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Consolidated Financial Results for the Six Months Ended January 31, 2022 [Japanese GAAP]



March 15, 2022

Company name: Visional, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of filing quarterly securities report: March 16, 2022
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Six Months Ended January 31, 2022 (August 1, 2021 - January 31, 2022)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended								
January 31, 2022	19,670	61.7	4,103	171.3	4,280	156.9	2,842	161.6
January 31, 2021	12,167	–	1,512	–	1,665	–	1,086	–

(Note) Comprehensive income: Six months ended January 31, 2022: ¥2,842 million [161.6%]
 Six months ended January 31, 2021: ¥1,086 million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
January 31, 2022	79.25	68.01
January 31, 2021	35.28	–

(Note) The year-on-year rates of changes for the three months ended January 31, 2021 are not disclosed, as the Company did not prepare consolidated financial statements for the three months ended January 31, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2022	39,133	25,389	64.9
As of July 31, 2021	35,076	22,536	64.2

(Reference) Equity: As of January 31, 2022: ¥25,386 million
 As of July 31, 2021: ¥22,533 million

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2022	—	0.00			
Fiscal year ending July 31, 2022 (Forecast)			—	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2022 (August 1, 2021 - July 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	41,000	42.9	6,000	153.3	6,320	177.9	4,100	188.6	114.32

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 10 of the Attachments.

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

January 31, 2022: 35,879,000 shares

July 31, 2021: 35,858,000 shares

2) Total number of treasury shares at the end of the period:

January 31, 2022: 152 shares

July 31, 2021: — shares

3) Average number of shares during the period:

Six months ended January 31, 2022: 35,863,827 shares

Six months ended January 31, 2021: 30,791,226 shares

(Notes) On December 6, 2020, as a result of exercising the put options of Class A preferred stock, the Company redeemed all the Class A preferred stock as treasury stock and issued common stock to the shareholders in return. On the same day, 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. In addition, on December 7, 2020, the Company conducted a 100-for-1 stock split. Accordingly, “Total number of issued shares at the end of the period” and “Average number of shares during the period” were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2020.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Statements in this document about the future reflect our judgments as of the end of the current quarter of the fiscal year under review.

In the six months ended January 31, 2022, the state of the Japanese economy remained uncertain mainly due to concerns over a resurgence of COVID-19 cases caused by the emergence of a new variant strain, while expectations toward a return to normal economic activity were higher due to factors such as an increase in prevalence of vaccinations.

Under these circumstances, the Group's core BizReach business performed steadily, backed by a continued great willingness of companies to recruit and the increase in job seekers due to advertising.

As a result, in the six months ended January 31, 2022, the Group recorded net sales of ¥19,670 million (up 61.7% year on year), operating profit of ¥4,103 million (up 171.3% year on year), ordinary profit of ¥4,280 million (up 156.9% year on year), and profit attributable to owners of parent of ¥2,842 million (up 161.6% year on year).

Performance by segment was as follows.

(i) HR Tech

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

In the BizReach business, backed by continued recovery of human resources demand in the professional human resources domain, as of the end of the second quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 19,000 (compared to more than 17,100 as of the end of the previous fiscal year), the number of active headhunters (Note 2) remained more than 5,100 (compared to more than 5,100 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to 1.52 million (compared to 1.38 million as of the end of the previous fiscal year). Although the number of active headhunters decreased in the first quarter mainly as a result of periodic screening to maintain platform quality, it increased in the second quarter under review, and as of the end of the second quarter, it reached the same level as that of the end of the previous fiscal year.

As a result, the BizReach business recorded net sales of ¥16,904 million (up 67.0% year on year) and adjusted operating profit before corporate expense allocation (Note 4) of ¥8,340 million (up 99.1% year on year).

In the HRMOS business, 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 5) of the HRMOS business rose 26.1% to ¥1,427 million, the number of unique paying customers (Note 6) increased 23.7% to 1,050, and ARPU (Note 7) rose 1.9% to ¥113,290 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, decreased to 0.79%.

As a result, the HRMOS business recorded net sales of ¥683 million (up 23.1% year on year) and an adjusted operating loss before corporate expense allocation (Note 4) of ¥1,397 million (loss of ¥687 million for the previous fiscal year).

As a result, in the six months ended January 31, 2022, the HR Tech segment recorded net sales of ¥18,706 million (up 63.9% year on year) and segment profit of ¥5,269 million (up 146.0% year on year).

(Notes) 1. The total number of employers that have subscribed to BizReach, excluding headhunters

2. The number of headhunters that have been screened by BizReach, Inc.

3. 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

4. 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.

5. 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).
6. The number of paying users of HRMOS series services
7. Average Revenue per User. $MRR \text{ as of the end of the month} \div \text{number of active employers}$
8. 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, BizReach 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 six months ended January 31, 2022, the segment recorded net sales of ¥883 million (up 30.7% year on year) and segment loss of ¥821 million (loss of ¥329 million for the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the second quarter under review, total assets amounted to ¥39,133 million, a ¥4,056 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,495 million increase in cash and deposits to ¥27,125 million, a ¥897 million increase in accounts receivable - trade to ¥4,156 million due to the growth in net sales, and a ¥795 million increase in goodwill to ¥2,092 million mainly due to the acquisition of shares in IEYASU, Inc.

As of the end of the second quarter under review, total liabilities amounted to ¥13,743 million, a ¥1,203 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,107 million increase in unearned contract liabilities (recorded as unearned revenue in the previous fiscal year) to ¥4,150 million due to an increase in the number of corporate users for the BizReach business, a ¥33 million increase in income taxes payable to ¥876 million, and a ¥30 million increase in the provision for bonuses to ¥986 million.

As of the end of the second quarter under review, net assets amounted to ¥25,389 million, a ¥2,853 million increase since the end of the previous fiscal year. This was mainly due to a ¥2,842 million increase in retained earnings due to the recording of profit attributable to owners of parent.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The content of the consolidated financial results forecast for the fiscal year ending July 31, 2022 is unchanged from the forecast issued on December 9, 2021.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	25,630	27,125
Accounts receivable - trade	3,258	4,156
Other	679	994
Allowance for doubtful accounts	(36)	(31)
Total current assets	29,532	32,245
Non-current assets		
Property, plant and equipment	700	712
Intangible assets		
Goodwill	1,296	2,092
Other	1,160	1,083
Total intangible assets	2,457	3,176
Investments and other assets		
Other	2,388	3,001
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,385	2,998
Total non-current assets	5,544	6,887
Total assets	35,076	39,133

(in millions of yen)

	As of July 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	200	206
Income taxes payable	842	876
Unearned revenue	3,042	—
Contract liabilities	—	4,150
Provision for bonuses	955	986
Provision for repayment	38	—
Other	3,967	4,254
Total current liabilities	9,046	10,472
Non-current liabilities		
Liabilities from application of equity method	2,773	2,613
Long-term borrowings	600	543
Other	120	114
Total non-current liabilities	3,494	3,271
Total liabilities	12,540	13,743
Net assets		
Shareholders' equity		
Share capital	6,063	6,069
Capital surplus	10,027	10,033
Retained earnings	6,442	9,284
Treasury shares	—	(1)
Total shareholders' equity	22,533	25,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Share acquisition rights	3	3
Total net assets	22,536	25,389
Total liabilities and net assets	35,076	39,133

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Six months ended January 31

(in millions of yen)

	For the six months ended January 31, 2021	For the six months ended January 31, 2022
Net sales	12,167	19,670
Cost of sales	1,551	2,706
Gross profit	10,615	16,964
Selling, general and administrative expenses	9,103	12,860
Operating profit	1,512	4,103
Non-operating income		
Share of profit of entities accounted for using equity method	137	159
Other	23	20
Total non-operating income	160	180
Non-operating expenses		
Interest expenses	1	0
Commitment fees	3	2
Listing expenses	2	—
Other	0	1
Total non-operating expenses	6	4
Ordinary profit	1,665	4,280
Profit before income taxes	1,665	4,280
Income taxes - current	580	1,435
Income taxes - deferred	(0)	2
Total income taxes	579	1,438
Profit	1,086	2,842
Profit attributable to owners of parent	1,086	2,842

Quarterly Consolidated Statement of Comprehensive Income

Six months ended January 31

(in millions of yen)

	For the six months ended January 31, 2021	For the six months ended January 31, 2022
Profit	1,086	2,842
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total other comprehensive income	(0)	0
Comprehensive income	1,086	2,842
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,086	2,842
Comprehensive income attributable to non-controlling interests	—	—

(3) Quarterly Consolidated Statements of Cash Flows

(in millions of yen)

	For the six months ended January 31, 2021	For the six months ended January 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,665	4,280
Depreciation	224	192
Amortization of goodwill	106	116
Share of loss (profit) of entities accounted for using equity method	(137)	(159)
Increase (decrease) in provision for bonuses	156	30
Decrease (increase) in trade receivables	(639)	(891)
Increase (decrease) in unearned revenue	492	—
Increase (decrease) in contract liabilities	—	1,082
Decrease (increase) in inventories	(321)	(3)
Increase (decrease) in accounts payable - other	433	(72)
Other, net	(422)	132
Subtotal	1,559	4,706
Interest and dividends received	0	0
Interest paid	(0)	(0)
Income taxes refund (paid)	(495)	(1,474)
Net cash provided by (used in) operating activities	1,062	3,231
Cash flows from investing activities		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(787)
Purchase of property, plant and equipment	(39)	(153)
Purchase of intangible assets	(8)	(0)
Purchase of investment securities	(25)	(10)
Purchase of shares of subsidiaries	(300)	—
Payments of leasehold and guarantee deposits	(0)	(642)
Proceeds from cancellation of money held in trust	300	—
Other, net	96	(7)
Net cash provided by (used in) investing activities	23	(1,601)

(in millions of yen)

	For the six months ended January 31, 2021	For the six months ended January 31, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(100)	(127)
Repayments of lease obligations	(26)	(17)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	651	11
Other, net	—	(1)
Net cash provided by (used in) financing activities	1,525	(134)
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	2,611	1,495
Cash and cash equivalents at beginning of period	9,114	25,630
Cash and cash equivalents at end of period	11,726	27,125

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

For the six months ended January 31, 2021 (from August 1, 2020 to January 31, 2021)

1. Dividends paid

Not applicable.

2. Dividends whose record date is within the six months ended January 31, 2022 and effective date is after the end of the second quarter under review

Not applicable.

3. Significant changes in shareholders' equity

The Company's share capital and legal capital surplus both increased by ¥336 million with issuance of new shares through the exercise of stock acquisition rights and as of the end of the second quarter under review, share capital was ¥436 million and legal capital surplus was ¥4,400 million.

For the six months ended January 31, 2022 (from August 1, 2021 to January 31, 2022)

1. Dividends paid

Not applicable.

2. Dividends whose record date is within the six months ended January 31, 2022 and effective date is after the end of the second quarter under review

Not applicable.

3. Significant changes in shareholders' equity

Not applicable.

(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 first quarter 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 first quarter is adjusted in retained earnings at the beginning of the first quarter, and the new accounting policies have been applied to the balance from the beginning of the period.

The effect of the application of said accounting standard on the quarterly consolidated financial statements 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 first quarter. “Provision for repayment,” which was also included in “Current liabilities,” is now presented in “Other” as refund liability from the first quarter. In addition, “Increase (decrease) in unearned revenue” in the quarterly consolidated statements of cash flows for the six months ended January 31, 2021 is now presented as “Increase (decrease) in contract liabilities” from the six months ended January 31, 2022.

In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year and the six months ended January 31, 2022 have not been restated in accordance with the new approach for presentation.

(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 first quarter. 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 quarterly consolidated financial statements is immaterial.

(Segment information, etc.)

(Segment information)

For the six months ended January 31, 2021 (from August 1, 2020 to January 31, 2021)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Notes 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	11,410	675	12,086	80	12,167
Intersegment sales or transfers	109	30	139	(139)	—
Total	11,520	705	12,226	(59)	12,167
Segment profit (loss)	2,141	(329)	1,811	(299)	1,512

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

2. Segment profit (loss) is adjusted based on operating profit.

For the six months ended January 31, 2022 (from August 1, 2021 to January 31, 2022)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	18,706	883	19,589	80	19,670
Intersegment sales or transfers	70	44	114	(114)	—
Total	18,776	927	19,704	(34)	19,670
Segment profit (loss)	5,269	(821)	4,447	(344)	4,103

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

2. Segment profit (loss) is adjusted based on operating profit.

(Business combinations)

(Business combination 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
 - a. Name of the company acquired: IEYASU, Inc.
 - b. 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.

- (2) Period of performance of the acquired company included in the quarterly consolidated statement of income for the cumulative quarterly consolidated accounting period
From November 1, 2021 through January 31, 2022

(3) Acquisition costs of the company acquired and breakdown by type of consideration

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

(4) Description and amount of major expenses related to the acquisition

Advisory fees and commissions ¥2 million

(5) 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 second quarter 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
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Total assets	¥27 million
Current liabilities	¥72 million
Non-current liabilities	¥66 million
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Total liabilities	¥138 million

(7) Estimated effects that would be exerted on the quarterly consolidated statement of income for the six months ended January 31, 2022 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.

(Significant subsequent events)

(Business combination through acquisition)

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 acquired 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 HCM platform “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 to be 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) Acquisition costs of the company acquired and breakdown by type of consideration

They are not disclosed in accordance with the arrangement with the company acquired.

(3) Description and amount of major expenses related to the acquisition

They are not finalized at this time.

(4) Amount of goodwill that accrued, the cause for the accrual, the amortization method and the amortization period

They are not finalized at this time.

(5) Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

They are not finalized at this time.

(Issuance of stock acquisition rights)

1. Issuance of 27th series of stock acquisition rights

At a meeting of its Board of Directors held on February 21, 2022, the Company has resolved to issue stock acquisition rights to employees of the Company, and directors and employees of the Company's subsidiaries, which were issued on March 8, 2022.

(1) Purpose of and reason for offering stock acquisition rights

The Company intends to issue stock acquisition rights to employees of the Company, and directors and employees of the Company's subsidiaries to increase their motivation and morale for improving business performance, and to hire talent for the Company group, leading to further enhancement in the corporate value of the overall Company group.

(2) Number of persons to be solicited for application to acquire stock acquisition rights and breakdown thereof

Employees of the Company	1 person
Directors of the Company's subsidiary	1 person
Employees of the Company's subsidiaries	4 persons

(3) Class and number of shares granted upon exercise of stock acquisition rights

Common stocks	46,000 shares
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(4) Number of stock acquisition rights

460 units (The number of shares for one unit of stock acquisition rights shall be 100 shares.)

(5) Issue price of stock acquisition rights

Payment of cash is not required for stock acquisition rights.

(6) Total issue price of shares issued upon the exercise of stock acquisition rights

¥380,788,000

(7) Value of property invested when exercising stock acquisition rights

¥8,278 per share

(8) Amount of issue price to be incorporated in share capital upon issuance of new 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.

(9) Allotment date of stock acquisition rights

March 8, 2022

(10) Exercise period for stock acquisition rights

From February 22, 2024 through February 21, 2032.

(11) 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 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 Company's 2nd Annual General Meeting of Shareholders and the Board of Directors concerning issuance of stock acquisition rights.

2. Issuance of 28th series of stock acquisition rights

At a meeting of its Board of Directors held on February 21, 2022, the Company has resolved to issue stock acquisition rights to directors and employees of the Company's subsidiaries, which were issued on March 8, 2022.

(1) Purpose of and reason for offering stock acquisition rights

The Company intends to issue stock acquisition rights to directors and employees of the Company's subsidiaries to increase their motivation and morale for improving business performance, and to hire talent for the Company group, leading to further enhancement in the corporate value of the overall Company group.

(2) Number of persons to be solicited for application to acquire stock acquisition rights and breakdown thereof

Directors of the Company's subsidiary	1 person
Employees of the Company's subsidiary	1 person

(3) Class and number of shares granted upon exercise of stock acquisition rights

Common stocks	48,000 shares
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(4) Number of stock acquisition rights

480 units (The number of shares for one unit of stock acquisition rights shall be 100 shares.)

(5) Issue price of stock acquisition rights

¥2,482 per unit of stock acquisition rights

(6) Total issue price of shares issued upon the exercise of stock acquisition rights

¥381,351,360

(7) Value of property invested when exercising stock acquisition rights

¥7,920 per share

(8) Amount of issue price to be incorporated in share capital upon issuance of new 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.

(9) Allotment date of stock acquisition rights

March 8, 2022

(10) Exercise period for stock acquisition rights

From February 22, 2025 through February 21, 2032.

(11) Conditions for exercise of stock acquisition rights

1. A stock acquisition right holder may exercise the following number of stock acquisition rights at maximum depending on the time period as listed i through vii below.
 - i. From April 23, 2025 until April 22, 2026
Up to 15% of the total number of the stock acquisition rights allotted
 - ii. From April 23, 2026 until April 22, 2027
Up to 30% of the total number of the stock acquisition rights allotted
 - iii. From April 23, 2027 until April 22, 2028
Up to 45% of the total number of the stock acquisition rights allotted
 - iv. From April 23, 2028 until April 22, 2029
Up to 60% of the total number of the stock acquisition rights allotted
 - v. From April 23, 2029 until April 22, 2030
Up to 75% of the total number of the stock acquisition rights allotted
 - vi. From April 23, 2030 until April 22, 2031
Up to 90% of the total number of the stock acquisition rights allotted
 - vii. From April 23, 2031
Up to 100% of the total number of the stock acquisition rights allotted
2. In addition to conditions listed in 1 above, a stock acquisition right holder may exercise the stock acquisition rights only in the case that all of the conditions listed in i through iii below are satisfied.
 - i. The consolidated net sales for the fiscal year ending July 2022 shall exceed ¥41.0 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2022.
 - ii. The consolidated net sales for the fiscal year ending July 2023 shall exceed ¥47.15 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2023.
 - iii. The consolidated net sales for the fiscal year ending July 2024 shall exceed ¥54.22 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 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 resolutions of the Company's 2nd Annual General Meeting of Shareholders and the Board of Directors.

3. Issuance of 29th series of stock acquisition rights

At a meeting of its Board of Directors held on February 21, 2022, the Company has resolved to issue stock acquisition rights to directors of the Company and directors of the Company's subsidiary, which were issued on March 8, 2022.

(1) Purpose of and reason for offering stock acquisition rights

The Company intends to issue stock acquisition rights to directors of the Company and directors of the Company's subsidiary to increase their motivation and morale for improving business performance, and to hire talent for the Company group, leading to further enhancement in the corporate value of the overall Company group.

(2) Number of persons to be solicited for application to acquire stock acquisition rights and breakdown thereof

Directors of the Company	1 person
Directors of the Company's subsidiary	1 person

(3) Class and number of shares granted upon exercise of stock acquisition rights

Common stocks	172,000 shares
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(4) Number of stock acquisition rights

1,720 units (The number of shares for one unit of stock acquisition rights shall be 100 shares.)

(5) Issue price of stock acquisition rights

¥2,494 per unit of stock acquisition rights

(6) Total issue price of shares issued upon the exercise of stock acquisition rights

¥1,366,529,680

(7) Value of property invested when exercising stock acquisition rights

¥7,920 per share

(8) Amount of issue price to be incorporated in share capital upon issuance of new 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.

(9) Allotment date of stock acquisition rights

March 8, 2022

(10) Exercise period for stock acquisition rights

From February 22, 2025 through February 21, 2032.

(11) Conditions for exercise of stock acquisition rights

1. A stock acquisition right holder may exercise the following number of stock acquisition rights at maximum depending on the time period as listed i through v below.
 - i. From April 23, 2027 until April 22, 2028
Up to 20% of the total number of the stock acquisition rights allotted
 - ii. From April 23, 2028 until April 22, 2029
Up to 40% of the total number of the stock acquisition rights allotted
 - iii. From April 23, 2029 until April 22, 2030
Up to 60% of the total number of the stock acquisition rights allotted
 - iv. From April 23, 2030 until April 22, 2031
Up to 80% of the total number of the stock acquisition rights allotted
 - v. From April 23, 2031
Up to 100% of the total number of the stock acquisition rights allotted
2. In addition to conditions listed in 1 above, a stock acquisition right holder may exercise the stock acquisition rights only in the case that all of the conditions listed in i through iii below are satisfied.
 - i. The consolidated net sales for the fiscal year ending July 2022 shall exceed ¥41.0 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2022.
 - ii. The consolidated net sales for the fiscal year ending July 2023 shall exceed ¥47.15 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2023.
 - iii. The consolidated net sales for the fiscal year ending July 2024 shall exceed ¥54.22 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 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 resolutions of the Company's 2nd Annual General Meeting of Shareholders and the Board of Directors.

4. Issuance of 30th series of stock acquisition rights

At a meeting of its Board of Directors held on February 21, 2022, the Company has resolved to issue stock acquisition rights to employees of the Company, which were issued on March 8, 2022.

(1) Purpose of and reason for offering stock acquisition rights

The Company intends to issue stock acquisition rights to employees of the Company's subsidiary to increase their motivation and morale for improving business performance, and to hire talent for the Company group, leading to further enhancement in the corporate value of the overall Company group.

(2) Number of persons to be solicited for application to acquire stock acquisition rights and breakdown thereof

Employees of the Company's subsidiary 1 person

(3) Class and number of shares granted upon exercise of stock acquisition rights

Common stocks 26,400 shares

(4) Number of stock acquisition rights

264 units (The number of shares for one unit of stock acquisition rights shall be 100 shares.)

(5) Issue price of stock acquisition rights

¥2,392 per unit of stock acquisition rights

(6) Total issue price of shares issued upon the exercise of stock acquisition rights

¥209,719,488

(7) Value of property invested when exercising stock acquisition rights

¥7,920 per share

(8) Amount of issue price to be incorporated in share capital upon issuance of new 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.

(9) Allotment date of stock acquisition rights

March 8, 2022

(10) Exercise period for stock acquisition rights

From February 22, 2025 through February 21, 2032.

(11) Conditions for exercise of stock acquisition rights

1. A stock acquisition right holder may exercise the total number of the stock acquisition rights allotted from April 23, 2027.
2. In addition to conditions listed in 1 above, a stock acquisition right holder may exercise the stock acquisition rights only in the case that all of the conditions listed in i. through iii. below are satisfied.
 - i. The consolidated net sales for the fiscal year ending July 2022 shall exceed ¥41.0 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2022.
 - ii. The consolidated net sales for the fiscal year ending July 2023 shall exceed ¥47.15 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 2023.
 - iii. The consolidated net sales for the fiscal year ending July 2024 shall exceed ¥54.22 billion in the Company's audited Consolidated Statement of Income included in the Company's Annual Securities Report for the fiscal year ending July 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 resolutions of the Company's 2nd Annual General Meeting of Shareholders and the Board of Directors.