

# Visional, Inc., FAQ for FY2022/7 3Q Financial Results

## Consolidated Financial Results

### **Q1 What is the impact of COVID-19 to each segment? Is the current uncertain economic condition impacting the business?**

Majority of net sales in the HR Tech Segment is generated by BizReach. BizReach has recovered fast from the slowdown in the recruiting market impacted by COVID-19, and have recorded net sales growth of 59.1% YoY for 3Q due to the continued strong rebound from COVID-19 as well as an increased momentum by employers to actively start hiring mid-careers. As of now, professional hiring is not impacted from the uncertain global macroeconomy, increasing raw material prices and fluctuations in the financial capital markets. We also do not observe any impact from COVID-19 and uncertain economic situations at present for other businesses in HR Tech nor businesses in the incubation segment.

### **Q2 What is the reason for upward revision in the FY2022/7 financial forecast?**

Driven by the strong performance of BizReach, at the timing of 1Q financial results, we revised BizReach's net sales forecast upwards to JPY 35.30Bn, consolidated net sales forecast was also revised upwards by the same amount to JPY 41.00Bn for the full year.

Currently, in the professional hiring market, a strong rebound trend from COVID-19 has continued and we see increased momentum by employers to actively start hiring mid-careers. Accordingly, high levels of hiring success continued on the BizReach platform. Based on the assumption that this trend continues in this fiscal year, we have further revised our BizReach full year forecast for net sales upwards to JPY 37.50Bn at this 3Q financial results timing.

Economic activities were on a recovery trend as vaccination and drugs against COVID-19 were widely available. On the other hand, the outlook for the global macroeconomy is currently uncertain and due to factors such as a surge of raw material prices and fluctuation in the financial capital markets, the outlook for economic activities that have shown signs of recovery have again become unclear. The forecast for this fiscal year is based on the assumption that further economic stagnation will not occur.

HRMOS is on track and the forecast is unchanged from previous disclosure.

The forecast of other businesses in the HR Tech Segment has also been revised upwards, although impact to the consolidated financials is limited.

In the Incubation Segment, business development continues for long-term growth. We continue to make investments within the amount of profits generated by BizReach. As they are early businesses, net sales fluctuation risk exists, although impact on consolidated financial performance is negligible and profitability will be maintained by controlling expenses. (Unchanged from previous disclosure)

As a result of these changes, consolidated net sales forecast is revised upwards to JPY 43.60Bn for the full year.

We have revised our consolidated operating profit forecast from our previous forecast of JPY 6.00Bn to JPY 8.00Bn. Part of the consolidated net sales increment will be reinvested back into the BizReach business for future growth through advertising and promotion investments, resulting in operating profit increment of JPY

2.00Bn. Our marketing investments are higher in 2H as in previous years, and driven by stronger-than-expected sales growth, profits will be further reinvested back into the BizReach business in 4Q in levels higher than originally planned.

(JPY MM)	Jun. 13, 2022 Release FY2022/7 Consolidated Financial Forecast	Dec. 9, 2021 Release FY2022/7 Consolidated Financial Forecast	Difference
<b>Consolidated Net Sales</b>	43,600	41,000	+2,600
<b>HR Tech Segment</b>	41,430	38,870	+2,560
BizReach	37,500	35,300	+2,200
HRMOS	1,420	1,420	0
<b>Incubation Segment</b>	2,010	2,010	0
<b>Operating Profit</b>	8,000	6,000	+2,000
<b>Ordinary Profit</b>	8,320	6,320	+2,000
<b>Net Income attributable to Parent</b>	5,400	4,100	+1,300

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

**Q3 What is the status of stock options exercisable after the listing?**

We grant stock options to directors and selected employees 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. These options can be exercised in phases until FY2029/7 and about half became exercisable on April 23, 2022. Although some options have already been exercised, there is no impact on the number of shares as of the end of 3Q.

**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 are 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.

**BizReach**

**Q6 How long should we assume COVID-19 rebound growth to continue?**

Professional hiring market rebounded fast and strongly as companies resumed hiring, and the rebound trend has continued and we believe it will continue for this fiscal year. In addition, our current growth is also driven by employers increasing their intentions to actively hire mid-careers. As such, we forecast net sales growth of 59.2% for this fiscal year, based on the current active trend of direct employers and job seekers.

**Q7 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 ads and TV commercials whilst carefully monitoring net sales trend. Based on the currently brisk hiring market, we will increase our marketing investments for business growth than initially planned in 4Q, leading to an increase in advertising and promotion expenses.

**Q8 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 ads 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.

Since there is seasonality for BizReach's net sales and investment plan, quarterly margins fluctuate depending on net sales and marketing initiative timing. As 1Q investment allocation tends to be smaller than other quarters, in addition to strong net sales growth, 1Q margins recorded 53.7%. However, we have increased investments since 2Q, resulting in 2Q margins of 45.1%. As net sales grew in accordance with hiring seasonality, margins for this 3Q were 54.0%, although marketing investments increased from 2Q. However, as previously planned, margins will decrease throughout this fiscal year. In addition, based on the current brisk hiring market, part of net sales increment will be reinvested back into BizReach for future growth and we have decided to increase marketing investments in 4Q than initially planned.

**Q9 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. We will encourage increased use of our platforms 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.

**HRMOS**

**Q10 What is the product lineup of HRMOS**

HRMOS currently consists of an applicant tracking module "HRMOS ATS", which was ranked No.1 in customer satisfaction(\*), talent management module "HRMOS Talent Management", and launched a freemium cloud attendance management module "HRMOS Attendance Management"(\*) on February 14, 2022, which we re-branded from the IEYASU attendance management service we acquired.

In addition, on April 15, 2022, we launched the "HRMOS Individual Condition Survey" function which identifies changes in employees' "motivation and performance" on a real-time basis to encourage action to create organizations with high job satisfaction and support retainment of hired employees.

On June 2, 2022, we announced that the year-end tax adjustment function would be released in August 2022.

We are currently advancing product development, aiming to provide services in payroll and workforce management in the future.

\* Based on Seed Planning, Inc.'s "Survey on Actual Usage of Applicant Tracking System" as of August 2021. Calculated the percentage of companies which selected "comprehensively satisfied" for the question asking the degree of satisfaction about applicant tracking systems which they have used.

\* "HRMOS Attendance Management" is currently in a PMI process following the acquisition of IEYASU on November 1, 2021. Over 40,000 companies (cumulative) including SMEs and startups have used this service.

**Q11 As HRMOS Churn Rate is decreasing post COVID-19, what is the fair level?**

HRMOS Monthly Churn Rate (12-month average) increased as cancellations increased by the hiring freeze driven by COVID-19 economic uncertainties. The healthy level of Monthly Churn Rate (12-month average) is around 1%.

**Q12 How should we think about the HRMOS results?**

Currently, majority of net sales in HRMOS is driven by HRMOS ATS. The pricing structure of HRMOS ATS is company based (not employee account based) and this is a reason why ARR growth may not be as high as that of general cloud services. However, HRMOS ATS has steadily increased the number of unique paying customers and HRMOS ARR grew 27.7% YoY at the end of April 2022. In addition to expanding the existing modules, launch of new modules that will be charged by employee account base are all expected to drive ARR growth in the mid-term.

HRMOS is prioritizing product development. On June 2, 2022, we announced that the year-end tax adjustment function would be released in August 2022.

In this 3Q, although we continued hiring and marketing investments, operating loss decreased compared to 2Q. This is due to timing of strategic marketing investments including the timing of investing in TV commercials for the HRMOS ATS module. Investment will continue to increase in this business.

**Q13 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 to develop payroll and workforce management modules in the future. In addition, we envision to connect IEYASU attendance management cloud (now rebranded HRMOS Attendance Management), and ezSoft, expense management cloud, to our HRMOS offerings to accelerate the development of the HCM ecosystem.

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