

Visional, Inc., 2022/7 2Q Financial Results

March 15, 2022

(Moderator) Thank you very much for taking time out of your busy schedule to join us today for the Visional financial results briefing for the second quarter of the fiscal year ending July 31, 2022.

Since we are holding today's meeting via Zoom webinar, the cameras and microphones of all participants will be automatically turned off.

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

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

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

Risako Suefuji, CFO and CAO, will now explain the contents of the earnings announcement for the second quarter of the fiscal year ending July 31, 2022, which was disclosed at 3:00 p.m. today.

We will now begin the explanation.

(Suefuji) Thank you very much for your time today. My name is Risako Suefuji.

Let me jump into our 2Q financial highlights. In a nutshell, our businesses grew strongly this quarter.

On a consolidated basis, BizReach sales strong growth continued this quarter on the back of the continued rebound of the professional hiring market, which led to our 2Q financial results of JPY 10.09Bn, 2Q YTD JPY 19.67Bn/61.6% YoY growth. In regards to operating profit, we have conducted marketing activities including TV Commercials for BizReach and HRMOS this 2Q, in addition to investments in other businesses, and these activities have led to 2Q operating profit of JPY 1.56Bn, 2Q YTD of JPY 4.10Bn/171.3% YoY growth.

BizReach continued to grow double digits for 4 consecutive quarters, and the most recent 3 quarters have been particularly strong. 2Q recorded JPY 8.63Bn, 2Q YTD recorded 16.9Bn/67.0% YoY growth.

HRMOS grew steadily as we continue product development. ARR grew 26.1% to JPY 1.42Bn, unique paying customers grew 23.7% to 1,050. As disclosed, M&A transactions have successfully closed as planned. Impact of the M&As to our consolidated financials is negligible.

For our consolidated forecast, no impact from Omicron variant observed and businesses are growing as planned. Regarding the cost side, we will invest heavier in 2H. As such, overall, no change to our forecasts.

Let us move on to page 3. Consolidated financials are as explained just now. This fiscal year, we target consolidated net sales of JPY 41.0Bn, 42.9% YoY growth. 2Q YTD is JPY 19.67Bn, and business is growing strongly.

In regards to operating profit, investments are heavier in 2H due to marketing activities planned for BizReach. We are on track to full year consolidated operating profit forecast of JPY 6.0Bn.

Moving on to page 4. Here is the comparison of our P&L statement. Although historical comparison was limited, we will be able to start comparing historical figures starting 2Q YTD.

For 2Q, sales in both HR Tech and Incubation segments grew steadily.

In regards to cost, as explained earlier, we have conducted marketing activities including TV Commercials for BizReach and HRMOS this quarter, and SG&A have increased as planned.

Also, when we compare 2Q YTD with last year's 2Q YTD, you can observe that costs for both HR Tech and Incubation segments are growing. This is because we are investing for business growth, but the bigger reason is because we restricted marketing investments during last year's 2Q YTD, as we were still uncertain of the prolonged impact of COVID-19.

Going on to page 5, this is our slide on our forecast. No change from our 1Q announcements.

Let us move onto BizReach. On page 8, the rebound trend from COVID-19 continued this quarter, and 2Q recorded JPY 8.63Bn, 2Q YTD recorded JPY 16.90Bn/67.0% YoY growth.

For this fiscal year, we anticipate 49.8% YoY growth. Our view of BizReach's mid term normalized growth rate continues to be 15% - 20%.

On page 9 is BizReach's quarterly sales trend.

As on the graph on the top, 65.3% YoY growth compared to same period last year. If you go back couple of quarters, you can see that growth rate has exceeded 40% since 4Q last year and therefore, quarterly growth rate will slow down going forward, landing at 49.8% full year as per our forecast.

Growth of our net sales is driven by increasing activities of our direct employer customers, as well as increasing number of scutable job seekers. Number of jobs available on BizReach continues to trend higher than pre-pandemic. IT companies and manufacturing companies are particularly active. No impact from Omicron variant observed.

3Q is anticipated to be the biggest quarter for BizReach based on the seasonality of the hiring market. However, as companies have been active since 1Q this fiscal year due to rebound from COVID-19, we anticipate that the size of 3Q compared to other quarters may not be as big as in previous years.

On slide 10 is BizReach's adjusted operating profit before corporate expense allocation. Adjusted operating profit before corporate expense allocation refers to an operating profit figure where costs required to develop and run the business is included, however, it is before allocating corporate expenses to the business, which was incurred to support

the entire company.

For 2Q, as shown on the graph at the top, margins landed at 45.1% as we conducted marketing investments including TV commercials. As disclosed in our 1Q financial disclosure, 1Q margins ended high as net sales grew strongly whilst marketing investments for 1Q was smaller than other quarters. From 2Q onwards, we have various marketing plans in place, including TV commercials and others, therefore, investment amount will increase. Quarterly margins may be a little bumpy, but on a full year level, margins will decrease than current level.

Also, as disclosed on BizReach's corporate website, according to a survey conducted by Seed Planning, Inc., BizReach was regarded highly by both job seekers and recruiters of companies. We will continue to commit being a matching platform for professionals enabling hiring success.

BizReach's KPI is on page 11. Cumulative number of registered direct employers, number of scoutable job seekers and number of active headhunters are growing steadily.

Slide 12 is BizReach's sales breakdown for FY21/7.

Our revenue is broken down to recurring revenue, which consists mainly from data base access fee, and performance revenue, which consists from fees received when a successful hire is made. As shown on the left pie chart, approximately 30% is recurring revenue.

As shown on the right hand side, approximately 60% of our revenue is driven from direct employers, and 40% from headhunters.

These figures are FY21/7 figures, however, we anticipate this year to land at similar levels.

Moving on to HRMOS, page 14.

HRMOS currently consists mainly of an applicant tracking module "HRMOS ATS", which was ranked No. 1 in customer satisfaction, and we also have our talent management module "HRMOS Talent Management".

We have acquired 80.1% shares of IEYASU on November 1, 2021, and from February 14, 2022, it has been renewed as "HRMOS Attendance Management". "HRMOS Attendance Management" (ex-IEYASU) is a freemium model and over 30,000 cumulative companies including SMEs and startup companies have used this service.

We have also completed the acquisition of 100% shares of ezSoft, expense management cloud, on March 1, 2022.

We are developing workforce management and payroll modules and the development is on track.

Moving on to page 15.

HRMOS performance is on track as we continue with product development. 2Q recorded JPY 0.352Bn, 2Q YTD JPY 0.683Bn, 48.1% progress to full year forecast. As explained earlier, the impact of the 2 M&As to our consolidated financials is negligible and as we are in the midst of PMI. As such, figures are not included in the HRMOS figures for this fiscal year.

Regarding cost, we have conducted marketing activities including TV commercials for HRMOS ATS. Marketing and investment in product development have led to adjusted operating loss before corporate expense allocation of JPY 1.39Bn. As we will continue product development and marketing, losses will increase throughout this year.

On page 16 is our HRMOS KPIs, which is trending steadily.

2Q end ARR grew 26.1% YoY to JPY 1.42Bn, unique paying customers grew 23.7% to 1,050. 12-month average churn rate which was impacted by COVID-19 has continued to sustain pre-pandemic level of 1.0%.

In regards to ARPU, it has been on a growth trajectory, however, we may foresee quarters where ARPU may decrease due to customer acquisition campaigns. There will be small ups and downs in each KPI, however, we are on track towards full year net sales delivery of JPY 1.42Bn.

On page is our KPIs more in detail.

This concludes my presentation regarding our 2Q financials.

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