters related to the business and financial status described in this document, the following are the main risks that the management recognizes as having the potential to exert a significant impact on the financial position, operating results, and cash flows of the Group.

Statements in this document about the future reflect the Group’s judgments as of the date of submission of this document, and do not cover all risks that may arise in the future.

(1) Economic Fluctuations and Employment Situation

The Group’s business performance is affected by economic fluctuations and other economic, social, and geopolitical conditions. In particular, the business of the Group’s core HR Tech segment has characteristics that make it susceptible to trends such as economic fluctuations and the employment situation. In this regard, the employment situation is affected by corporate performance, government employment policies, and other factors. In addition, the business of the Incubation segment may not be able to achieve the expected level of growth, due to worsening economic conditions. Furthermore, economic conditions and other factors may increase pressure to lower prices for the services provided by the Group. By providing services in a wide range of recruiting fields, the Group aims to build a revenue structure that is less susceptible to changes in the business environment. However, if, for some reason, corporate demand for personnel hiring declines, or if changes in the economic conditions cause a decline in demand for the Group’s services or a drop in profitability, the Group’s business performance could be affected. As for the impact of the spread of COVID-19 on the Group, please refer to “(19) Impact of COVID-19.”

(2) Competition

In the markets in which the Group operates, there are already many competitors in each area, and we recognize that there is a certain level of competition.

In the Group's core BizReach business, we have disseminated a new system called direct recruiting into the market for recruiting business professionals. We believe that we have already established a certain competitive advantage in the market, by promptly launching a platform to implement this system, and increasing the number of platform users through effective advertising activities. We will continue to strive to strengthen the competitive advantage of our services. However, in addition to competition from traditional recruiting firms and others, competition from other recruiting platforms may intensify in the event that domestic recruiting firms, job information service providers, or other companies expand their online services and recruiting platform services, or if overseas competitors with global online recruiting platforms further enhance their services in the Japanese market.

The emergence of competitors with superior business models for recruitment platforms and other factors may affect the Group's business performance, due to intensified competition. Although the Group's policy is to continue effective advertising activities, there is no guarantee that such activities will result in an increase in the number of platform users in the future, and there is the possibility that the Group's business performance will be affected by a lack of increase in platform users.

As for the HRMOS business, the market for cloud-based human capital management (HCM) in Japan is relatively new. If a new competitor enters the market in Japan, if the Company further expands its HRMOS business services, or if an existing competitor expands its own business, the Group's business performance may be affected due to intensified competition.

In the Incubation segment, the Group has been conducting, and will continue to conduct new business in areas where the Group strategically believes that there is market potential for digital transformation. However, we may face competition in these areas, as well as competition from other companies that adopt similar strategies.

Furthermore, the market in which the Group operates is subject to rapid changes in technology. If the Group is unable to keep pace with technological innovations and the competitiveness of its services declines, this could have an impact on the Group's business performance.

(3) Risk of Dependence on Specific Businesses

The BizReach business is positioned as the Group's core business. In the fiscal year ended July 31, 2022, the ratio of net sales from this business (¥37,607 million) to total net sales (¥43,954 million) was 85.6%, indicating a high dependence on this business. Although we assume that the market for recruiting business professionals will continue to expand, changes in social awareness and business practices that accept job changes and mid-career hiring may not proceed as rapidly as we expect. In addition, since the market for online recruitment solutions in Japan is not as mature as the market for traditional recruitment services, there is no guarantee that the use of online recruitment solutions will increase in accordance with the Group's expectations. For this reason, changes in the business environment or a decline in the competitiveness of our services may have an impact on the Group's business performance.

In addition, the BizReach business generates revenue by receiving compensation from direct employers, headhunters, and job seekers, and acquiring and retaining these customers is important for the continued growth of the business. If the ability of our services to attract customers declines, or if our sales and marketing activities to these customers are unsuccessful, it may have an impact on the Group's business performance.

(4) New Businesses

Currently, the majority of the Group's revenue is generated from the BizReach business. In order to expand the scale of its business and diversify its sources of revenue over the medium to long term, the Group's policy is to proactively create new businesses that utilize the Group's management know-how within the amount of the revenue generated by the BizReach business. In the process of developing new businesses, the Group collects necessary information and carries out studies in order to reduce risks. However, many such new businesses have not yet become profitable. If the expansion and growth of new businesses do not proceed as initially projected, we may not be able to recover the investment funds, which may affect the Group's business performance. In addition, our ability to invest in new businesses may be limited if we are unable to generate sufficient revenue from the BizReach business, due to various factors described in "2. Business Risks." Furthermore, if the launch of a new business costs more than expected, or if the realization of revenue from a new business is delayed, the Group may decide to withdraw from the planned investment or business expansion. If such a strategic withdrawal results in large expenses, the Group's business performance may be affected.

In the HRMOS business in particular, we are aiming to expand our business by promoting the development of services such as labor management and payroll. However, if the development of these services does not proceed as planned, or if we are unable to realize profitability and recover the investment funds, the Group's business performance may be affected.

(5) System Failures, etc.

Because the Group's business uses the internet, there is the possibility that natural disasters, accidents, unauthorized access, or other events could cause system failures such as communication network disconnections, or the inoperability of servers and other network equipment. The Group has taken measures to prevent system failures, such as the regular monitoring of operational status and clarification of methods to respond to abnormalities. However, despite these measures, a large-scale system failure could affect the Group's business performance.

The Group also relies on external service providers in key areas of its business. In particular, most cloud-based services are provided using external cloud servers (services provided by Amazon Web Services, Inc. (hereinafter referred to as "AWS")). Therefore, in order to avoid system failures that may interfere with the provision of services to customers or system downtime due to cyber-attacks, we ensure redundancy through the use of multiple geographical regions (Note 1) and availability zones (Note 2), take security measures through regular vulnerability assessments and various unauthorized access measures, and monitor system operation status. However, in spite of such measures, if system failures of AWS, etc. occur due to natural disasters, accidents, unauthorized access, etc., or if the use of AWS, etc. cannot be continued due to the cancellation of contracts with external service providers, etc., the Group's business performance may be affected.

(Notes) 1. This refers to geographically independent server installation areas.

2. This refers to the names of the individual independent data centers within a region.

(6) Defects in Services, etc.

It is considered to be impossible to completely eliminate the occurrence of defects in advanced software, and various defects may occur in the Group's applications, software, and systems.

We will continue to build and maintain a highly reliable development system. However, if a fatal defect is discovered that interferes with the operation of the Group's business and we are unable to properly resolve the problem, the Group's business performance may be affected.

(7) Information Security

Through its business activities, the Group may obtain the personal information and confidential information of customers and business partners, and also possesses confidential business information. In accordance with the Group's common "Information Security Basic Rules," the Group has granted the authority to oversee information management for the entire Group to the Group Information Security Officer. Under the supervision of the Group Information Security Officer, we have established an information management system that complies with Group standards, and are strengthening information security by developing and enhancing rules and regulations regarding the handling of information, etc., as well as ensuring that all employees, etc. are aware of these rules and regulations. However, in the event that a leak of such information were to occur due to cyber-attacks, unauthorized access, intrusion by computer viruses, or defects in information security, or in the event that important data were to be destroyed or falsified, or a system shutdown were to occur as a result, the Group's credibility could be diminished and its business performance could be affected.

(8) Dependence on Specific Persons

The Company's Representative Director and CEO, Soichiro Minami has been deeply involved in the Group's business since its founding. His extensive experience and knowledge of internet-related business plays an extremely important role in establishing and implementing management strategies. The Group is working to strengthen its management system, which is not dependent on any specific person, and is developing a system to ensure that it is not overly dependent on Mr. Minami. However, if it becomes difficult for him to perform his duties for the Group for some reason, the Group's business performance may be affected.

(9) Securing and Training of Human Resources

In order to operate its business, the Group needs human resources with expertise in each business field and function, and it is essential to continue hiring and training human resources in line with business expansion. The Group plans to embody the concept of direct

recruiting and use a variety of recruiting methods to acquire excellent human resources. However, if in the future it becomes difficult to acquire excellent human resources, if the development of human resources does not proceed as planned, or if current human resources leave the Group, the Group's business performance may be affected.

(10) Establishment of an Internal Management System

We recognize that the proper functioning of corporate governance is essential for the continued growth of the Group. Under the supervision of the Executive Officer, CFO, the Company will ensure the appropriateness of operations and the reliability of financial reporting, as well as thorough compliance with internal rules, laws, and regulations. However, if corporate governance fails to function effectively due to the rapid expansion and diversification of our business, we may not be able to conduct appropriate business operations, which may affect the Group's business performance.

(11) Compliance

The Group recognizes the importance of compliance in order to achieve a sustainable expansion of corporate value. For this purpose, the Group holds the Group Risk Compliance Committee, chaired by the Company's Representative Director and CEO once per quarter in principle, and requests reports from each subsidiary regarding compliance-related matters. In addition, we have established compliance regulations and the Visional Group Code of Conduct, which are clearly posted on the intranet, and conduct regular internal training. However, in spite of these efforts, the Group's brand image and business performance may be affected in the event of a violation of laws and regulations.

(12) Reputational Risk

In the Group's business, although it is important to maintain and improve customer recognition, our brand image, and the social credibility of the Group and the services provided by the Group, there is no guarantee that the Group's promotional activities will be successful.

In addition, in the event that a negative rumor about the Group is generated and spread in the mass media or on the internet or social media, or if the Company's name is reported or announced due to the discovery of an inappropriate event, etc., we have a system in place to respond appropriately, in cooperation with all related parties. However, defects in our services, leaks of personal or confidential information, or rumors about the Group could damage the brand image and social credibility of the Group or the services provided by the Group. As a result, the Group's business performance could be affected.

(13) Laws, Regulations, and Trends

1) General legal restrictions

The main laws that regulate the services provided by the Group are the Telecommunications Business Act, the Consumer Contract Act, the Act on Specified Commercial Transactions, the Act on the Limitation of Liability for Damages of Specified Telecommunications Service Providers and the Right to Demand Disclosure of Identification Information of the Senders (Provider Liability Limitation Act), and the Act on Regulation of Transmission of Specified Electronic Mail.

The Group has been operating its services in compliance with these regulations, and will continue to strengthen its legal compliance system and provide internal training. However, if new laws and regulations are enacted or amended, and the services operated by the Group become subject to the new laws and regulations, the Group's business performance and financial position may be affected.

2) Protection of personal information

Because the Group acquires and uses personal information such as job applicants' work histories and application information, it is obligated as a business operator handling personal information, as stipulated by the Act on the Protection of Personal Information.

The Group considers the management of personal information to be an important matter in the operation of our services, in order to prevent the leakage or falsification of personal information, and has established a personal information protection policy. When acquiring personal information, we clearly state the purpose of use, and utilize it only within the scope of that purpose. In addition, we manage personal information through internal training for officers and employees on the handling of personal information, setting access privileges within the Company, storing access logs, and maintaining regulations on personal information management.

However, in the event of problems, such as unauthorized access from outside the Company, or leakage of personal information due to the intentional or negligent acts of those involved in the Group, there is a possibility that the Group's business performance and financial position will be affected due to claims for damages or loss of trust in the Group. In addition, if new laws and regulations are enacted or amended, or if existing laws and regulations are reinterpreted to create new regulations, the Group's business performance and financial position may be affected.

3) Legal restrictions on the HR Tech business

The recruitment platforms operated by the Group, such as BizReach and CareerTrek, are obligated to appropriately manage personal information as a business that provides recruitment information, etc., as stipulated in the Employment Security Act.

In addition, BINAR, which is operated by the Group, is licensed by the Minister of Health, Labor and Welfare as a fee-charging employment placement business under the Employment Security Act. With regard to the license for fee-charging employment placement business, it is required to be renewed after three years for the first time after acquisition and every five years thereafter. The expiration date of the license, as of the date of submission of this document is October 31, 2025.

The Group has been operating its services in compliance with these regulations, and will continue to strengthen its legal compliance system and provide internal training. However, in the event that new laws and regulations are enacted or amended, or existing laws and regulations are reinterpreted, and the services operated by the Group are subject to these new laws and regulations, require the acquisition of additional permits, or are subject to revocation of permits, business suspension orders, or business improvement orders, the Group's business performance and financial position may be affected.

4) Laws and regulations regarding the transportation business

The Trabox service operated by the Group does not require the Group to be entrusted with transportation, but rather directly matches shippers and transportation companies on the platform, and therefore is not subject to the Consigned Freight Forwarding Business Act and other obligations related to various transportation businesses.

The Group will continue to strengthen its legal compliance system and provide internal training. However, if new laws and regulations are enacted or amended, or if existing laws and regulations are reinterpreted and the services operated by the Company become subject to these new laws and regulations, the Group's business performance and financial position may be affected.

5) Intellectual property rights

Intellectual property rights such as trademarks, software, and systems related to the services operated by the Group are important to the Group. Although the Group strives to acquire such rights, there is no guarantee that they will not be used improperly.

In addition, we recognize that the trademarks, software, systems, etc. that are used in each service operated by the Group do not infringe upon the intellectual property rights of any third parties, at this time. Going forward, we will continue to work with our legal advisors and patent attorneys to manage copyrights and other issues, in order to prevent infringement. However, there is the possibility that intellectual property rights not recognized by the Company have already been established in the Group's business domains, or that new intellectual property rights of third parties may be established in the Group's business domains.

In such case, it is assumed that a claim for compensation for damages, an injunction against use, or a request for payment of royalties related to said rights may be made due to our infringement of intellectual property rights. If such a situation arises, it may affect the Group's business performance and financial position.

(14) Disputes with Third Parties

The Group is making efforts to reduce violations of laws and regulations by its officers and employees, by implementing compliance training and other measures. However, regardless of whether or not the Group, its officers, or employees violate laws and regulations, there is the possibility that unexpected problems or lawsuits may occur with business partners, employees, or other third parties.

It is impossible to predict the likelihood of occurrence of each such dispute, and it is difficult to predict the timing of each dispute. Regardless of the outcome of a lawsuit, etc., there is the possibility that the Group's business performance and financial position may be affected due to incurring significant litigation response costs, loss of trust and brand image, etc. In addition, the suspension of the Group's services as a result of lawsuits, etc. may affect the Group's business performance.

(15) Investment and Financing, including M&As

In order to expand the scale of its business, the Group places management importance on maximizing corporate value by strengthening existing businesses, entering new business areas such as businesses where it can utilize its management know-how, and reinforcing these businesses. As part of its approach, the Group has conducted investment and financing activities, including M&As, and will step up these activities. The Group will conduct a detailed examination of a target company in advance, to the extent possible, and will proceed with an M&A after thoroughly considering the risks involved. However, the Group's business performance may be affected if, after an acquisition, unrecognized liabilities are discovered, contingent liabilities arise, or other issues arise that were not identified in prior investigations, if the development of business after an acquisition does not proceed as planned, if higher-than-expected costs are incurred in maintaining business after an acquisition, or if a business partner later becomes a competitor and uses the know-how acquired during its alliance with the Group. In addition, when new businesses that the Group has not been engaged in are added through M&As, etc., risk factors specific to those businesses will be added.

(16) Impairment Risk of Goodwill, etc. in M&As

As of July 31, 2022, the Group has recorded goodwill of ¥3,958 million and customer relationship of ¥980 million arising from business combinations. In the event that these assets do not generate the expected cash flows due to a deviation from the future business plan, etc., the Group's business performance and financial position may be affected by the recording of an impairment loss.

(17) Associated Company Accounted for by the Equity Method (Stanby, Inc.)

The Company jointly manages Stanby, Inc. (hereinafter referred to as "Stanby" in this section), a joint venture with Z Holdings Corporation. Stanby operates the Stanby job search engine. The Company holds a 40.0% stake in Stanby (whereas Z Holdings Corporation holds a 60.0% stake). Stanby is an associated company accounted for by the equity method of the Company.

Because the Group, which has expertise in the HR Tech business, needs to play an important role in the launch of Stanby's business, Soichiro Minami, Representative Director and CEO of the Company, has been appointed as Representative Director and CEO of Stanby. There is the possibility that the business development and operating results of the Group will be affected in the event that unforeseen events occur at Stanby, that Soichiro Minami, Representative Director and CEO of the Company, is held accountable as the representative of Stanby, that the burden of duties as the person in charge of management at the relevant concurrent post becomes excessive beyond expectations, or that there is a change in the investment ratio.

(18) Dilution of Share Value due to the Exercise of Share Acquisition Rights

The Group grants share acquisition rights (hereinafter referred to as "stock options") to officers and employees for the purpose of incentivization. In addition, there is the possibility that the Company will continue to utilize stock option plans in the future. The value of shares held by existing shareholders may be diluted in the event that stock options to be granted in the future are exercised, in addition to those currently granted. As of the end of the month prior to the date of submission of this document, the number of dilutive shares due to stock options is 3,856,400 shares, which is equivalent to 9.11% (rounded to two decimal places) of the total number of issued shares and dilutive shares of 42,322,500 shares. For the 1st Series through 30th Series Share Acquisition Right, the numbers of shares to be issued upon exercise of share acquisition rights that will become exercisable as of the end of the month prior to the date of filing of this annual securities report are given by fiscal year below.

	Fiscal year ended July 31, 2022	Fiscal year ending July 31, 2023	Fiscal year ending July 31, 2024	Fiscal year ending July 31, 2025	Fiscal year ending July 31, 2026
Number of shares	(Note 1) 877,300	(Note 2) 467,800	(Note 3) 568,900	(Note 4) 448,000	(Note 5) 469,200

	Fiscal year ending July 31, 2027	Fiscal year ending July 31, 2028	Fiscal year ending July 31, 2029	Fiscal year ending July 31, 2030
Number of shares	(Note 6) 419,200	(Note 7) 279,500	(Note 8) 281,200	(Note 9) 45,300

- (Notes)
1. Of these 877,300 shares, 87,200 shares have become exercisable on August 1, 2021 and 790,100 shares have become exercisable on April 23, 2022, one year from the day following the listing date.
 2. Exercisable from April 23, 2023, two years from the day following the listing date.
 3. Exercisable from April 23, 2024, three years from the day following the listing date.
 4. Exercisable from April 23, 2025, four years from the day following the listing date.
 5. Exercisable from April 23, 2026, five years from the day following the listing date.

6. Exercisable from April 23, 2027, six years from the day following the listing date.
7. Exercisable from April 23, 2028, seven years from the day following the listing date.
8. Exercisable from April 23, 2029, eight years from the day following the listing date.
9. Exercisable from April 23, 2030, nine years from the day following the listing date.

(19) Impact of COVID-19

It is difficult to predict the timing of when the spread of COVID-19 will be contained, etc. COVID-19 currently has limited impact on the Group's business performance. However, if the further spread of COVID-19 in the future negatively impacts economic activities by companies and thereby leads to a decrease in demand for the services provided by the Group, this could have an impact on the Group's business performance.

3. Management Analysis of Financial Position, Operating Results and Cash Flows

Statements in this document about the future reflect our judgments as of the date of submission of this document.

(1) Overview of Operating Results, etc.

The following is an overview of the financial position, operating results, and cash flows (hereinafter referred to as “operating results, etc.”) of the Group (the Company, consolidated subsidiaries, and associated companies accounted for by the equity method), as well as the recognition, analysis, and discussion of the Group’s operating results, etc. from the perspective of management.

1) Operating results

In the fiscal year under review, although we saw the prolonged impact of COVID-19, the Japanese economy was on a recovery trend aided by easing restrictions on movement taken by the government as vaccination and drugs against COVID-19 were widely available. On the other hand, the outlook for the global macroeconomy remains unclear due to factors such as a surge of raw material prices and fluctuation in the financial capital markets, reflecting the unstable global situation.

Under these circumstances, the Group’s core BizReach business performed strongly, backed by a continued willingness of companies to recruit and the increase in job seekers due to advertising. Behind this was the resumption of hiring that had been restrained under COVID-19 and enhanced opportunities for mid-career recruiting at hiring companies.

The BizReach business boosted performance of the Group, and as a result, in the fiscal year under review, the Group recorded net sales of ¥43,954 million (up 53.2% year on year), operating profit of ¥8,320 million (up 251.3% year on year), ordinary profit of ¥8,751 million (up 284.8% year on year), and profit attributable to owners of parent of ¥5,858 million (up 312.4% year on year).

(i) HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech services.

The BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices. As of the end of the fiscal year under review, the cumulative number of registered direct employers (Note 1) increased to more than 21,100 (compared to more than 17,100 as of the end of the previous fiscal year), the number of active direct employers (Note 2) increased to more than 10,400 (compared to more than 8,000 as of the end of the previous fiscal year), the number of active headhunters (Note 3) rose to more than 5,500 (compared to more than 5,100 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 4) increased to more than 1.70 million (compared to more than 1.38 million as of the end of the previous fiscal year). The business recorded net sales of ¥37,607 million (up 59.6% year on year). With regard to expenses, as a result of ongoing advertising activities, including television commercials, and ongoing human resource investment to increase the number of talents engaged in sales activities and product development, it recorded adjusted operating profit before corporate expense allocation (Note 5) of ¥17,609 million (up 82.7% year on year).

In April 2022, the HRMOS business released “Individual Condition Survey,” a new function by which companies identify changes in conditions of their employees, while continuously improving existing functions. We are conducting marketing activities in order to expand the number of customers while continuing product investment such as the development of new functionality.

ARR (Note 6) of the HRMOS business rose 28.2% to ¥1,627 million, the number of unique paying customers (Note 7) increased 26.8% to 1,193, and ARPU (Note 8) rose 1.1% to ¥113,688 from the end of the previous fiscal year. The churn rate (Note 9), which is a 12-month average, decreased to 0.60%.

As a result, the HRMOS business recorded net sales of ¥1,458 million (up 26.2% year on year) and an adjusted operating loss before corporate expense allocation (Note 5) of ¥2,954 million (loss of ¥2,102 million for the previous fiscal year). As a result, in the fiscal year under review, the HR Tech segment recorded net sales of ¥41,791 million (up 54.5% year on year) and segment profit of ¥10,670 million (up 166.7% year on year).

- (Notes) 1. The total number of employers that have subscribed to BizReach, excluding headhunters
 2. The number of direct hiring companies that have subscribed to BizReach for at least 1 day during the fiscal year
 3. The number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 4. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters

5. This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general administrative expenses associated with accounting, legal, human resources, and other business administration, and also personnel costs and ancillary outsourcing and other costs of the information systems and design divisions that cannot be charged directly to specific products and services.
6. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue).
7. The number of paying users of HRMOS series services
8. Average Revenue per User. $MRR \text{ as of the end of the month} \div \text{number of active employers}$
9. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months.

(ii) Incubation

The Incubation segment includes Trabox, M&A Succeed, and BizHint.

Each business in the Incubation segment conducted activities within the limits of profits generated from the HR Tech segment, including human resource investment, new-product development, and advertising. In the fiscal year under review, the segment recorded net sales of ¥2,002 million (up 34.8% year on year) and segment loss of ¥1,649 million (loss of ¥863 million for the previous fiscal year).

2) Financial position

As of the end of the fiscal year under review, total assets amounted to ¥45,762 million, a ¥10,685 million increase since the end of the previous fiscal year. This was primarily due to a ¥5,731 million increase in cash and deposits to ¥31,362 million, a ¥1,097 million increase in accounts receivable - trade to ¥4,356 million due to the growth in net sales, and a ¥2,661 million increase in goodwill to ¥3,958 million due to the acquisition of shares in IEYASU, Inc. and ezSoft Co., Ltd.

As of the end of the fiscal year under review, total liabilities amounted to ¥16,983 million, a ¥4,442 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,898 million increase in unearned contract liabilities (recorded as unearned revenue in the previous fiscal year) to ¥4,941 million due to an increase in the number of corporate users for the BizReach business, and a ¥1,188 million increase in income taxes payable to ¥2,030 million.

As of the end of the fiscal year under review, net assets amounted to ¥28,779 million, a ¥6,242 million increase since the end of the previous fiscal year. This was mainly due to a ¥5,858 million increase in retained earnings due to the recording of profit attributable to owners of parent.

3) Cash flows

As of the end of the fiscal year ended July 31, 2022, the balance of cash and cash equivalents amounted to ¥31,362 million.

The status of cash flows for the fiscal year ended July 31, 2022 and the factors responsible for those results are described below.

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net inflow of ¥9,608 million primarily due to the recording of profit before income taxes of ¥8,755 million, a ¥1,769 million increase in contract liabilities, a ¥1,045 million increase in trade receivables, a ¥700 million increase in accounts payable – other, a ¥861 million increase in accrued consumption taxes, and income taxes paid of ¥2,049 million.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of ¥3,954 million primarily due to purchase of property, plant and equipment of ¥325 million, payments of guarantee deposits of ¥655 million, and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,875 million.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net inflow of ¥77 million primarily due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥325 million, repayments of lease obligations of ¥24 million, and repayments

of long-term borrowings of ¥219 million.

4) Results of production, orders received, and sales

a. Production results

This is omitted because descriptions of production results are not compatible with the nature of the services provided by the Group.

b. Orders received

This is omitted because descriptions of orders received are not compatible with the nature of the services provided by the Group.

c. Sales results

The sales results by segment for the fiscal year ended July 31, 2022 are shown below.

Segment name	Sales (million yen)	Year-on-year (%)
HR Tech	41,791	154.5
Incubation	2,002	134.8
Total	43,793	153.5

- (Notes) 1. Intersegment transactions have been offset and eliminated.
2. In addition to the above, real estate lease revenue of ¥161 million was recorded.

(2) Analysis and Discussion of Operating Results, etc. from Management's Perspective

The following is a summary of recognition, analysis, and discussion of the Group's operating results, etc. from the perspective of management. Statements in this document about the future reflect our judgments as of the date of submission of this document.

1) Significant accounting estimates and the assumptions used in such estimates

The Group's consolidated financial statements have been prepared based on accounting standards generally accepted in Japan. The preparation of these consolidated financial statements requires management to make estimates that affect the amounts of assets, liabilities, revenues, and expenses, based on management's selection and application of accounting policies. Management makes reasonable judgments regarding these estimates, while considering past performance, the possibility of future occurrences, and other factors. However, actual results may differ from these estimates due to the occurrence of events that were unforeseeable at the time of judgment. The significant accounting estimates and assumptions used in making such estimates are as follows.

(Impairment of non-current assets)

For non-current assets or asset groups for which there is a sign of impairment, if the total amount of undiscounted future cash flows from such assets or asset groups is less than the carrying amount, the Group reduces the carrying amount to the recoverable amount, and records the amount of the reduction as an impairment loss. We carefully consider the signs of impairment, and the recognition and measurement of an impairment loss. However, if the conditions and assumptions upon which such estimates are based change and decrease due to changes in business plans or market conditions, it may be necessary to recognize impairment losses.

(Deferred tax assets)

The Group recognizes deferred tax assets for deductible temporary differences and other items for which it has judged that taxable income will be sufficiently secured based on future profit plans, and that there is a possibility of recovery. Because the recoverability of deferred tax assets depends on estimates of future taxable income, if the conditions and assumptions upon which such estimates are based change and decrease, deferred tax assets may be reduced and tax expenses may be recorded.

2) Recognition, analysis, and discussion of operating results, etc.

a. Analysis of operating results

(Net sales)

In the fiscal year ended July 31, 2022, net sales amounted to ¥43,954 million (up 53.2% compared to the previous fiscal year). As a breakdown, the BizReach business grew to ¥37,607 million (up 59.6% compared to the previous fiscal year), and the HRMOS business grew to ¥1,458 million (up 26.2% compared to the previous fiscal year).

In the BizReach business, the number of unique paying customers increased to more than 10,400 at the end of the fiscal year ended July 31, 2022, compared to more than 8,000 at the end of the fiscal year ended July 31, 2021, due to the resumption of hiring in the professional human resources field that had been affected by COVID-19 and opportunities for companies to actively engage in mid-career recruitment. In addition, the number of scoutable job seekers reached more than 1.70 million (up 320,000 from the previous fiscal year) through investment in advertising expenses, including television commercials, contributing to sales growth.

In the HRMOS business, the number of unique paying customers reached 1,193 (an increase of 252 companies from the previous fiscal year) due to active customer development. The 12-month average churn rate was 0.60%.

(Cost of sales and gross profit)

Following the increase in net sales, the cost of sales amounted to ¥5,802 million (up 45.1% compared to the previous fiscal year), and gross profit was ¥38,151 million (up 54.5% compared to the previous fiscal year).

(Selling, general and administrative expenses, and operating profit)

Selling, general and administrative expenses amounted to ¥29,830 million (up 33.6% compared to the previous fiscal year). This was due to an increase in personnel expenses in addition to an increase in gross profit exceeding the increase in advertising expenses in the BizReach business. As a result, operating profit was ¥8,320 million (up 251.3% compared to the previous fiscal year).

(Non-operating income, non-operating expenses, and ordinary profit)

Non-operating income amounted to ¥451 million, due mainly to the share of profit (loss) of entities accounted for using equity method, while non-operating expenses amounted to ¥21 million, due mainly to provision of allowance for doubtful accounts. As a result, ordinary profit was ¥8,751 million (up 284.8% compared to the previous fiscal year).

(Extraordinary income, extraordinary losses, and profit attributable to owners of parent)

Extraordinary income was ¥3 million of gain on reversal of share acquisition rights and profit before income taxes was ¥8,755 million (up 282.3% compared to the previous fiscal year). In addition, as a result of recording income taxes of ¥2,896 million, profit attributable to owners of parent was ¥5,858 million (up 312.4% compared to the previous fiscal year).

b. Analysis of financial position

An analysis of financial position is included in “II. Overview of Business, 3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of Operating Results, etc., 2) Financial position.”

c. Analysis of cash flows

An analysis of cash flows is included in “II. Overview of Business, 3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of Operating Results, etc., 3) Cash flows.”

3) Sources of capital and liquidity of funds

The Group’s main funding needs are for advertising expenses and personnel expenses related to sales activities. The Group raises necessary funds mainly through cash flows from operating activities. For working capital, the Company and its consolidated subsidiaries have introduced a CMS (cash management system), which allows the Company to centrally manage the funds within the Group. By concentrating the surplus funds of each company in the Company and centrally managing these funds, we are working to improve our capital efficiency.

4) Factors that have a significant impact on operating results

For factors that have a significant impact on operating results, refer to “2. Business Risks.”

5) Management’s awareness of issues and future policies

For management’s awareness of issues and future policies, refer to “1. Management Policy, Business Environment, Issues to Address.”

4. Material Contracts, etc.

Not applicable.

5. Research and Development Activities

The Group is focusing on research and development in order to develop additional functions for HRMOS to build an HCM ecosystem. We also conduct research and development activities with an aim to respond quickly to market changes and provide more attractive services that solve various issues that arise with the times.

As a result of the above activities, research and development expenses for the fiscal year ended July 31, 2022 totaled ¥105 million.

III. Information about Facilities

1. Overview of Capital Expenditures

The total amount of capital expenditures, including construction in progress, made during the fiscal year ended July 31, 2022 was ¥292 million, mainly due to the purchase of PCs.

No important facilities were disposed of or sold during the fiscal year under review.

2. Major Facilities

(1) Filing Company

As of July 31, 2022

Office name (location)	Segment name	Description of facilities	Carrying amount (million yen)					Number of employees
			Buildings and structures	Tools, furniture and fixtures	Constructio n in progress	Other	Total	
Head office (Shibuya-ku, Tokyo)	Company- wide	Business facilities	333	291	27	5	657	130 [26]

- (Notes)
- There are no major facilities that are currently dormant.
 - “Other” in the carrying amount refers to trademark right and software.
 - Buildings such as office, etc. are leased from companies other than consolidated companies, and the annual rental fee is ¥1,236 million.
 - The number of employees represents the number of employees engaged, excluding those seconded from the Company to outside the Company and including those seconded from outside the Company to the Company. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.

(2) Domestic Subsidiaries

As of July 31, 2022

Company name	Office name (location)	Segment name	Description of facilities	Carrying amount (million yen)					Number of employees
				Buildings and structures	Tools, furniture and fixtures	Construct ion in progress	Other	Total	
BizReach, Inc.	Head office and three other sales offices (Shibuya-ku, Tokyo, etc.)	HR Tech	Business facilities	—	76	—	20	97	1,153 [228]

- (Notes)
- There are no major facilities that are currently dormant.
 - “Other” in the carrying amount refers to software.
 - The number of employees represents the number of employees engaged, excluding those seconded from BizReach, Inc. to other companies and including those seconded from other companies to BizReach, Inc. The number in parentheses indicates the average number of temporary employees (including contract employees, part-timers, casual workers, and dispatched workers) per year not included in the total.

3. Planned Addition, Retirement, and Other Changes of Facilities

(1) Addition of Major Facilities

Not applicable.

(2) Retirement of Major Facilities

Not applicable.

IV. Information about Reporting Company

1. Company's Shares, etc.

(1) Total Number of Shares

1) Total number of shares

Class	Total number of shares authorized to be issued (shares)
Common stock	100,000,000
Total	100,000,000

2) Issued shares

Class	Number of issued shares at the end of the fiscal year (July 31, 2022)	Number of issued shares at the date of filing of this report (October 26, 2022)	Name of financial instruments exchange on which securities are listed or authorized financial instruments business association to which securities are registered	Description
Common stock	38,346,700	38,466,100	Growth Market, Tokyo Stock Exchange	Shares with full voting rights that is the Company's standard share with no restrictions on voting rights. One unit consists of 100 shares.
Total	38,346,700	38,466,100	—	—

(Notes) 1. The number of issued shares increased by 119,400 shares as a result of the exercise of stock acquisition rights during the period from August 1, 2022 to September 30, 2022.

2. The number of issued shares at the date of filing of this report does not include the number of shares issued as a result of the exercise of share acquisition rights between October 1, 2022 and the date of filing of this annual securities report.

(2) Share Acquisition Rights

1) Stock options

1st Series to 23rd Series Share Acquisition Rights were originally issued by BizReach, Inc. and the obligation associated with share acquisition rights was succeeded to the Company upon its establishment on February 3, 2020 by means of sole share transfer by BizReach, Inc.

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Date of resolution (Note 1)	October 11, 2012	August 29, 2014
Class and number of recipients (Note 2)	Directors: 1 Employees: 29 Directors of subsidiaries: 2 Employees of subsidiaries: 3 External consultants: 4	Audit and Supervisory Committee Members: 1 Employees: 42 External consultants: 3
Number of share acquisition rights*	480 [150] (Note 3)	150 [100] (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 48,000 [15,000] (Notes 3 and 7)	Common stock: 15,000 [10,000] (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	43 (Notes 4 and 7)	43 (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to October 10, 2022	From February 3, 2020 to September 1, 2024
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. The date of resolution refers to the date of resolution originally made by BizReach, Inc.

2. Class and number of recipients refer to those as of the time when share acquisition rights were initially issued.

3. The number of shares issued upon exercise of one share acquisition right is 100 shares.

However, if the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the number of shares granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \frac{\text{Ratio of stock split or reverse stock split}}{\text{split}}$$

4. If the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the payment amount per share shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Furthermore, in the case that the Company issues new shares or disposes of its treasury shares at a price below the market value (excluding those associated with the exercise of share acquisition rights) after the day share acquisition rights are allotted, the payment amount shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of shares newly issued (disposed of)} \times \text{Payment amount per share}}{\text{Market value before new issuance}}}{\text{Number of already issued shares} + \text{Number of shares newly issued (disposed of)}}$$

5. Conditions for exercise of share acquisition rights

- (1) A person allotted with share acquisition rights may not exercise the share acquisition rights after losing his/her position as a director, auditor, and/or employee of the Company or one of the Company's subsidiaries, and/or as external consultant; except where the Company deems that there is any reasonable cause for loss of said positions.
- (2) A share acquisition right holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of share acquisition rights.
- (3) Successor of a share acquisition right holder is not permitted to exercise the share acquisition rights.
- (4) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the Company and the person allotted with share acquisition rights, based on resolution of the Board of Directors concerning issuance of share acquisition rights.

6. Treatment in the case of reorganization

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the "Reorganization Activities"), the share acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") shall be delivered, in each of the above cases, to share acquisition right holders holding the share acquisition rights remaining at the time immediately before the effective date of the "Reorganization Activities" (the "Remaining Share Acquisition Rights") in accordance with the following conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided that delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the share acquisition rights held by share acquisition right holders of the Remaining Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of share acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of share acquisition rights
Determined in accordance with Note 3, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising share acquisition rights
The value of property invested in exercising the respective share acquisition rights to be delivered shall be the amount obtained by multiplying the payment amount after a reorganization that is determined in Note 4 through adjusting the payment amount per share taking into account conditions for the Reorganization Activities, etc. by the number of shares of the Reorganized Company for the purpose of such share acquisition rights determined in accordance with (3) above.

(5) Period during which share acquisition rights can be exercised

From the first day of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement.

(6) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall require the approval of the Reorganized Company.

(7) Conditions for exercise of share acquisition rights

It shall be determined in accordance with Note 5 above.

7. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Accordingly, "Class, details and number of shares issued upon exercise of share acquisition rights," "Payment amount upon exercise of share acquisition rights" and "Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital" are adjusted.

	4th Series Share Acquisition Right	6th Series Share Acquisition Right
Date of resolution (Note 1)	April 8, 2015	December 11, 2015
Class and number of recipients (Note 2)	Employees: 80	Directors: 3 Employees: 67
Number of share acquisition rights*	250 [220] (Note 3)	3,036 [2,811] (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 25,000 [22,000] (Notes 3 and 7)	Common stock: 303,600 [281,100] (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	43 (Notes 4 and 7)	100 (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to April 7, 2025	From February 3, 2020 to December 11, 2025
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 43 Amount to be included in capital: 21.5 (Note 7)	Issue price: 100 Amount to be included in capital: 50 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	7th Series Share Acquisition Right	10th Series Share Acquisition Right
Date of resolution (Note 1)	June 19, 2017	April 9, 2018
Class and number of recipients (Note 2)	Directors: 2 Employees: 136	Employees: 1
Number of share acquisition rights*	4,935 [4,533] (Note 3)	900 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 493,500 [453,300] (Notes 3 and 7)	Common stock: 90,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	250 (Notes 4 and 7)	400 (Notes 4 and 7)
Exercise period of share acquisition rights*	From February 3, 2020 to June 14, 2027	From May 1, 2020 to March 26, 2028
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 250 Amount to be included in capital: 125 (Note 7)	Issue price: 400 Amount to be included in capital: 200 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	11th Series Share Acquisition Right	12th Series Share Acquisition Right
Date of resolution (Note 1)	April 9, 2018	April 17, 2019
Class and number of recipients (Note 2)	Employees: 42	Directors: 1 Employees: 47
Number of share acquisition rights*	2,290 (Note 3)	5,220 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 229,000 (Notes 3 and 7)	Common stock: 522,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	400 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From May 1, 2020 to March 26, 2028	From April 18, 2021 to April 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 400 Amount to be included in capital: 200 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	13th Series Share Acquisition Right	14th Series Share Acquisition Right
Date of resolution (Note 1)	April 17, 2019	April 17, 2019
Class and number of recipients (Note 2)	Employees: 6	Employees: 19
Number of share acquisition rights*	270 (Note 3)	1,390 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 27,000 (Notes 3 and 7)	Common stock: 139,000 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	15th Series Share Acquisition Right	16th Series Share Acquisition Right
Date of resolution (Note 1)	April 17, 2019	April 17, 2019
Class and number of recipients (Note 2)	Employees: 7	Employees: 1
Number of share acquisition rights*	1,395 (Note 3)	872 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 139,500 (Notes 3 and 7)	Common stock: 87,200 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	17th Series Share Acquisition Right	18th Series Share Acquisition Right
Date of resolution (Note 1)	July 17, 2019	July 17, 2019
Class and number of recipients (Note 2)	Audit and Supervisory Committee Members: 1 Employees: 72	Employees: 20
Number of share acquisition rights*	1,825 (Note 3)	212 [1,132] (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 182,500 (Notes 3 and 7)	Common stock: 121,200 [113,200] (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.
(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	19th Series Share Acquisition Right	20th Series Share Acquisition Right
Date of resolution (Note 1)	July 17, 2019	July 17, 2019
Class and number of recipients (Note 2)	Employees: 12	Employees: 2
Number of share acquisition rights*	224 (Note 3)	2,457 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 22,400 (Notes 3 and 7)	Common stock: 245,700 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	550 (Notes 4 and 7)
Exercise period of share acquisition rights*	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 550 Amount to be included in capital: 275 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	21st Series Share Acquisition Right	22nd Series Share Acquisition Right
Date of resolution (Note 1)	July 17, 2019	December 19, 2019
Class and number of recipients (Note 2)	Employees: 2	Audit and Supervisory Committee Members: 1 Employees: 69
Number of share acquisition rights*	960 (Note 3)	4,235 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 96,000 (Notes 3 and 7)	Common stock: 423,500 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	550 (Notes 4 and 7)	780 (Notes 4 and 7)
Exercise period of share acquisition rights*	From July 18, 2021 to July 17, 2029	From December 20, 2021 to December 19, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 550 Amount to be included in capital: 275 (Note 7)	Issue price: 780 Amount to be included in capital: 390 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	23rd Series Share Acquisition Right
Date of resolution	December 19, 2019
Class and number of recipients (Note 1)	Audit and Supervisory Committee Members: 1 Employees: 33 Directors of subsidiaries: 1
Number of share acquisition rights*	855 (Note 3)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 85,500 (Notes 3 and 7)
Payment amount upon exercise of share acquisition rights (yen)*	780 (Notes 4 and 7)
Exercise period of share acquisition rights*	From December 20, 2021 to December 19, 2029
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 780 Amount to be included in capital: 390 (Note 7)
Conditions for exercise of share acquisition rights*	(Note 5)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 6)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).
(Notes 1 to 7) As described in Notes 1 to 7 for the 1st Series Share Acquisition Right.

	24th Series Share Acquisition Right	25th Series Share Acquisition Right
Date of resolution (Note 1)	July 20, 2020	July 20, 2020
Class and number of recipients (Note 2)	Employees of subsidiaries: 5	Employees of subsidiaries: 60
Number of share acquisition rights*	650 [573] (Note 2)	2,278 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 65,000 [57,300] (Notes 2 and 6)	Common stock: 227,800 (Notes 2 and 6)
Payment amount upon exercise of share acquisition rights (yen)*	1,250 (Notes 3 and 6)	1,250 (Notes 3 and 6)
Exercise period of share acquisition rights*	From July 21, 2022 to July 20, 2030	From July 21, 2022 to July 20, 2030
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)
Conditions for exercise of share acquisition rights*	(Note 4)	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.	
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). Items that have changed from the end of the current fiscal year to the end of the month prior to the date of filing of this annual securities report (September 30, 2022) are indicated in parenthesis, while other items are unchanged from those as of the end of the current fiscal year.

(Notes) 1. Class and number of recipients refer to those as of the time when share acquisition rights were initially issued.

2. The number of shares issued upon exercise of one share acquisition right is 100 shares.

However, if the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the number of shares granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \frac{\text{Ratio of stock split or reverse stock split}}{\text{split}}$$

3. If the Company conducts a stock split or a reverse stock split after the day share acquisition rights are allotted, the payment amount per share shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

Furthermore, in the case that the Company issues new shares or disposes of its treasury shares at a price below the market value (excluding those associated with the exercise of share acquisition rights) after the day share acquisition rights are allotted, the payment amount shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Payment amount after adjustment} = \text{Payment amount before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of shares newly issued (disposed of)} \times \text{Payment amount per share}}{\text{Market value before new issuance}}}{\text{Number of already issued shares} + \text{Number of shares newly issued (disposed of)}}$$

4. Conditions for exercise of share acquisition rights

- (1) A person allotted with share acquisition rights may not exercise the share acquisition rights after losing his/her position as a director, auditor, and/or employee of the Company or one of the Company’s subsidiaries, and/or as external consultant; except where the Company deems that there is any reasonable cause for loss of said positions.
- (2) A share acquisition right holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of share acquisition rights.
- (3) Successor of a share acquisition right holder is not permitted to exercise the share acquisition rights.
- (4) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the Company and the person allotted with share acquisition rights, based on resolution of the Board of Directors concerning issuance of share acquisition rights.

5. Treatment in the case of reorganization

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the “Reorganization Activities”), the share acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the “Reorganized Company”) shall be delivered, in each of the above cases, to share acquisition right holders holding the share acquisition rights remaining at the time immediately before the effective date of the “Reorganization Activities” (the “Remaining Share Acquisition Rights”) in accordance with the following conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided that delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the share acquisition rights held by share acquisition right holders of the Remaining Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of share acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of share acquisition rights
Determined in accordance with Note 2, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising share acquisition rights
The value of property invested in exercising the respective share acquisition rights to be delivered shall be the amount obtained by multiplying the payment amount after a reorganization that is determined in Note 3 through adjusting the payment amount per share taking into account conditions for the Reorganization Activities, etc. by the number of shares of the Reorganized Company for the purpose of such share acquisition rights determined in accordance with (3) above.
- (5) Period during which share acquisition rights can be exercised
From the first day of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which share acquisition rights can be exercised stipulated in the share acquisition rights allotment agreement.
- (6) Restriction on acquisition of share acquisition rights by transfer
Any acquisition of share acquisition rights by transfer shall require the approval of the Reorganized Company.
- (7) Conditions for exercise of share acquisition rights
It shall be determined in accordance with Note 4 above.

6. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Accordingly, "Class, details and number of shares issued upon exercise of share acquisition rights," "Payment amount upon exercise of share acquisition rights" and "Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital" are adjusted.

	26th Series Share Acquisition Right
Date of resolution	July 20, 2020
Class and number of recipients (Note 1)	Employees: 5 Employees of subsidiaries: 31
Number of share acquisition rights*	950 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 95,000 (Notes 2 and 6)
Payment amount upon exercise of share acquisition rights (yen)*	1,250 (Notes 3 and 6)
Exercise period of share acquisition rights*	From July 21, 2022 to July 20, 2030
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 1,250 Amount to be included in capital: 625 (Note 6)
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes 1 to 6) As described in Notes 1 to 6 for the 24th Series Share Acquisition Right.

	27th Series Share Acquisition Right
Date of resolution	February 21, 2022
Class and number of recipients (Note 1)	Employees: 1 Directors of subsidiaries: 1 Employees of subsidiaries: 4
Number of share acquisition rights*	460 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 46,000 (Note 2)
Payment amount upon exercise of share acquisition rights (yen)*	8,278 (Note 3)
Exercise period of share acquisition rights*	From February 22, 2024 to February 21, 2032
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 8,278 Amount to be included in capital: 4,139
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes) 1. Class and number of recipients refer to those as of the time when share acquisition rights were initially issued.

2. The number of shares issued upon exercise of one share acquisition right is 100 shares.

However, if the Company conducts a stock split of common stock of the Company (including gratis allotment of common stock of the Company; the same applies to stock splits below) or a reverse stock split of common stock of the Company after the day share acquisition rights are allotted (hereinafter referred to as the “Allotment Date”), the Number of Shares Granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \frac{\text{Ratio of stock split or reverse stock split}}{\text{split}}$$

If the Company conducts a merger, company split, share exchange, or share transfer (hereinafter referred to collectively as “Merger, etc.”) or it otherwise becomes necessary to adjust the number of shares, the number of shares may be adjusted within a reasonable scope after the conditions, etc. of the Merger, etc. are considered.

3. Adjustment of the exercise price

(1) If the Company conducts (i) or (ii) below for the Company’s common stock after the Allotment Date, the exercise price in each case shall be adjusted by the following formula (the “Exercise Price Adjustment Formula”) and any fractions less than one yen resulting from the adjustment shall be rounded up.

(i) In the case that the Company conducts a stock split or a reverse stock split

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

(ii) In the case that the Company issues new shares of the Company’s common stock or disposes of its treasury shares at a price below the market value (excluding a case of issuing new shares by exercising share acquisition rights) after the Allotment Date of share acquisition rights, the above exercise price shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued shares} \times \text{Payment amount per share}}{\text{Market value per share}}}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

- i. The “market value” used in the above Exercise Price Adjustment Formula shall be the average of the closing prices (including indicative prices; the same applies below) for 30 trading days (excluding days when no trading occurs) beginning 45 trading days prior to the effective date of the adjusted exercise price (hereinafter referred to as the “Effective Date”) stipulated in (2) below. The average price is calculated to the first decimal place by rounding the second decimal place of amounts less than one yen.
- ii. The “number of already issued shares” used in the above Exercise Price Adjustment Formula shall be the total number of shares of common stock issued by the Company as of the record date if there is one, or, if not, as of the day one month prior to the Effective Date, less the number of shares of common stock held by the Company as treasury shares.
- iii. If the Company disposes of treasury shares, then “number of newly issued shares” shall be replaced with “number of treasury shares disposed of” in the Exercise Price Adjustment Formula.

(2) The Effective Date of the adjusted exercise price shall be determined as follows.

- (i) If adjustment is conducted in accordance with (1)-(i) above, the adjusted exercise price, in the case of a stock split, shall take effect on the day following the record date of the stock split (or, if there is no record date, the date the stock split goes into effect), and in the case of a reverse stock split, shall take effect on or after the day the reverse stock split goes into effect. However, if a stock split is conducted on the condition that a proposal to decrease the amount of surplus and increase share capital or legal capital surplus is approved by the Company’s General Meeting of Shareholders and the record date for the stock split is prior to the date of the close of the meeting, the adjusted exercise price shall be applied retroactively to the day following the record date beginning on the day after the date of the close of meeting. In the case stipulated in the above exception, the number of shares of common stock in the Company issued to holders of share acquisition rights who exercised those rights between the day after the record date of the stock split and the day of the close of the General Meeting of Shareholders (the number of shares that may be acquired by exercise of the corresponding share acquisition rights hereinafter referred to as the “Pre-split Number of Shares”) shall be adjusted using the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares newly issued} = \frac{(\text{Exercise price before adjustment} - \text{Exercise price after adjustment}) \times \text{Pre-split Number of Shares}}{\text{Exercise price after adjustment}}$$

- (ii) If adjustment is conducted in accordance with (1)-(ii) above, the exercise price after adjustment shall take effect beginning the day (if there is a record date, then beginning the day after that date) following the payment date for that issuance or disposal (if a payment period has been specified, then the final day of that period).

(3) In addition to the cases stipulated in (1)-(i) and (ii) above, if after the Allotment Date a gratis allotment of another class of shares is made to ordinary shareholders, or shares of another company are allocated to ordinary shareholders as stock dividend, and in other such cases where the exercise price needs to be adjusted, the Company may adjust the exercise price within a reasonable scope upon considering the terms of the allotment or dividend, etc. and other such matters.

(4) When the exercise price is adjusted, the Company shall inform holders of share acquisition rights of necessary matters, or publicly announce them, by the day prior to the Effective Date. However, if notification or announcement cannot be made by the day prior to the Effective Date, notification or announcement shall be promptly made thereafter.

4. Conditions for exercise of share acquisition rights

- (1) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company's subsidiaries may not exercise the share acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.
- (2) A share acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company or its subsidiary and the holder is not judged to be lost at the time of his/her exercise of share acquisition rights.
- (3) Transferring the share acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the share acquisition rights is not permitted.
- (4) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the share acquisition rights.
- (5) Other conditions for allotment of the share acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom share acquisition rights will be allotted, based on resolutions reached at the 2nd annual general meeting of shareholders and the Board of Directors' meeting held on February 21, 2022 concerning issuance of share acquisition rights.

5. Treatment in the case of reorganization

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the "Reorganization Activities"), the share acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") shall be delivered, in each of the above cases, to share acquisition right holders holding the share acquisition rights remaining at the time immediately before the effective date of the "Reorganization Activities" (the "Remaining Share Acquisition Rights") in accordance with the following conditions. In this case, the Remaining Share Acquisition Rights shall be extinguished and the Reorganized Company shall issue new share acquisition rights; provided that delivery of share acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of share acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the share acquisition rights held by share acquisition right holders of the Remaining Share Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of share acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of share acquisition rights
Determined in accordance with "Class, details and number of shares issued upon exercise of share acquisition rights (shares)" above, taking into account conditions for the Reorganization Activities, etc.
- (4) Value of property invested in exercising share acquisition rights
The value of property invested in exercising the respective share acquisition rights to be delivered shall be the amount obtained by multiplying the exercise price after a reorganization that is determined in Note 2 above through adjusting the exercise price taking into account conditions for the Reorganization Activities, etc. by the number of shares of the Reorganized Company for the purpose of such share acquisition rights determined in accordance with (3) above.
- (5) Period during which share acquisition rights can be exercised
From the first day of the period during which share acquisition rights can be exercised stipulated in "Exercise period of share acquisition rights" above or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which share acquisition rights can be exercised stipulated in "Exercise period of share acquisition rights" above.
- (6) Matters concerning share capital and legal capital surplus to be increased upon issuance of shares through exercise of share acquisition rights
The amount of share capital to be increased upon issuing new shares through the exercise of share acquisition rights shall be one-half of the maximum amount of an increase in share capital, etc., calculated pursuant to Article 17, paragraph 1 of

the Rules of Corporate Accounting and any fractions less than one yen resulting from the calculation shall be rounded up. In addition, the amount of legal capital surplus to be increased upon issuing new shares through the exercise of share acquisition rights shall be the amount obtained by subtracting the above amount of share capital to be increased from the above maximum amount of an increase in share capital, etc.

(7) Restriction on acquisition of share acquisition rights by transfer

Any acquisition of share acquisition rights by transfer shall require the approval of the Reorganized Company.

(8) Conditions for exercise of share acquisition rights

It shall be determined in accordance with “Period during which share acquisition rights can be exercised” above.

	28th Series Share Acquisition Right
Date of resolution	February 21, 2022
Class and number of recipients (Note 1)	Directors of subsidiaries: 1 Employees of subsidiaries: 1
Number of share acquisition rights*	480 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 48,000 (Note 2)
Payment amount upon exercise of share acquisition rights (yen)*	7,920 (Note 3)
Exercise period of share acquisition rights*	From February 22, 2025 to February 21, 2032
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 7,944.82 Amount to be included in capital: 3,972.41
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes) 1. As described in Note 1 for the 27th Series Share Acquisition Rights.

2. As described in Note 2 for the 27th Series Share Acquisition Rights.

3. As described in Note 3 for the 27th Series Share Acquisition Rights.

4. Conditions for exercise of share acquisition rights

(1) The upper limit for stock acquisition rights that may be exercised by a stock acquisition right holder are as follows in accordance with the time periods set forth in (i) through (vii) below.

(i) From April 23, 2025 to April 22, 2026

The upper limit shall be 15% of the total number of allotted stock acquisition rights.

(ii) From April 23, 2026 to April 22, 2027

The upper limit shall be 30% of the total number of allotted stock acquisition rights.

(iii) From April 23, 2027 to April 22, 2028

The upper limit shall be 45% of the total number of allotted stock acquisition rights.

(iv) From April 23, 2028 to April 22, 2029

The upper limit shall be 60% of the total number of allotted stock acquisition rights.

(v) From April 23, 2029 to April 22, 2030

The upper limit shall be 75% of the total number of allotted stock acquisition rights.

(vi) From April 23, 2030 to April 22, 2031

The upper limit shall be 90% of the total number of allotted stock acquisition rights.

(vii) After April 23, 2031

The upper limit shall be 100% of the total number of allotted stock acquisition rights.

- (2) In addition to the conditions in (1) above, stock acquisition right holders may exercise their stock acquisition rights only when all the conditions in (i) through (iii) below are met.
- (i) The Company's consolidated net sales for the fiscal year ended July 31, 2022 exceeds ¥41,000 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ended July 31, 2022.
 - (ii) The Company's consolidated net sales for the fiscal year ending July 31, 2023 exceeds ¥47,150 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2023.
 - (iii) The Company's consolidated net sales for the fiscal year ending July 31, 2024 exceeds ¥54,220 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2024.
- (3) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company's subsidiaries may not exercise the stock acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.
- (4) A stock acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of stock acquisition rights.
- (5) Transferring the stock acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the stock acquisition rights is not permitted.
- (6) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the stock acquisition rights.
- (7) Other conditions for allotment of the stock acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom stock acquisition rights will be allotted, based on the resolution reached at the Board of Directors' meeting held on February 21, 2022.

5. As described in Note 5 for the 27th Series Share Acquisition Rights.

	29th Series Share Acquisition Right
Date of resolution	February 21, 2022
Class and number of recipients (Note 1)	Directors: 1 Directors of subsidiaries: 1
Number of share acquisition rights*	1,720 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 172,000 (Note 2)
Payment amount upon exercise of share acquisition rights (yen)*	7,920 (Note 3)
Exercise period of share acquisition rights*	From February 22, 2025 to February 21, 2032
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 7,944.94 Amount to be included in capital: 3,972.47
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

- (Notes) 1. As described in Note 1 for the 27th Series Share Acquisition Rights.
2. As described in Note 2 for the 27th Series Share Acquisition Rights.
3. As described in Note 3 for the 27th Series Share Acquisition Rights.
4. Conditions for exercise of share acquisition rights
- (1) The upper limit for stock acquisition rights that may be exercised by a stock acquisition right holder are as follows in accordance with the time periods set forth in (i) through (iii) below.
 - (i) From April 23, 2027 to April 22, 2028
The upper limit shall be 20% of the total number of allotted stock acquisition rights.
 - (ii) From April 23, 2028 to April 22, 2029
The upper limit shall be 40% of the total number of allotted stock acquisition rights.
 - (iii) From April 23, 2029 to April 22, 2030
The upper limit shall be 60% of the total number of allotted stock acquisition rights.
 - (iv) From April 23, 2030 to April 22, 2031
The upper limit shall be 80% of the total number of allotted stock acquisition rights.
 - (v) After April 23, 2031
The upper limit shall be 100% of the total number of allotted stock acquisition rights.
 - (2) In addition to the conditions in (1) above, stock acquisition right holders may exercise their stock acquisition rights only when all the conditions in (i) through (iii) below are met.
 - (i) The Company's consolidated net sales for the fiscal year ended July 31, 2022 exceeds ¥41,000 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ended July 31, 2022.
 - (ii) The Company's consolidated net sales for the fiscal year ending July 31, 2023 exceeds ¥47,150 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2023.
 - (iii) The Company's consolidated net sales for the fiscal year ending July 31, 2024 exceeds ¥54,220 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2024.
 - (3) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company's subsidiaries may not exercise the stock acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.
 - (4) A stock acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of stock acquisition rights.
 - (5) Transferring the stock acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the stock acquisition rights is not permitted.
 - (6) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the stock acquisition rights.
 - (7) Other conditions for allotment of the stock acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom stock acquisition rights will be allotted, based on the resolution reached at the Board of Directors' meeting held on February 21, 2022.
5. As described in Note 5 for the 27th Series Share Acquisition Rights.

	30th Series Share Acquisition Right
Date of resolution	February 21, 2022
Class and number of recipients (Note 1)	Employees of subsidiaries: 1
Number of share acquisition rights*	264 (Note 2)
Class, details and number of shares issued upon exercise of share acquisition rights (shares)*	Common stock: 26,400 (Note 2)
Payment amount upon exercise of share acquisition rights (yen)*	7,920 (Note 3)
Exercise period of share acquisition rights*	From February 22, 2025 to February 21, 2032
Issue price of shares issued through the exercise of share acquisition rights and the amount to be included in capital (yen)*	Issue price: 7,943.92 Amount to be included in capital: 3,971.96
Conditions for exercise of share acquisition rights*	(Note 4)
Matters regarding transfer of share acquisition rights*	Transfer of share acquisition rights shall be subject to approval by the Board of Directors.
Matters regarding grant of share acquisition rights accompanying organizational restructuring*	(Note 5)

* Details provided are those as of the final day of the current fiscal year (July 31, 2022). There are no changes to these items as of the end of the month prior to the date of filing of this annual securities report (September 30, 2022).

(Notes) 1. As described in Note 1 for the 27th Series Share Acquisition Rights.

2. As described in Note 2 for the 27th Series Share Acquisition Rights.

3. As described in Note 3 for the 27th Series Share Acquisition Rights.

4. Conditions for exercise of share acquisition rights

- (1) A stock acquisition right holder may exercise the total number of stock acquisition rights allotted to them from April 23, 2027.
- (2) In addition to the conditions in (1) above, stock acquisition right holders may exercise their stock acquisition rights only when all the conditions in (i) through (iii) below are met.
 - (i) The Company's consolidated net sales for the fiscal year ended July 31, 2022 exceeds ¥41,000 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ended July 31, 2022.
 - (ii) The Company's consolidated net sales for the fiscal year ending July 31, 2023 exceeds ¥47,150 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2023.
 - (iii) The Company's consolidated net sales for the fiscal year ending July 31, 2024 exceeds ¥54,220 million in the audited consolidated statement of income of the Company included in the annual securities report of the Company for the fiscal year ending July 31, 2024.
- (3) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company's subsidiaries may not exercise the stock acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.
- (4) A stock acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company and the holder is not judged to be lost at the time of his/her exercise of stock acquisition rights.
- (5) Transferring the stock acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the stock acquisition rights is not permitted.
- (6) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the stock acquisition rights.

(7) Other conditions for allotment of the stock acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom stock acquisition rights will be allotted, based on the resolution of the Board of Directors.

5. As described in Note 5 for the 27th Series Share Acquisition Rights.

For the 1st Series through 30th Series Share Acquisition Rights, the numbers of shares issued upon exercise of share acquisition rights that will become exercisable as of the end of the month prior to the date of filing of this annual securities report are given by fiscal year below.

	Fiscal year ended July 31, 2022	Fiscal year ending July 31, 2023	Fiscal year ending July 31, 2024	Fiscal year ending July 31, 2025	Fiscal year ending July 31, 2026
Number of shares	(Note 1) 877,300	(Note 2) 467,800	(Note 3) 568,900	(Note 4) 448,000	(Note 5) 469,200

	Fiscal year ending July 31, 2027	Fiscal year ending July 31, 2028	Fiscal year ending July 31, 2029	Fiscal year ending July 31, 2030
Number of shares	(Note 6) 419,200	(Note 7) 279,500	(Note 8) 281,200	(Note 9) 45,300

(Notes) 1. Of these 877,300 shares, 87,200 shares became exercisable on August 1, 2021 and 790,100 shares became exercisable on April 23, 2022, one year from the day following the listing date.

2. Exercisable from April 23, 2023, two years from the day following the listing date.
3. Exercisable from April 23, 2024, three years from the day following the listing date.
4. Exercisable from April 23, 2025, four years from the day following the listing date.
5. Exercisable from April 23, 2026, five years from the day following the listing date.
6. Exercisable from April 23, 2027, six years from the day following the listing date.
7. Exercisable from April 23, 2028, seven years from the day following the listing date.
8. Exercisable from April 23, 2029, eight years from the day following the listing date.
9. Exercisable from April 23, 2030, nine years from the day following the listing date.

2) Rights plans

Not applicable.

3) Other share acquisition rights

Not applicable.

(3) Exercises of Bonds with Share Acquisition Rights Containing a Clause for Exercise Price Amendment

Not applicable.

(4) Changes in Total Number of Issued Shares, Share Capital and Others

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
February 3, 2020 (Note 1)	Common stock 232,353 Class A preferred stock 53,301	Common stock 232,353 Class A preferred stock 53,301	100	100	4,438	4,438
October 27, 2020 (Note 2)	Common stock 40,000	Common stock 272,353 Class A preferred stock 53,301	202	302	202	4,641
December 6, 2020 (Note 3)	Common stock 53,301 Class A preferred stock (53,301)	Common stock 325,654	—	302	—	4,641
December 7, 2020 (Note 4)	Common stock 32,239,746	Common stock 32,565,400	—	302	—	4,641
January 8, 2021 (Note 5)	Common stock 898,000	Common stock 33,463,400	134	436	134	4,775
April 21, 2021 (Note 6)	Common stock 2,127,700	Common stock 35,591,100	5,000	5,436	5,000	9,775
May 18, 2021 (Note 7)	Common stock 266,900	Common stock 35,858,000	627	6,063	627	10,402
August 1, 2021 to July 31, 2022 (Note 8)	Common stock 2,488,700	Common stock 38,346,700	162	6,226	162	10,565

- (Notes) 1. The increases in the total number of issued shares, share capital and legal capital surplus are due to the establishment of the Company on February 3, 2020 by means of share transfer.
2. Exercise of share acquisition rights.
3. The Company redeemed all shares of Class A preferred stock as treasury stock as a result of exercising put option by the Company in accordance with the resolution reached at the Board of Directors' meeting held on November 20, 2020, pursuant to the provisions for acquisition of the Articles of Incorporation, and issued common stock to the shareholders in return. On December 6, 2020, all shares of the treasury stock redeemed were then canceled in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors' meeting held on November 20, 2020.
4. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020.
5. Exercise of share acquisition rights.
6. Public offering with consideration (Offering by book building method)
Issue price: ¥5,000
Underwriting price: ¥4,700
Amount to be included in capital: ¥2,350
7. As a result of the capital increase by a third-party allotment to Nomura Securities Co., Ltd. in connection with the secondary offering by over-allotment, with a payment date of May 18, 2021, the total number of issued shares increased by 266,900 shares, and share capital and legal capital surplus increased by ¥627 million, respectively.
8. Exercise of share acquisition rights.
9. As a result of the exercise of stock acquisition rights during the period from August 1, 2022 to September 30, 2022, the total number of issued shares increased by 119,400 shares, and share capital and legal capital surplus increased by ¥14 million, respectively.

(Reference) Description about BizReach, Inc., which is a wholly-owned subsidiary of the Company by transfer of shares

Date	Changes in total number of issued shares (shares)	Balance of total number of issued shares (shares)	Changes in share capital (million yen)	Balance of share capital (million yen)	Changes in legal capital surplus (million yen)	Balance of legal capital surplus (million yen)
November 30, 2017 (Note)	Common stock 11,690	Common stock 232,353 Class A preferred stock 53,301	24	2,097	24	2,067

(Note) Exercise of share acquisition rights.

(5) Shareholding by Shareholder Category

As of July 31, 2022

Category	Status of shares (Number of shares constituting one unit: 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial service providers	Other corporations	Foreign investors		Individuals and others	Total	
					Other than individuals	Individual investors			
Number of shareholders	—	8	32	96	178	11	4,484	4,809	—
Number of shares owned (units)	—	37,588	5,485	762	110,054	44	229,441	383,374	9,300
Percentage of shareholdings (%)	—	9.80	1.43	0.20	28.71	0.01	59.85	100.00	—

(Note) Of the 179 treasury shares, one unit and 79 shares are included in “Individuals and others” and “Shares less than one unit,” respectively.

(6) Major Shareholders

As of July 31, 2022

Name/company name	Address	Number of shares owned (shares)	Percentage of shares held to the total number of issued shares (excluding treasury shares) (%)
Soichiro Minami	Shibuya-ku, Tokyo	16,159,000	42.13
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	One Lincoln Street, Boston, MA U.S.A. 02111 (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	3,525,950	9.19
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo	1,835,700	4.78
YJ2 Investment Partnership	1-3 Kioicho, Chiyoda-ku, Tokyo	1,721,400	4.48
MSIP CLIENT SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	25 Cabot Square, Canary Wharf, London E14 4QA, U.K. (9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo)	1,718,070	4.48
Custody Bank of Japan, Ltd. (Trust account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	1,276,900	3.32
Shin Takeuchi	Shibuya-ku, Tokyo	920,200	2.39
MSCO CUSTOMER SECURITIES (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1585 Broadway New York, New York, 10036, U.S.A. (9-7, Otemachi 1-chome, Chiyoda-ku, Tokyo)	519,481	1.35
Makoto Nagata	Setagaya-ku, Tokyo	503,200	1.31
NORTHERN TRUST CO. (AVFC) RE UKUC UCITS CLIENTS NON LENDING 10PCT TREATY ACCOUNT (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited Tokyo branch)	50BANK STREET CANARY WHARF LONDON E14 5NT, UK (11-1, Nihombashi 3-chome, Chuo-ku, Tokyo)	458,300	1.19
Total	—	28,638,201	74.62

(Note) In the large shareholding report (change report) dated April 27, 2022, which is available for public inspection, Capital Research and Management Company and its joint holders are listed as holding the following shares as of April 20, 2022. However, since the Company is unable to confirm the number of shares actually held as of July 31, 2022, Capital Research and Management Company and its joint holders are not included in the above list of major shareholders.

Major holder: Capital Research and Management Company and three other companies
Number of shares held: 4,799,550 shares
Percentage of shares held: 13.38%

(7) Voting Rights

1) Issued shares

As of July 31, 2022

Category	Number of shares (shares)	Number of voting rights	Description
Shares with no voting rights	—	—	—
Shares with restricted voting rights (Treasury shares, etc.)	—	—	—
Shares with restricted voting rights (Other)	—	—	—
Shares with full voting rights (Treasury shares, etc.)	Common stock	—	—
	100		
Shares with full voting rights (Other)	Common stock 38,337,300	383,373	The Company's standard share with no restrictions on voting rights. One unit consists of 100 shares.
Shares less than one unit	9,300	—	—
Total number of issued shares	38,346,700	—	—
Number of voting rights held by all shareholders	—	383,373	—

2) Treasury shares, etc.

As of July 31, 2022

Shareholder's name/ company name	Shareholder's address	Number of shares owned under own name (shares)	Number of shares owned under another's name (shares)	Total number of shares owned (shares)	Percentage of shares held to the total number of issued shares (%)
(Treasury stock) Visional, Inc.	15-1, Shibuya 2-chome, Shibuya-ku, Tokyo	100	—	100	0.00
Total	—	100	—	100	0.00

(Note) The above number does not include 79 shares that are less than one unit.

2. Acquisition and Disposal of Treasury Shares

Class of Shares, etc.

Redemption of common stock in accordance with Article 155, Item 7 of the Companies Act

(1) Acquisition by Resolution of General Meeting of Shareholders

Not applicable.

(2) Acquisition by Resolution of Board of Directors' Meeting

Not applicable.

(3) Acquisition Not Based on Resolution of General Meeting of Shareholders or Board of Directors' Meeting

Category	Number of shares (shares)	Total amount (million yen)
Treasury shares acquired during the current fiscal year	179	1
Treasury shares acquired during the current term	—	—

(Note) The number of treasury shares held during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from October 1, 2022 to the date of filing of this annual securities report.

(4) Disposal of Acquired Treasury Shares and Number of Treasury Shares Held

Category	Current fiscal year		Current term	
	Number of shares (shares)	Total amount of disposition (million yen)	Number of shares (shares)	Total amount of disposition (million yen)
Acquired treasury shares for which subscribers were solicited	—	—	—	—
Acquired treasury shares that were canceled	—	—	—	—
Acquired treasury shares that were transferred due to merger, share exchange, share issuance, or company split	—	—	—	—
Other (—)	—	—	—	—
Number of treasury shares held	179	—	179	—

(Note) The number of treasury shares held during the current term does not include the number of shares acquired as a result of the purchase of shares less than one unit during the period from October 1, 2022 to the date of filing of this annual securities report.

3. Dividend Policy

While the Group considers the return of profits to shareholders to be one of key management issues, it places its focus on achieving sustainable growth of its corporate value over the medium to long term and regards it as important to actively make upfront investments in services and capital expenditure looking to future growth, as well as forge a capital and business alliance. Currently, the Company is focusing on enhancing its internal capital reserves and making investments aimed for higher efficiency and expansion of its business to prioritize the enhancement of its corporate value.

In the current fiscal year, the Company did not pay dividends for the reasons mentioned above, and prioritized the retention of internal capital reserves. The Company's policy on internal capital reserves is to utilize them for investing in conducting marketing and other activities in the existing business and in enhancing product developments as well as reinforcing and training employees in new businesses, aimed at diversifying its revenue base and reinforcing earnings capabilities.

The Company plans to consider providing appropriate returns to its shareholders in the future, taking into account its operating results and financial position, but it has currently not made a decision as to the possibility of paying dividends and when it will pay dividends.

If the Company decides to pay dividends, it may basically declare two dividend payments per fiscal year—one interim and one year-end dividend—as the Company's Articles of Incorporation provide that it may pay an interim dividend. Furthermore, pursuant to Article 459, Paragraph 1 of the Companies Act, the Company's Articles of Incorporation provide that, unless otherwise provided in laws and regulations, the Board of Directors is the decision-making body in respect of the distribution of surplus.

4. Corporate Governance

(1) Overview of Corporate Governance

1) Basic views on corporate governance

The Company's basic views on corporate governance is to enhance its corporate value on a long-term basis by optimizing management and creating customer value, as well as increasing transparency of the corporation by proactively disclosing corporate information to shareholders and all other stakeholders so as to build long-term relationships of trust with them. Accordingly, the Company strives to strengthen corporate governance placing importance on the rights of shareholders and other stakeholders, responding to the social trust, and achieving sustainable growth and development.

2) Overview of corporate governance system and reasons for adopting the system

In order to keep a good balance between making prompt management judgments and establishing a system that enables transparent, fair, speedy, and bold decision-making, the Company became a company with an audit and supervisory committee in February 2020. In addition to appointing four Outside Directors, including three Audit and Supervisory Committee Members, the Company segregated the supervisory body that oversees management decision-making and business execution from the executing body to accelerate decision-making and ensure the function of monitoring management. The current system is considered best suited for the Company.

a. Board of Directors

Board of Directors' meetings are held monthly, in principle, to make decisions on the Group's management policies, management plans, annual budgets, and other important matters of each Group company. The Board of Directors also oversees business execution through examining reports on monthly budget control, monthly business performance, and other important business matters from each Group company. The Board of Directors consists of five Directors (excluding Directors who are Audit and Supervisory Committee Members; namely, Messrs. Soichiro Minami, Shin Takeuchi, Satoshi Murata, Tetsuya Sakai, and Toru Shimada) and three Directors who are Audit and Supervisory Committee Members (Ms. Naoko Harima, Mr. Tadatsugu Ishimoto and Ms. Maiko Chihara) and is chaired by Representative Director and CEO Soichiro Minami. Mr. Toru Shimada, one of the Directors (excluding Directors who are Audit and Supervisory Committee Members), and the three Directors who are Audit and Supervisory Committee Members are Outside Directors.

b. Audit and Supervisory Committee

Audit and Supervisory Committee meetings are held monthly, in principle, to discuss matters stipulated by laws and regulations and the Articles of Incorporation, as well as matters regarding important audit operations. The Committee consists of three Outside Directors serving as Audit and Supervisory Committee Members Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara, and is chaired by full-time Audit and Supervisory Committee Member Naoko Harima.

In addition to attending Board of Directors' meetings, Audit and Supervisory Committee Members also attend important management meetings to audit and supervise the status of business execution by Directors. Furthermore, the committee works closely with the accounting auditor and the Internal Audit Department, the internal audit division, to conduct necessary audits on the status of internal control, compliance, and others.

c. Directors' Compensation Committee

The Company has established the Directors' Compensation Committee as a voluntary committee for the objective of determining compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members), etc. The Directors' Compensation Committee consists of five members, namely Representative Director Soichiro Miami, Outside Director Toru Shimada, Outside Directors serving as Audit and Supervisory Committee Members Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara, and is chaired by Representative Director and CEO Soichiro Minami.

d. Executive Committee

The Executive Committee of the Company is chaired by Representative Director and CEO Soichiro Minami, and consists of Directors Shin Takeuchi, Satoshi Murata, and Tetsuya Sakai, and Executive Officers, as well as those who are invited to attend by the chair as needed. The Executive Committee meetings are convened as needed by Representative Director and CEO to have a preliminary discussion on matters to be resolved at a Board of Directors' meeting and matters requiring the approval of

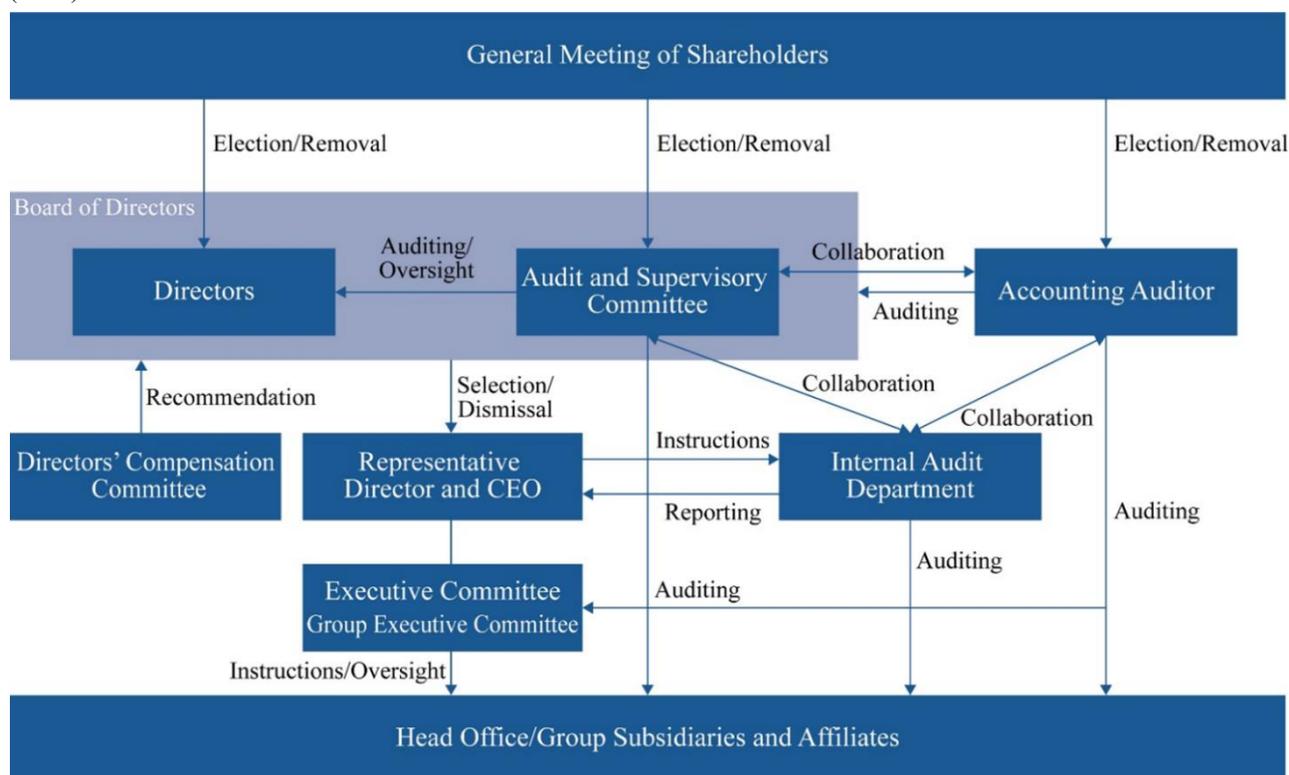
representative directors, and to deliberate and decide other operational policies of the Company. Outside Director and full-time Audit and Supervisory Committee Member Naoko Harima attends Executive Committee meetings as observer to monitor business execution.

e. Group Executive Committee

The Group Executive Committee of the Company is a committee for controlling the management of the Group under the Board of Directors. The Committee is chaired by Representative Director and CEO Soichiro Minami, and consists of Directors Shin Takeuchi, Satoshi Murata, and Tetsuya Sakai, and Executive Officers, as well as those who are invited to attend by the chair as needed. The Group Executive Committee meetings are convened once a week by Representative Director and CEO, in principle, to have a preliminary discussion on matters to be resolved at a Board of Directors’ meeting and matters requiring the approval of representative directors, and to deliberate and decide other operational policies of the Group. Outside Director and full-time Audit and Supervisory Committee Member Naoko Harima attends Executive Committee meetings as observer to monitor business execution.

The chart below shows the corporate governance system of the Group.

(Chart)



3) Other matters regarding corporate governance

a. Development of internal control system

Pursuant to Rule 439 of the Securities Listing Regulations set forth by Tokyo Stock Exchange, the Company has the basic policy of the internal control system in place as provided for in Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, as described below.

I. System to ensure that directors and employees of the corporate group, which consists of the Company and its consolidated subsidiaries (hereinafter referred to as the “Visional Group”), execute their duties in compliance with laws, regulations and the Articles of Incorporation

- (i) For the objective of operating fair corporate activities and enhancing social trust in the Visonal Group, the Company shall develop and implement rules and regulations to ensure thorough compliance, and shall comply with laws, regulations Articles of Incorporation, rules and regulations in every aspect of performing duties.
- (ii) While developing and implementing an organizational system such as the Group Compliance Committee to ensure

thorough compliance, the Company shall inspect the Visional Group's status of legal compliance periodically and take appropriate measures to address the results of the inspection.

- (iii) The Company shall develop and implement an internal reporting system in an effort to early detect and correct violations of laws and regulations as well as to appropriately protect whistleblowers that report violations of laws and regulations. To prevent whistleblowers who made reports to the Company via the internal reporting system or other appropriate means from being unfairly treated for making the report, the Company shall develop and implement necessary systems such as clarifying in related rules and regulations that such treatment is prohibited.
- (iv) For appropriate operations of the Board of Directors, the Company shall formulate the "Board of Directors Regulations," based on which Board of Directors' meetings shall be held once a month in principle to make decisions on important business executions upon sufficient deliberations. The Company shall receive reports from Directors on the status of their execution of duties appropriately.
- (v) The Company shall ensure objectivity and further improve reasonableness of determination regarding business execution by inviting Outside Directors to attend the Board of Directors' meetings and take part in deliberation.
- (vi) The Company shall establish an Internal Audit Department responsible for internal audits. The Internal Audit Department shall conduct audits independently from each division.
- (vii) The Company shall develop and implement an internal control system to ensure the reliability of its financial reporting. The Company shall evaluate the effectiveness of the system annually and make corrections as necessary.
- (viii) In order to eliminate any relations with anti-social forces, the Company shall stipulate the "Rules for Eliminating Anti-Social Forces," based on which each company within the Visional Group develops and implements rules and regulations suitable for its own business practice and thoroughly complies with the said rules and regulations.

II. System for storage and management of information concerning the execution of duties by the Company's Directors and staff (employees)

- (i) Information regarding the execution of duties by Directors shall be recorded as a written document or on electromagnetic media (hereinafter referred to as the "Documents, etc."), and the Company shall develop and implement rules and regulations concerning the creation and management, etc. of the Documents, etc.
- (ii) The Company shall prevent unauthorized use, disclosure or leakage of corporate information. The Company shall develop and implement rules and regulations concerning proper treatment of confidential and personal information. In addition, the Company shall hold internal training sessions, etc., to have employees thoroughly comply with the said rules and regulations.
- (iii) In addition to preparing materials including business reports, financial statements, and annual securities reports appropriately in accordance with the Companies Act, Financial Instruments and Exchange Act, and timely disclosure rules set forth by securities exchanges, the Company shall disclose corporate information in a timely and appropriate manner.

III. Rules and other systems concerning management of the Visional Group's risk of loss

- (i) In order to prevent risks from arising as well as to maintain and improve a system for mitigating damages in the event of risks materializing, the Company shall establish risk management rules, based on which the Company performs self-inspections on the status of risk management, identifies material risks requiring priority countermeasures, and implements risk management under detailed action plans.
- (ii) Policies for dealing with material risks concerning management and other important matters concerning risk management shall be reported to the Board of Directors and the Audit and Supervisory Committee.
- (iii) The Company shall promote internal control to prevent fraud, errors and losses in the course of business execution, and shall develop and implement systems and rules and regulations necessary to achieve this.

IV. System to ensure the efficient execution of duties by the Company's Directors and employees

- (i) The "Organization Rules," "Rules for Administrative Authority," and "Rules for Segregation of Duties" shall stipulate details about management bodies, organization of positions, segregation of duties, and matters to be approved and approval authorities per position so that duties are executed efficiently.
- (ii) Regular meetings of the Board of Directors shall be held once a month to make decisions on important matters and oversee the status of business execution by Directors. In order to improve the efficiency of the Board of Directors' management, meetings of the Executive Committee shall be held, attended by Directors and individuals appointed by representative directors, as a system that facilitates flexible decision-making on fundamental and significant matters regarding business execution.
- (iii) In addition to setting out management plans, the Company shall develop and implement management control systems such as a budget system and a target control system.
- (iv) The Company shall build and implement an IT system that would be best suited from standpoints including proper information management, standardization and streamlining of operations, and strengthening of internal control.

V. Visional Group's system to ensure the appropriateness of business operations of the corporate group

- (i) The "Visional Group Code of Conduct" is formulated as the philosophy and standards of behavior common to each company within the Visional Group, and the Company shall strive to inculcate and thoroughly implement it within the Group.
- (ii) The Group's management plans shall be adequately set out by the Company's Board of Directors and the Group Executive Committee. Furthermore, for the objective of appropriate decision-making on matters regarding business execution at each of the Company's subsidiaries, the Company's personnel may be dispatched as directors of the subsidiaries, and when necessary, officers and employees of each of the Company's subsidiaries shall attend important meeting bodies of the Company.
- (iii) Of matters regarding business execution at each of the Company's subsidiaries, the "Rules for Administrative Authority" stipulates those that shall be resolved by, approved by, or reported to the Board of Directors, the Executive Committee and important meeting bodies of the Company, and the rules shall be implemented appropriately.
- (iv) The "Subsidiaries and Affiliates Management Regulations" stipulate basic matters concerning Group management such as the basic roles and the authoritative system of decision-making of the Company and its affiliated companies including each of the Company's subsidiaries. In addition, the Company shall develop and implement rules and regulations that should apply to the entire Visional Group (hereinafter referred to as the "Group Rules"), and ensure that they are shared and thoroughly complied with among each company within the Visional Group.

VI. System to ensure effective auditing by the Company's Audit and Supervisory Committee

- (i) The Company shall respect the audit plans set forth by the Audit and Supervisory Committee, and cooperate so they can perform audits smoothly and improve the audit environment.
- (ii) The Company shall adopt necessary measures to enable Audit and Supervisory Committee Members to attend important meeting bodies such as Executive Committee meetings in order for them to gain an understanding of the process of important decision-making and the status of business execution. The Company shall also develop and implement a system for each company within the Visional Group to make appropriate reports on matters required by the Audit and Supervisory Committee Members.
- (iii) The Company shall develop and implement a system for each company within the Visional Group to immediately report to the Audit and Supervisory Committee on issues including the occurrence of significant violations of laws, regulations and the Articles of Incorporation, misconduct, or activity that may potentially cause significant damage to the Company at the time of their discovery.
- (iv) Representative directors and other management executives shall meet with the Audit and Supervisory Committee Members as necessary to exchange opinions regarding matters such as the Visional Group's management issues.
- (v) The Internal Audit Department responsible for internal audits shall work in close cooperation with the Audit and Supervisory Committee such as through exchanging opinions regarding audit plans and audit results.
- (vi) The Company may appoint staff to assist the duties of Audit and Supervisory Committee Members when needed, and opinions of the Audit and Supervisory Committee Members shall be respected when selecting such staff. Personnel affairs such as evaluation and transfer of such staff shall be decided through prior consultation with full-

time Audit and Supervisory Committee Members in order to ensure the effectiveness of instructions given to such staff.

- (vii) Pursuant to Article 399-2, Paragraph 4 of the Companies Act, any expenses or liabilities incurred through the execution of duties by the Audit and Supervisory Committee Members shall be borne appropriately by the Company upon receiving a claim from the Audit and Supervisory Committee Members.

b. Development of risk management system

The Group has established a department at the Company that controls risk management of the Group, and considers measures against risks and compliance issues at the Group Risk Compliance Committee meetings held quarterly. In addition, the Group has built a risk management system for each company within the Visional Group, under which rules and regulations on corporate organizations and business operations are developed and appropriately implemented in order to ensure compliance. Specifically, the Group is focusing on thorough implementation of the risk control system in accordance with internal rules and regulations of each company within the Visional Group to ensure that the internal check-and-balance system functions throughout the organization. Furthermore, in order to establish corporate ethics and ensure thorough compliance, the Group works to raise awareness of all directors and employees at internal meetings and internal training sessions held at each company within the Visional Group, with the aim of educating appropriate business conduct.

c. Development of system to ensure the appropriateness of business operations of the reporting company's subsidiaries

As for a system to ensure the appropriateness of business operations of the Company's subsidiaries, the Company has a system for managing appropriateness of business operations in place at its subsidiaries in accordance with the "Subsidiaries and Affiliates Management Regulations."

The Company has built a system to gain an understanding of the status of management of the subsidiaries and give guidance to them when necessary through dispatching the Company's personnel to its subsidiaries as directors and audit and supervisory committee members of the subsidiaries, as well as receiving reports from the subsidiaries and holding consultations regarding business results and management issues in a timely manner. At Group Executive Committee meetings and Board of Directors' meetings at the Company, the status of business execution at the subsidiaries is reported and discussed to appropriately deal with any issues.

Furthermore, the Company has built a system that enables the Company's persons in charge of internal audits and the Company's Audit and Supervisory Committee to directly conduct audits of the subsidiaries.

4) Requirements for resolution regarding election of directors

The Company's Articles of Incorporation provide that resolution for the election of Directors requires attendance by shareholders with more than one-third of the voting rights of shareholders entitled to exercise voting rights, and is adopted by a majority of the votes of the shareholders present, and that the election of Directors shall not be conducted by cumulative voting.

5) Number of Directors

The Company's Articles of Incorporation provide that the number of Directors (excluding Directors who are Audit and Supervisory Committee Members) shall not exceed nine, and the number of Directors who are Audit and Supervisory Committee Members shall not exceed four.

6) Requirements for special resolution at general meetings of shareholders

The Company's Articles of Incorporation provide that special resolution at a general meeting of shareholders pursuant to Article 309, Paragraph 2 of the Companies Act requires attendance by shareholders with one-third or more of the voting rights of shareholders entitled to exercise voting rights, and is adopted by two-thirds or more of the votes of the shareholders present. This arrangement aims to smoothly operate general meetings of shareholders by relaxing the quorum for special resolution at general meetings of shareholders.

7) Limitation of liability of Directors and accounting auditor

The Company's Articles of Incorporation provide that in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may exempt Directors (including those who previously served as Director) and the accounting auditor from their liabilities under Article 423, Paragraph 1 of the same Act to the extent provided for by laws and regulations by resolution of the Board of Directors. This arrangement aims to create an environment in which Directors and the accounting auditor can make use of their abilities sufficiently and fulfill the roles expected of them in executing their duties.

8) Liability limitation agreement with Outside Directors/Audit and Supervisory Committee Members

Pursuant to the provision of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with four Outside Directors (three of whom are Audit and Supervisory Committee Members) to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act to the amount stipulated by laws and regulations.

9) Details of the directors and officers liability insurance concluded with Directors and officers, etc., as the insured

The Company has concluded a directors and officers liability insurance agreement provided for in Article 430-3, Paragraph 1 of the Companies Act with an insurance company, with Directors, Audit and Supervisory Committee Members, executive officers, and managerial employees at the Company and its subsidiaries as the insured. Based on the agreement, damages, litigation expenses, and other expenses incurred by the insured parties, resulting from claims for compensation for damages arising from acts (including failures to act) by the insured parties, based on their position as company officers, will be compensated. The Company bears the full amount of insurance premiums.

The Company has taken measures to ensure that the appropriateness of the execution of duties by officers, etc. is not impaired, by excluding damages, etc. caused by the willful misconduct or gross negligence of the insured parties, from coverage.

10) Redemption of treasury shares

The Company's Articles of Incorporation provide that the Company may redeem its treasury shares by resolution of the Board of Directors through market transactions or other means pursuant to Article 165, Paragraph 2 of the Companies Act, in order to flexibly carry out its capital policy in response to changes in the business environment.

11) Decision-making body for distribution of surplus

The Company's Articles of Incorporation provide that, in order to enable flexible return of profits to its shareholders, matters provided for in each item of Article 459, Paragraph 1 of the Companies Act may be determined by resolution of the Board of Directors, not by resolution of the general meeting of shareholders, unless otherwise provided for in laws and regulations.

(2) Directors

1) List of Directors

Six male Directors and two female Directors (Ratio of female directors: 25.0%)

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Representative Director and CEO	Soichiro Minami	June 15, 1976	<p>July 1999</p> <p>January 2001</p> <p>September 2004</p> <p>August 2007</p> <p>October 2010</p> <p>December 2017</p> <p>February 2020</p> <p>July 2022</p>	<p>Joined Morgan Stanley Dean Witter Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.)</p> <p>Joined Pacific Century CyberWorks Japan K.K. (currently PCCW Limited)</p> <p>Joined Rakuten Baseball, Inc. Founded BizReach, Inc. Representative Director and President of BizReach, Inc.</p> <p>Representative Director of LUXA, Inc. (currently au Commerce & Life, Inc.)</p> <p>Representative Director of BizReach Trading, Inc. (currently Stanby, Inc.) (current position)</p> <p>Representative Director and CEO of the Company (current position)</p> <p>Chairman of BizReach, Inc. (current position)</p>	(Note 3)	16,159,000
Director CTO	Shin Takeuchi	July 5, 1978	<p>April 2001</p> <p>March 2007</p> <p>April 2012</p> <p>January 2013</p> <p>September 2019</p> <p>February 2020</p> <p>October 2021</p>	<p>Joined FUJISOFT ABC Incorporated (currently FUJISOFT Incorporated)</p> <p>Began freelancing</p> <p>Joined BizReach, Inc. Director of BizReach, Inc. Director of Japan CTO Association (current position)</p> <p>Director and CTO of the Company (current position)</p> <p>Non-executive Director of TSUKURUBA Inc. (current position)</p>	(Note 3)	920,200

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Director	Satoshi Murata	April 13, 1979	<p>May 2003</p> <p>May 2006</p> <p>December 2008</p> <p>February 2011</p> <p>November 2012</p> <p>August 2019</p> <p>February 2020</p> <p>August 2021</p> <p>November 2021</p> <p>August 2022</p>	<p>Joined Global Media Online, Inc. (currently GMO Internet Group, Inc.)</p> <p>Joined Viacom International Japan K.K. (currently Viacom Networks Japan K.K.)</p> <p>Joined SELECT SQUARE Co., Ltd.</p> <p>Joined LUXA, Inc. (currently au Commerce & Life, Inc.)</p> <p>Representative Director of LUXA, Inc.</p> <p>Joined BizReach, Inc. Director of BizReach, Inc.</p> <p>Director, Executive Officer and COO of the Company</p> <p>Director and Executive Officer of the Company</p> <p>Representative Director and CEO of Visional Incubation, Inc. (currently M&A Succeed, Inc.)</p> <p>Representative Director and CEO of Visional Incubation, Inc. (currently Assured, Inc.)</p> <p>Director of the Company (current position)</p> <p>Representative Director and CEO of Trabox, Inc. (current position)</p>	(Note 3)	293,000
Director	Tetsuya Sakai	April 6, 1980	<p>April 2003</p> <p>October 2004</p> <p>November 2015</p> <p>February 2020</p> <p>July 2022</p> <p>October 2022</p>	<p>Joined Japan Sports Vision Co., Ltd.</p> <p>Joined Recruit Ablic Inc. (currently Recruit Co., Ltd.)</p> <p>Joined BizReach, Inc.</p> <p>Executive Officer of the Company</p> <p>Vice President of BizReach, Inc.</p> <p>Representative Director and CEO of BizReach, Inc. (current position)</p> <p>Director of the Company (current position)</p>	(Note 3)	86,500

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director	Toru Shimada	March 3, 1965	April 1987	Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)	(Note 3)	15,000
			June 1989	Founded Intelligence, Ltd. (currently Persol Career Co., Ltd.)		
			September 1989	Director of Intelligence, Ltd.		
			November 2004	Director and Vice-President of Rakuten Baseball, Inc.		
			December 2004	President & CEO of Rakuten Baseball, Inc.		
			March 2005	Director of Rakuten, Inc.		
			March 2006	Senior Executive Officer of Rakuten, Inc.		
			January 2008	CEO & Owner of Rakuten Baseball, Inc.		
			August 2014	Executive Vice-President of Rakuten, Inc.		
			November 2014	Representative Director of Rakuten, Inc.		
			June 2016	Director of transcosmos inc. (current position)		
			January 2017	Special Advisor to U-NEXT Co., Ltd.		
			December 2017	Director, Executive Vice-President and COO of USEN-NEXT HOLDINGS Co., Ltd., which was established by a merger of U-NEXT Co., Ltd. and USEN Corporation and organizational restructuring		
			June 2018	Director of TSUKUI CORPORATION		
April 2019	Outside Director of BizReach, Inc.					
June 2019	External Director of MITANI SANGYO Co., Ltd. (current position)					
February 2020	Outside Director of the Company (current position)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director (Full-time Audit and Supervisory Committee Member)	Naoko Harima	October 27, 1980	October 2003	Joined Asahi & Co. (currently KPMG AZSA LLC)	(Note 4)	—
			July 2007	Registered as certified public accountant		
			April 2008	Founded Naoko Harima Accounting Firm Representative of Naoko Harima Accounting Firm (current position)		
			July 2017	Joined Japan Hotel and Resort, Inc. (currently Japan Hotel REIT Advisors Co., Ltd.)		
			January 2018	Auditor of JEPLAN, INC. Auditor of KinoPharma, Inc. (current position)		
			June 2018	Outside Director of ATSUGI CO., LTD. (current position)		
			January 2019	Auditor of BizReach, Inc. (current position)		
			February 2020	Outside Director and Audit and Supervisory Committee Member of the Company (current position)		
Outside Director (Audit and Supervisory Committee Member)	Tadatsugu Ishimoto	October 9, 1973	August 1997	Joined KPMG Peat Marwick (currently KPMG Tax Corporation)	(Note 4)	10,000
			April 2000	Registered as tax accountant		
			April 2001	Director of Doctor-NET Inc.		
			October 2002	Representative Partner of Mentor Capital Tax Office (currently Mentor Capital Tax Corporation) (current position)		
			January 2005	Representative Director of Mentor Capital FAS (current position) Auditor of Goodman Japan Limited		
			January 2011	Auditor of Enigmo Inc.		
			December 2012	Auditor of UNITED, Inc.		
			April 2013	Auditor of BizReach, Inc.		
			January 2015	Auditor of i-mobile Co., Ltd.		
			February 2015	Auditor of Money Forward, Inc.		
June 2016	Director of UNITED, Inc. (current position)					
February 2020	Outside Director and Audit and Supervisory Committee Member of the Company (current position)					
October 2021	Outside Director, Audit & Supervisory Committee Member of i-mobile Co., Ltd. (current position)					

Title and position	Name	Date of birth	Career summary		Term of office	Number of shares held (shares)
Outside Director (Audit and Supervisory Committee Member)	Maiko Chihara	May 3, 1974	October 2002	Registered as attorney-at-law Joined Nagashima Ohno & Tsunematsu	(Note 4)	—
			November 2011	Joined Kataoka & Kobayashi LPC		
			January 2014	Partner of Kataoka & Kobayashi LPC (current position)		
			June 2014	Audit Officer of Tokyo Marine Private Reit, Inc. (current position)		
			June 2015	Outside Auditor of Nippon Avionics Co., Ltd. (current position)		
			December 2017	Outside Auditor of Japan Renewable Energy Corporation		
			August 2019	Outside Auditor of BizReach, Inc.		
			February 2020	Director and Audit and Supervisory Committee Member of the Company (current position)		
June 2022	Outside Director, Audit & Supervisory Committee Member of Mitsui DM Sugar Holdings Co., Ltd. (current position) Outside Auditor of yutori inc. (current position)					
Total						17,483,700

- (Notes) 1. Directors Toru Shimada, Naoko Harima, Tadatsugu Ishimoto and Maiko Chihara are Outside Directors.
2. The structure of the Company's Audit and Supervisory Committee is as follows:
Chairperson: Naoko Harima; Member: Tadatsugu Ishimoto; Member: Maiko Chihara
3. The term of office of Directors (excluding Directors who are Audit and Supervisory Committee Members) is from the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ended July 31, 2022 until the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ending July 31, 2023.
4. The term of office of Directors who are Audit and Supervisory Committee Members is from the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ended July 31, 2021 until the conclusion of the ordinary general meeting of shareholders which is to be held with respect to the fiscal year ending July 31, 2023.
5. The Company is a company with an Audit and Supervisory Committee and has introduced an executive officer system in order to improve management efficiency by further vitalizing the Board of Directors and clearly separating the function of overseeing decision-making and business execution of the Board of Directors and the function of business execution of the Visional Group.
- There are two executive officers, namely Junji Tanaka (Director of BizReach, Inc.), and Risako Suefuji (CFO).

6. The Company has elected one substitute Director who is an Audit and Supervisory Committee Member as stipulated in Article 329, Paragraph 3 of the Companies Act, in case the position of a Director who is an Audit and Supervisory Committee Member stipulated in laws and regulations becomes vacant. The career summary of the substitute Audit and Supervisory Committee Member is as follows:

Name	Date of birth	Career summary		Number of shares held (shares)
Yukihiro Hattori	November 22, 1974	April 1996 August 2004 April 2009 September 2013 August 2014 February 2020	Joined Japan Sports Vision Co., Ltd. Joined CYBIRD Co., Ltd. Auditor of GIGAFLOPS Japan Inc. Auditor of S-CREW Co., Ltd. Joined BizReach, Inc. General Manager of Administration Division, BizReach, Inc. Transferred to the Company Head of Finance Division Group Strategy Office of the Company (current position)	34,000

2) Outside Directors

As of the date of submission of this document, the Company has elected four Outside Directors (including three Directors who are Audit and Supervisory Committee Members).

Outside Directors position the strengthening and enhancing of corporate governance systems as one of the top priorities for corporate management and have developed a system that enables them and Outside Directors serving as Audit and Supervisory Committee Members to conduct valuable oversight and audits from a neutral standpoint with the aim of achieving sound corporate management with higher transparency, thereby reinforcing management oversight functions.

Although the Company has not established specific standards or policies concerning the independence of Outside Directors, the Company elects Outside Directors who will contribute to the enhancement and improvement of corporate governance, taking into consideration the criteria set forth by Tokyo Stock Exchange, Inc. for judging the independence of Outside Directors. The Company has designated four Outside Directors as independent directors.

Personal, capital, business relationships, or other conflicts of interests between the Outside Directors and the Company are as follows.

a) Outside Director Toru Shimada has a wealth of experience in corporate management and a broad range of insight from serving as a director of a listed company, and the Company has appointed him in expectation of viewing the dynamism in corporate management from a higher perspective and give well-balanced, valuable advice about the Company's investment strategy and business portfolio as the Company focuses on reinforcing its business portfolio for future growth, including M&As and other active investments, amid a rapidly changing social structure and business environment.

Outside Director Toru Shimada owns 15,000 shares of the Company, but has no personal, capital, business relationship, or other conflicts of interest with the Company other than these.

b) Outside Director serving as full-time Audit and Supervisory Committee Member Naoko Harima has professional knowledge in finance and accounting as a certified public accountant, as well as experience of management supervision as an outside auditor and Outside Director for general business corporations. The Company has appointed her as Outside Director serving as Audit and Supervisory Committee Member with the expectation that she could draw on her knowledge and experience in audit system of the Company.

Outside Director serving as full-time Audit and Supervisory Committee Member Naoko Harima owns 100 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition rights: 10,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

c) Outside Director serving as Audit and Supervisory Committee Member Tadatsugu Ishimoto has professional knowledge in finance as a tax accountant, as well as experience of management supervision as an outside auditor and Outside Director for general business corporations. The Company has appointed him as Outside Director serving as Audit and Supervisory Committee Member with the expectation that he could draw on his knowledge and experience in audit system of the Company.

Outside Director serving as Audit and Supervisory Committee Member Tadatsugu Ishimoto owns 10,000 shares of the Company and 50 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition

rights: 5,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

- d) Outside Director serving as Audit and Supervisory Committee Member Maiko Chihara has a wealth of knowledge on corporate crisis management and compliance systems as a lawyer, as well as experience of management supervision as an outside auditor for general business corporations. The Company has appointed her as Outside Director serving as Audit and Supervisory Committee Member with the expectation that she could draw on her knowledge and experience in audit system of the Company.

Outside Director serving as Audit and Supervisory Committee Member Maiko Chihara owns 50 share acquisition rights of the Company (the number of shares issued upon exercise of share acquisition rights: 5,000), but has no personal, capital, business relationship, or other conflicts of interest with the Company other than this.

3) Coordination between supervision or audits by Outside Directors, internal audits, audits by the Audit and Supervisory Committee and accounting audits, and relationship with the internal control division.

Outside Directors (excluding Outside Directors who are Audit and Supervisory Committee Members) give detailed advice at the Board of Directors meetings to help improve business operations and to operate business appropriately, and express opinions to ensure the reasonableness and appropriateness of decision making by the Board of Directors.

Outside Directors who are Audit and Supervisory Committee Members attend Board of Directors' meetings and Audit and Supervisory Committee meetings held monthly, and fulfill their function of monitoring and supervising the Board of Directors as well as function of supervising the executive divisions from the neutral standpoint, through the attendance by the chairperson of the Audit and Supervisory Committee at important meetings such as Management Committee meetings, and periodical interviews by the Audit and Supervisory Committee to representative directors and other individuals.

In addition, Outside Directors who are Audit and Supervisory Committee Members receive reports on the status of quarterly audit and its results from the accounting auditor and exchange opinions, including those for confirming that the accounting auditor conducts its audits appropriately from the independent standpoint, as well as holding sessions for questions and answers.

Furthermore, Outside Directors who are Audit and Supervisory Committee Members are able to request reports on internal audits by the persons in charge of internal audits as needed, and the Audit and Supervisory Committee and the persons in charge of internal audits periodically report and exchange information on the status of internal audits. Meanwhile, Outside Directors who are Audit and Supervisory Committee Members, the persons in charge of internal audits, and the accounting auditor exchange information on the status of their audits and audit results to forge mutual collaboration and enhance the effectiveness of their audits by obtaining necessary information and receiving reports from the internal control division.

(3) Audits

1) Audits by the Audit and Supervisory Committee

a. Organization, staff and procedure of audits by the Audit and Supervisory Committee

The Audit and Supervisory Committee of the Company consists of three Audit and Supervisory Committee Members (one of them is full-time Audit and Supervisory Committee Member) and all of them are Outside Directors. Full-time Audit and Supervisory Committee Member Naoko Harima has professional knowledge in finance and accounting as a certified public accountant. Audit and Supervisory Committee Member Tadatsugu Ishimoto has professional insight in finance and accounting as a tax accountant. Audit and Supervisory Committee Member Maiko Chihara has professional insight in corporate legal affairs as a lawyer.

The Audit and Supervisory Committee meetings are held once a month, in principle, while also being held as needed, to report, discuss or resolve important matters regarding audits, and to share information. Primary matters to be discussed at Audit and Supervisory Committee meetings are the formulation of audit plans and audit policies, approval of internal audit plans, consent to compensation, etc., for the accounting auditor, and preparation of audit reports.

The Audit and Supervisory Committee formulates audit policies, audit items, and audit plans, etc., and conduct statutory audits, as well as carry out audits on business execution by Directors while placing an emphasis on strengthening management supervisory functions. The Committee receives periodic reports on the status of audits conducted by the accounting auditor, based on which the Committee conducts audits effectively in collaboration with the Internal Audit Department.

Furthermore, full-time Audit and Supervisory Committee Members attend important meetings, liaises with the Head of the Internal Audit Department, and conducts one-on-one interviews with Directors who are not Audit and Supervisory Committee Members, among other activities. They also request the executive divisions to submit reports as necessary for the purpose of collecting information on the status of the Company's business execution, and by providing timely reports to other Audit and Supervisory Committee Members, they strive to improve the supervisory functions of the committee.

b. Activities of Audit and Supervisory Committee Members and the Audit and Supervisory Committee

During the current fiscal year, the Company held a total of thirteen Audit and Supervisory Committee meetings. The status of attendance of individual Audit and Supervisory Committee Member is given below.

Name	Number of meetings held	Number of attendance
Naoko Harima	13	13
Tadatsugu Ishimoto	13	13
Maiko Chihara	13	13

2) Internal audits

a. Organization, staff and procedure of internal audits

The Internal Audit Department, which is under direct control of the representative directors, is responsible for the internal audit of the Company, and two staff members are appointed to perform such duties. In accordance with the Company's "Internal Audit Regulations" and an annual internal audit plan that was approved by the Representative Director and CEO, the office carries out internal audits periodically to confirm whether each of the Group companies operate their business in compliance with their respective internal rules and regulations, whether they operate their business efficiently, and whether they maintain compliance. The Head of the Internal Audit Department reports the outcome of these audits to representative directors, gives comments to improve operations and on other issues to each of the business divisions that were audited, and follows up on the status of improvement at a later date.

b. Coordination between internal audits, audits by the Audit and Supervisory Committee, and accounting audits

Audit and Supervisory Committee Members, the Internal Audit Department, and the accounting auditor facilitate their mutual coordination through holding three-party meetings periodically for the purpose of sharing information such as on matters to be addressed and improved, and strive to conduct efficient and effective audits.

3) Accounting audits

a. Name of audit firm

Deloitte Touche Tohmatsu LLC

b. Continuous audit period

Seven years

As the Company was established as the wholly owning parent company of BizReach, Inc. by means of a share transfer, the period of duration begins from the time when the audit firm began an audit of BizReach, Inc.

c. Engagement certified public accountants

Kunikazu Awashima

Toshiharu Nakanishi

d. Other personnel engaged in assisting the accounting audit

Three certified public accountants and eleven other personnel engage in assisting the accounting audit of the Company.

e. Policy and reasons for selecting audit firm

When selecting certified public accountants, etc., for accounting audits, the Company compares the audit plan and system, and compensation of certified public accountants of the current fiscal year with those of past fiscal years, and evaluates their quality management system and the quality, etc., while the Audit and Supervisory Committee determines removal of the accounting auditor for reasons that fall under any item of Article 340, Paragraph 1 of the Companies Act, and, decides on the details of proposal on removal or non-reappointment of the accounting auditor to be submitted to the general meeting of shareholders, when the Audit and Supervisory Committee believes that circumstances have emerged that cause serious impediment for the accounting auditor to appropriately carry out audits of the Company due to reasons that damage competency or independence of the accounting auditor. The evaluation results of the accounting auditor by the Audit and Supervisory Committee are described in f. The Company has selected the accounting auditor after judging that the criteria of removal or non-reappointment are not applicable to the accounting auditor.

f. Evaluation of the accounting firm by the Audit and Supervisory Committee

The Audit and Supervisory Committee monitored and verified that the accounting auditor maintained its independence and appropriately conducted audits and received reports from the accounting auditor on the status of execution of its duties, and received a notification stating that the accounting auditor has developed a system to secure the appropriateness of execution of its duties in accordance with the quality management criteria for audits.

Furthermore, as a result of the evaluation conducted during and at the end of the fiscal year about the effectiveness of audits, quality management, audit system, independence, audit fees and other matters in accordance with the evaluation and selection criteria of accounting auditor, the Committee has judged that the accounting auditor holds required independence, expertise and competence, and that its audit activities are adequate.

4) Audit fees, etc.

a. Fees paid to the certified public accountants, etc.

Category	Previous fiscal year		Current fiscal year	
	Fees for audit services (million yen)	Fees for non-audit services (million yen)	Audit fees (million yen)	Non-audit fees (million yen)
Reporting company	36	61	39	4
Consolidated subsidiaries	—	—	—	—
Total	36	61	39	4

(Note) Non-audit fees for the previous fiscal year are for auditing of English financial statements and preparing a comfort letter pertaining to the Company's initial listing on the Tokyo Stock Exchange Mothers Market. Non-audit fees for the current fiscal year are for advising on the identification of priority issues about sustainability.

b. Fees for member firms of certified public accountants, etc. (excluding a.)

Not applicable.

c. Other important details of fees for audit service

Not applicable.

d. Policy for determining audit fees

The Company determines audit fees by taking into account factors such as its business scale, the number of days necessary for the audit and characteristics of the audit work.

e. Reasons the Audit and Supervisory Committee's consent to the fees, etc., of the accounting auditor

In giving consent to the fees of the accounting auditor for the current fiscal year, the Audit and Supervisory Committee analyzed and evaluated the accounting auditor's audit performance of the previous fiscal year by comparing it with the audit plan and other means, examined its audit system, risk awareness, audit plan, etc., in the audits for the current fiscal year, requested necessary explanation from the accounting auditor on details of the estimate of fees submitted by the accounting auditor, and exchanged opinions with the Board of Directors to discuss the reasonableness of details of the fees. As a result, the Committee accepted the reasonableness of the fees, etc., and has given consent in accordance with the Article 399, Paragraph 1 of the Companies Act.

(4) Compensation for Directors

1) Policy for determining amount or calculation method of compensation for Directors

- i) Matters concerning the status at the time of the resolution on the compensation for Directors at the general meeting of shareholders

The extraordinary general meeting of shareholders held on December 4, 2020 resolved that the amount of monetary compensation for Directors (excluding Directors who are Audit and Supervisory Committee Members) shall be ¥400 million or less per year, including ¥40 million or less for Outside Directors. The number of Directors (excluding Directors who were Audit and Supervisory Committee Members) at the conclusion of this extraordinary general meeting of shareholders was six including one Outside Director.

The extraordinary general meeting of shareholders held on December 4, 2020 also resolved that the amount of monetary compensation for Directors who are Audit and Supervisory Committee Members shall be ¥30 million or less per year. The number of Directors who were Audit and Supervisory Committee Member at the conclusion of this extraordinary general meeting of shareholders was three.

- ii) Matters concerning the policy for determining the content of compensation, etc., for individual Directors (excluding Directors who are Audit and Supervisory Committee Members)

The Company's Board of Directors has decided the policy for determining the content of compensation, etc., for individual Directors (excluding Directors who are Audit and Supervisory Committee Members) at the Board of Directors' meeting held on October 20, 2020 after receiving the recommendation of the Directors' Compensation Committee, a voluntary compensation committee, as follows:

The compensation system for Directors of the Company is designed to contribute to the enhancement of medium- to long-term business performance and corporate value. The compensation for Directors shall be discussed and determined by the Board of Directors within the limit of the aggregate amount of compensation resolved at the general meeting of shareholders and in accordance with the basic policy of maintaining appropriate compensation levels that take into consideration the roles, responsibilities and levels of contribution to formulating and controlling Group-wide strategies of each Director, as well as compensation levels at other companies and the performance of the Company, based on the recommendation by the voluntary compensation committee. Compensation for individual Directors is comprised only of fixed compensation.

- iii) Reasons the Board of Directors determined that the content of compensation, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) pertaining to the fiscal year under review is in line with the policy

The Board of Directors determined that the content of compensation, etc., for Directors (excluding Directors who are Audit and Supervisory Committee Members) is in line with the policy for determining the content of compensation, etc., for individual Directors because, in deciding its content, etc., the roles, responsibilities and levels of contribution to formulating and controlling Group-wide strategies of each Director were evaluated by the voluntary compensation committee that is comprised of the representative director and Outside Directors, and comprehensive examination and discussion were conducted at a Board of Directors' meeting based on the recommendation summarizing the evaluation results.

- iv) Matters concerning the policy for determining the content of compensation, etc., for individual Directors who are Audit and Supervisory Committee Members

The amount of compensation for Directors who are Audit and Supervisory Committee Members is determined by consultation among Directors who are Audit and Supervisory Committee Members, within the limit of the aggregate amount of compensation resolved at the general meeting of shareholders and by taking into consideration levels of contribution of each committee member to audits conducted by the Audit and Supervisory Committee.

2) Total amount of compensation, etc., by category of Director, total amount of compensation, etc., by type of compensation, and number of recipients

Category	Total amount of compensation, etc. (million yen)	Total amount of compensation, etc., by type of compensation (million yen)			Number of recipients
		Basic compensation	Stock options	Performance-linked compensation	
Directors (excluding Audit and Supervisory Committee Members and Outside Directors)	104	104	—	—	5
Outside Directors (excluding Audit and Supervisory Committee Members)	6	6	—	—	1
Outside Directors (Audit and Supervisory Committee Members)	19	19	—	—	3

(Note) The number of Directors (excluding Audit and Supervisory Committee Members and Outside Directors) includes one Director retired from office at the conclusion of the 2nd annual general meeting of shareholders held on October 27, 2021 and one Director retired from office on July 2, 2022 as he passed away.

3) Consolidated total amount of compensation, etc., by Director

Information is not provided as there is no Director whose consolidated amount of compensation, etc., totals ¥100 million or more.

4) Significant portion of employee salaries paid to Directors who concurrently serve as employees

Not applicable.

(5) Shareholdings

1) Criteria for and approach to investment shares

The Company classifies shares as investment shares held for pure investment if they are held for the purpose of making profit from changes in the value of shares or dividends on shares, and other shares as investment shares held for purposes other than pure investment.

2) Investment shares held for purposes other than pure investment

(Policy of shareholding, method for verifying the rationality of shareholding, and details of verification of the suitability of holding individual shares by the Board of Directors)

The Company currently holds no investment shares held for purposes other than pure investment. However, it shall set out its shareholding policy if it holds any such shares.

3) Investment shares held for pure investment

(Number of shares and carrying amount)

Category	Current fiscal year		Previous fiscal year	
	Number of issues	Carrying amount (million yen)	Number of issues	Carrying amount (million yen)
Non-listed shares	5	87	5	86
Shares other than the above	—	—	—	—

Category	Current fiscal year			
	Total of dividends received (million yen)	Total of gain (loss) on sale (million yen)	Total of valuation gain (loss) (million yen)	
			Unrealized gain (loss)	Impairment
Non-listed shares	—	—	0	—
Shares other than the above	—	—	—	—

V. Financial Information

1. Method of Preparing Consolidated Financial Statements and Financial Statements

(1) The Company prepares its consolidated financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976; hereinafter referred to as the “Regulation on Consolidated Financial Statements”).

(2) The Company prepares its financial statements in accordance with the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963; hereinafter referred to as the “Regulation on Financial Statements”).

In addition, the Company falls under a special company submitting financial statements, and prepares its financial statements pursuant to Article 127 of the Regulation on Financial Statements.

2. Audit Certification

The consolidated financial statements for the consolidated fiscal year from August 1, 2021 to July 31, 2022 and the financial statements for the fiscal year from August 1, 2021 to July 31, 2022 of the Company have been audited by Deloitte Touche Tohmatsu LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements, etc.

The Company has undertaken special efforts to ensure the appropriateness of its consolidated financial statements, etc. Specifically, in order to develop a system for gaining proper understanding of the details of accounting standards, etc., or appropriately responding to changes in them, the Company is actively working to collect information through such measures as participating in seminars hosted by organizations that hold expert knowledge and subscribing to expert journals of accounting.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Million yen)

	As of July 31, 2021	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	25,630	31,362
Accounts receivable - trade	3,258	*1 4,356
Other	679	1,082
Allowance for doubtful accounts	(36)	(57)
Total current assets	29,532	36,743
Non-current assets		
Property, plant and equipment		
Buildings	743	748
Accumulated depreciation	(334)	(413)
Buildings, net	409	334
Leased assets	148	148
Accumulated depreciation	(128)	(148)
Leased assets, net	19	0
Construction in progress	—	27
Other	585	850
Accumulated depreciation	(313)	(478)
Other, net	271	371
Total property, plant and equipment	700	735
Intangible assets		
Software	35	23
Goodwill	1,296	3,958
Customer relationship	1,123	980
Other	1	1
Total intangible assets	2,457	4,964
Investments and other assets		
Investment securities	86	97
Leasehold deposits	782	847
Deferred tax assets	1,501	1,709
Other	18	672
Allowance for doubtful accounts	(2)	(8)
Total investments and other assets	2,385	3,318
Total non-current assets	5,544	9,018
Total assets	35,076	45,762

(Million yen)

	As of July 31, 2021	As of July 31, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	200	205
Accounts payable - other	3,341	4,054
Income taxes payable	842	2,030
Contract liabilities	—	4,941
Unearned revenue	3,042	—
Lease obligations	24	0
Provision for bonuses	955	1,161
Provision for repayment	38	—
Other	601	1,594
Total current liabilities	9,046	13,988
Non-current liabilities		
Lease obligations	0	—
Liabilities from application of equity method	2,773	2,453
Deferred tax liabilities	114	100
Long-term borrowings	600	440
Other	5	—
Total non-current liabilities	3,494	2,994
Total liabilities	12,540	16,983
Net assets		
Shareholders' equity		
Share capital	6,063	6,226
Deposits for subscriptions of shares	—	6
Capital surplus	10,027	10,190
Retained earnings	6,442	12,300
Treasury shares	—	(1)
Total shareholders' equity	22,533	28,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Share acquisition rights	3	56
Total net assets	22,536	28,779
Total liabilities and net assets	35,076	45,762

2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(Million yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Net sales	28,698	*1 43,954
Cost of sales	3,999	5,802
Gross profit	24,699	38,151
Selling, general and administrative expenses	*2, *3 22,331	*2, *3 29,830
Operating profit	2,368	8,320
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	297	319
Penalty income	30	98
Other	11	32
Total non-operating income	339	451
Non-operating expenses		
Interest expenses	1	1
Share issuance costs	77	—
Issuance cost of subscription rights to shares	2	3
Foreign exchange losses	0	2
Listing expenses	341	—
Provision of allowance for doubtful accounts	0	8
Commitment fees	3	4
Other	5	0
Total non-operating expenses	433	21
Ordinary profit	2,274	8,751
Extraordinary income		
Gain on sale of non-current assets	*4 16	—
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	16	3
Extraordinary losses		
Loss on valuation of investment securities	0	—
Total extraordinary losses	0	—
Profit before income taxes	2,290	8,755
Income taxes - current	1,151	3,113
Income taxes - deferred	(281)	(217)
Total income taxes	869	2,896
Profit	1,420	5,858
Profit attributable to owners of parent	1,420	5,858

Consolidated Statement of Comprehensive Income

(Million yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Profit	1,420	5,858
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total other comprehensive income	* 0	* 0
Comprehensive income	1,420	5,859
Comprehensive income attributable to		
Owners of parent	1,420	5,859
Non-controlling interests	—	—

3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(Million yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	100	4,064	5,021	9,185
Changes during period				
Issuance of new shares	5,963	5,963		11,926
Profit attributable to owners of parent			1,420	1,420
Net changes in items other than shareholders' equity				
Total changes during period	5,963	5,963	1,420	13,347
Balance at end of period	6,063	10,027	6,442	22,533

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	(0)	20	9,205
Changes during period			
Issuance of new shares			11,926
Profit attributable to owners of parent			1,420
Net changes in items other than shareholders' equity	0	(16)	(16)
Total changes during period	0	(16)	13,331
Balance at end of period	0	3	22,536

For the fiscal year ended July 31, 2022 (From August 1, 2021 to July 31, 2022)

(Million yen)

	Shareholders' equity					Total shareholders' equity
	Share capital	Deposits for subscriptions of shares	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of period	6,063	—	10,027	6,442	—	22,533
Changes during period						
Issuance of new shares - exercise of share acquisition rights	162	6	162			331
Profit attributable to owners of parent				5,858		5,858
Purchase of treasury shares					(1)	(1)
Issuance of share acquisition rights						
Forfeiture of share acquisition rights						
Net changes in items other than shareholders' equity						
Total changes during period	162	6	162	5,858	(1)	6,189
Balance at end of period	6,226	6	10,190	12,300	(1)	28,722

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	0	3	22,536
Changes during period			
Issuance of new shares - exercise of share acquisition rights			331
Profit attributable to owners of parent			5,858
Purchase of treasury shares			(1)
Issuance of share acquisition rights		6	6
Forfeiture of share acquisition rights		(3)	(3)
Net changes in items other than shareholders' equity	0	50	50
Total changes during period	0	52	6,242
Balance at end of period	0	56	28,779

4) Consolidated Statements of Cash Flows

(Million yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,290	8,755
Depreciation	480	415
Amortization of goodwill	189	392
Share-based payment expenses	—	50
Listing expenses	341	—
Share issuance costs	77	—
Share of loss (profit) of entities accounted for using equity method	(297)	(319)
Loss (gain) on sale of property, plant and equipment	(16)	—
Decrease (increase) in trade receivables	(1,245)	(1,045)
Increase (decrease) in provision for bonuses	432	194
Increase (decrease) in contract liabilities	—	1,769
Increase (decrease) in unearned revenue	1,129	—
Increase (decrease) in accounts payable - other	1,834	700
Increase (decrease) in accrued consumption taxes	(222)	861
Other, net	315	(114)
Subtotal	5,310	11,659
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes paid	(992)	(2,049)
Net cash provided by (used in) operating activities	4,315	9,608
Cash flows from investing activities		
Proceeds from cancellation of money held in trust	300	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	*2 (2,875)
Purchase of property, plant and equipment	(116)	(325)
Proceeds from sale of property, plant and equipment	23	18
Purchase of shares of subsidiaries	(300)	—
Payments of leasehold deposits	—	(99)
Payments of guarantee deposits	(0)	(655)
Proceeds from refund of leasehold and guarantee deposits	97	3
Other, net	(37)	(20)
Net cash provided by (used in) investing activities	(33)	(3,954)

(Million yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Cash flows from financing activities		
Repayments of short-term borrowings	—	(11)
Proceeds from issuance of share acquisition rights	1	2
Proceeds from issuance of shares resulting from exercise of share acquisition rights	651	325
Proceeds from issuance of shares	11,176	—
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(200)	(219)
Repayments of lease obligations	(53)	(24)
Payments of listing expenses	(341)	—
Other, net	(1)	5
Net cash provided by (used in) financing activities	12,234	77
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	16,515	5,731
Cash and cash equivalents at beginning of period	9,114	25,630
Cash and cash equivalents at end of period	*1 25,630	*1 31,362

[Notes]

(Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements)

1. Matters Regarding Scope of Consolidation

All subsidiaries are consolidated.

- Number of consolidated subsidiaries: 7
- Names of consolidated subsidiaries

BizReach, Inc.

IEYASU, Inc.

ezSoft Co., Ltd.

M&A Succeed, Inc.

Trabox, Inc.

Visional Incubation, Inc. (currently Assured, Inc.)

Cloud Solutions, Inc.

In the current consolidated fiscal year, IEYASU, Inc. and ezSoft Co., Ltd. are included in the scope of consolidation as BizReach, Inc., a consolidated subsidiary of the Company, acquired their shares.

Visional Incubation, Inc. was renamed M&A Succeed, Inc. on November 1, 2021. In addition, Visional Incubation, Inc. (currently Assured, Inc.) is included in the scope of consolidation as it was established through an incorporation-type company split from M&A Succeed, Inc. on November 1, 2021.

BINAR, Inc., which was a consolidated subsidiary in the previous fiscal year, is no longer a consolidated subsidiary as it was dissolved by merger with BizReach, Inc.

2. Matters Regarding Application of Equity Method

(1) Unconsolidated Subsidiaries and Associated Companies Accounted for by the Equity Method

- Number of associated companies accounted for by the equity method: 1
- Names of major associated companies accounted for by the equity method

Stanby, Inc.

(2) Fiscal Years of Associated Companies Accounted for by the Equity Method

For the companies accounted for by the equity method whose closing dates differ from the consolidated closing date, their financial statements for the latest fiscal year are used.

3. Matters Regarding Fiscal Years, etc., of Consolidated Subsidiaries

The closing dates of the consolidated subsidiaries are the same as the consolidated closing date.

4. Matters Regarding Accounting Policies

(1) Valuation Standard and Method for Significant Assets

Valuation standard and method for securities

Available-for-sale securities

Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method

(2) Depreciation Method of Significant Depreciable Assets

1) Property, plant and equipment (excluding leased assets)

Depreciation of buildings is computed by the straight-line method, whereas the declining-balance method is applied to tools, furniture and fixtures.

Major useful lives are as follows:

Buildings: 2 to 41 years

Tools, furniture and fixtures: 2 to 15 years

2) Intangible assets (excluding leased assets)

Intangible assets are amortized by the straight-line method.

The amortization period for major intangible assets is as follows:

Software for internal use: 5 years (estimated useful life of the software within the company)

Customer relationship: 7 to 10 years

3) Leased assets

Leased assets relating to finance lease transactions without transfer of ownership

Depreciation and amortization of leased assets is computed by the straight-line method over the leasing period without any residual value.

(3) Accounting Standards for Significant Allowances

1) Allowance for doubtful accounts

To prepare for losses arising from uncollectible receivables, an allowance for doubtful accounts is recorded at an estimated uncollectible amount based on the historical rate of credit losses with respect to general receivables, and in consideration of individual collectability with respect to doubtful accounts and other certain receivables.

2) Provision for bonuses

To prepare for bonus payments to employees, a provision for bonuses is recorded at the estimated payment amount attributable to the current fiscal year.

(4) Significant Revenue and Expense Recognition Standards

The details of the main performance obligations in the main businesses related to revenue from contracts with customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

1) BizReach Business

The Company operates BizReach, a members-only job search platform, and receives service usage fees from customers by providing said platform to hiring companies, recruitment agencies, and job seekers. These services assume the performance obligation of providing a service based on contracts with customers. As these performance obligations are satisfied over time, the Company recognizes revenue on a straight-line basis over the contract period.

The Company receives contingency recruitment fees from customers when direct employers and headhunters successfully hire or support hiring through BizReach. Basic performance obligations are deemed to be satisfied when a job seeker joins a hiring company, and the Company recognizes revenue at that time. When a direct employer successfully hires a candidate, the Company recognizes revenue based on the estimated annual salary the job seeker agreed to in the contract with the customer upon the job seeker joining the hiring company. Revenue generated when headhunters successfully support hiring is determined based on the estimated annual salary the job seeker agreed to in the contract with the customer upon the job seeker joining the hiring company, minus a repayment discount in the event that the candidate resigns at an early stage, etc. Revenue is recognized to the extent that it is probable that a significant difference will not occur based on estimates from past trends and other known factors at the time of sale.

In addition, the Company recognizes estimated deductions for repayment discounts in the event that candidates resign at an early stage, etc. and includes it in refund liability.

2) HRMOS Business

The Company operates HRMOS, a human resource management platform, and receives service usage fees from customers as they use this platform. These services assume the performance obligation of providing a service based on contracts with customers. As these performance obligations are satisfied over time, the Company recognizes revenue on a straight-line basis over the contract period.

(5) Translation Standards of Assets and Liabilities Denominated in Foreign Currencies into Japanese Yen

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the spot exchange rate at the consolidated closing date, and foreign exchange gains or losses arising from such translation are recognized as profit or loss.

(6) Amortization Method and Period of Goodwill

The straight-line method is applied. The amortization period is 7 to 10 years.

(7) Scope of Funds in the Consolidated Statements of Cash Flows

Funds in the consolidated statements of cash flows comprise cash on hand, deposits withdrawable at any time, and easily cashable short-term investments with maturities of three months or less from the acquisition date and insignificant risks of changes in value.

(8) Other Significant Matters for Preparation of Consolidated Financial Statements

1) Adoption of the consolidated taxation system

The Company has adopted the consolidated taxation system.

2) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system, the Company does not apply the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (Accounting Standards Board of Japan (ASBJ) Guidance No. 28, February 16, 2018) in accordance with the treatment of Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ Practical Issues Task Force (PITF) No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the pre-revision tax law.

From the beginning of the following consolidated fiscal year, the Company plans to adopt the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), which sets out practical solutions on the accounting and disclosure of income tax, local income tax, and tax effect accounting when adopting the group tax sharing system.

(Significant Accounting Estimates)

1. Valuation of Goodwill and Customer Relationship

(1) Amount Recorded in Consolidated Financial Statements for the Current Fiscal Year

(Million yen)

	Previous fiscal year	Current fiscal year
Goodwill	1,296	3,958
Customer relationship	1,123	980

Goodwill and customer relationship identified in connection with the acquisition of consolidated subsidiaries are recorded under intangible assets in the consolidated balance sheets.

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

With regard to goodwill and customer relationship identified upon the acquisition, their residual value after amortization over the amortization period of 7 to 10 years are recorded under intangible assets in the consolidated balance sheets.

In addition, impairment tests are conducted and impairment losses are recognized for assets or asset groups for which there is a sign of impairment such as significant deterioration of the management environment, if the total amount of undiscounted future cash flows from such assets or asset groups is less than their carrying amount.

2) Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the current fiscal year

Estimates of future cash flows necessary for impairment tests are calculated based on the business plan at the time of acquisition of shares, and using a growth rate that takes future uncertainty into account after the period covered by the plan.

The business plan and other information that forms the basis of estimates take into account the past business performance and the currently estimated economic condition based on the assumption that the business growth will continue despite the ongoing uncertainty.

3) Impact on the consolidated financial statements for the following fiscal year

Goodwill and customer relationship of the acquired companies may incur impairment losses if changes in the assumption for the business plan cause future cash flows to fall below the carrying amount.

2. Recoverability of Deferred Tax Assets

(1) Amount Recorded in Consolidated Financial Statements for the Current Fiscal Year

(Million yen)

	Previous fiscal year	Current fiscal year
Deferred tax assets	1,501	1,709

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the consolidated financial statements for the current fiscal year

As for the recoverability of deferred tax assets, future taxable income to be generated within 5 years is estimated using the earning power based on the Group companies' business performance and other achievements in the past fiscal years as criteria, and deferred tax assets are calculated by multiplying deductible temporary differences with the effective statutory tax rate.

2) Major assumptions used for the calculation of amounts recorded in the consolidated financial statements for the current fiscal year

The amount of deferred tax assets recorded is calculated by estimating taxable income of Group companies based on their business plans for the following fiscal year and profit before tax set out in the medium-term business plan, and based on the results of scheduling of future recovery. The estimates also take into account achievement of business plans in the past fiscal years.

3) Impact on the consolidated financial statements for the following fiscal year

If a revision of the above estimates and assumptions becomes necessary due to changes in uncertain future economic conditions, the amounts of deferred tax assets and income taxes - deferred in the consolidated financial statements

for the following fiscal year and thereafter may be affected.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of the goods or services is transferred to customers.

The Company has applied the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the fiscal year under review is adjusted in retained earnings at the beginning of the fiscal year under review. Although the new accounting policies have been applied to the balance from the beginning of the period, the application of these accounting policies has no impact on the balance from the beginning of the period. The effect of the application of said accounting standard on the consolidated financial statements and the per share information is immaterial.

Due to the application of the Revenue Recognition Standard, etc., “Unearned revenue,” which was included in “Current liabilities” in the consolidated balance sheets for the previous fiscal year, is now presented in “Contract liabilities” from the fiscal year under review. “Provision for repayment,” which was also included in “Current liabilities,” is now presented in “Other” as refund liability from the fiscal year under review.

In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated in accordance with the new approach for presentation. Moreover, in accordance with the transitional treatment stipulated in Article 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not provided.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc., from the beginning of the fiscal year under review. From then on, the Company will apply new accounting policies stipulated in the Fair Value Measurement Standard, etc. in accordance with the transition treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The effect of the application of said accounting standard on the consolidated financial statements is immaterial.

In addition, the fair value of financial instruments by appropriate classification was represented in notes on financial instruments. However, in accordance with the transitional treatment set forth in Article 7-4 of “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019), notes pertaining to the prior fiscal year are not presented.

(Changes in Presentation Methods)

(Consolidated Statement of Income)

“Provision of allowance for doubtful accounts” and “Commitment fees,” which were included in “Other” under “Non-operating expenses” in the previous fiscal year, are separately presented from the current fiscal year due to their increased materiality in terms of amount. In order to reflect these changes in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of income for the previous fiscal year, ¥8 million presented in “Other” under “Non-operating expenses” have been reclassified as ¥0 million of “Provision of allowance for doubtful accounts,” ¥3 million of “Commitment fees,” and ¥5 million of “Other.”

(Consolidated Statements of Cash Flows)

“Payments of guarantee deposits” which was included in “Other, net” under “Cash flows from investing activities” in the previous fiscal year, is separately presented from the current fiscal year due to its increased materiality in terms of amount. In

order to reflect this change in presentation method, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, ¥(38) million presented in “Other, net” under “Cash flows from investing activities” have been reclassified as ¥(0) million of “Payments of guarantee deposits” and ¥(37) million of “Other, net.”

(Consolidated Balance Sheets)

*1 Receivables from contracts with customers included in accounts receivable - trade are presented in “Notes (Revenue Recognition), 3., (1) Balance of Contract Assets, Contract Liabilities, etc.” in the consolidated balance sheets.

*2 The Company has entered into commitment line agreements with three of its partner banks in order to efficiently procure working capital. In addition, its consolidated subsidiaries BizReach, Inc., IEYASU, Inc., M&A Succeed, Inc., Trabox, Inc., and Visonal Incubation, Inc. (currently Assured, Inc.) have entered into bank overdraft agreements with one of their banks in order to efficiently procure working capital.

The balance of unexecuted borrowings and other amounts under bank overdraft agreements and commitment line agreements at the end of the fiscal years are as follows:

	(Million yen)	
	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Total amount of bank overdrafts and loan commitments	10,130	10,950
Less amounts executed	—	—
Unexecuted balance	10,130	10,950

(Consolidated Statement of Income)

*1 Revenue from contracts with customers

For net sales, the Company does not disaggregate revenues from contracts with customers and other sources of revenue. The amount of revenue from contracts with customers is presented in “Notes (Segment Information, etc.)” in the consolidated financial statements.

*2 Major expenses included in selling, general and administrative expenses and their amounts are as follows:

	(Million yen)	
	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Advertising expenses	9,562	14,697
Salaries and allowances	5,077	5,721
Provision for bonuses	721	1,075

*3 The total amount of research and development expenses included in general and administrative expenses is as follows:

	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
	237 million yen	105 million yen

*4 Details of gain on sale of non-current assets are as follows:

	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Other (Property, plant and equipment)	16 million yen	— million yen

(Consolidated Statement of Comprehensive Income)

* Reclassification adjustments and tax effects relating to other comprehensive income

	(Million yen)	
	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Valuation difference on available-for-sale securities		
Difference arising during the current fiscal year	(0)	0
Reclassification adjustments	0	—
Before tax effect adjustment	0	0
Tax effects	—	(0)
Valuation difference on available-for-sale securities	0	0
Total other comprehensive income	0	0

(Consolidated Statements of Changes in Net Assets)

Previous fiscal year (from August 1, 2020 to July 31, 2021)

1. Matters Regarding Issued Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common stock (shares)	232,353	35,625,647	—	35,858,000
Class A preferred stock (shares)	53,301	—	53,301	—
Total (shares)	285,654	35,625,647	53,301	35,858,000

(Major cause of movement)

The breakdown of the increase in shares of common stock is as follows:

Increase in shares due to delivery of shares associated with the acquisition of class stock: 53,301 shares

Increase in shares due to issuance of new shares associated with the exercise of share acquisition rights: 938,000 shares

Increase in shares due to stock split: 32,239,746 shares

Increase in shares due to issuance of new shares through public offering: 2,127,700 shares

Increase in shares due to issuance of new shares through third-party allotment: 266,900 shares

The decrease in shares of class A preferred stock is due to cancellation of treasury shares associated with the acquisition of such class stock.

2. Matters Regarding Treasury Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Class A preferred stock (shares)	—	53,301	53,301	—
Total (shares)	—	53,301	53,301	—

(Major cause of movement)

The breakdown of the increase in treasury shares of class A preferred stock is as follows:

Increase in shares due to acquisition of shares associated with the acquisition of class stock: 53,301 shares

The decrease in shares of class A preferred stock (treasury shares) is due to cancellation of treasury shares associated with the acquisition of such class stock.

3. Matters Regarding Share Acquisition Rights, etc.

Company name	Breakdown	Class of shares issued upon exercise	Number of shares issued upon exercise (shares)				Balance at the end of the current fiscal year (million yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Consolidated subsidiaries	1st Series Share Acquisition Right (stock option)	—	—	—	—	—	3
Total			—	—	—	—	3

(Note) For the 1st Series Share Acquisition Right, the commencement date of the exercise period has not yet arrived.

4. Matters Regarding Dividends

Not applicable.

Current fiscal year (from August 1, 2021 to July 31, 2022)

1. Matters Regarding Issued Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common stock (shares)	35,858,000	2,488,700	—	38,346,700

(Major cause of movement)

The breakdown of the increase in shares of common stock is as follows:

Increase in shares due to issuance of new shares associated with the exercise of share acquisition rights: 2,488,700 shares

2. Matters Regarding Treasury Shares

Class of shares	Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year
Common stock (shares)	—	179	—	179
Total (shares)	—	179	—	179

(Major cause of movement)

The breakdown of the increase in treasury shares of common stock is as follows:

Increase in shares due to the purchase of shares less than one unit: 179 shares

3. Matters Regarding Share Acquisition Rights, etc.

Company name	Breakdown	Class of shares issued upon exercise	Number of shares issued upon exercise (shares)				Balance at the end of the current fiscal year (million yen)
			Beginning of the current fiscal year	Increase	Decrease	End of the current fiscal year	
Reporting Company	Stock Acquisition Right as 2022 Stock Option	—	—	—	—	—	52
Consolidated subsidiaries	1st Series Share Acquisition Right (stock option)	—	—	—	—	—	3
Total			—	—	—	—	56

- (Note)
- For the Stock Acquisition Right as 2022 Stock Option of the reporting company, the commencement date of the exercise period has not yet arrived.
 - For the 1st Series Share Acquisition Right of consolidated subsidiaries, the commencement date of the exercise period has not yet arrived.

4. Matters Regarding Dividends

Not applicable.

(Consolidated Statements of Cash Flows)

*1 Reconciliation between the balance of cash and cash equivalents at end of period and the amount of items presented in the consolidated balance sheets is as follows:

	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Cash and deposits	25,630 million yen	31,362 million yen
Cash and cash equivalents	25,630 million yen	31,362 million yen

*2 Major breakdown of assets and liabilities of companies newly consolidated due to acquisition of shares

Previous fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

Current fiscal year (from August 1, 2021 to July 31, 2022)

(1) The breakdown of assets and liabilities at the beginning of consolidation of IEYASU, Inc. due to the acquisition of shares in the current consolidated fiscal year, and the relation between the acquisition costs of shares and expenditures for acquisition (net increase) are as follows:

	(Million yen)
Current assets	26
Non-current assets	1
Goodwill (*)	911
Current liabilities	(72)
Non-current liabilities	(66)
Acquisition cost of shares	801
Cash and cash equivalents	(13)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	787

(*) A provisionally calculated amount as the allocation of acquisition cost has not been completed.

(2) The breakdown of assets and liabilities at the beginning of consolidation of ezSoft Co., Ltd. due to the acquisition of shares in the current consolidated fiscal year, and the relation between the acquisition costs of shares and expenditures for acquisition (net increase) are as follows:

	(Million yen)
Current assets	842
Non-current assets	29
Goodwill (*)	2,142
Current liabilities	(152)
Non-current liabilities	—
Acquisition cost of shares	2,862
Cash and cash equivalents	(773)
Net: Purchase of shares of subsidiaries resulting in change in scope of consolidation	2,088

(*) A provisionally calculated amount as the allocation of acquisition cost has not been completed.

(Lease Transactions)

Description is omitted due to lack of materiality.

(Financial Instruments)

1. Matters Regarding Financial Instruments

(1) Group Policy for Financial Instruments

As for fund procurement, the Group utilizes the Group CMS (cash management system) for effective use of the Group funds, while procuring necessary funds (mainly from banks) in line with its investment plan. In order to raise funds flexibly and stably, the Group has entered into commitment line agreements and bank overdraft agreements. The Group manages its assets only through investments in low-risk financial assets.

(2) Nature of and Risks Arising from Financial Instruments

Accounts receivable, which are operating receivables, are exposed to customer credit risks. Investment securities are subject to market price volatility risks. Leasehold deposits are mainly related to office rental agreements and exposed to the counterparty's credit risks.

Most of accounts payable - other, which are operating payables, are due within a year.

(3) Risk Management System for Financial Instruments

1) Credit risk (default risks of customers) management

As for operating receivables, the Group controls due dates and balances of individual customers and monitors their financial conditions to identify and reduce the default risk of the counterparties at an early stage.

2) Market risk management

As for investment securities, the Group periodically monitors their market value and financial positions of issuers (business partners), and continuously reviews the status of holding in light of the relationship with business partners.

3) Management of liquidity risk associated with fund procurement (risk of failing to repay on the due date)

The Group has introduced Group CMS to effectively utilize its funds among the Group companies. The Group prepares and updates internal fund management plans in a timely manner, thereby monitoring and managing the fund requirement throughout the Group. In addition, the Group has entered into commitment line agreements and bank overdraft agreements to secure and maintain cash on hand stably.

(4) Supplementary Explanation on Market Value and Other Matters of Financial Instruments

The market value of financial instruments is calculated based on their market price and, if a market price is not available, the value is calculated in a reasonable manner. As the market value calculation incorporates fluctuating factors, the value may differ if different assumptions are used in calculation.

2. Matters Regarding Market Value, etc. of Financial Instruments

The amounts in the consolidated balance sheets and market value of financial instruments along with their differences are shown below.

Previous fiscal year (as of July 31, 2021)

(Million yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Leasehold deposits	645	645	(0)
Total assets	645	645	(0)

(*1) "Cash and deposits" are omitted, because cash comprises cash and deposits comprise short-term instruments whose carrying amount approximates their fair value.

(*2) "Accounts receivable - trade" and "Accounts payable - other" are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value.

(Note 1) Amounts in the consolidated balance sheets of financial instruments whose market values are deemed extremely difficult to determine

(Million yen)

Category	July 31, 2021
Non-listed shares	86

As there is no market price available for these shares, etc., their market value is not disclosed.

Current fiscal year (as of July 31, 2022)

(Million yen)

	Amounts in the consolidated balance sheets	Market value	Differences
Leasehold deposits	747	741	(5)
Total assets	747	741	(5)

(*1) "Cash and deposits" are omitted, because cash comprises cash and deposits comprise short-term instruments whose carrying amount approximates their fair value.

(*2) "Accounts receivable - trade" and "Accounts payable - other" are omitted, because they comprise short-term instruments whose carrying amount approximates their fair value.

(Note 1) Amounts in the consolidated balance sheets of shares, etc. that do not have a market price

(Million yen)

Category	July 31, 2022
Non-listed shares	87

As there is no market price available for these shares, etc., their market value is not disclosed.

(Note 2) Scheduled redemption amount of monetary receivables after the consolidated closing date and scheduled repayment amount of monetary payables

Previous fiscal year (as of July 31, 2021)

	Within one year (million yen)	Over one year within five years (million yen)	Over five years within ten years (million yen)	Over ten years (million yen)
Cash and deposits	25,630	—	—	—
Accounts receivable - trade	3,258	—	—	—
Total monetary receivables	28,889	—	—	—

Current fiscal year (as of July 31, 2022)

	Within one year (million yen)	Over one year within five years (million yen)	Over five years within ten years (million yen)	Over ten years (million yen)
Cash and deposits	31,362	—	—	—
Accounts receivable - trade	4,356	—	—	—
Total monetary receivables	35,718	—	—	—

3. Fair Value Information by Level within the Fair Value Hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value:

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

Financial assets not measured at fair value

Current fiscal year (as of July 31, 2022)

(Million yen)

Category	Fair value			
	Level 1	Level 2	Level 3	Total
Leasehold deposits	—	741	—	741
Total assets	—	741	—	741

(Note) A description of the valuation techniques and inputs used for fair value measurement

Leasehold deposits

The fair value of leasehold deposits is measured by discounting the estimated future cash flows at the discount rate that is determined by estimating when the deposits will be returned, using the yield of government bonds corresponding to the period up to the return, and taking credit risks into consideration, and is classified as Level 2.

(Securities)

Available-for-sale Securities

Previous fiscal year (from August 1, 2020 to July 31, 2021)

Description of non-listed shares (amounts in the consolidated balance sheets: ¥86 million) is not provided, as they have no market price available and it is deemed extremely difficult to reflect their market value.

Current fiscal year (from August 1, 2021 to July 31, 2022)

Description of non-listed shares (amounts in the consolidated balance sheets: ¥87 million) is not provided, as they are shares, etc. that do not have a market price.

(Stock Options)

Reporting Company

1. Amount and Account Items of Expenses Related to Stock Options

(Million yen)

	Previous fiscal year	Current fiscal year
Selling, general and administrative expenses	—	50

2. Amount Recorded as a Profit Resulting from Forfeiture Due to Non-exercise of Share Acquisition Rights

(Million yen)

	Previous fiscal year	Current fiscal year
Gain on reversal of share acquisition rights	—	3

3. Details and Scale of Stock Options and Changes Thereof

1st Series to 23rd Series Share Acquisition Rights were originally issued by BizReach, Inc. and the obligation associated with share acquisition rights was succeeded to the Company upon its establishment on February 3, 2020 by means of sole share transfer by BizReach, Inc.

The following tables show the stock options that existed in the current fiscal year, and the number of stock options is translated into the number of shares.

The number of shares reflects the 100-for-1 stock split conducted on December 7, 2020.

(1) Stock Options

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 1 Employees: 29 Directors of subsidiaries: 2 Employees of subsidiaries: 3 External consultants: 4	Auditors: 1 Employees: 42 External consultants: 3
Number of stock options by class of shares	Common stock: 990,000 shares	Common stock: 507,000 shares
Date of grant (Note 2)	October 15, 2012	September 1, 2014
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to October 10, 2022	From February 3, 2020 to September 1, 2024

	4th Series Share Acquisition Right	6th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 80	Directors: 3 Employees: 67
Number of stock options by class of shares	Common stock: 360,000 shares	Common stock: 985,000 shares
Date of grant (Note 2)	April 10, 2015	December 21, 2015
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to April 7, 2025	From February 3, 2020 to December 11, 2025

	7th Series Share Acquisition Right	10th Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 2 Employees: 136	Employees: 1
Number of stock options by class of shares	Common stock: 1,282,000 shares	Common stock: 120,000 shares
Date of grant (Note 2)	June 30, 2017	April 27, 2018
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 3, 2020 to June 14, 2027	From May 1, 2020 to March 26, 2028

	11th Series Share Acquisition Right	12th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 42	Directors: 1 Employees: 47
Number of stock options by class of shares	Common stock: 268,000 shares	Common stock: 549,500 shares
Date of grant (Note 2)	April 27, 2018	April 26, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From May 1, 2020 to March 26, 2028	From April 18, 2021 to April 17, 2029

	13th Series Share Acquisition Right	14th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 6	Employees: 19
Number of stock options by class of shares	Common stock: 27,000 shares	Common stock: 162,000 shares
Date of grant (Note 2)	April 26, 2019	April 26, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029

	15th Series Share Acquisition Right	16th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 7	Employees: 1
Number of stock options by class of shares	Common stock: 164,000 shares	Common stock: 109,000 shares
Date of grant (Note 2)	April 26, 2019	April 26, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From April 18, 2021 to April 17, 2029	From April 18, 2021 to April 17, 2029

	17th Series Share Acquisition Right	18th Series Share Acquisition Right
Class and number of recipients (Note 1)	Auditors: 1 Employees: 72	Employees: 20
Number of stock options by class of shares	Common stock: 212,500 shares	Common stock: 142,600 shares
Date of grant (Note 2)	July 19, 2019	July 19, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029

	19th Series Share Acquisition Right	20th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 12	Employees: 2
Number of stock options by class of shares	Common stock: 25,200 shares	Common stock: 268,200 shares
Date of grant (Note 2)	July 19, 2019	July 19, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 18, 2021 to July 17, 2029	From July 18, 2021 to July 17, 2029

	21st Series Share Acquisition Right	22nd Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 2	Auditors: 1 Employees: 69
Number of stock options by class of shares	Common stock: 120,000 shares	Common stock: 434,500 shares
Date of grant (Note 2)	July 19, 2019	December 30, 2019
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 18, 2021 to July 17, 2029	From December 20, 2021 to December 19, 2029

	23rd Series Share Acquisition Right	24th Series Share Acquisition Right
Class and number of recipients (Note 1)	Auditors: 1 Employees: 33 Directors of subsidiaries: 1	Employees of subsidiaries: 5
Number of stock options by class of shares	Common stock: 85,500 shares	Common stock: 65,000 shares
Date of grant (Note 2)	December 30, 2019	July 31, 2020
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From December 20, 2021 to December 19, 2029	From July 21, 2022 to July 20, 2030

	25th Series Share Acquisition Right	26th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees of subsidiaries: 60	Employees: 5 Employees of subsidiaries: 31
Number of stock options by class of shares	Common stock: 238,300 shares	Common stock: 95,000 shares
Date of grant (Note 2)	July 31, 2020	July 31, 2020
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From July 21, 2022 to July 20, 2030	From July 21, 2022 to July 20, 2030

	27th Series Share Acquisition Right	28th Series Share Acquisition Right
Class and number of recipients (Note 1)	Employees: 1 Directors of subsidiaries: 1 Employees of subsidiaries: 4	Directors: 1 Employees of subsidiaries: 1
Number of stock options by class of shares	Common stock: 46,000 shares	Common stock: 48,000 shares
Date of grant (Note 2)	March 8, 2022	March 8, 2022
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 22, 2024 to February 21, 2032	From February 22, 2025 to February 21, 2032

	29th Series Share Acquisition Right	30th Series Share Acquisition Right
Class and number of recipients (Note 1)	Directors: 1 Directors of subsidiaries: 1	Employees of subsidiaries: 1
Number of stock options by class of shares	Common stock: 172,000 shares	Common stock: 26,400 shares
Date of grant (Note 2)	March 8, 2022	March 8, 2022
Vesting conditions	(Note 3)	(Note 3)
Required service period	There is no required service period.	There is no required service period.
Exercise period of share acquisition rights	From February 22, 2025 to February 21, 2032	From February 22, 2025 to February 21, 2032

- (Notes) 1. Class and number of recipients show those at the time of granting share acquisition rights.
2. Date of grant shows the original date of grant at BizReach, Inc.
3. Vesting conditions are as described in “IV. Information about Reporting Company, 1. Company’s Shares, etc., (2) Share Acquisition Rights.”

(2) Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year (fiscal year ended July 31, 2022), and the number of stock options is translated into the number of shares.

1) Number of stock options

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	713,000	343,000
Vested	—	—
Exercised	665,000	328,000
Forfeited	—	—
July 31, 2022—Outstanding	48,000	15,000

	4th Series Share Acquisition Right	6th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	259,000	835,000
Vested	—	—
Exercised	234,000	531,400
Forfeited	—	—
July 31, 2022—Outstanding	25,000	303,600

	7th Series Share Acquisition Right	10th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	1,098,000	120,000
Vested	—	—
Exercised	592,500	30,000
Forfeited	12,000	—
July 31, 2022—Outstanding	493,500	90,000

	11th Series Share Acquisition Right	12th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	236,000	539,500
Vested	—	—
Exercised	—	—
Forfeited	7,000	17,500
July 31, 2022—Outstanding	229,000	522,000

	13th Series Share Acquisition Right	14th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	27,000	149,000
Vested	—	—
Exercised	—	—
Forfeited	—	10,000
July 31, 2022—Outstanding	27,000	139,000

	15th Series Share Acquisition Right	16th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	164,000	109,000
Vested	—	—
Exercised	24,500	21,800
Forfeited	—	—
July 31, 2022—Outstanding	139,500	87,200

	17th Series Share Acquisition Right	18th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	192,000	136,600
Vested	—	—
Exercised	—	15,000
Forfeited	9,500	400
July 31, 2022—Outstanding	182,500	121,200

	19th Series Share Acquisition Right	20th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	—	—
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	23,800	268,200
Vested	—	—
Exercised	—	22,500
Forfeited	1,400	—
July 31, 2022—Outstanding	22,400	245,700

	21st Series Share Acquisition Right	22nd Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	431,500
Granted	—	—
Forfeited	—	—
Vested	—	431,500
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	120,000	—
Vested	—	431,500
Exercised	24,000	—
Forfeited	—	8,000
July 31, 2022—Outstanding	96,000	423,500

	23rd Series Share Acquisition Right	24th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	85,500	65,000
Granted	—	—
Forfeited	—	—
Vested	85,500	65,000
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	—	—
Vested	85,500	65,000
Exercised	—	—
Forfeited	—	—
July 31, 2022—Outstanding	85,500	65,000

	25th Series Share Acquisition Right	26th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	238,300	95,000
Granted	—	—
Forfeited	—	—
Vested	238,300	95,000
July 31, 2022—Outstanding	—	—
Vested (shares)		
July 31, 2021—Outstanding	—	—
Vested	238,300	95,000
Exercised	—	—
Forfeited	10,500	—
July 31, 2022—Outstanding	227,800	95,000

	27th Series Share Acquisition Right	28th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	46,000	48,000
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	46,000	48,000
Vested (shares)		
July 31, 2021—Outstanding	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
July 31, 2022—Outstanding	—	—

	29th Series Share Acquisition Right	30th Series Share Acquisition Right
Non-vested (shares)		
July 31, 2021—Outstanding	—	—
Granted	172,000	26,400
Forfeited	—	—
Vested	—	—
July 31, 2022—Outstanding	172,000	26,400
Vested (shares)		
July 31, 2021—Outstanding	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
July 31, 2022—Outstanding	—	—

2) Unit price information

	1st Series Share Acquisition Right	2nd Series Share Acquisition Right
Exercise price (yen)	43	43
Average share price at exercise (yen)	6,758.38	6,720.12
Fair value at date of grant (yen)	—	—

	4th Series Share Acquisition Right	6th Series Share Acquisition Right
Exercise price (yen)	43	100
Average share price at exercise (yen)	6,813.38	6,745.39
Fair value at date of grant (yen)	—	—

	7th Series Share Acquisition Right	10th Series Share Acquisition Right
Exercise price (yen)	250	400
Average share price at exercise (yen)	6,479.24	6,380.00
Fair value at date of grant (yen)	—	—

	11th Series Share Acquisition Right	12th Series Share Acquisition Right
Exercise price (yen)	400	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	13th Series Share Acquisition Right	14th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	15th Series Share Acquisition Right	16th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	6,657.55	10,790.00
Fair value at date of grant (yen)	—	—

	17th Series Share Acquisition Right	18th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	6,484.87
Fair value at date of grant (yen)	—	—

	19th Series Share Acquisition Right	20th Series Share Acquisition Right
Exercise price (yen)	550	550
Average share price at exercise (yen)	—	6,740.67
Fair value at date of grant (yen)	—	—

	21st Series Share Acquisition Right	22nd Series Share Acquisition Right
Exercise price (yen)	550	780
Average share price at exercise (yen)	6,126.67	—
Fair value at date of grant (yen)	—	—

	23rd Series Share Acquisition Right	24th Series Share Acquisition Right
Exercise price (yen)	780	1,250
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	25th Series Share Acquisition Right	26th Series Share Acquisition Right
Exercise price (yen)	1,250	1,250
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	—	—

	27th Series Share Acquisition Right	28th Series Share Acquisition Right
Exercise price (yen)	8,278	7,920
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	4,611.43	4,739.02

	29th Series Share Acquisition Right	30th Series Share Acquisition Right
Exercise price (yen)	7,920	7,920
Average share price at exercise (yen)	—	—
Fair value at date of grant (yen)	4,878.88	4,659.29

4. Method for Estimating the Fair Value Unit Price of Stock Options

(1) 27th Series Share Acquisition Right

1) Valuation technique used: Black-Scholes model

2) Main basic figures and method of its estimation:

Share price volatility (Note 1)	59.9%
Expected remaining period (Note 2)	7.6 years
Expected dividend (Note 3)	0 yen per share
Risk-free interest rate (Note 4)	0.1%

(Notes) 1. Calculated based on the share price volatility rate calculated using the daily share price information at the date ten months before the valuation reference date.

2. As making a reasonable estimate is difficult due to no accumulation of sufficient data, the Company estimates under the assumption that it will be exercised in the middle of the exercise period.

3. Based on the estimated dividend in the most recent fiscal year.

4. The yield on government bonds of a maturity corresponding to the expected remaining period.

(2) 28th Series Share Acquisition Right

1) Valuation technique used: Monte Carlo simulation

2) Main basic figures and method of its estimation:

Share price volatility (Note 1)	59.2%
Expected remaining period (Note 2)	7.6 years
Expected dividend (Note 3)	0 yen per share
Risk-free interest rate (Note 4)	0.1%

(Notes) 1. Calculated based on the share price volatility rate calculated using the daily share price information at the date nine months before the valuation reference date.

2. As making a reasonable estimate is difficult due to no accumulation of sufficient data, the Company estimates under the assumption that it will be exercised in the middle of the exercise period.

3. Based on the estimated dividend in the most recent fiscal year.

4. The yield on government bonds of a maturity corresponding to the expected remaining period.

(3) 29th Series Share Acquisition Right

1) Valuation technique used: Monte Carlo simulation

2) Main basic figures and method of its estimation:

Share price volatility (Note 1)	59.2%
Expected remaining period (Note 2)	8.2 years
Expected dividend (Note 3)	0 yen per share
Risk-free interest rate (Note 4)	0.1%

(Notes) 1. Calculated based on the share price volatility rate calculated using the daily share price information at the date nine months before the valuation reference date.

2. As making a reasonable estimate is difficult due to no accumulation of sufficient data, the Company estimates under the assumption that it will be exercised in the middle of the exercise period.

3. Based on the estimated dividend in the most recent fiscal year.

4. The yield on government bonds of a maturity corresponding to the expected remaining period.

(4) 30th Series Share Acquisition Right

1) Valuation technique used: Monte Carlo simulation

2) Main basic figures and method of its estimation:

Share price volatility (Note 1)	59.2%
Expected remaining period (Note 2)	7.1 years
Expected dividend (Note 3)	0 yen per share
Risk-free interest rate (Note 4)	0.1%

(Notes) 1. Calculated based on the share price volatility rate calculated using the daily share price information at the date nine months before the valuation reference date.

2. As making a reasonable estimate is difficult due to no accumulation of sufficient data, the Company estimates under the assumption that it will be exercised in the middle of the exercise period.

3. Based on the estimated dividend in the most recent fiscal year.

4. The yield on government bonds of a maturity corresponding to the expected remaining period.

5. Method for Estimating the Number of Vested Stock Options

As it is basically difficult to reasonably estimate the future number of invalidated stock options, only the actual number of invalidated stock options is reflected in the estimation.

6. The total amount of intrinsic value as of July 31, 2022 in the case of using the intrinsic value per unit of stock option, and the total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2022

Total amount of intrinsic value as of July 31, 2022 ¥24,630 million

Total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2022 ¥16,376 million

Consolidated Subsidiary (Trabox, Inc.)

1. Amount and Account Items of Expenses Related to Stock Options

Not applicable.

2. Details and Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year, and the number of stock options is translated into the number of shares.

(1) Stock Options

	1st Series Share Acquisition Right
Class and number of recipients (Note 1)	Director of the company: 1
Number of stock options by class of shares	Common stock: 11 shares
Date of grant	July 30, 2021
Vesting conditions	(Note 2)
Required service period	There is no required service period.
Exercise period of share acquisition rights	From January 1, 2026 to December 31, 2030

(Notes) 1. Class and number of recipients show those at the time of granting share acquisition rights.

2. Conditions for exercise of share acquisition rights are as follows:

- 1) Persons allotted with share acquisition rights (hereinafter referred to as the “Share Acquisition Rights Holders”) may exercise share acquisition rights only when the Company transfers a part or all of the issued shares of the consolidated subsidiary to a third party (excluding the transfer to the Company’s wholly owned subsidiaries).
- 2) Notwithstanding the preceding item 1), the Share Acquisition Rights Holders, if they lose their position as officers and employees of the Company, the consolidated subsidiary, or their subsidiaries (which collectively mean officers (who hold the meaning provided for in Article 329, Paragraph 1 of the Companies Act), executive officers and employees), may not exercise all of the share acquisition rights after the day they lose their position; provided, however, that this shall not apply to cases where the Board of Directors of the consolidated subsidiary judges that there is a justifiable reason for such loss of positions mentioned above.
- 3) Other conditions shall be stipulated in the share acquisition rights allotment agreement concluded between the consolidated subsidiary and the Share Acquisition Rights Holders.

(2) Scale of Stock Options and Changes Thereof

The following tables show the stock options that existed in the current fiscal year (fiscal year ended July 31, 2022), and the number of stock options is translated into the number of shares.

1) Number of stock options

	1st Series Share Acquisition Right
Non-vested (shares)	
July 31, 2021—Outstanding	11
Granted	—
Forfeited	—
Vested	—
July 31, 2022—Outstanding	11
Vested (shares)	
July 31, 2021—Outstanding	—
Vested	—
Exercised	—
Forfeited	—
July 31, 2022—Outstanding	—

2) Unit price information

	1st Series Share Acquisition Right
Exercise price (yen)	2,127,659
Average share price at exercise (yen)	—
Fair value at date of grant (yen)	—

3. Method for Estimating the Fair Value Unit Price of Stock Options

As the shares of Trabox, Inc. are unlisted at the time of granting of stock options, the fair value unit price of stock options is estimated based on the estimated intrinsic value per unit.

Furthermore, the value of the Company's shares, which is the basis for determining the intrinsic value per unit, is determined by using the value calculated by the DCF method.

4. Method for Estimating the Number of Vested Stock Options

As it is basically difficult to reasonably estimate the future number of invalidated stock options, only the actual number of invalidated stock options is reflected in the estimation.

5. The total amount of intrinsic value as of July 31, 2022 in the case of using the intrinsic value per unit of stock option, and the total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2022

Total amount of intrinsic value as of July 31, 2022 ¥— million

Total amount of intrinsic value on the exercise date of the stock options exercised during the fiscal year ended July 31, 2022 ¥— million

(Tax Effect Accounting)

1. Breakdown of Main Causes for Deferred Tax Assets and Deferred Tax Liabilities

	(Million yen)	
	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Deferred tax assets		
Tax loss carryforwards (Note 2)	182	494
Unrealized gains	849	751
Provision for bonuses	337	357
Research and development expenses	346	545
Other	393	549
Subtotal deferred tax assets	2,109	2,698
Valuation allowance for tax loss carryforwards (Note 2)	(182)	(494)
Valuation allowance for aggregate deductible temporary differences	(161)	(264)
Subtotal valuation allowances (Note 1)	(344)	(759)
Total deferred tax assets	1,764	1,939
Deferred tax liabilities		
Customer relationship	(377)	(329)
Other	(1)	(1)
Total deferred tax liabilities	(378)	(330)
Net deferred tax assets (liabilities)	1,386	1,609

(Notes) 1. There is a significant change in the amount deducted from deferred tax assets (valuation allowance). The change was mainly due to an increase in the amount of valuation allowance for tax loss carryforwards.

2. Tax loss carryforwards and corresponding deferred tax assets by carryforward period

Previous fiscal year (July 31, 2021)							(Million yen)	
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total	
Tax loss carryforwards (a)	—	—	—	—	—	182	182	
Valuation allowances	—	—	—	—	—	(182)	(182)	
Deferred tax assets	—	—	—	—	—	—	—	

(a) Tax loss carryforwards are the amount obtained by multiplying them with the effective statutory tax rate.

Current fiscal year (July 31, 2022)							(Million yen)	
	Within one year	Over one year within two years	Over two years within three years	Over three years within four years	Over four years within five years	Over five years	Total	
Tax loss carryforwards (b)	—	—	—	—	—	494	494	
Valuation allowances	—	—	—	—	—	(494)	(494)	
Deferred tax assets	—	—	—	—	—	—	—	

(b) Tax loss carryforwards are the amount obtained by multiplying them with the effective statutory tax rate.

2. Breakdown of Main Causes of Difference Between the Effective Statutory Tax Rate and the Income Tax Rate after Applying Tax Effect Accounting

	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Effective statutory tax rate of the company submitting the consolidated financial statements (Adjustments)	30.6%	30.6%
Valuation allowances	5.0%	3.2%
Amortization of goodwill	2.5%	1.3%
Tax credit	—%	(2.5)%
Other	(0.2)%	0.3%
Income tax rate after applying tax effect accounting	37.9%	33.0%

(Business Combinations)

(Business Combinations through Acquisition)

- BizReach, Inc., a consolidated subsidiary of the Company, adopted a resolution to acquire the shares of IEYASU, Inc. to make it a subsidiary at the Board of Directors' meeting held on August 16, 2021, and entered into a share transfer agreement with the company on the same day. BizReach, Inc. has completed the acquisition of these shares on November 1, 2021.

(1) Outline of the Business Combination

1) Name and Business of the Company Acquired

- Name of the company acquired: IEYASU, Inc.
- Description of its business: Development and sales of attendance management systems

2) Main Purpose of the Business Combination

To accelerate the medium-term growth strategy of HRMOS, in anticipation of future collaboration with HRMOS payroll and labor management domain that is under development in-house by BizReach, Inc., a consolidated subsidiary of the Company.

3) Date of the Business Combination

November 1, 2021

4) Legal Form of the Business Combination

Acquisition of shares

5) Name following the Business Combination

No change in the company name

6) Ratio of Voting Rights Acquired

80.1%

7) Major Grounds for Deciding on the Acquired Company

BizReach, Inc., a consolidated subsidiary of the Company, has acquired shares thereof with cash as consideration.

- Period of Performance of the Acquired Company included in the Consolidated Statement of Income for the Fiscal Year under Review

From November 1, 2021 through July 31, 2022

- Acquisition Costs of the Company Acquired and Breakdown by Type of Consideration

Consideration for acquisition	Cash and deposits	¥801 million
Acquisition costs		¥801 million

- Description and Amount of Major Expenses related to the Acquisition

Advisory fees and commissions	¥2 million
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- Amount of Goodwill that Accrued, the Cause for the Accrual, the Amortization Method and the Amortization Period

1) Amount of Goodwill Accrued

¥911 million

The amount of goodwill accrued is a provisionally calculated amount as the allocation of acquisition cost has not been completed as of the end of the fiscal year under review.

2) Cause for the Accrual

Due to the excess earnings power expected from the future business development.

3) Amortization Method and the Amortization Period

Amortized over seven years by the straight-line method.

(6) Amount of Assets Accepted and Liabilities Assumed on the Date of the Business Combination, and the Major Breakdown thereof

Current assets	¥26 million
Non-current assets	¥1 million
Total assets	¥27 million
Current liabilities	¥72 million
Non-current liabilities	¥66 million
Total liabilities	¥138 million

(7) Estimated Effects that would be Exerted on the Consolidated Statement of Income for the Fiscal Year under Review if the Business Combination is Assumed to have been Completed on the Start Date of the Fiscal Year under Review and the Calculation Method thereof

Omitted as the estimated effects are not material.

2. At a meeting of the Board of Directors held on December 9, 2021, the Company resolved that BizReach, Inc., a consolidated subsidiary of the Company, would acquire the shares of ezSoft, Co., Ltd. and make it a subsidiary, and concluded a share transfer agreement on the same day. BizReach, Inc. has completed acquisition of these shares on March 1, 2022.

(1) Outline of the Business Combination

1) Name and Business of the Company Acquired

- a. Name of the company acquired: ezSoft Co., Ltd.
- b. Description of its business: Provides and operates expense management cloud systems

2) Main Purpose of the Business Combination

The main reason for the business combination is to accelerate the establishment of the HCM ecosystem through the future collaboration between the “HRMOS” series provided by BizReach, Inc., a consolidated subsidiary of the Company, and the services provided by ezSoft, Co., Ltd., which is the mid-term growth strategy of HRMOS.

3) Date of the Business Combination

March 1, 2022

4) Legal Form of the Business Combination

Acquisition of shares

5) Name following the Business Combination

No change in the company name

6) Ratio of Voting Rights Acquired

100.0%

7) Major Grounds for Deciding on the Acquired Company

BizReach, Inc., a consolidated subsidiary of the Company, has acquired shares thereof with cash as consideration.

(2) Period of Performance of the Acquired Company included in the Consolidated Statement of Income for the Fiscal Year under Review

From March 1, 2022 through July 31, 2022

(3) Acquisition Costs of the Company Acquired and Breakdown by Type of Consideration

Consideration for acquisition	Cash and deposits	¥2,862 million
Acquisition costs		¥2,862 million

(4) Description and Amount of Major Expenses related to the Acquisition

Advisory fees and commissions	¥3 million
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(5) Amount of Goodwill that Accrued, the Cause for the Accrual, the Amortization Method and the Amortization Period

1) Amount of Goodwill Accrued

¥2,142 million

The amount of goodwill accrued is a provisionally calculated amount as the allocation of acquisition cost has not been completed as of the end of the fiscal year under review.

2) Cause for the Accrual

Due to the excess earnings power expected from the future business development.

3) Amortization Method and the Amortization Period

Amortized over seven years by the straight-line method.

(6) Amount of Assets Accepted and Liabilities Assumed on the Date of the Business Combination, and the Major Breakdown thereof

Current assets	¥842 million
Non-current assets	¥29 million
Total assets	¥872 million
Current liabilities	¥152 million
Non-current liabilities	¥— million
Total liabilities	¥152 million

(7) Estimated Effects that would be Exerted on the Consolidated Statement of Income for the Fiscal Year under Review if the Business Combination is Assumed to have been Completed on the Start Date of the Fiscal Year under Review and the Calculation Method thereof

Omitted as the estimated effects are not material.

(8) Details of Contingent Consideration Provided for in the Business Combination Agreement and the Future Accounting Policy thereof

Based on the share transfer agreement, the consideration for acquisition may change in the future. In the case of a change of the consideration for acquisition, the acquisition cost will be revised on the assumption that it changed at the time of acquisition and the amount of goodwill and amortization of goodwill will be revised.

(Asset Retirement Obligations)

Pursuant to the real estate lease agreement for the head office, the Group reasonably estimates the amount that is considered ultimately unrecoverable from leasehold deposits related to the real estate lease agreement, instead of recording liabilities relating to asset retirement obligations for restoration costs upon withdrawal from the real estate, and records the amount that is attributable to the current fiscal year.

(Revenue Recognition)

1. Information on the Disaggregation of Revenue from Contracts with Customers

Information on the disaggregation of revenue from contracts with customers is as presented in “Notes (Segment Information, etc.)”

2. Useful Information in Understanding Revenue from Contracts with Customers

It is presented in “(Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements), 4. Matters Regarding Accounting Policies, (4) Significant Revenue and Expense Recognition Standards.”

3. Information for Understanding Revenue in the Current and Following Fiscal Years

(1) Balance of Contract Assets, Contract Liabilities, etc.

Receivables from contracts with customers are included in “Accounts receivable - trade” in the consolidated balance sheets.

(Million yen)

	Current fiscal year	
	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	3,258	4,356
Contract liabilities	3,035	4,941

Contract liabilities is the portion of consideration received from customers that exceeds the amount already recognized as revenue. Performance obligations are considered satisfied as these services are provided and contract liabilities are transferred to revenue.

(2) Transaction Price Allocated to the Remaining Performance Obligations

The Company and its consolidated subsidiaries have applied the practical expedient to omit the description of transaction prices allocated to the remaining performance obligations as there are no contracts with an original expected duration of longer than one year. Consideration from contracts with customers does not have any significant amounts of variable consideration or other items not included in the transaction price.

(Segment Information, etc.)

[Segment Information]

1. Overview of reportable segments

(1) Method of Determining Reportable Segments

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance.

The Group consists of segments organized by business based on companies, and classifies its businesses into two reportable segments, namely, “HR Tech” and “Incubation.”

(2) Type of Products and Services Belonging to Each Reportable Segment

“HR Tech” segment provides services including “BizReach,” a job change site that connects professional human resources to companies, “HRMOS,” an HCM (Human Capital Management) platform, “CareerTrek,” a job change site designed for people in their 20s that are looking for new challenges, and “BizReach Campus,” a network service for alumni visits.

“Incubation” segment provides services including “Trabox,” a logistics DX (digital transformation) platform, “M&A Succeed,” an M&A matching platform, and “BizHint,” a B to B lead generation platform.

2. Method of Calculating Net Sales, Profit (Loss), Assets, Liabilities and Other Items by Reportable Segment

The accounting methods for the reported business segments are the same as provided in “Material Matters That Serve as the Basis for Preparation of Consolidated Financial Statements.”

Reportable segment profit figures are based on operating profit. Intersegment sales and transfers are based on market prices.

The Group does not allocate assets to business segments for internal management purposes, but allocates depreciation and amortization of goodwill.

3. Information on Sales, Profit (Loss) and Other Items by Reportable Segment and Information for Understanding Revenue

Previous fiscal year (from August 1, 2020 to July 31, 2021)

(Million yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	27,052	1,485	28,537	161	28,698
Intersegment sales or transfers	236	94	330	(330)	—
Total	27,288	1,579	28,868	(169)	28,698
Segment profit (loss)	4,000	(863)	3,137	(768)	2,368
Other items					
Depreciation	176	126	303	177	480
Amortization of goodwill	26	163	189	—	189

(Notes) 1. Reconciliations of sales to external customers mainly represent office rental fees from an associated company accounted for by the equity method.

2. Reconciliations are as follows:

(1) Reconciliations of segment profit (loss) of ¥(768) million represent general and administrative expenses that are not allocable to the reportable segments of ¥(768) million.

(2) Reconciliations of depreciation of ¥177 million represent general and administrative expenses that are not allocable to the reportable segments of ¥177 million.

3. Segment profit (loss) is adjusted based on operating profit.

Current fiscal year (from August 1, 2021 to July 31, 2022)

(Million yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
BizReach business	37,607	—	37,607	—	37,607
HRMOS business	1,458	—	1,458	—	1,458
Other	2,725	2,002	4,727	9	4,736
Revenue from contracts with customers	41,791	2,002	43,793	9	43,802
Revenue from other sources	—	—	—	152	152
Net sales to external customers	41,791	2,002	43,793	161	43,954
Intersegment sales or transfers	149	78	228	(228)	—
Total	41,940	2,080	44,021	(67)	43,954
Segment profit (loss)	10,670	(1,649)	9,020	(699)	8,320
Other items					
Depreciation	113	126	240	175	415
Amortization of goodwill	251	141	392	—	392

- (Notes) 1. Reconciliations of sales to external customers mainly represent office rental fees from an associated company accounted for by the equity method.
2. Reconciliations are as follows:
- (1) Reconciliations of segment profit (loss) of ¥(699) million represent general and administrative expenses that are not allocable to the reportable segments of ¥(699) million.
- (2) Reconciliations of depreciation of ¥175 million represent general and administrative expenses that are not allocable to the reportable segments of ¥175 million.
3. Segment profit (loss) is adjusted based on operating profit.

[Related Information]

Previous fiscal year (from August 1, 2020 to July 31, 2021)

1. Information by Product and Service

This information is omitted as similar information is disclosed in segment information.

2. Information by Geographical Area

(1) Net Sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, Plant and Equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

Current fiscal year (from August 1, 2021 to July 31, 2022)

1. Information by Product and Service

This information is omitted as similar information is disclosed in segment information.

2. Information by Geographical Area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, Plant and Equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by Major Customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]

Not applicable.

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

Previous fiscal year (from August 1, 2020 to July 31, 2021)

(Million yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	132	1,164	1,296	—	1,296

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

Current fiscal year (from August 1, 2021 to July 31, 2022)

(Million yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	2,935	1,023	3,958	—	3,958

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

[Related Party Information]

1. Related Party Transactions

(1) Transactions Between the Company Submitting Consolidated Financial Statements and Related Parties

Officers and major shareholders (limited to individuals), etc. of the company submitting consolidated financial statements

Previous fiscal year (from August 1, 2020 to July 31, 2021)

Class	Company name or name	Location	Issued capital or investments in capital (million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related parties	Transactions	Transaction amount (million yen)	Account item	Outstanding balance (million yen)
Officer	Soichiro Minami	—	—	Representative Director and CEO of the Company	(Held) Direct 45.25	—	Exercise of share acquisition rights (Note1)	400	—	—
Officer	Shin Takeuchi	—	—	Director of the Company	(Held) Direct 2.59	—	Exercise of share acquisition rights (Note 2)	178	—	—
Officer	Satoshi Murata	—	—	Director of the Company	(Held) Direct 0.57	—	Exercise of share acquisition rights (Note 3)	16	—	—
Officer	Junji Tanaka	—	—	Executive Officer of the Company	(Held) Direct 0.27	—	Exercise of share acquisition rights (Note 3)	40	—	—
Officer	Tetsuya Sakai	—	—	Executive Officer of the Company	(Held) Direct 0.07	—	Exercise of share acquisition rights (Note 3)	16	—	—

- (Notes) 1. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on December 11, 2015 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
2. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on June 19, 2017 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
3. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meeting held on March 26, 2018 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.

Current fiscal year (from August 1, 2021 to July 31, 2022)

Class	Company name or name	Location	Issued capital or investments in capital (million yen)	Business or occupation	Percentage of voting rights holding / held (%)	Relationship with related parties	Transactions	Transaction amount (million yen)	Account item	Outstanding balance (million yen)
Officer	Yosuke Tada (Note 5)	—	—	Director of the Company	(Held) Direct 0.43	—	Exercise of share acquisition rights (Note 1)	12	—	—
Officer	Shin Takeuchi	—	—	Director of the Company	(Held) Direct 2.40	—	Exercise of share acquisition rights (Note 1)	12	—	—
Officer	Satoshi Murata	—	—	Director of the Company	(Held) Direct 0.76	—	Exercise of share acquisition rights (Note 2)	11	—	—
Officer	Junji Tanaka	—	—	Executive Officer of the Company	(Held) Direct 0.39	—	Exercise of share acquisition rights (Note 3)	23	—	—
Officer	Tetsuya Sakai	—	—	Executive Officer of the Company	(Held) Direct 0.22	—	Exercise of share acquisition rights (Note 4)	10	—	—

- (Notes)
1. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meetings held on October 11, 2012 and December 11, 2015 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 2. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meetings held on October 11, 2012 and July 17, 2019 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 3. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meetings held on April 9, 2018 and April 17, 2019 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 4. Exercise of share acquisition rights represents the exercise of the rights that were granted based on the resolution reached at the Board of Directors' meetings held on December 11, 2015 and June 19, 2017 and exercised during the current fiscal year. The transaction amount is the figure obtained by multiplying the number of shares granted upon exercise of stock options in the current fiscal year with the amount paid.
 5. Yosuke Tada, a Director of the Company, passed away on July 2, 2022. The name of the deceased has been included as inheritance procedures are being performed as of the end of the current fiscal year.

(2) Transactions Between Consolidated Subsidiaries of the Company Submitting Consolidated Financial Statements and Related Parties

Previous fiscal year (from August 1, 2020 to July 31, 2021)

Not applicable.

Current fiscal year (from August 1, 2021 to July 31, 2022)

Not applicable.

2. Notes on Parent Company or Significant Associated Companies

Condensed financial information of significant associated companies

Not applicable.

(Per Share Information)

	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Net assets per share	628.40 yen	748.87 yen
Basic earnings per share	43.37 yen	160.93 yen
Diluted earnings per share	35.84 yen	140.50 yen

- (Notes) 1. On December 7, 2020, the Company conducted a 100-for-1 stock split following the resolution reached at the Board of Directors' meeting held on November 20, 2020. Net assets per share, basic earnings per share and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2021.
2. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Item	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (million yen)	1,420	5,858
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent related to common stock (million yen)	1,420	5,858
Average number of shares of common stock during the period (shares)	32,759,934	36,406,466
Diluted earnings per share		
Increase in common stock (shares)	6,879,007	5,293,914
(Of which, share acquisition rights (shares))	(6,879,007)	(5,293,914)
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	27th Series Share Acquisition Right: Common stock 46,000 shares 28th Series Share Acquisition Right: Common stock 48,000 shares 29th Series Share Acquisition Right: Common stock 172,000 shares 30th Series Share Acquisition Right: Common stock 26,400 shares Details for these are as described in "IV. Information about Reporting Company, 1. Company's Shares, etc., (2) Share Acquisition Rights."

3. The bases for calculating net assets per share are as follows:

Item	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Total net assets (million yen)	22,536	28,779
Amount deducted from total net assets (million yen)	3	62
(Of which, deposits for subscriptions of share acquisition rights (million yen))	(—)	(6)
(Of which, share acquisition rights (million yen))	(3)	(56)
Net assets at the end of the period related to common stock (million yen)	22,533	28,716
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	35,858,000	38,346,521

(Significant Subsequent Events)

(Stock Options)

The Company resolved at the Board of Directors' meeting held on September 21, 2022 to submit a proposal at the 3rd annual general meeting of shareholders that was held on October 26, 2022 to seek approval for issuing share acquisition rights as stock options without consideration to employees of the Company, and directors, auditors and employees of the Company's subsidiaries in accordance with the provision of Articles 236, 238, and 239 of the Companies Act, and delegating the decision on the offering of such share acquisition rights to the Board of Directors of the Company. The proposal was submitted to and approved by the general meeting of shareholders.

I. Reason for the need to solicit subscribers to stock acquisition rights under particularly favorable terms

The solicitation is for the purpose of acquiring exceptional human resources for the Group and helping to increase the corporate value of the Group overall by providing further incentive and motivation to improve the Group's performance to employees of the Company and directors, auditors, and employees of the Company's subsidiaries.

II. Upper limit on the number of stock acquisition rights for which offering terms may be determined based on the matters resolved at this General Meeting of Shareholders and the need for monetary payment

1. The upper limit for stock acquisition rights for which offering terms may be determined based on this authorization

The upper limit of stock acquisition rights whose details are stipulated in III below shall be 1,500. The upper limit on the number of shares granted with exercise of stock acquisition rights shall be 150,000 shares of common stock of the Company, and if the number of shares granted (defined below) is adjusted as stipulated in III-1 below, the upper limit shall be the number of granted shares after adjustment multiplied by the maximum number of stock acquisition rights stated above.

2. No monetary payment shall be required for stock acquisition rights whose offering terms may be determined based on this authorization.

III. Details of stock acquisition rights whose offering terms may be determined based on this authorization

1. Class and number of shares granted upon exercise of stock acquisition rights

The class of shares granted upon exercise of stock acquisition rights shall be common stock of the Company, and the number of shares granted upon each exercise of stock acquisition rights (hereinafter referred to as the "Number of Shares Granted") shall be 100 shares. However, if the Company conducts a stock split of common stock of the Company (including gratis allotment of common stock of the Company; the same applies to stock splits below) or a reverse stock split of common stock of the Company after the day stock acquisition rights are allotted (hereinafter referred to as the "Allotment Date"), the Number of Shares Granted shall be adjusted with the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares after adjustment} = \text{Number of shares before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

If the Company conducts a merger, company split, share exchange, or share transfer (hereinafter referred to collectively as "Merger, etc.") or it otherwise becomes necessary to adjust the number of shares, the number of shares may be adjusted within a reasonable scope after the conditions, etc. of the Merger, etc. are considered.

2. Value of property contributed upon exercise of each stock acquisition right

The value of property to be invested when exercising one unit of stock acquisition rights shall be the amount calculated by multiplying the payment amount per share which can be delivered when exercising stock acquisition rights (the “Exercise Price”) to be determined as follows, by the number of shares to be granted. The Exercise Price shall be the average value of closing prices of the Company’s shares on the Tokyo Stock Exchange for each day (excluding days on which no trading was reported) of the month immediately before the month to which the Allotment Date of the stock acquisition rights belongs, with any fractions less than one yen rounded up. However, if the amount obtained is lower than the closing price on the Allotment Date of the stock acquisition rights (if no trading was reported, the closing price on the day immediately before that day), the closing price on the Allotment Date of the stock acquisition rights shall be used as the Exercise Price.

3. Adjustment of the Exercise Price

(1) If the Company conducts (i) or (ii) below for the Company’s common stock after the Allotment Date, the Exercise Price in each case shall be adjusted by the following formula (the “Exercise Price Adjustment Formula”) and any fractions less than one yen resulting from the adjustment shall be rounded up.

(i) In the case that the Company conducts a stock split or a reverse stock split

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

(ii) In the case that the Company issues new shares of the Company’s common stock or disposes of its treasury shares at a price below the market value (excluding a case of issuing new shares by exercising stock acquisition rights) after the Allotment Date of stock acquisition rights, the above Exercise Price shall be adjusted by the following formula and any fractions less than one yen resulting from the adjustment shall be rounded up.

$$\text{Exercise Price after adjustment} = \text{Exercise Price before adjustment} \times \frac{\text{Number of already issued shares} + \frac{\text{Number of newly issued shares} \times \text{Payment amount per share}}{\text{Market value per share}}}{\text{Number of already issued shares} + \text{Number of newly issued shares}}$$

- i. The “market value” used in the above Exercise Price Adjustment Formula shall be the average of the closing prices (including indicative prices; the same applies below) for 30 trading days (excluding days when no trading occurs) beginning 45 trading days prior to the effective date of the adjusted Exercise Price (hereinafter referred to as the “Effective Date”) stipulated in (2) below. The average price is calculated to the first decimal place by rounding the second decimal place of amounts less than one yen.
- ii. The “number of already issued shares” used in the above Exercise Price Adjustment Formula shall be the total number of shares of common stock issued by the Company as of the record date if there is one, or, if not, as of the day one month prior to the Effective Date, less the number of shares of common stock held by the Company as treasury shares.
- iii. If the Company disposes of treasury shares, then “number of newly issued shares” shall be replaced with “number of treasury shares disposed of” in the Exercise Price Adjustment Formula.

(2) The Effective Date of the adjusted Exercise Price shall be determined as follows.

(i) If adjustment is conducted in accordance with (1)-(i) above, the adjusted Exercise Price, in the case of a stock split, shall take effect on the day following the record date of the stock split (or, if there is no record date, the date the stock split goes into effect), and in the case of a reverse stock split, shall take effect on or after the day the reverse stock split goes into effect. However, if a stock split is conducted on the condition that a proposal to decrease the amount of surplus and increase share capital or legal capital surplus is approved by the Company’s General Meeting of Shareholders and the record date for the stock split is prior to the date of the close of the meeting, the adjusted Exercise Price shall be applied retroactively to the day following the record date beginning on the day after the date of the close of meeting. In the case stipulated in the above exception, the number of shares of common stock in the Company issued to holders of stock acquisition rights who exercised those rights between the day after the record date of the stock split and the day of the close of the General Meeting of Shareholders (the number of shares that may be acquired by exercise of the corresponding stock acquisition rights hereinafter referred to as the “Pre-split Number of Shares”) shall be adjusted using the following formula, and any fraction less than one share resulting from such adjustment shall be disregarded.

$$\text{Number of shares newly issued} = \frac{(\text{Exercise Price before adjustment} - \text{Exercise Price after adjustment}) \times \text{Pre-split Number of Shares}}{\text{Exercise Price after adjustment}}$$

(ii) If adjustment is conducted in accordance with (1)-(ii) above, the Exercise Price after adjustment shall take effect beginning the day (if there is a record date, then beginning the day after that date) following the payment date for that issuance or disposal (if a payment period has been specified, then the final day of that period).

(3) In addition to the cases stipulated in (1)-(i) and (ii) above, if after the Allotment Date a gratis allotment of another class of shares is made to ordinary shareholders, or shares of another company are allocated to ordinary shareholders as stock dividend, and in other such cases where the Exercise Price needs to be adjusted, the Company may adjust the Exercise Price within a reasonable scope upon considering the terms of the allotment or dividend, etc. and other such matters.

(4) When the Exercise Price is adjusted, the Company shall inform holders of stock acquisition rights of necessary matters, or publicly announce them, by the day prior to the Effective Date. However, if notification or announcement cannot be made by the day prior to the Effective Date, notification or announcement shall be promptly made thereafter.

4. Exercise period for stock acquisition rights

The exercise period shall be from the day on which two years have elapsed after the day on which issuance of stock acquisition rights is resolved through the day on which 10 years have elapsed after the day on which said issuance is resolved.

If the first day of the exercise period falls on a holiday of the Company, the first day shall be the business day following the first day and if the final day of the exercise period falls on a holiday of the Company, the final day shall be the business day immediately before the final day.

5. Conditions for exercise of stock acquisition rights

(1) A stock acquisition right holder who has lost their position as a director, auditor, or employee of the Company or one of the Company’s subsidiaries may not exercise the stock acquisition rights; except where the Company deems that there is any reasonable cause for loss of said positions.

(2) A stock acquisition rights holder shall be required to be judged by the Company that he/she has not caused any harm to the Company due to his/her default of obligation and/or unlawful acts and the relation of trust between the Company or its subsidiary and the holder is not judged to be lost at the time of his/her exercise of stock acquisition rights.

- (3) Transferring the stock acquisition rights, establishing a pledge or other security interest, or otherwise disposing of the stock acquisition rights is not permitted.
- (4) In the case of death of a stock acquisition right holder, their successor is not permitted to exercise the stock acquisition rights.
- (5) Other conditions for allotment of the stock acquisition rights shall be determined by a contract to be concluded between the Company and the person to whom stock acquisition rights will be allotted, based on resolutions of the General Meeting of Shareholders and the Board of Directors concerning issuance of stock acquisition rights.

6. Restriction on transfer of stock acquisition rights

Any acquisition of stock acquisition rights by transfer shall require approval of the Board of Directors of the Company.

7. Terms for acquisition of stock acquisition rights

If any of the following events occurs, the Company may acquire the stock acquisition rights gratis; provided that in the case of (1) or (4), the acquisition date shall be separately determined by a resolution of the Company's Board of Directors.

- (1) A proposal to approve a merger contract under which the Company becomes a dissolved company, a proposal to approve a split contract or split plan under which the Company becomes a split company or a proposal to approve a share exchange contract or share transfer plan under which the Company becomes a wholly-owned company has been approved at the Company's General Meeting of Shareholders (or by a resolution of the Company's Board of Directors, if a resolution of the General Meeting of Shareholders is not required).
- (2) A stock acquisition right holder no longer falls under the conditions for the exercise of stock acquisition rights.
- (3) A stock acquisition right holder has waived all or part of the stock acquisition rights in a written form designated by the Company.
- (4) In addition to the preceding paragraphs, the Company's Board of Directors meeting has resolved to acquire all or part of the stock acquisition rights.

8. Treatment in the case of reorganization, etc.

If the Company conducts a merger (limited to the case where the Company is dissolved by merger), an absorption-type company split, an incorporation-type company split, a share exchange or a share transfer (collectively the "Reorganization Activities"), the stock acquisition rights of stock companies as listed in (a) to (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (the "Reorganized Company") shall be delivered, in each of the above cases, to stock acquisition right holders holding the stock acquisition rights remaining at the time immediately before the effective date of the "Reorganization Activities" (the "Remaining Stock Acquisition Rights") in accordance with the following conditions. In this case, the Remaining Stock Acquisition Rights shall be extinguished and the Reorganized Company shall issue new stock acquisition rights; provided that delivery of stock acquisition rights of the Reorganized Company in accordance with the following conditions is stipulated in an absorption-type merger contract, a consolidation-type merger contract, an absorption-type company split contract, an incorporation-type company split plan, a share exchange contract, or a share transfer plan.

- (1) Number of stock acquisition rights of the Reorganized Company to be delivered
The same number of the rights as the stock acquisition rights held by stock acquisition right holders of the Remaining Stock Acquisition Rights shall be delivered respectively.
- (2) Class of shares of the Reorganized Company for the purpose of stock acquisition rights
Shares of common stock of the Reorganized Company.
- (3) Number of shares of the Reorganized Company for the purpose of stock acquisition rights
Determined in accordance with 1 above, taking into account conditions for the Reorganization Activities, etc.

(4) Value of property invested in exercising stock acquisition rights

The value of property invested in exercising the respective stock acquisition rights to be delivered shall be the amount obtained by multiplying the Exercise Price after a reorganization obtained by adjusting the Exercise Price determined in 2 above by the number of shares of the Reorganized Company for the purpose of such stock acquisition rights determined in accordance with (3) above, taking into account conditions for the Reorganization Activities, etc.

(5) Period during which stock acquisition rights can be exercised

From the first day of the period during which stock acquisition rights can be exercised stipulated in 4 above or the effective date of the Reorganization Activities, whichever comes later, through the expiration date of the period during which stock acquisition rights can be exercised stipulated in 4 above.

(6) Matters concerning share capital and legal capital surplus to be increased upon issuance of shares through exercise of stock acquisition rights

It shall be determined in accordance with 9 below.

(7) Restriction on acquisition of stock acquisition rights by transfer

Any acquisition of stock acquisition rights by transfer shall require the approval of the Reorganized Company.

(8) Conditions for acquisition of stock acquisition rights

It shall be determined in accordance with 7 above.

(9) Conditions for exercise of stock acquisition rights

It shall be determined in accordance with 5 above.

9. Amounts of share capital and legal capital surplus to be increased upon issuance of shares through exercise of stock acquisition rights

(1) The amount of share capital to be increased upon issuing new shares through the exercise of stock acquisition rights shall be one-half of the maximum amount of an increase in share capital, etc., calculated pursuant to Article 17, paragraph 1 of the Rules of Corporate Accounting and any fractions less than one yen resulting from the calculation shall be rounded up.

(2) The amount of legal capital surplus to be increased upon issuing new shares through the exercise of stock acquisition rights shall be the amount obtained by subtracting the amount of share capital to be increased set forth in (1) above from the maximum amount of an increase in share capital, etc., as stated in (1) above.

10. Other details

Other matters related to stock acquisition rights shall be stipulated by resolution of the Company's Board of Directors at its meeting convened separately.

5) [Annexed consolidated detailed schedules]

[Annexed consolidated detailed schedule of corporate bonds]

Not applicable.

[Annexed consolidated detailed schedule of borrowings]

Category	Balance at beginning of period (million yen)	Balance at end of period (million yen)	Average interest rate (%)	Repayment due
Current portion of long-term borrowings	200	205	0.2	—
Current portion of lease obligations	24	0	—	—
Long-term borrowings (except for the current portion)	600	440	0.3	October 2023 – September 2030
Lease obligations (except for the current portion)	0	—	—	—
Other interest-bearing liabilities	—	—	—	—
Total	825	647	—	—

- (Notes)
1. The average interest rate shows the weighted average interest rate applicable to the balance at end of period, etc.
 2. The average interest rate is not provided for lease obligations since lease obligations are recorded in the consolidated balance sheets at the amount before the deduction of interest that is included mainly in the total amount of lease payments.
 3. Total amount of scheduled repayments of long-term borrowings (except for the current portions) for each year within five years after the consolidated closing date

Category	Over one year within two years (million yen)	Over two years within three years (million yen)	Over three years within four years (million yen)	Over four years within five years (million yen)
Long-term borrowings	207	206	6	5

[Annexed consolidated detailed schedule of asset retirement obligations]

Not applicable.

(2) [Other]

Quarterly information, etc., for the current fiscal year

(Cumulative accounting period)	Three months ended October 31, 2021	Six months ended January 31, 2022	Nine months ended April 30, 2022	Fiscal year ended July 31, 2022
Net sales (million yen)	9,570	19,670	31,884	43,954
Profit before income taxes (million yen)	2,621	4,280	7,515	8,755
Profit attributable to owners of parent (million yen)	1,780	2,842	4,880	5,858
Basic earnings per share (yen)	49.66	79.25	136.08	160.93

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Basic earnings per share (yen)	49.66	29.59	56.82	25.74

2. Financial Statements, etc.

(1) Financial Statements

1) Balance Sheets

(Million yen)

	As of July 31, 2021	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	16,990	24,086
Accounts receivable from subsidiaries and associates - other	1,489	3,365
Prepaid expenses	125	495
Other	*1 32	*1 1,823
Total current assets	18,638	29,770
Non-current assets		
Property, plant and equipment		
Buildings	409	333
Tools, furniture and fixtures	128	291
Construction in progress	—	27
Total property, plant and equipment	538	652
Intangible assets		
Software	5	3
Other	1	1
Total intangible assets	7	5
Investments and other assets		
Investment securities	86	97
Shares of subsidiaries and associates	8,665	8,665
Long-term loans receivable from subsidiaries and associates	840	680
Leasehold deposits	781	843
Deferred tax assets	106	64
Other	0	644
Total investments and other assets	10,479	10,994
Total non-current assets	11,024	11,652
Total assets	29,662	41,423

(Million yen)

	As of July 31, 2021	As of July 31, 2022
Liabilities		
Current liabilities		
Accounts payable - other	*1 270	*1 763
Income taxes payable	543	1,272
Current portion of long-term borrowings	200	200
Deposits received from subsidiaries and associates	6,720	14,039
Provision for bonuses	37	30
Other	41	120
Total current liabilities	7,813	16,426
Non-current liabilities		
Long-term borrowings	600	400
Total non-current liabilities	600	400
Total liabilities	8,413	16,826
Net assets		
Shareholders' equity		
Share capital	6,063	6,226
Deposits for subscriptions of shares	—	*3 6
Capital surplus		
Legal capital surplus	10,402	10,565
Other capital surplus	5,662	5,662
Total capital surplus	16,064	16,227
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(879)	2,084
Total retained earnings	(879)	2,084
Treasury shares	—	(1)
Total shareholders' equity	21,249	24,543
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	0	0
Total valuation and translation adjustments	0	0
Share acquisition rights	—	52
Total net assets	21,249	24,596
Total liabilities and net assets	29,662	41,423

2) Statement of Income

(Million yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Operating revenue	*1 1,736	*1 7,001
Operating expenses	*1, *2 2,504	*1, *2 4,161
Operating profit (loss)	(768)	2,839
Non-operating income		
Interest income	*1 1	*1 3
Other	0	1
Total non-operating income	1	4
Non-operating expenses		
Interest expenses	*1 16	*1 18
Commitment fees	—	4
Issuance cost of subscription rights to shares	2	3
Share issuance costs	77	—
Listing expenses	341	—
Other	4	1
Total non-operating expenses	442	27
Ordinary profit (loss)	(1,209)	2,816
Extraordinary income		
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	—	3
Extraordinary losses		
Loss on valuation of investment securities	0	—
Total extraordinary losses	0	—
Profit (loss) before income taxes	(1,209)	2,820
Income taxes - current	(285)	(185)
Income taxes - deferred	(32)	41
Total income taxes	(317)	(143)
Profit (loss)	(892)	2,963

3) Statements of Changes in Net Assets

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(Million yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings		Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings	
Balance at beginning of period	100	4,438	5,662	10,101	12	12	10,214
Changes during period							
Issuance of new shares	5,963	5,963		5,963			11,926
Profit (loss)					(892)	(892)	(892)
Net changes in items other than shareholders' equity							
Total changes during period	5,963	5,963	—	5,963	(892)	(892)	11,034
Balance at end of period	6,063	10,402	5,662	16,064	(879)	(879)	21,249

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(0)	(0)	20	10,234
Changes during period				
Issuance of new shares				11,926
Profit (loss)				(892)
Net changes in items other than shareholders' equity	0	0	(20)	(20)
Total changes during period	0	0	(20)	11,014
Balance at end of period	0	0	—	21,249

For the fiscal year ended July 31, 2022 (From August 1, 2021 to July 31, 2022)

(Million yen)

	Shareholders' equity								
	Share capital	Deposits for subscriptions of shares	Capital surplus			Retained earnings		Treasury shares	Total shareholder's equity
			Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	6,063	—	10,402	5,662	16,064	(879)	(879)	—	21,249
Changes during period									
Issuance of new shares (exercise of share acquisition rights)	162	6	162		162				331
Profit (loss)						2,963	2,963		2,963
Purchase of treasury shares								(1)	(1)
Issuance of share acquisition rights									
Forfeiture of share acquisition rights									
Net changes in items other than shareholders' equity									
Total changes during period	162	6	162	—	162	2,963	2,963	(1)	3,294
Balance at end of period	6,226	6	10,565	5,662	16,227	2,084	2,084	(1)	24,543

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	0	0	—	21,249
Changes during period				
Issuance of new shares (exercise of share acquisition rights)				331
Profit (loss)				2,963
Purchase of treasury shares				(1)
Issuance of share acquisition rights			6	6
Forfeiture of share acquisition rights			(3)	(3)
Net changes in items other than shareholders' equity	0	0	50	50
Total changes during period	0	0	52	3,347
Balance at end of period	0	0	52	24,596

[Notes]

(Significant Accounting Policies)

1. Valuation Standard and Method for Assets

Valuation Standard and Method for Securities

1) Shares of subsidiaries and associates

Stated at cost determined by the moving-average method

2) Available-for-sale securities

Shares, etc. that do not have a market price

Stated at cost determined by the moving-average method

2. Depreciation Method of Non-current Assets

(1) Property, Plant and Equipment (Excluding Leased Assets)

Depreciation of buildings is computed by the straight-line method, whereas the declining-balance method is applied to tools, furniture and fixtures.

Major useful lives are as follows:

Buildings: 2 to 41 years

Tools, furniture and fixtures: 2 to 15 years

Assets with acquisition costs of ¥100,000 or more and less than ¥200,000 that lack materiality are equally depreciated in lump sum over 3 years.

(2) Intangible Assets (Excluding Leased Assets)

Intangible assets are amortized by the straight-line method.

Software for internal use: 5 years (estimated useful life of the software within the company)

3. Accounting Standards for Allowances

Provision for Bonuses

To prepare for bonus payments to employees, a provision for bonuses is recorded at the estimated payment amount attributable to the current fiscal year.

4. Revenue and Expense Recognition Standards

The details of the main performance obligations in main businesses based on contracts with customers and the timing at which the Company typically recognizes revenue are as follows:

(1) Dividends from subsidiaries and associates

The Company receives dividends from the Group companies and recognizes revenue when dividends are received.

(2) Administrative support fees

The performance obligation is to provide management guidance to Group companies over the contract period, and revenue is recognized when control of the management service is provided to the customer over the contract period.

(3) Real estate lease revenue

The Company recognizes net sales based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007).

5. Standards for Converting Foreign-Currency-Denominated Assets and Liabilities into Japanese Yen

Foreign-currency-denominated monetary receivables and payables are translated into Japanese yen at the spot exchange rate at the fiscal year end, and foreign exchange gains and losses from translation are recognized as profit or loss.

6. Other Significant Matters for Preparation of Consolidated Financial Statements

(1) Adoption of the Consolidated Taxation System

The Company has adopted the consolidated taxation system.

(2) Adoption of tax effect accounting for the transition from the consolidated taxation system to the group tax sharing system

With regard to the transition to the group tax sharing system established in the Act for Partial Amendment of the Income Tax Act, etc. (Act No. 8 of 2020) and the items for which the non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system, the Company does not apply the provisions of Paragraph 44 of the Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, February 16, 2018) in accordance with the treatment of Paragraph 3 of the Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System (ASBJ PITF No. 39, March 31, 2020), and the amount of deferred tax assets and deferred tax liabilities is based on the provisions of the pre-revision tax law.

From the beginning of the following fiscal year, the Company plans to adopt the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (ASBJ PITF No. 42, August 12, 2021), which sets out practical solutions on the accounting and disclosure of income tax, local income tax, and tax effect accounting when adopting the group tax sharing system.

(Significant Accounting Estimates)

1. Valuation of Shares of Subsidiaries and Associates

(1) Amount Recorded in Financial Statements for the Current Fiscal Year

(Million yen)

	Previous fiscal year	Current fiscal year
Shares of subsidiaries and associates	8,665	8,665

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the financial statements for the current fiscal year

As described in “Notes, Significant Accounting Policies, 1. Valuation Standard and Method for Assets, Valuation Standard and Method for Securities,” the excess earning power is reflected in the net asset value for the shares of subsidiaries and associates purchased at the price with the excess earning power taken into account. If the net asset value of such shares substantially declines and the recoverability of the value is not supported by sufficient evidence, such shares shall be appropriately written off.

2) Major assumptions used for the calculation of amounts recorded in the financial statements for the current fiscal year

Estimates of future cash flows necessary for judging the excess earning power are calculated based on the business plan at the time of acquisition of shares, and using a growth rate that takes future uncertainty into account after the period covered by the plan.

The business plan and other information that forms the basis of estimates take into account the past business performance and the currently estimated economic condition based on the assumption that the business growth will continue amid continued uncertain conditions.

3) Impact on the financial statements for the following fiscal year

Loss on valuation of shares of subsidiaries and associates may be incurred if changes in the assumption for the business plan cause future cash flows to fall below the carrying amount.

2. Recoverability of Deferred Tax Assets

(1) Amount Recorded in Financial Statements for the Current Fiscal Year

(Million yen)

	Previous fiscal year	Current fiscal year
Deferred tax assets	106	64

(2) Information on the Content of Significant Accounting Estimates Pertaining to Identified Items

1) Calculation method for amounts recorded in the financial statements for the current fiscal year

As for the recoverability of deferred tax assets, future taxable income to be generated within 5 years is estimated using the earning power based on the business performance and other achievements in the past fiscal years as criteria, and deferred tax assets are calculated by multiplying deductible temporary differences with the effective statutory tax rate.

2) Major assumptions used for the calculation of amounts recorded in the financial statements for the current fiscal year

The amount of deferred tax assets recorded is calculated by estimating taxable income based on the business plan for the following fiscal year and profit before tax set out in the medium-term business plan, and based on the results of scheduling of future recovery. The estimates also take into account achievement of business plans in the past fiscal years.

3) Impact on the financial statements for the following fiscal year

If a revision of the above estimates and assumptions becomes necessary due to changes in uncertain future economic conditions, the amounts of deferred tax assets and income taxes - deferred in the financial statements for the following fiscal year and thereafter may be affected.

(Changes in Accounting Policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of the goods or services is transferred to customers.

The Company has applied the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the fiscal year under review is adjusted in retained earnings at the beginning of the fiscal year under review.

The application of these accounting policies has no impact on the financial statements and the per share information.

In accordance with the transitional treatment stipulated in Article 89-3 of the Revenue Recognition Standard, notes on revenue recognition for the previous fiscal year are not provided.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc., from the beginning of the fiscal year under review. From then on, the Company will apply new accounting policies stipulated in the Fair Value Measurement Standard, etc. in accordance with the transition treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The effect of the application of said accounting standard on the financial statements is immaterial.

(Changes in Presentation Methods)

(Balance Sheets)

“Prepaid expenses,” which was included in “Other” under “Current assets” in the previous fiscal year, is separately presented from the current fiscal year due to its increased materiality. In order to reflect these changes in presentation method, the financial statements for the previous fiscal year have been reclassified.

As a result, in the balance sheets for the previous fiscal year, ¥158 million presented in “Other” under “Current assets” have been reclassified as ¥125 million of “Prepaid expenses” and ¥32 million of “Other.”

(Statement of Income)

“Commitment fees,” which was included in “Other” under “Non-operating expenses” in the previous fiscal year, is separately presented from the current fiscal year due to its increased materiality in terms of amount. In order to reflect these changes in presentation method, the financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated statement of income for the previous fiscal year, ¥4 million presented in “Other” under “Non-operating expenses” have been reclassified as ¥3 million of “Commitment fees” and ¥1 million of “Other.”

(Balance Sheets)

*1 Assets and liabilities related to affiliates

Assets and liabilities included in each item other than those presented separately are as follows:

	(Million yen)	
	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Short-term monetary receivables	656	1,808
Short-term monetary payables	222	543

*2 The Company has entered into commitment line agreements with three of its partner banks in order to efficiently procure working capital.

The balance of unexecuted borrowings and other amounts under commitment line agreements at the end of the fiscal years are as follows:

	(Million yen)	
	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Total amount of loan commitments	9,000	9,000
Less amounts executed	—	—
Unexecuted balance	9,000	9,000

*3 Deposits for subscriptions of shares are as follows:

	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Number of issued shares	—	19,000 shares
Date of capital increase	—	August 1, 2022 September 16, 2022
Amount to be transferred to legal capital surplus	—	¥2 million

(Statement of Income)

*1 Transactions with affiliates

	(Million yen)	
	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Amount of operating transactions		
Operating revenue	1,736	7,001
Operating expenses	170	766
Amount of non-operating transactions (income)	1	3
Amount of non-operating transactions (expense)	14	17

*2 Major items of operating expenses and their amount are as follows:

	(Million yen)	
	Previous fiscal year (from August 1, 2020 to July 31, 2021)	Current fiscal year (from August 1, 2021 to July 31, 2022)
Provision for bonuses	36	89
Salaries and allowances	278	832
Commission expenses	53	572
Rent expenses on land and buildings	1,256	1,236
Depreciation	177	175

(Changes in Presentation Methods)

“Commission expenses,” which was not presented as a major expense item in the previous fiscal year, is presented as a major expense item in the current fiscal year due to its increased materiality in terms of amount. In order to reflect these changes in presentation method, it is also presented as a major expense item in the previous fiscal year.

(Securities)

Shares of subsidiaries and shares of associates

As there is no market value available for the shares of subsidiaries and associates, the market value of the shares of subsidiaries is not provided.

The carrying amount of shares, etc. that do not have a market price is as follows:

	(Million yen)	
Category	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Shares of subsidiaries	8,585	8,585
Shares of associates	80	80
Total	8,665	8,665

(Tax Effect Accounting)

1. Breakdown of Main Causes for Deferred Tax Assets and Deferred Tax Liabilities

	(Million yen)	
	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Deferred tax assets		
Asset retirement obligations	68	78
Tax loss carryforwards	64	102
Excess depreciation	39	47
Accrued enterprise tax, etc.	26	14
Investment securities	19	19
Shares of subsidiaries and associates	10	10
Other	12	25
Subtotal deferred tax assets	241	298
Valuation allowance for tax loss carryforwards	(64)	(102)
Valuation allowance for aggregate deductible temporary differences	(69)	(132)
Subtotal valuation allowances	(134)	(234)
Total deferred tax assets	107	64
Deferred tax liabilities		
Other	(1)	(0)
Total deferred tax liabilities	(1)	(0)
Net deferred tax assets (liabilities)	106	64

2. Breakdown of main causes of difference between the effective statutory tax rate and the income tax rate after applying tax effect accounting

	Previous fiscal year (July 31, 2021)	Current fiscal year (July 31, 2022)
Effective statutory tax rate		30.6%
(Adjustments)		
Amount of exclusion from gross profit of dividends received, etc.	Notes are omitted as the Company recorded loss before income taxes for the previous fiscal year.	(38.4)%
Increase (decrease) in valuation allowances		3.5%
Other		(0.8)%
Income tax rate after applying tax effect accounting		(5.0)%

(Business Combinations)

(Business Combinations through Acquisition)

Notes are omitted as the same details are provided in “Notes (Business Combinations)” in the consolidated financial statements.

(Revenue Recognition)

Useful Information in Understanding Revenue from Contracts with Customers

It is presented in “Notes (Significant Accounting Policies), 4. Revenue and Expense Recognition Standards.”

(Significant Subsequent Events)

(Stock Options)

Notes are omitted as the same details are provided in Notes (Significant Subsequent Events) to the consolidated financial statements.

4) [Annexed detailed schedules]



[Annexed detailed schedule of property, plant and equipment, etc.]

(Million yen)

Category	Type of assets	Beginning carrying amount	Increase during period	Decrease during period	Depreciation or amortization during period	Ending carrying amount	Accumulated depreciation or amortization
Property, plant and equipment	Buildings	409	2	—	78	333	413
	Tools, furniture and fixtures	128	256	—	93	291	238
	Construction in progress	—	27	—	—	27	—
	Total	538	287	—	172	652	651
Intangible assets	Software	5	—	—	2	3	—
	Other	1	0	—	0	1	—
	Total	7	0	—	2	5	—

(Note) The increase of ¥256 million in tools, furniture and fixtures is mainly due to the purchase of PCs.

[Annexed detailed schedule of provisions]

(Million yen)

Account	Balance at beginning of period	Increase during period	Decrease during period	Balance at end of period
Provision for bonuses	37	65	71	30

(2) [Components of major assets and liabilities]

Description is not provided as the Company prepares the consolidated financial statements.

(3) [Others]

Not applicable.

VI. Outline of Share-Related Administration of Reporting Company

Fiscal year	From August 1 to July 31 of the following year
Annual general meeting of shareholders	Held within three months from the day immediately following the end of the fiscal year
Record date	July 31
Record date for distribution of surplus	January 31 and July 31
Number of shares constituting one unit	100 shares
Purchase of shares less than one unit	
Handling office	Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Administrator of shareholder registry	Mitsubishi UFJ Trust and Banking Corporation 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo, Japan
Transfer office	-
Purchasing fee	Free of charge
Method of giving public notice	The Company publishes its notice by means of electronic public notice. However, in the event where electronic public notice cannot be released due to accidents or other unavoidable circumstances, public notice shall be posted on the Nihon Keizai Shimbun (Nikkei) newspaper. Public notice of the Company is available on its website at the following URL. https://visional.inc
Shareholder privileges	Not applicable.

(Note) The Articles of Incorporation of the Company stipulate that the shareholders of the Company may not exercise any rights other than those listed below with respect to shares less than one unit held by such shareholders.

- (1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act
- (2) Rights to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act
- (3) Rights to receive an allotment of shares offered and share acquisition rights offered in proportion to the number of shares held by such shareholders

VII. Reference Information of Reporting Company

1. Information about Parent of Reporting Company

The Company has no parent company, etc. as provided for in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company submitted the following reports during the period from the beginning of the current fiscal year to the date of filing of this annual securities report.

(1) Annual Securities Report, Accompanying Documents, and Confirmation Letter

An annual securities report for the second fiscal year (from August 1, 2020 to July 31, 2021) was submitted to Director, Kanto Local Finance Bureau on October 27, 2021.

(2) Internal Control Report and Accompanying Documents

An internal control report was submitted to Director, Kanto Local Finance Bureau on October 27, 2021.

(3) Quarterly Securities Report and Its Confirmation Letter

A quarterly securities report for the first quarter of the third fiscal year (from August 1, 2021 to October 31, 2021) was submitted to Director, Kanto Local Finance Bureau on December 10, 2021.

A quarterly securities report for the second quarter of the third fiscal year (from November 1, 2021 to January 31, 2022) was submitted to Director, Kanto Local Finance Bureau on March 16, 2022.

A quarterly securities report for the third quarter of the third fiscal year (from February 1, 2022 to April 30, 2022) was submitted to Director, Kanto Local Finance Bureau on June 14, 2022.

(4) Extraordinary Report

An extraordinary report was submitted to Director, Kanto Local Finance Bureau on October 28, 2021.

The Extraordinary Report was submitted based on the provisions of Article 19, Paragraph 2, Item 9-2 (Results of exercise of voting rights at a general meeting of shareholders) of the Cabinet Office Order on Disclosure of Corporate Affairs.

An extraordinary report was submitted to Director, Kanto Local Finance Bureau on February 21, 2022.

The Extraordinary Report was submitted based on the provisions of Article 19, Paragraph 2, Item 2-2 (Issuance of 27th share acquisition rights) of the Cabinet Office Order on Disclosure of Corporate Affairs.

An extraordinary report was submitted to Director, Kanto Local Finance Bureau on February 21, 2022.

The Extraordinary Report was submitted based on the provisions of Article 19, Paragraph 2, Item 2-2 (Issuance of 28th, 29th, and 30th share acquisition rights) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(5) Amended Report for the Extraordinary Report

An amended report for the Extraordinary Report submitted on February 21, 2022 as detailed in (4) above (Issuance of 27th share acquisition rights) was submitted to Director, Kanto Local Finance Bureau on March 8, 2022.

Part 2 Information about Reporting Company's Guarantor, etc.

Not applicable.