

# Visional Inc., FAQ for FY2021/7 FY Financial Results

## Consolidated Financial Results

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

HR Tech Segment includes the following businesses: Professional recruiting platform “BizReach”, cloud based HCM platform “HRMOS”, recruiting platform for young professional talents “CareerTrek”, network for alumni visits “BizReach Campus”, and recruiting platform for high-skilled engineers “BINAR”.

Incubation Segment includes the following businesses: online M&A matching platform “BizReach Succeed”, online logistics matching platform “Trabox”, B to B lead generation platform “BizHint”, OSS (open source software) vulnerability management tool “yamory”.

### **Q2 Is YoY comparison for 4Q financials available?**

We have not created FY2020/7 4Q consolidated financials and therefore YoY comparison is not available at this time. Please refer to full year financials for comparison.

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

Majority of net sales in the HR Tech Segment is generated by BizReach. BizReach has rebounded strongly from the slowdown in the recruiting market impacted by COVID-19 and have recorded positive YoY growth for 3 consecutive quarters. BizReach recorded strong 4Q net sales and we believe growth is back. HRMOS KPIs were also impacted by COVID-19, however, KPIs are healthy, and the business continues to grow. Other businesses in the HR Tech Segment were also impacted by COVID-19, however, growth is back and impact to the consolidated financials is limited.

COVID-19 impact to the Incubation segment was limited and businesses are growing steadily. Investments are made within the amount of profits generated by BizReach.

### **Q4 What is Adjusted Operating Profit before Corporate Expense Allocation?**

This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general and administrative expenses associated with business administration, information systems that cannot be charged directly to specific products and services. In principle, the costs directly tied to products and services are recorded.

### **Q5 What is Liabilities from application of Equity Method?**

This is an account that arose when 60% of Stanby, Inc. was divested to Z Holdings Corporation. Stanby is currently our equity method affiliate.

### **Q6 What is the company’s view on full year performance?**

Although uncertainty continues, negative net sales growth in the 1<sup>st</sup> half has rebounded strongly in the 2<sup>nd</sup> half driven by strong hiring demand in the professional hiring market leading to strong growth for BizReach. As businesses within the Visional Group is still at growth stage, we have navigated through uncertainties by controlling P&L through balance of cost control and strategic investments. Investments in hiring and marketing have continued throughout 3Q and 4Q, yet driven by strong net sales growth, both net sales and

profit exceeded our financial forecast announced on April 22, 2021.

**Q7 What is the assumption behind FY2022/7 financial forecast?**

As BizReach has started to grow from 2Q and continued to deliver strong growth in 3Q and 4Q, we assume growth continues in FY2022/7. Although state of emergency declaration may continue or again be announced in the future, delay in vaccination may further hinder economic recovery speed and timing, assuming that further economic downturn will not occur, we forecast JPY 37.7Bn of consolidated net sales. BizReach anticipates stronger net sales growth than normalized growth targets of 15% to 20% in the next 3 years due to rebound from weaker FY2021/7 impacted by the pandemic.

HRMOS and other HR Tech Segment businesses are also back on track for growth. In the HR Tech Segment, we have worked on and completed contracted assignments (including contract with the Ministry of Economy, Trade and Industry (METI) to help with hiring in Fukushima Prefecture to support areas affected by the Great Eastern Earthquake etc) in FY2021/7. Net sales financial impact was 0.74Bn for FY2020/7, 0.69Bn for FY2021/7. Impact to profits are negligible.

Growth in the Incubation Segment will continue to be funded by profits generated by BizReach.

Visional Group will prioritize strategic investments to generate future growth over short-term profit making.

Our consolidated operating profit forecasts is JPY 2.6Bn.

	FY22/7 Consolidated Financial Forecast (JPY MM)	YoY Growth Rate (%)
<b>Consolidated Net Sales</b>	<b>37,700</b>	<b>31.4%</b>
<b>HR Tech Segment</b>	<b>35,570</b>	<b>31.5%</b>
BizReach	32,000	35.8%
HRMOS	1,420	22.9%
<b>Incubation Segment</b>	<b>2,010</b>	<b>35.3%</b>
<b>Operating Profit</b>	<b>2,670</b>	<b>12.7%</b>
<b>Recurring Profit</b>	<b>2,990</b>	<b>31.5%</b>
<b>Net Income attributable to Parent</b>	<b>1,760</b>	<b>23.9%</b>

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

**Q8 Can you explain the acquisition as disclosed in the Consolidated Financial Results (Tanshin)?**

BizReach, Inc., a consolidated subsidiary of Visional, Inc., adopted a resolution at the Board of Directors' meeting held on August 16, 2021 to acquire 80.1% of shares of IEYASU, Inc. to make it its subsidiary, and entered into a share transfer agreement with IEYASU, Inc. on the same day. IEYASU, Inc. offers attendance management systems and the anticipated connection to HRMOS will accelerate the development of the HCM ecosystem. The acquisition is planned on November 1, 2021 and details will be disclosed in due course.

**Q9 What is the amount raised at the April 22 IPO? What is the use of proceeds?**

We have raised JPY 11.2Bn from the IPO including overallotment. We plan to allocate the proceeds to (1)

marketing investment, including advertising and sales promotion, (2) human resource expenses for expanding businesses, and (3) investment funds for use in business acquisitions (M&A), etc.

## **BizReach**

### **Q10 Should we assume BizReach has fully recovered from COVID-19 impact?**

BizReach net sales growth have turned positive since 2Q. Demand for professionals continues to be strong and hiring in this segment has recovered faster than others. Driven by increase in job seekers and recovery of hiring demand from direct employers, we believe BizReach has fully recovered from the impact of the pandemic.

### **Q11 What is your cost structure?**

Our major costs consist of marketing expenses and personnel expenses. As BizReach is still in its growth stage, we will continue to invest in hiring and marketing including online, offline and TV commercials whilst carefully monitoring sales trend.

### **Q12 What is the fair level of investments for BizReach?**

As the business is still growing double digits, marketing and hiring investments are critical. Online, offline and TV commercial marketing investments drive job seekers' and direct employers' acquisitions and ROI is monitored. Hiring is also done based on # of accounts, etc. We will prioritize strategic investments to deliver net sales growth, as such, we do not anticipate large improvements in margins in the near future.

### **Q13 What is the future vision of BizReach?**

We believe importance of direct recruiting (direct sourcing) will increase as war for talent intensifies and liquidity in the labor market accelerates, driven by factors such as mismatch of corporation and worker life spans, shift to performance-based workstyle with clear job descriptions, and the social dynamic changes caused by the pandemic. Based on further growth in the professional hiring market, increase in our market share through further acquisition of job seekers and direct employers, reactivation of existing job seekers and investments in matching capabilities, we will pursue target growth rate of 15% to 20% in net sales in the next 3 years (normalized basis).

## **HRMOS**

### **Q14 Why is HRMOS Churn Rate higher than historical levels?**

HRMOS Monthly Churn Rate (12-month average) increased as cancellations increased by the hiring freeze driven by COVID-19 economic uncertainties. However, single month Monthly Churn Rate has been around 1.0% levels since December 2020 and therefore we expect Monthly Churn Rate (12-month average) to decrease to around 1%, which we believe is a fair level.

### **Q15 HRMOS ARR growth seems to be slowing down?**

Currently, majority of net sales in HRMOS is driven by HRMOS ATS. HRMOS ATS was impacted by the market headwind of COVID-19. Also, the pricing structure of HRMOS ATS is company based (not employee

account based). These are some of the reasons why ARR growth may not be as high as historical levels. However, recovery from the pandemic, launch of new modules are all expected to drive ARR growth in the mid-term.

**Q16 What is the future vision of HRMOS?**

We envision to deliver an HCM ecosystem whereas data between BizReach and HRMOS is fully integrated, leading to optimized talent management including optimization of employee efficiency. We continue to strengthen our existing services in HR database and talent management modules, as well as develop payroll and workforce management modules in the future. We are planning to cross-sell our services to BizReach customers.

**Q17 Is the product development of existing and new modules on track?**

We have launched the Engagement Survey module in August 2020, HRMOS ATS New Graduate Edition in October 2020, HRMOS ATS Zoom built-in function in January 2021. We have also launched a beta version of workforce management module in June 2021. We will continue to invest in product improvements and new module development, and our development roadmap is currently on track.

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