

# Visional, Inc., FY2024/7 FY Financial Results

September 12, 2024

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(Moderator) Thank you very much for taking time out of your busy schedule to join us today for the Visional, Inc. financial results briefing for the fiscal year ending July 31, 2024. 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 I begin, I 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 from those discussed in the forward-looking statements.

Unauthorized recording, videotaping, or transferring of participation URLs or other information to external parties is strictly prohibited.

Representative Director and CEO, Soichiro Minami, and Executive Director, CFO, Risako Suefuji will now explain the contents of the earnings announcement for the fiscal year ending July 31, 2024, which was disclosed at 3:00 p.m.JST today.

We will now begin the explanation.

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

Let us provide a brief explanation of our FY financial performance for FY2024/7 and financial forecast for FY2025/7. Thereafter, our CEO Minami would like to explain about our mid-term outlook for Visional.

Slide 2 is our highlights. Detail of each business performance will be explained later, but we would like to summarize that, consolidated net sales landed at JPY 66.14Bn, 17.5% YoY growth. Difference to forecast was (0.4)%. We believe this has demonstrated our full year commitment to execution against a stretched target. Consolidated operating profit landed above plan and forecast, at JPY 17.83Bn, 34.9% YoY growth, 27.0% margin.

For BizReach, albeit market uncertainties that continued throughout the year, we landed at a similar level, landing JPY 0.22Bn below forecast. YoY growth was 17.5%, margin was 40.4% against our plan of 40%.

For 4Q, quarter profits declined, yet, this is as disclosed, is the result of making growth investments as planned.

HRMOS and other businesses net sales grew stronger than plan, and operating losses decreased against plan.

For FY2025/7, our forecast includes BizReach net sales and profit growth, as well as our increased investment in other businesses as well as in human capital to increase our enterprise value in the mid to long term.

Our consolidated financial results are shown on slide 3 and 4.

On slide 3, on the left-hand side shows our consolidated net sales. FY landed at JPY 66.14Bn, 17.5% YoY growth. On the right-hand side shows our consolidated operating profit. FY landed at JPY 17.83Bn, 34.9%

YoY growth, operating margin of 27.0%.

As you can see by looking at this operating profit graph, we have navigated through the uncertainties of COVID-19 and post COVID-19, consecutively increased BizReach profit, and continued to maintain cost control for other businesses. Also, as a result, we now have a stronger balance sheet. As such, for FY2025/7, we will continue to deliver increased profits for BizReach, as well as to increase investment in other areas to grow our enterprise value in the mid to long term.

Moving to slide 4.

As explained earlier, FY consolidated net sales landed at JPY 66.14Bn, 17.5% YoY growth, 4Q landed at JPY 17.22Bn, 16.9% YoY growth.

For BizReach, within the HR Tech Segment, 4Q YoY growth rate accelerated compared to 3Q. However, we landed very slightly below plan.

For the Incubation Segment, net sales of each of the businesses recorded growth. However, segment net sales decreased YoY due to the share transfer of BizHint, Inc. conducted in December.

For consolidated profit, FY landed at JPY 17.83Bn, 34.9% YoY growth, 27.0% margin.

For the HR Tech Segment, profit decreased due to various marketing activities including the BizReach 15th anniversary campaign, as planned. As disclosed, BizReach operating profit margin landed at 40.4%, as plan.

For HRMOS, its operating losses have decreased JPY 0.71Bn compared to FY2023/7.

For the Incubation Segment, although we have divested BizHint, Inc., which was a profit-making business, we have been able to shrink the losses YoY.

On slide 5 shows the difference of our FY2024/7 performance against our disclosed forecast guidance. For net sales we landed at a difference of (0.4)% against our net sales guidance which was released 1 year ago, in September 2023.

For BizReach, impacted by selective hiring by some companies as well as longer lead time trend, we have lowered our forecast by JPY 1.0Bn in June 2024 and landed just in-line, JPY 0.22Bn below our guidance. Difference to September 2023 forecast guidance is (2.1)%.

There were some differences within other business including HRMOS and the impact of BizHint, Inc. share transfer, but all in, we landed in-line with our consolidated net sales forecast disclosed in September 2023. We believe we have demonstrated that we set targets that are ambitious and well-planned, and an organization committed to execution.

In regards to operating profit, we have landed above guidance forecast. BizReach landed at 40%, in-line with guidance, HRMOS and Incubation Segment losses decreased, and corporate cost was well managed. Difference to our September 2023 forecast guidance is 11.5%. In other words, we have delivered net sales with smaller investments.

We believe we have demonstrated consecutively our ability to balance growth investments and cost discipline and deliver sustainable profits.

Slide 6 shows our FY2025/7 financial forecast guidance. We have demonstrated in the last 2 years where we have landed in-line against a stretched forecast. Our plan is developed in the same manner.

FY consolidated net sales is forecasted to be JPY 76.40Bn, 15.5% YoY growth. We have delivered JPY 9.87Bn net sales growth in FY2024/7, and we forecast to deliver JPY 10.25Bn, the same level of net sales growth.

Majority of our consolidated net sales growth comes from BizReach. Based on the uncertain sentiment in the market, YoY growth rate is set at 15.0%, forecasted to deliver JPY 66.44Bn. We delivered JPY 8.61Bn net sales growth in FY2024/7 and we forecast to deliver JPY 8.66Bn growth in FY2025/7.

For HRMOS, net sales is forecasted to be JPY 50.0Bn, 30.1% YoY growth. We have delivered over 70% YoY growth in FY2024/7 and compared to that, growth rate looks to decelerate, however, this is impacted by M&A where HRMOS Expense Management was included in FY2024/7 and not in FY2023/7. For FY2025/7, we are comparing YoY growth with the same service offering.

For Incubation Segment, we forecast JPY 2.47Bn, 11.3% YoY growth. As mentioned, growth rate is impacted by the share transfer of BizHint and therefore looks lower than the actual growth rate of the remaining underlying businesses.

For consolidated operating profit, we forecast JPY 19.15Bn, 7.4% YoY growth, 25.1% margin.

For BizReach, we are forecasting the margin level to be 40% delivering increased profits. For HRMOS, we forecast same amount of operating loss levels. For Incubation, we anticipate segment losses to be around JPY 1.5Bn.

In summary, during and post COVID-19, we have prioritized investment in BizReach and have managed costs in other businesses and therefore demonstrated our ability to grow our profits steadily. Also, we have managed to strengthen our balance sheet. For FY2025/7, whilst we continue to expand profits from BizReach, we will increase our investment in other businesses as well as investment in human capital including hiring, offering competitive compensation levels, and also, as disclosed from 3Q, including our investment of JPY 1.0Bn additional cost impact from expanding and reallocation of our offices. These investments are for the sustainable growth of our enterprise value in the mid to long term.

We will touch how we think about capital allocation but in a nutshell, our forecast guidance is a result of increasing net sales and profit of BizReach and increased investment in other areas.

Let us explain our business performance more in detail. Going into BizReach.

Please refer to slide 9. FY net sales was JPY 57.77Bn, 4Q was JPY 14.80Bn. 4Q sales order amount, which is orders received from customers and offers confirmed, the figures were in-line with forecast, however, due to longer lead time observed for it to convert to financial figures, our 4Q net sales landed slightly below by JPY 0.22Bn.

We forecast net sales growth rate of 15.0% for FY2025/7. This is based on the assumption that hiring market is solid generally, however, market sentiment remains uncertain as we continue to observe selective hiring in some companies, and slow recovery in others.

Let me explain more in detail on slide 10.

Slide 10 shows our BizReach KPIs. On the left top section, we see growth in the number of registered direct employers, on the right bottom section, growth in the number of active direct employers. However, there is a gap between the number of direct employer growth rate and net sales growth rate, which is due to the fact that some companies are only selectively hiring and some companies recovering only slowly.

I often receive questions on the impact of wage inflation. I have seen news where the article speaks about declining motivation to change jobs, ie. staying with the current employer. However, since we are a hiring matching platform and our customers are looking to hire, even if an offer is turned down by a job seeker, customers will continue to conduct hiring activities in order to fill the position. As such, we anticipate at this time that as long as there is a need to hire, the impact of wage inflation is not about less sales on the platform but longer lead time to realize sales.

Slide 11 is BizReach adjusted operating profit before corporate expense allocation. Our full year profit guidance was 40%, and we have landed at 40.4%. Our profit decreased in 4Q YoY, yet this was as planned, through the investment in our 15th anniversary campaign as well as airing our new TV commercials, "CEO's Determination."

We have received significant feedback in regards to our new TV commercial campaign. It shows that hiring is an important agenda for large corporates.

For FY2025/7, we forecast our margin to be 40%, expanding profit amount. Our quarterly profit margin will fluctuate depending on the quarter based on the balance between net sales and investment plans. We will also adjust our investment plans accordingly to market conditions.

Slide 12 and 13 are slides we update once a year. We see steady trends of performance and recurring revenue mix, and also direct employers and headhunter mix. Our sales orders from our customers are building up steadily as well, supporting the health of our business.

Going onto HRMOS.

Slide 15 shows our HRMOS HCM ecosystem. As disclosed at the timing of 3Q, we will continue investing in function updates and new developments but we have released our HRMOS Payroll service, and have now completed the service line-up as planned since the IPO. We hope to continue to grow each of our services as well as to start promoting our integrated HRMOS series.

On slide 16 is HRMOS net sales. HRMOS net sales landed at JPY 3.84Bn, 76.0% YoY growth. 4Q landed at JPY 1.09Bn, 79.9% YoY growth. All services grew stronger compared to plan by increased customer acquisition.

FY2024/7 YoY growth rate recorded over 70%, however, as mentioned earlier, the figures look especially high due to the impact of M&A. FY2025/7 YoY growth rate represents growth within the same services and all services are growing at a healthy speed.

On slide 17 shows our operating losses before corporate expense allocation. As HRMOS net sales grew stronger than plan coupled with efficient marketing activities, HRMOS operating losses decreased JPY 0.71Bn compared to previous fiscal year. Full year losses were JPY 1.02Bn, 4Q was JPY 0.32Bn as we have expanded our marketing activities.

Also, as per previous disclosures, we are targeting to turn the business profitable in FY2026/7. At this

moment, there is no change to our plan.

HRMOS KPIs are shown on slide 18. As disclosed, these KPIs consist of HRMOS ATS and HRMOS Talent Management that make up the majority of HRMOS net sales. All KPIs are trending strongly.

Slide 19 shows function updates in HRMOS. We have functions with generative AI features, and we will further strengthen the connection with BizReach.

This concludes the explanation of our financial performance. I will hand it over to our CEO Minami, who will explain about our mid-term outlook for Visional.

(Minami) My name is Soichiro Minami, CEO of Visional. Thank you very much for your time today. I will explain the overall strategy and future prospects of the Visional Group.

(Slide 21)

Slide 21 shows our commitment to realize Visional Group's mission, which is our mid to long term strategy that has remained unchanged since we went public about three and a half years ago.

The first point is to deliver sustained growth and profit expansion of BizReach. The second point is to continue to promote seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem. And the third point is to continue to actively pursue incubation of new businesses and use M&A as required.

These are the three points I have committed over the last three and a half years, and I still feel the same and passionate about these commitments.

Let me explain the first point, sustained growth and profit expansion of BizReach.

(Slide 22)

What we look at as we develop our mid to long term growth strategy. We are always looking at market trends. What is the most important figure for BizReach?

Here we have some figures on liquidity in the Japanese labor market. Out of the 36 million full-time employees, just under 1 million change jobs each year. In other words, if there are 100 full-time employees, only 2.6 people will leave the company in a year. The job change ratio is only 2.6% for full-time employees, which I believe is not sustainable. The labor market for professionals have changed dramatically over the past five or ten years.

(Slide 23)

As I mentioned earlier, from a global perspective, the "Workstyle" of Japan has not changed, and I feel that it shows the potential for future growth of BizReach. We feel that there is only room for growth.

The "Workstyle" of Japan is going through a major change, but we have just come to a starting point right now. That's my interpretation.

(Slide 24)

We have been working on providing BizReach service for 15 years, saying the same thing all the time, in the last several years, our government also sees the "Workstyle" in Japan as an issue.

This is also stated in the "Grand Design and Action Plan for a New Form of Capitalism (2024 Revised

Version)" that was published in June this year. The Japanese employment system is entering a turning point, and if things continue as they are, the Japanese economy will no longer be sustainable, so that there is the need for labor market reform. Facilitating labor movement to growth fields, introducing job-based employment, and, most of all, supporting the improvement of abilities through re-skilling.

(Slide 25)

What kind of "Workstyle" will be potentially feasible in the future of Japan? I personally hope that you will take this as an opportunity to think about it. From an era where "companies chose individuals" to an era where "individuals choose the companies to work." We believe in such a future, where people take ownership of their own careers, and therefore we are committed to the growth of BizReach.

(Slide 26)

I believe that the professional hiring market is facing a major transformation of "Workstyle" in Japan as the job change ratio increases.

How will the professionals change?

(Slide 27)

As you can see on Slide 27, the percentage of employed individuals with an annual income of over 7 million yen who are prospective job changers are on the rise, as everyone has more opportunities to explore their careers.

(Slide 28)

Not just individuals, but the companies and the management are now facing a major turning point. Utilizing human capital and above all, hiring are considered as major issues by management.

As CFO Suefuji mentioned earlier, we have launched a new TV commercial, which I'm sure some of you have seen and we have received comments from the CEOs of the companies who are involved in our commercial saying, "We need to change this together as all-Japan." They say the "Workstyle" in Japan is an issue the Japanese economy is facing, and hiring is an issue the companies are facing. We don't need to deny new grad hiring, we need to also hire mid-careers.

By knowing that the management is determined, I gained confidence that major changes would occur in the future. I myself strongly feel that the core of Japanese corporate management is how to manage human capital, and I would like to contribute to resolving those challenges and issues through our businesses.

(Slide 29)

As I mentioned at the beginning of my presentation, the second point of our commitment to realize Visional Group's mission is to continue to promote seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem.

How can we make use of recruitment data, various human resources data and know-how for corporate management?

How can we contribute to human capital management by leveraging the strengths of the hiring data platform, which we have accumulated through BizReach?

We hear many companies saying that they don't have enough people. When we analyze the issue, we can summarize them in three major points. Increasing number of hiring professionals, increasing turnover and

implementation of job-based employment. As job mobility increases, the number of people leaving their jobs will increase. As the number of people leaving their jobs increases, you will have to hire externally. And more than anything, you will lose track of real-time information of skill sets, experience and knowledge that people have working in your company. If you want to hire externally, you will have to have a clear job description, otherwise it will be difficult to find people who match the job. Furthermore it will be difficult to onboard them.

These three points, when combined, lead to the difficulty for management of human capital within companies.

(Slide 30)

And on the side of the individuals, they are also facing similar problems. When they're working in the company, sometimes their skill sets and experience are not fully utilized, and it is difficult to see what growth opportunities are available within the company. And more than anything, when they look at the hiring market, they are approached with clear job descriptions. How should they develop their career in this environment? The headaches for both of the individuals and the companies are intermixed, and it is making human capital management complex and uncertain.

(Slide 31)

Our vision of the future of human capital management is to connect the data of BizReach, an external recruitment platform, and HRMOS, an internal human management platform, with each other. From the viewpoint of corporate management, use BizReach's real-time labor market data to make the most of human resources. Utilize the various generative AI technologies we have developed in BizReach for recruiting, talent search and matching on HRMOS.

When you look at the HR market, we are the only company which covers both a hiring data platform and a talent management platform. This is the prominent competitive advantage and we would like to use it to solve issues in the challenges for human capital management.

Let me tell you more in detail how we are thinking about this.

(Slide 32)

Over the past few years, BizReach has faced some bottlenecks for growth.

One of these is that as job seekers have increased, the proportion of individuals who are unable to write accurate resumes has increased. There are now many people who are thinking about changing jobs for the first time and have never written a resume before.

In response to this, we invested in generative AI technology for several years. We succeeded in developing a GPT tool to enable professionals to complete a resume / CV easier by using the matching data of BizReach, which was released last year. As you can see on slide 35, there is data showing that the number of scout messages received increased by 40% as a result of this function.

At the same time, as companies increase the number of positions they recruit for, there are more varieties in the positions, and some are more specialized. It is becoming difficult to write appropriate job postings for the talent they are looking for. These concerns have also emerged as issues on the BizReach platform.

Through investment in generative AI technology that utilizes BizReach's 15 years of matching data, we have also created "GPT Model Job Opening / Posting Creation" for direct employers which automatically propose

job opening / posting.

By visualizing resume / CV and job opening / posting with appropriate information, it increases higher quality matching opportunities. These technologies are also provided at HRMOS.

We are currently working on a project called the “Internal BizReach” concept, and we have issued a press release about it this year. We are currently developing it with the aim of releasing it this fiscal year.

What is this “Internal BizReach” concept?

When we ask management about the challenges of human capital management, they often say that they are no longer sure what skill sets, experience and knowledge their employees have, or with increasing turnover and being replaced by new employees hired, they are no longer able to monitor the trends of their employees that they used to monitor over years. At the same time, the speed of businesses and social trends have increased, and we have also found that they are no longer sure how to make the most of and promote their employees.

We offer to companies the “GPT Model Resume / CV Creation” using generative AI technology that we have developed through BizReach on the “Internal BizReach” concept. This enables companies to manage skill sets, experience and knowledge of their employees in real-time in the form of internal resumes. At the same time, we will offer “GPT Model Job Opening / Posting Creation” using generative AI technology that utilizes BizReach's data to develop job descriptions for HRMOS.

The services provided by BizReach are based on matching data that has been created through market principles. By providing this market data to companies to use as internal tools, we believe that the search for human resource and search for positions will progress more organically, leading to better quality matching and utilization. By linking BizReach and HRMOS, we believe that we can create a HCM data platform that has not been possible until now.

(Slide 33)

Shift from disconnection to centralization of internal and external data. Connection of BizReach and HRMOS. We believe this can change the “Workstyle” of Japan. We hope to make this fiscal year the first year of doing so.

(Slide 34)

I have talked a lot about generative AI technology, but we believe that our technology investment is a key driver of supporting changes in “Workstyle”. In the generative AI technology field, in which we have been investing for several years, we have obtained many generative AI-related patents at BizReach, Inc. in the past year.

(Slide 35)

This is the “GPT Model Resume / CV Creation” on the BizReach platform I mentioned earlier.

(Slide 36)

It also connects to “GPT Model Job Opening / Posting Creation.”

(Slide 37)

And, since the previous fiscal year, we have been investing to enable use in HRMOS to enable internal use by our customers. Let me emphasize that generative AI technology is fully utilized.

(Slide 38)

As I mentioned at the beginning, we believe that “Workstyle” in Japan is now at a big turning point. The job change ratio for full-time employees is 2.6%, but is this really sustainable? We think there is great potential for growth, both for individuals and for companies.

BizReach and HRMOS connection. I think that this HCM data platform concept will enable more professionals to be actively utilized, and by capturing the employment market based on market principles, there is still a lot of room for growth in our HR Tech field.

(Slide 39)

Regarding the third point of our commitment, incubation of new businesses and use of M&A, we will continue to make disciplined investments and continue to work hard to create new businesses based on issues that will arise in the future.

Cyber security, M&A, and logistics. These are issues in the Japanese economy that have been identified in government reports, and we will continue to make investments to create new revenue pillars by ourselves.

(Slide 40)

Regarding the capital allocation CFO Suefuji mentioned at the beginning, I would like to emphasize the priorities on the right side of the slide in particular.

First, we will be investing in our existing businesses, and we are looking to actively promote this. As I mentioned earlier, we commit to sustained growth and profit expansion of BizReach.

We have also carried out number of M&A deals, and we are looking to continue to actively promote M&A in existing and new areas from FY2025/7 and onwards too. Since we went public, we have been greatly affected by the impact of COVID-19, so for the past three years we have been managing our business in an extremely uncertain and unpredictable labor market.

In particular, we have been working hard to achieve disciplined growth for BizReach, while keeping costs down in new business areas, with the aim of achieving continuous growth on a consolidated basis. I personally feel that the uncertainty in this labor market is gradually weakening, and that we are finally in a situation where we can move forward in earnest with the third point of growth that we committed to since the time of our IPO. We will continue to execute M&A and invest in new businesses as an important management strategy and remain committed to them. After that, I would also like to consider shareholder return in the future.

(Slide 41)

As I mentioned earlier, we have been using M&A to achieve sustainable growth, and we will continue to do so in the future.

(Slide 42)

As a summary, we are committed to the sustained growth and profit expansion of BizReach, seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem, and growth through incubation of new businesses and use of M&A. Let me reiterate these three points as my commitment to you.

(Slide 43)

As for FY2025/7, as explained by CFO Suefuji just now, BizReach will be delivering FY consolidated net sales growth rate and operating profit margin that we had originally anticipated once the impact of COVID-19 ceased. We will also actively invest in existing and new businesses, and invest in human resources,

which is the source of our growth.

We thank you for the opportunity for us to explain to you our performance for FY2024/7 and our strategy for FY2025/7. We thank you for your continued support.

(Moderator) This concludes Visional Group financial results briefing for the fiscal year ending July 31, 2024. Thank you very much for your participation.

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