

Our Business Model and Strategy

October 2021



Visional, Inc.

Introduction to Visional Group

Persistent Creation of New Possibilities.

Our vision is to tap into the power of the internet
to support the innovative progress of our world
by persistently transforming social obstacles into new possibilities.

Our mission is to achieve “continuous contribution to impact the world.”

With these ambitions, we aspire together as partners
to create unique ecosystems and movements
that accelerate the world to a tomorrow in which we desire to be

01

The right thing
in the right way

02

Learn to evolve.
Evolve to learn

03

Fundamental
answers for our
customers

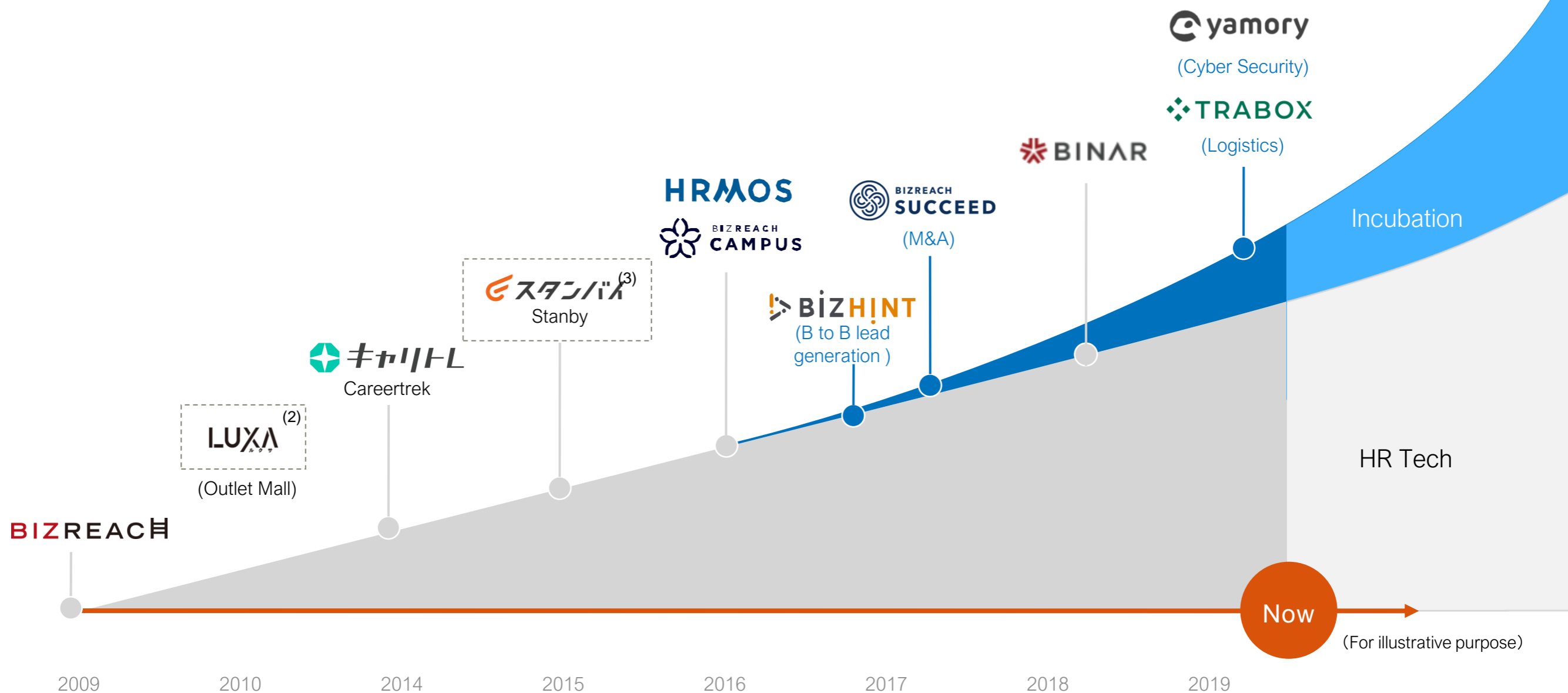
04

Action drives
breakthrough

05

Partnerships
create business

In addition to a solid track record of sustained growth in HR Tech, Visional is committed to incubating new businesses, accelerating the digital transformation (DX) of various industry verticals



Notes: (1) For illustrative purpose. Dates (year) below the horizontal line represent the timing of launch for each service (2) LUXA was fully incubated inside of BizReach, spun out as a subsidiary and sold entirely to KDDI in April 2015 (3) Stanby was fully incubated inside of BizReach, spun out as a subsidiary and partially (60%) sold to Z Holdings in December 2019. Visional continues to co-manage the joint venture together with Z Holdings as a 40% equity owner

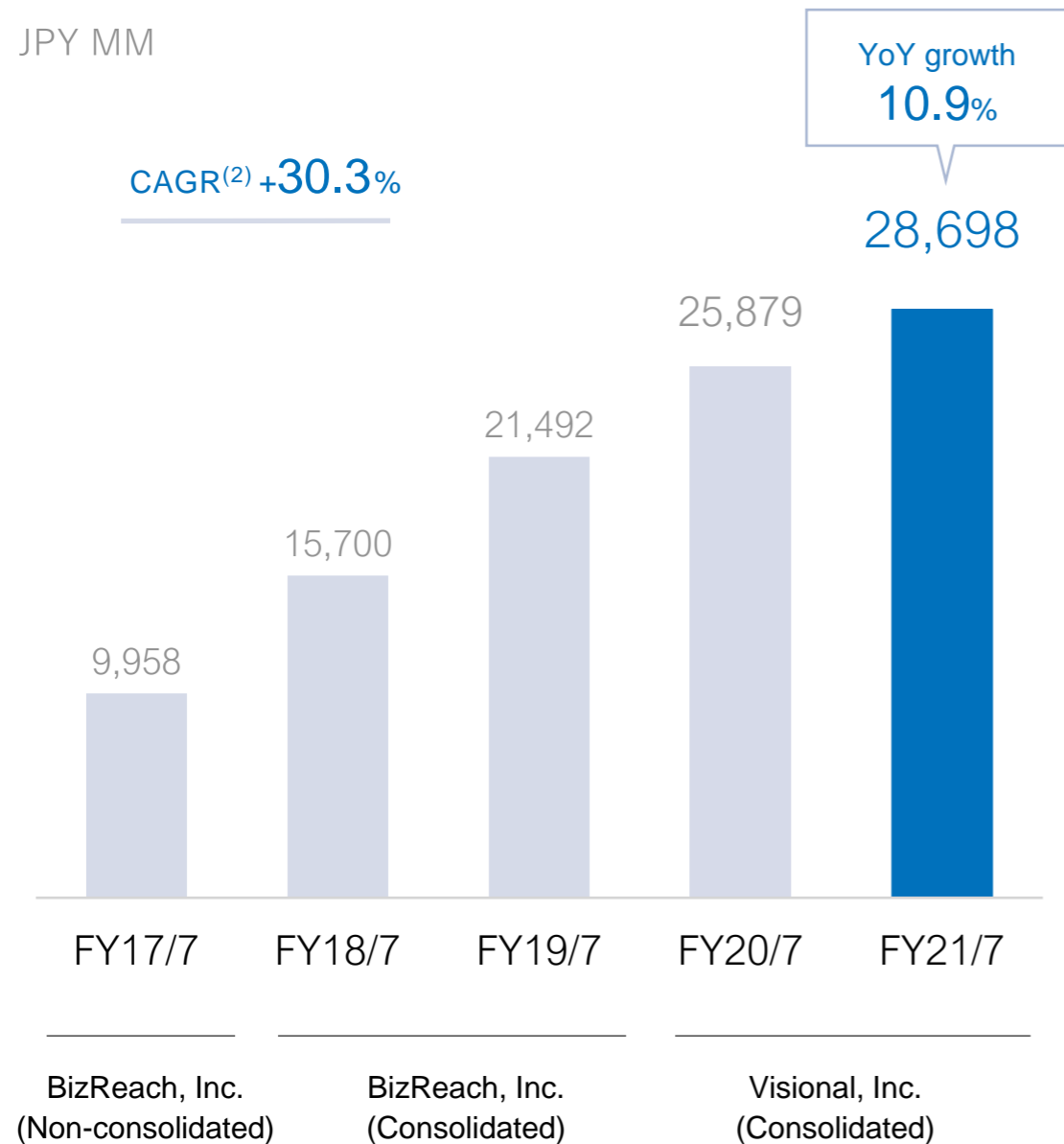
We utilize clear guidelines and multiple criteria to analyze structural changes across industries and research global trends before finally deciding on a market and a business model for new businesses

- ✓ Potential for dynamic growth emerging from structural shifts and technological innovation in Japan
- ✓ Obvious need for digital transformation (DX) in the industry
- ✓ Large total addressable market (TAM)
- ✓ Clear trend and benchmark in overseas markets
- ✓ Existence of established competitors with significant profitability

Net sales CAGR of 30.3%⁽²⁾, while re-investing profits into newly incubated businesses. Although negative net sales growth for FY2021/7 1H due to COVID-19, strong recovery in 2H, resulting in 10.9% growth for the full year. Strong P/L management balancing cost reduction and strategic investments leading to both net sales and profit growth

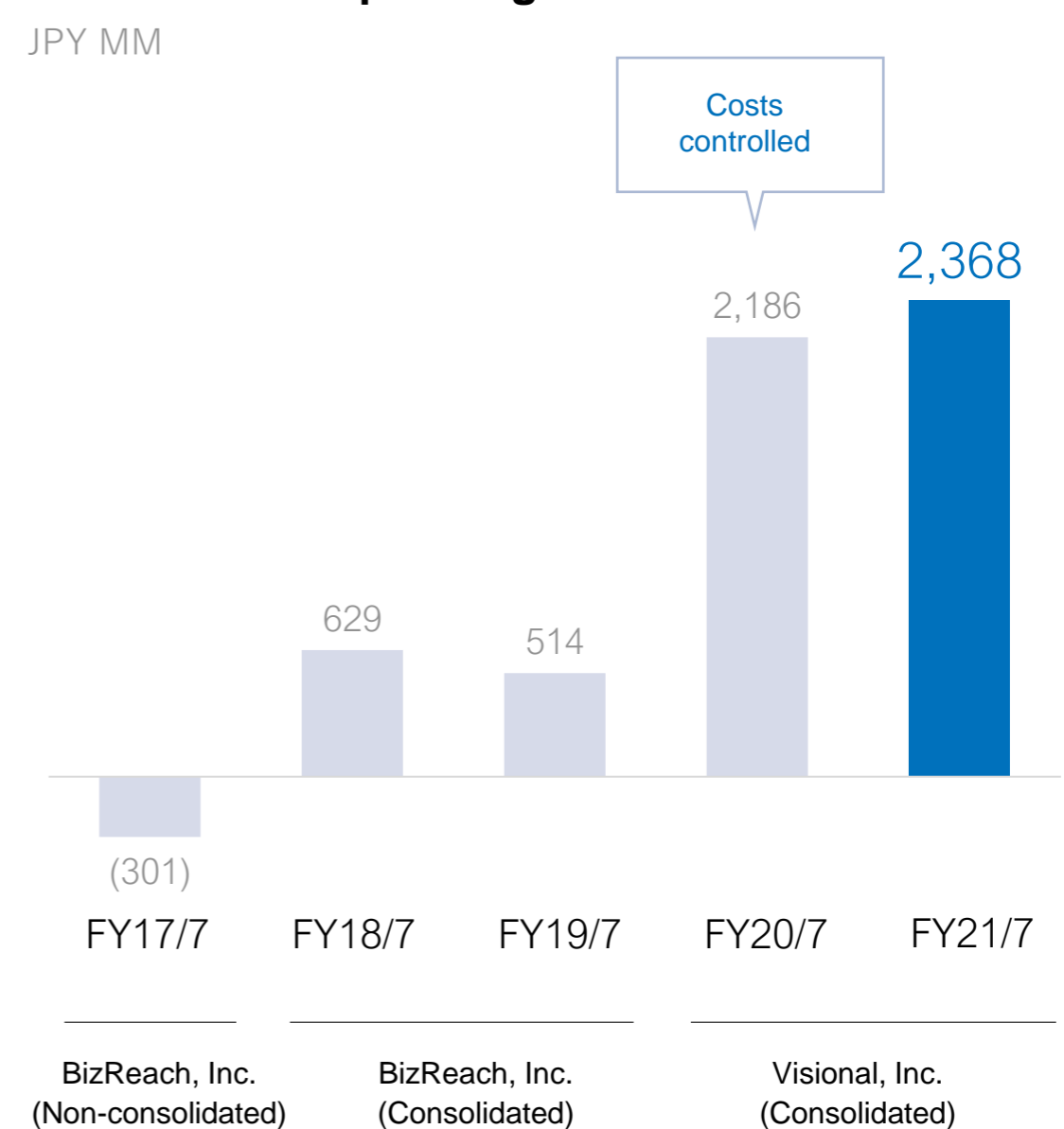
Consolidated Net Sales⁽¹⁾

JPY MM



Consolidated Operating Profit⁽¹⁾

JPY MM



Notes: (1) Based on FY20 financials prepared by Visonal, Inc. continued from the financials of BizReach, Inc. Visonal, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visonal, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc., and FY17 annual financial results are based on the non-consolidated financial results of BizReach, Inc. (All FYs end in July and prepared in accordance with J-GAAP) (2) From FY17 to FY21 (FY ending July)

1. Creation of HCM⁽¹⁾ Ecosystem: Accelerating Japan's Workstyle Reform

1-1: Pioneer of "Direct Recruiting" in the Japanese Recruitment Market

1-2: Further Development of HCM Ecosystem

2. Investments for Long Term Growth

3. Message to Investors

Note: (1) HCM = Human Capital Management

1

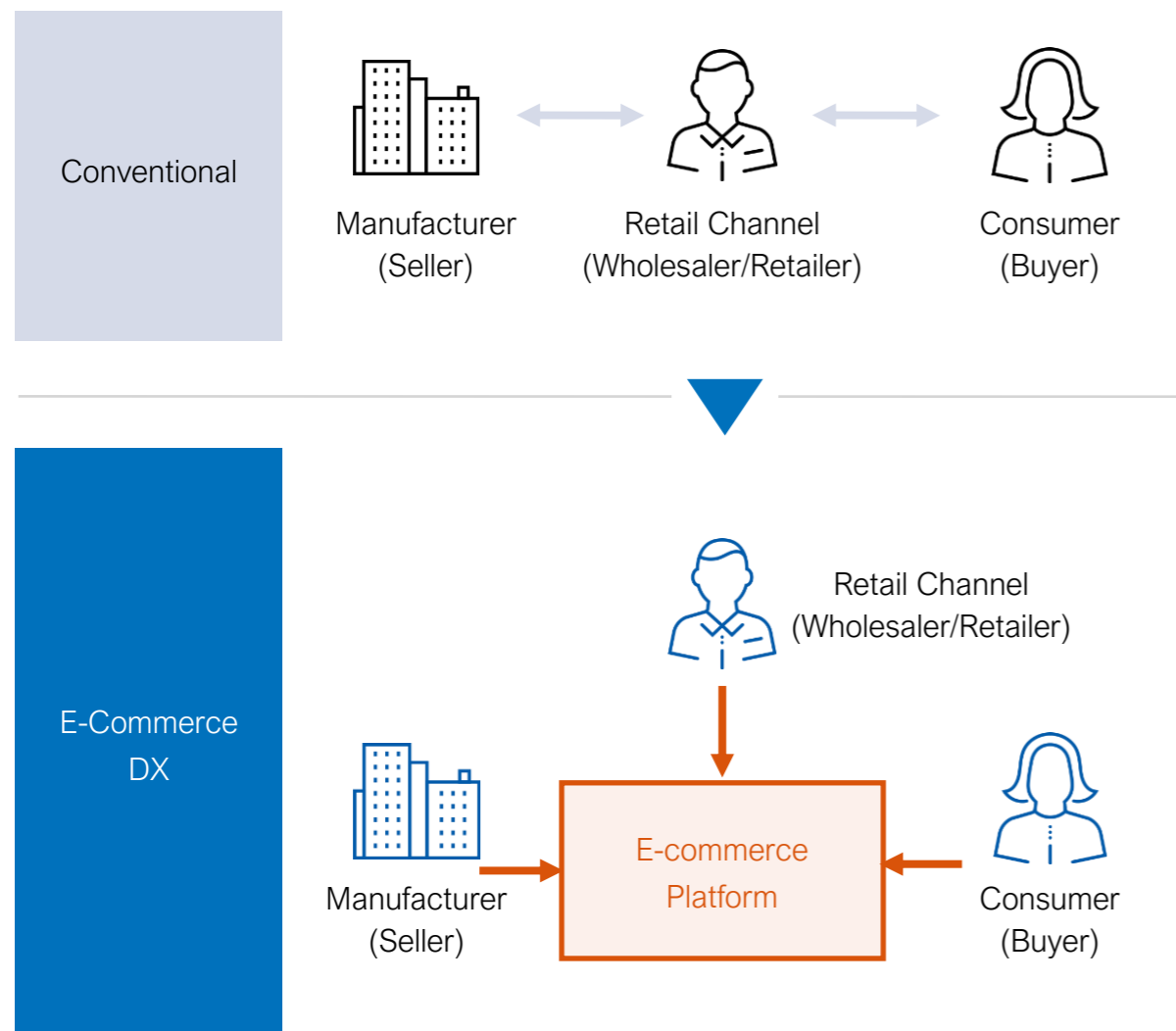
Creation of HCM Ecosystem: Accelerating Japan's Workstyle Reform

1-1

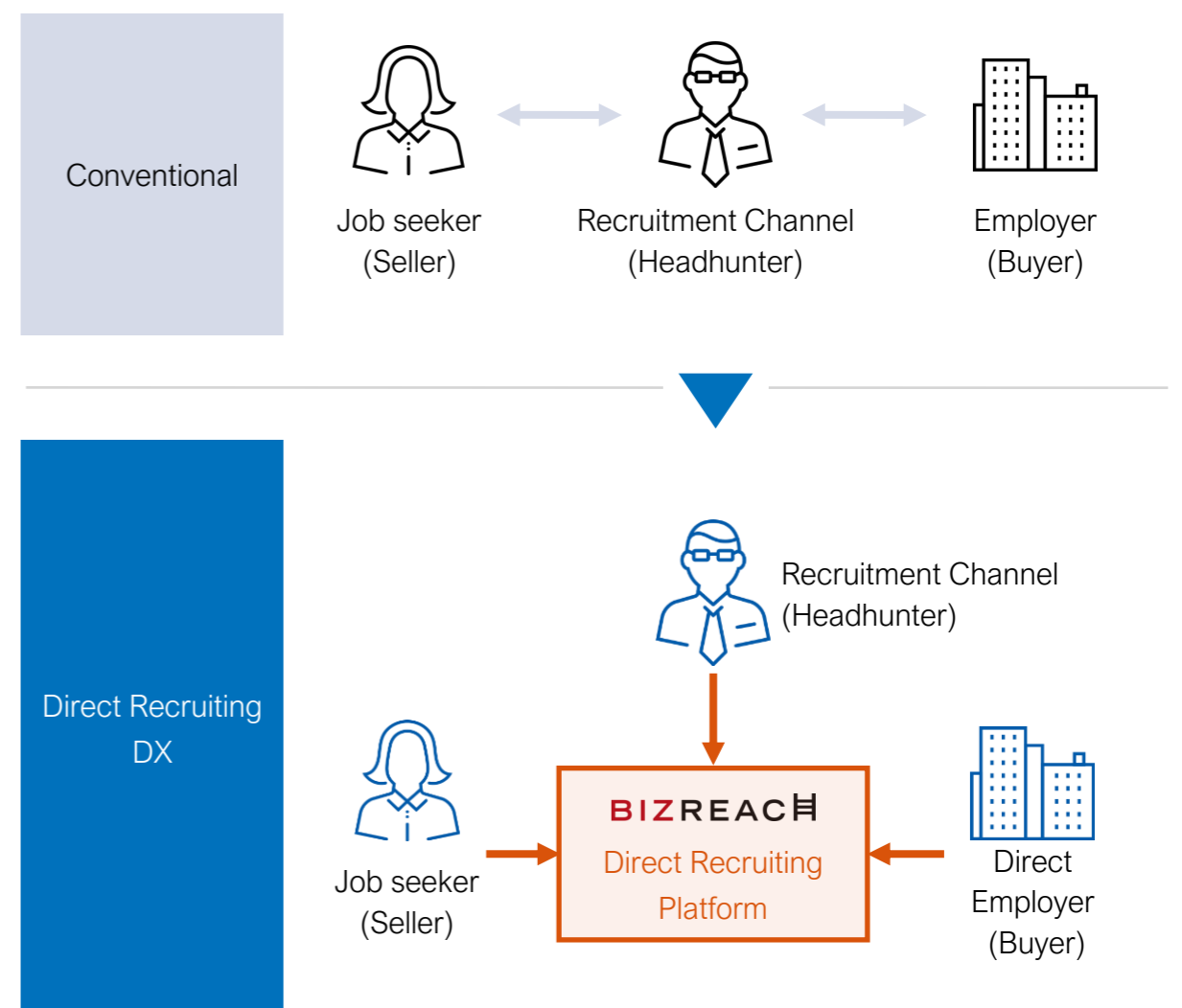
Pioneer of “Direct Recruiting” in the Japanese Recruitment Market

Similar to the structural transformation of the retail market caused by e-commerce, BizReach pioneered the concept of “Direct Recruiting” by creating an online career networking platform, which raised the transparency and efficiency of the professional recruitment market in Japan

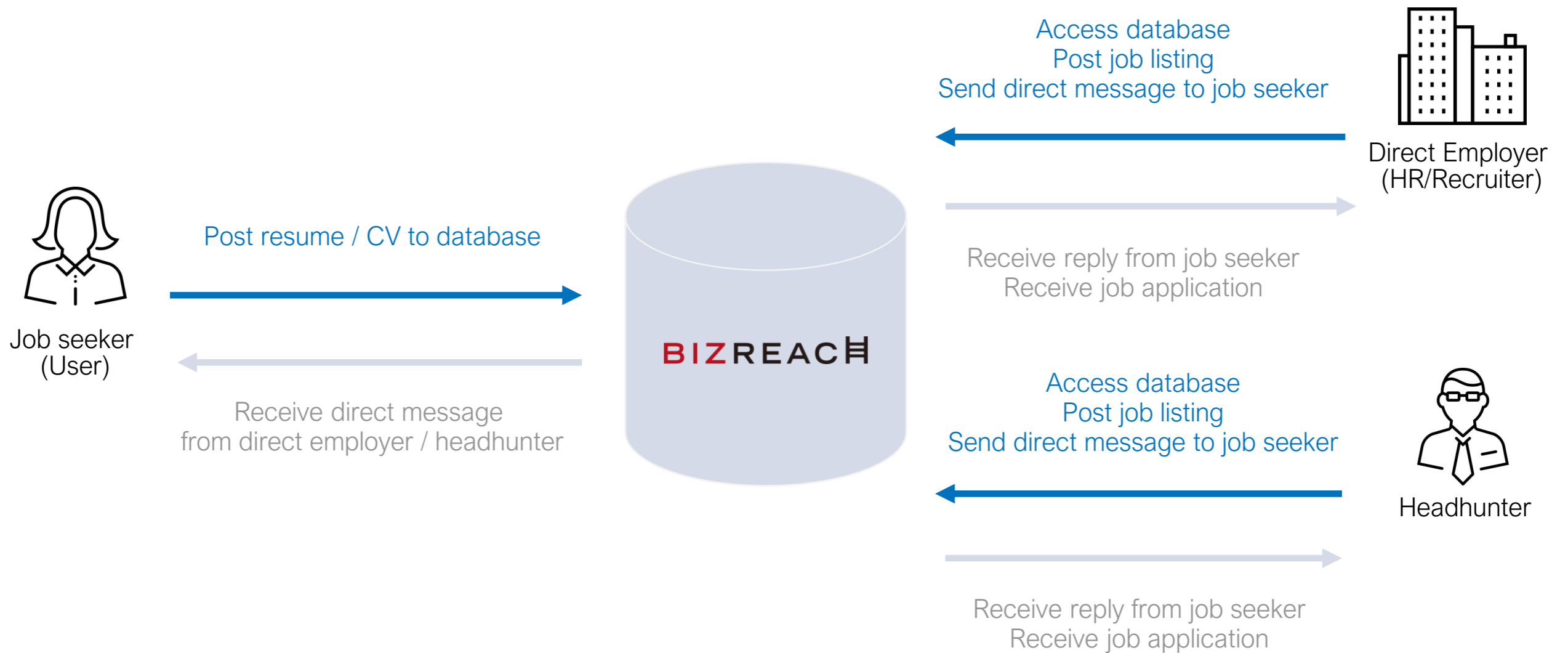
DX of Retail Market



DX of Professional Recruitment Market



The financially attractive and unique business model targeting for professional job seekers⁽¹⁾ is the foundation behind the scalability of BizReach



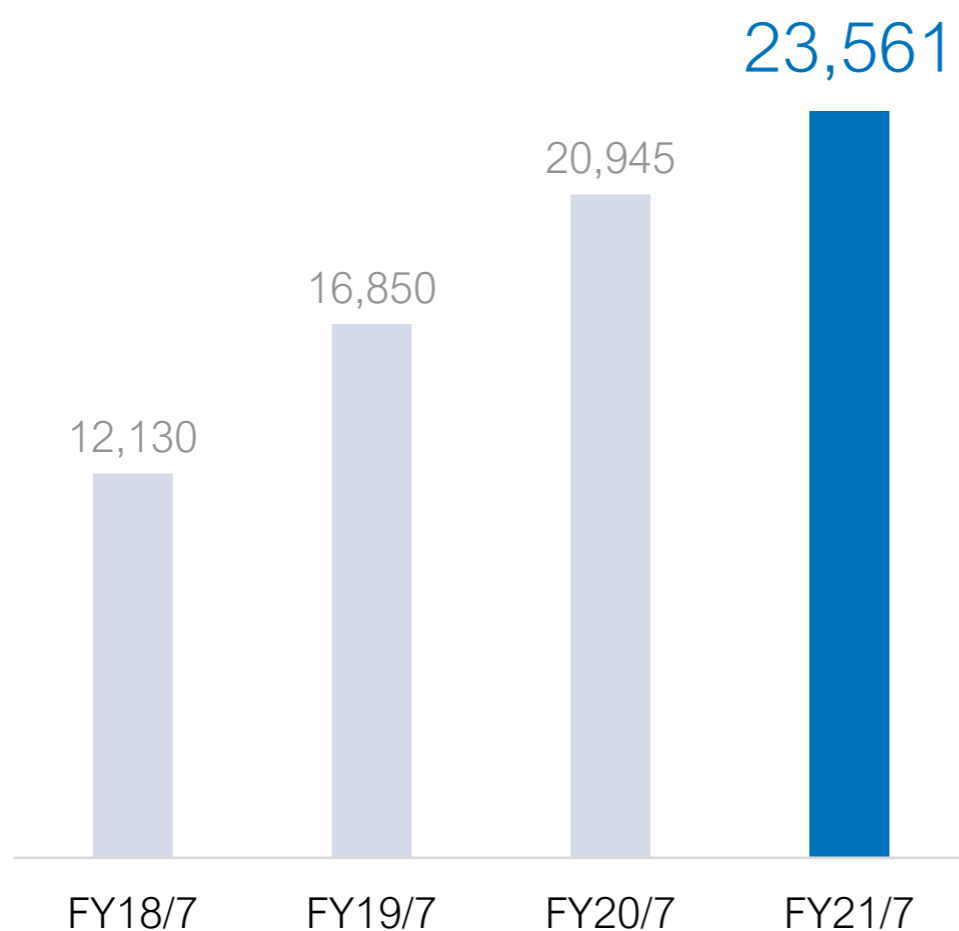
Note: (1) Including executives and mid to senior level employees

Strong revenue growth while scaling profitability

BizReach Business' Revenue⁽¹⁾⁽²⁾

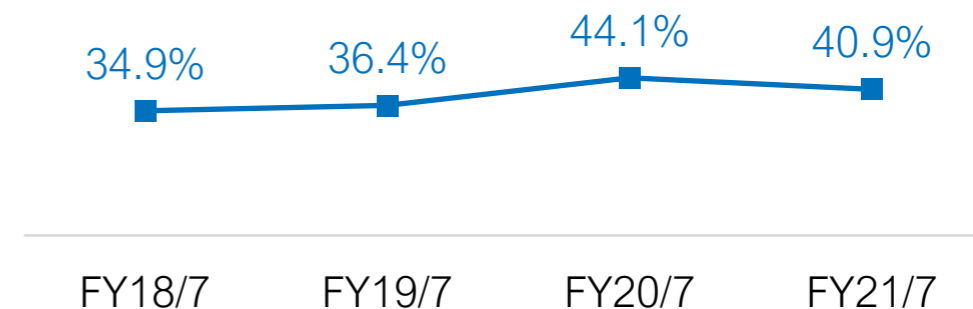
¥ MM

CAGR⁽³⁾ +24.8%



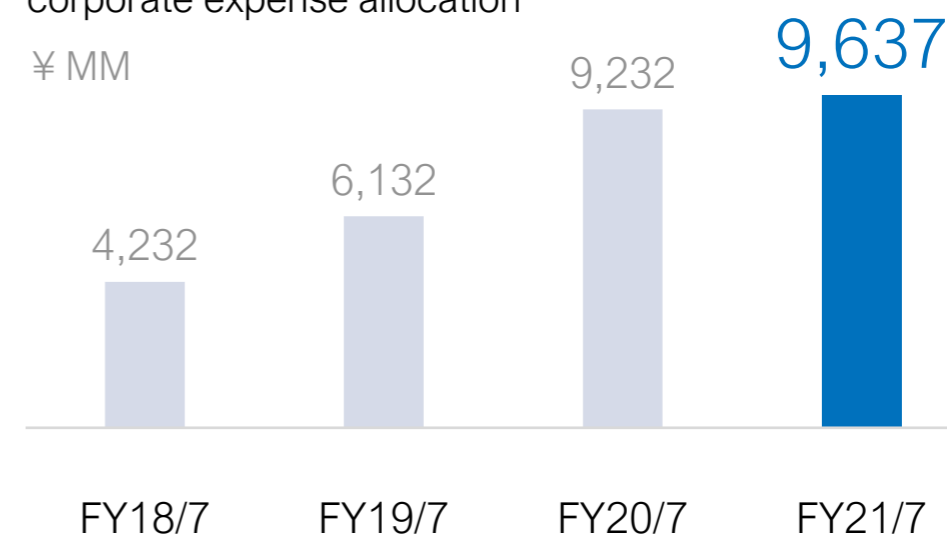
BizReach Business' Adjusted Operating Profit before Corporate Expense Allocation and Margin⁽¹⁾⁽²⁾⁽⁴⁾

Adjusted operating profit margin before corporate expense allocation



Adjusted operating profit before corporate expense allocation

¥ MM

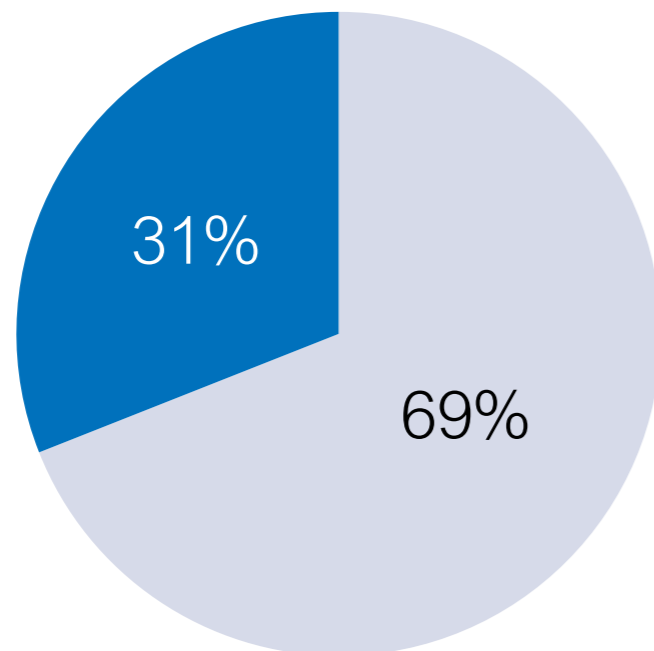


Notes: (1) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.) (2) BizReach business' revenue and adjusted operating profit / profit margin is recorded within the HR Tech reporting segment. Please refer to Appendix for segment data (3) CAGR from FY18 to FY21 (FY ending July) (4) Adjusted operating profit does not include corporate expenses (such as accounting, HR, legal, general affairs, etc.) which are not directly allocated to each business unit. Please refer to reconciliations in the Appendix

Unique mix of recurring revenue ⁽¹⁾ and performance revenue ⁽²⁾ as well as well-balanced customer breakdown of direct employers and headhunters have positioned BizReach to deliver solid and strong revenue growth

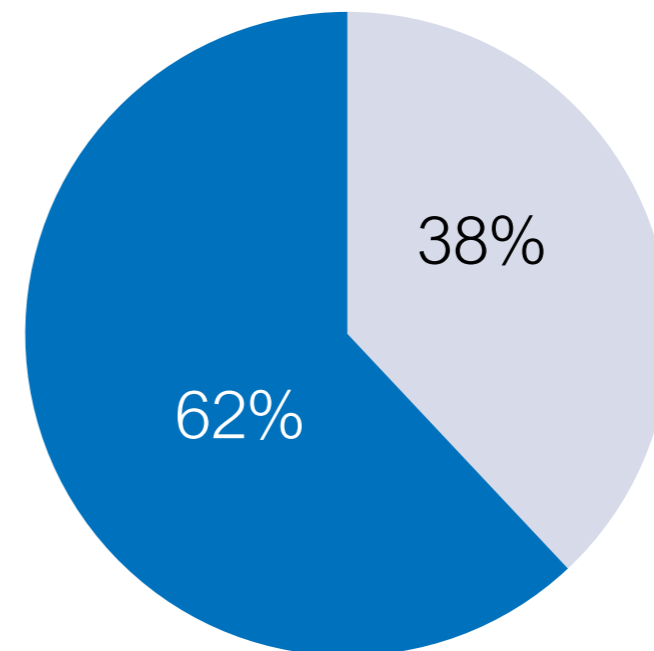
FY21/7 BizReach Business Revenue Breakdown by Fee Type ⁽³⁾

- Performance Revenue
- Recurring Revenue



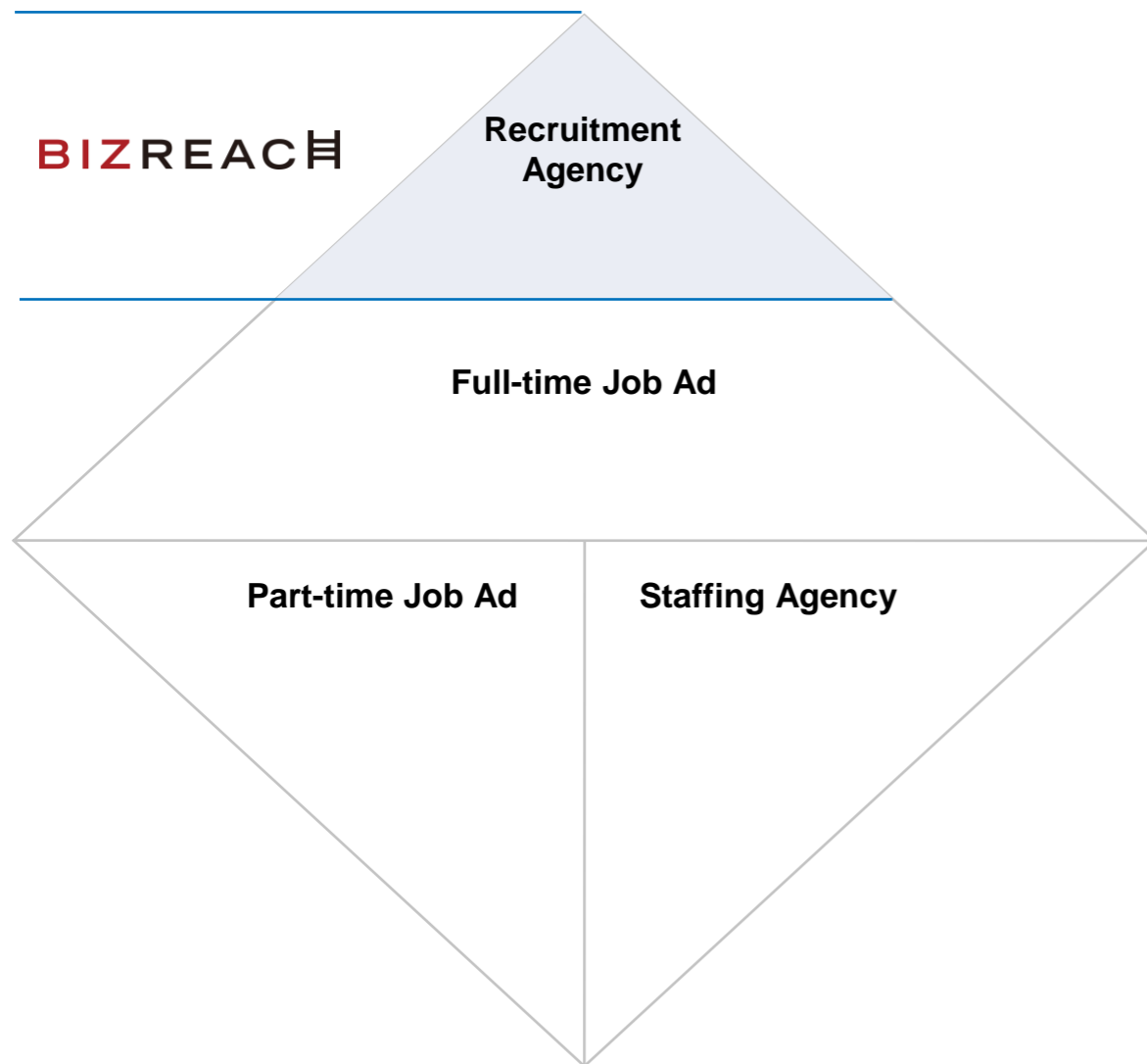
FY21/7 BizReach Business Revenue Breakdown by Direct Employers / Headhunters ⁽³⁾⁽⁴⁾

- Headhunters
- Direct Employers



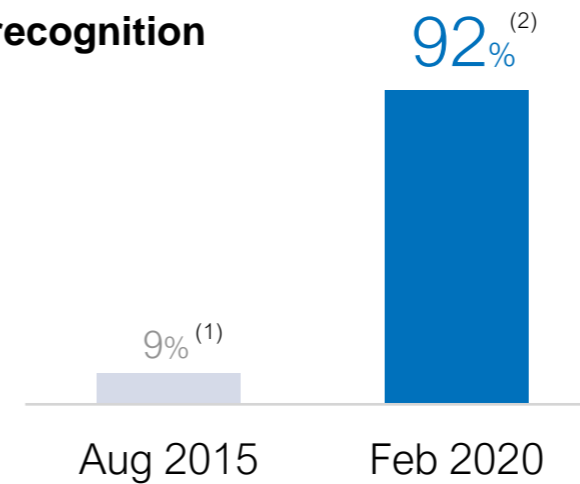
Notes: (1) "Recurring Revenue" consists of subscription fees from direct employers, headhunters accessing our platform and purchasing additional "platinum scout", and job seekers accessing our platform (2) "Performance Revenue" consists of success fees from direct employers and headhunters, which is derived from the successful hiring results of the client (3) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.) (4) Consists of recurring revenue and performance revenue

Unique value proposition in professional recruiting as an online career platform working with headhunters



Employer brand recognition

Brand recognition

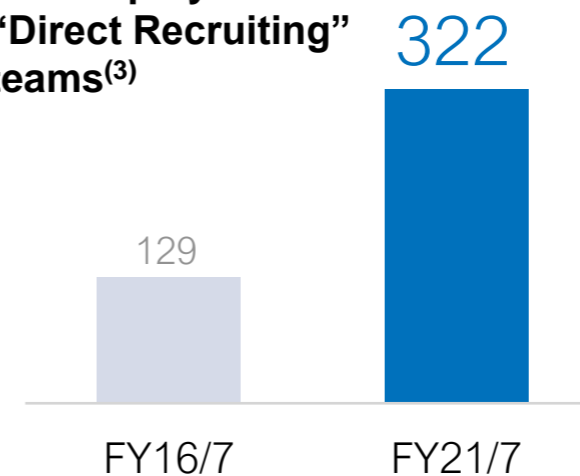


Effective mix of online & mass marketing investment by In-House Marketing team



Expansion of “Direct Recruiting” movement

of employees on “Direct Recruiting” teams⁽³⁾

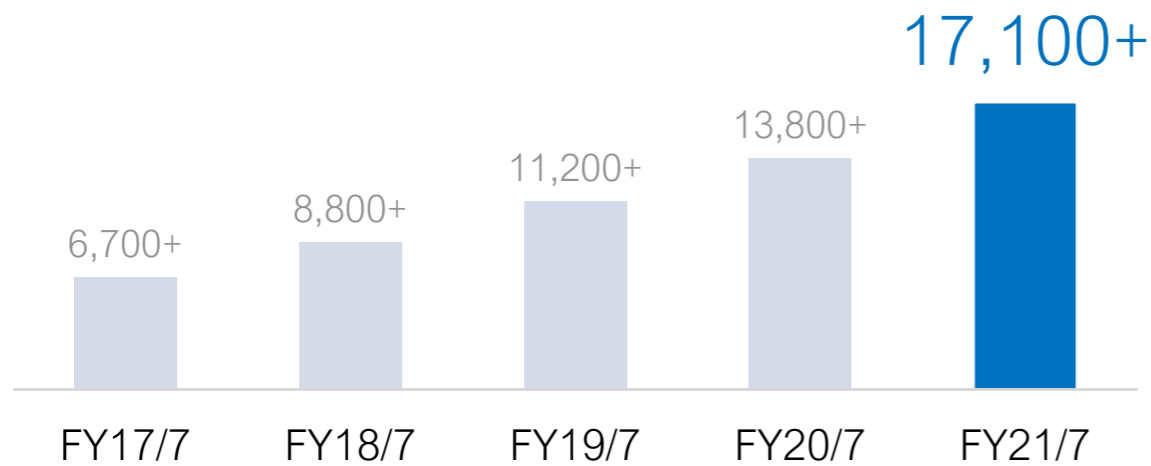


Customer Success / Performance Success teams were strengthened to improve effectiveness of hiring

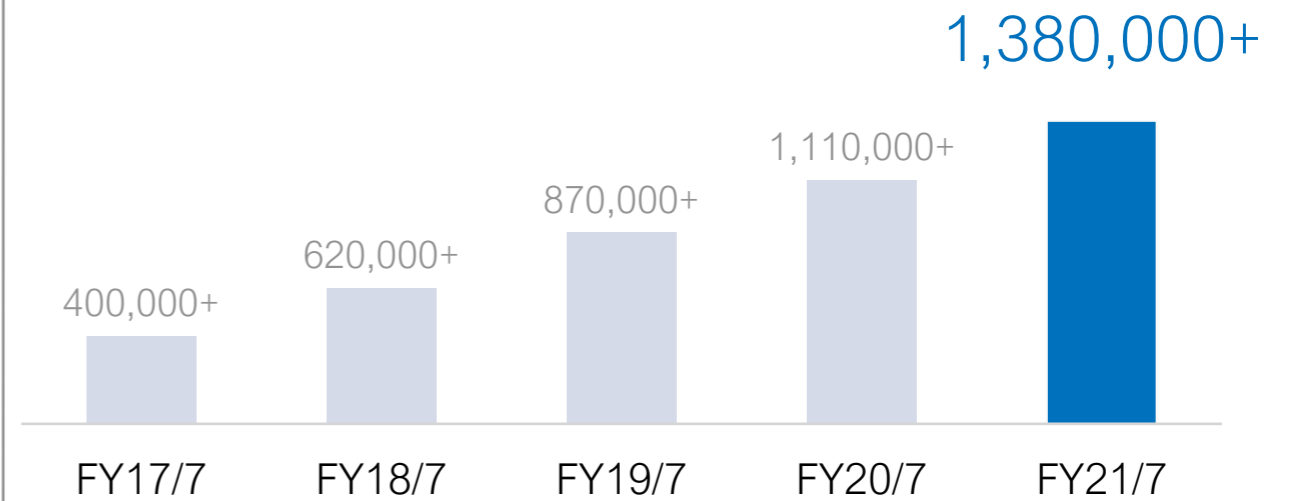
Notes: (1) Brand recognition among decision makers in charge of HR / recruiting in companies with above 30 employees in the Tokyo Metropolitan area as of August 2015. Source: Internet survey by ADK Holdings, Inc. (former ASATSU-DK, Inc.) (2) Brand recognition among persons in charge of lateral recruitment of full-time employees in the Kanto region as of February 2020. Survey subject: BizReach, Inc. / Name of the research institution: INTAGE, Inc. (3) Full-time employees on “Direct Recruiting” teams who exclusively service direct employers

Strong customer base driven by hiring needs and increased job seekers. Maintaining quality of headhunters is key to our platform, and we will continue to monitor balance whilst expanding the platform

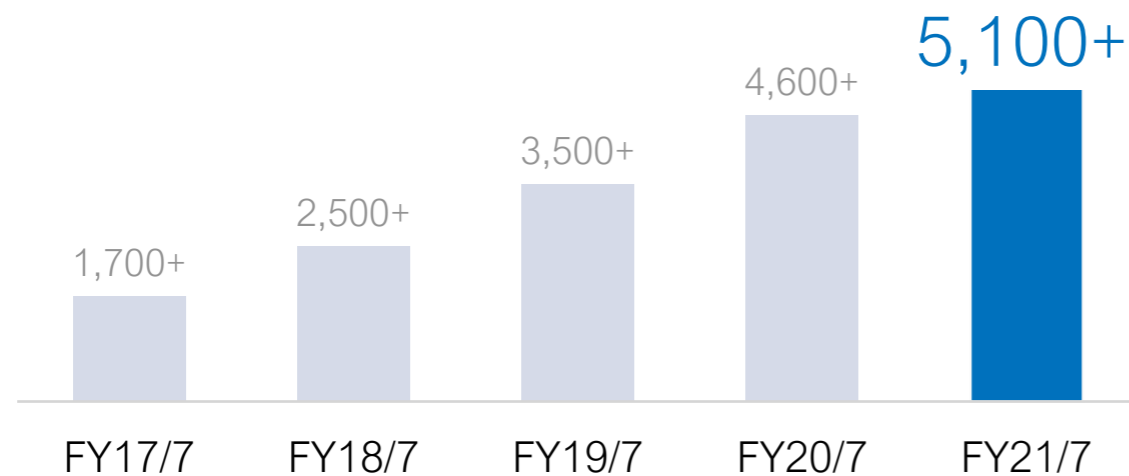
of Registered Direct Employers⁽¹⁾



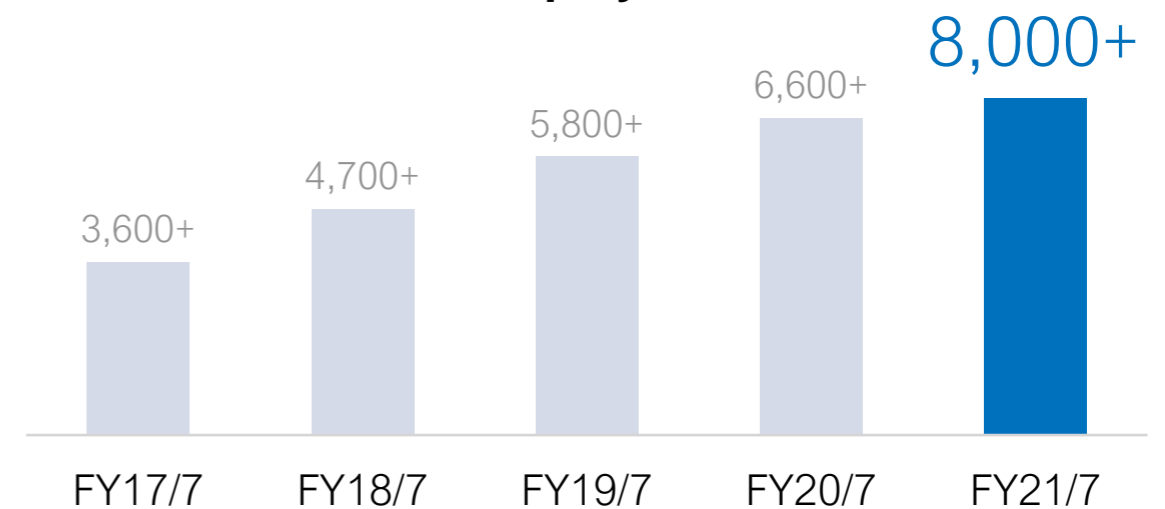
of Scoutable Job Seekers⁽³⁾



of Active Headhunters⁽²⁾



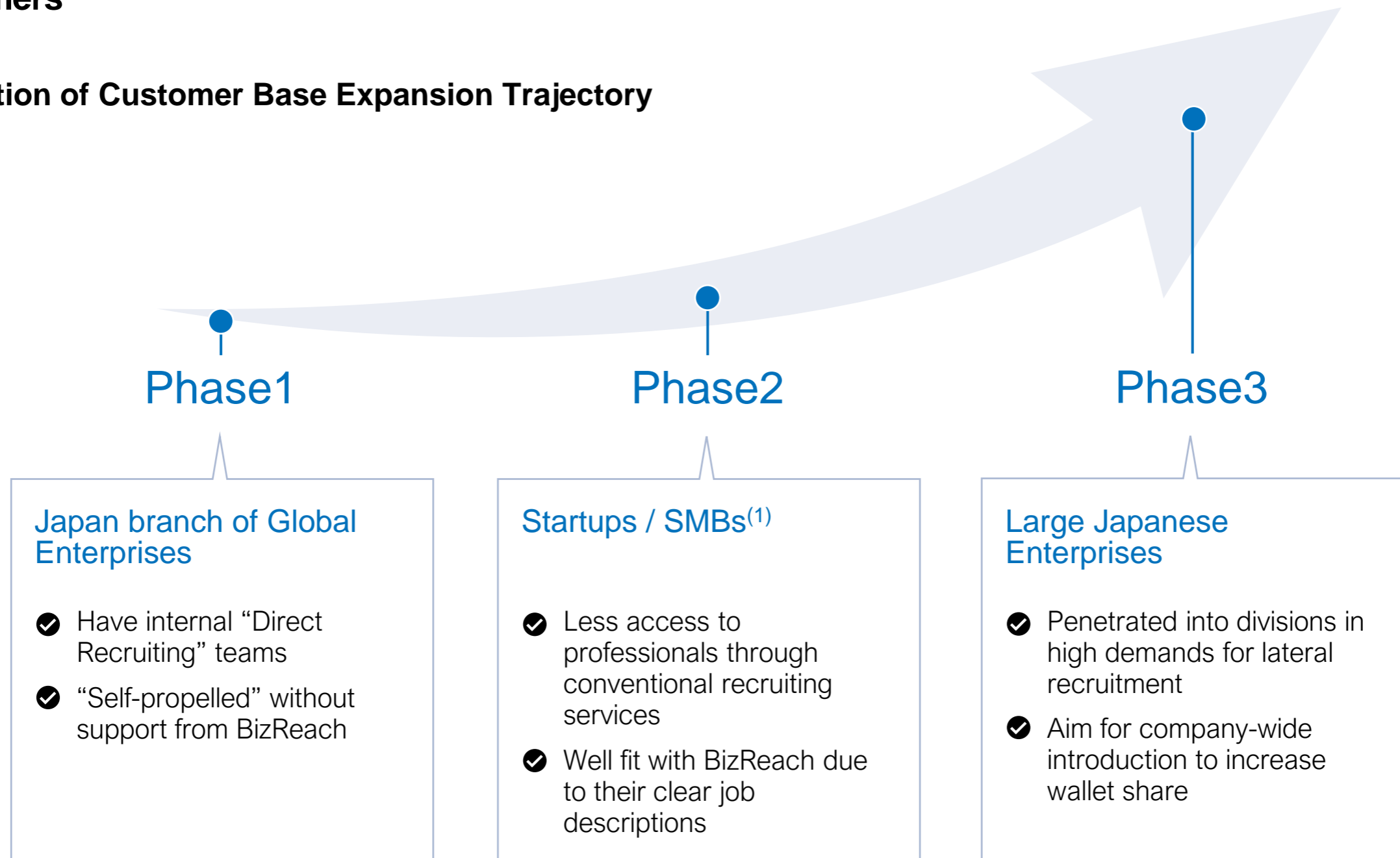
of Active Direct Employers⁽⁴⁾



Notes: (1) Direct employers who have subscribed to our BizReach platform (excluding headhunters) (2) All passed screening by BizReach (3) # of users who registered on BizReach platform with resume that have passed a general screening process and whose profile is set to be viewable by direct employers and headhunters (4) Direct employers who have subscribed to our BizReach platform at any point in time during each fiscal year

Customer base has expanded from Japan branch of global enterprises and startups to large Japanese enterprises, but still massive untapped wallet exists for company-wide introduction and new customers

Illustration of Customer Base Expansion Trajectory



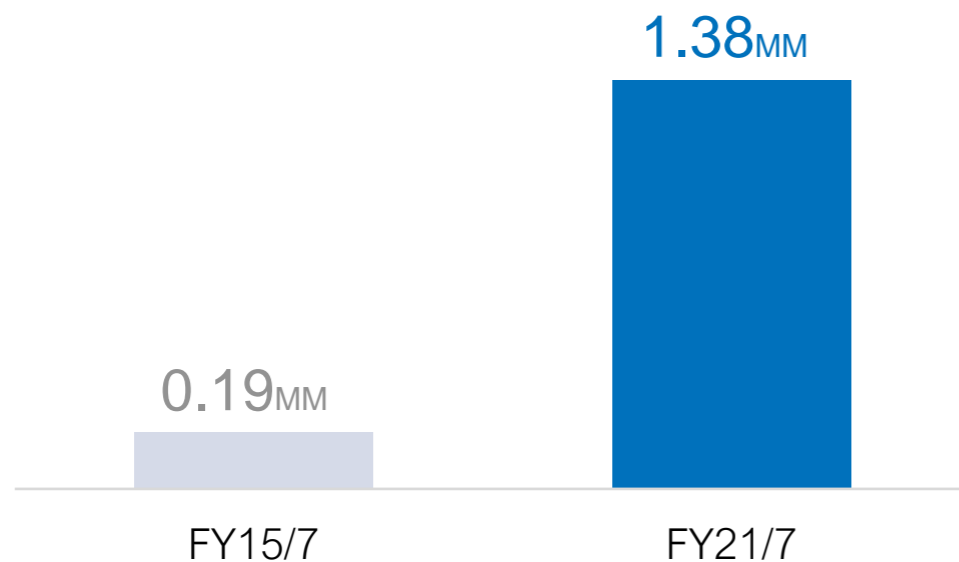
While penetrating further into the professionals' population, accelerate new client acquisitions and increase wallet share of existing clients to drive further top-line growth

Growing # of "Scoutable" Job Seekers on BizReach with Huge Upside Potential

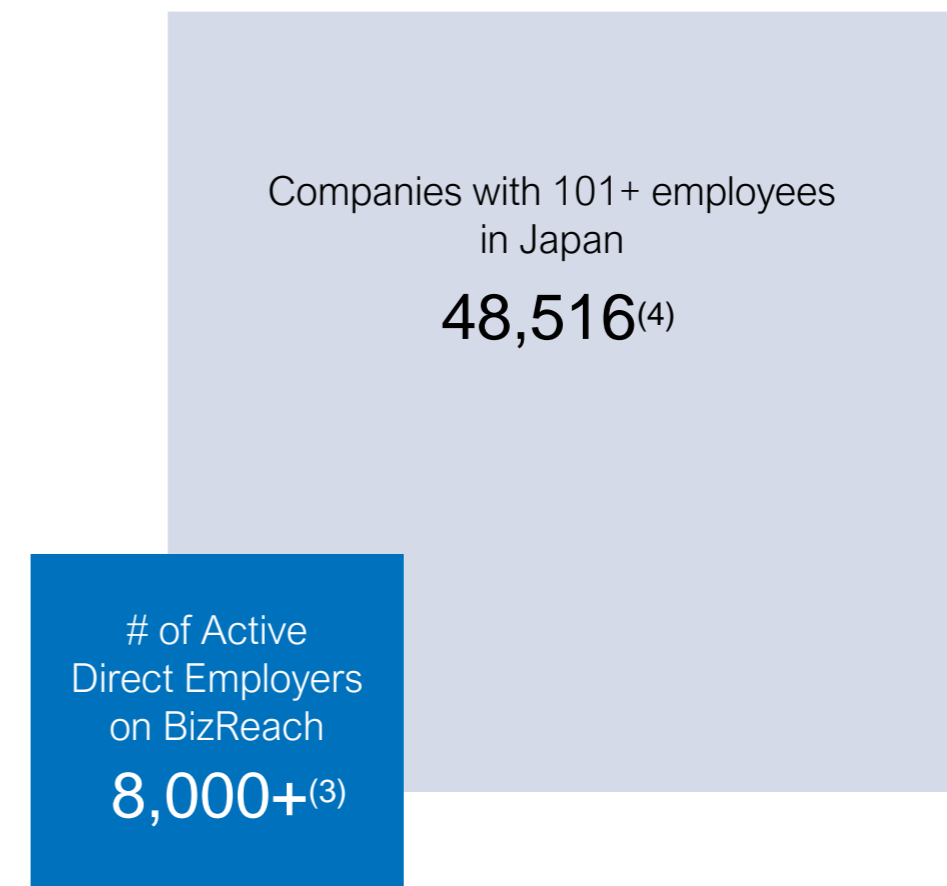
of "Scoutable" Job Seekers on BizReach⁽¹⁾

of wage earners in Japan in 2019⁽²⁾

2.56MM	Annual income	¥10 MM+
10.83MM	Annual income	¥6 MM+



Potential Market Penetration of Employers

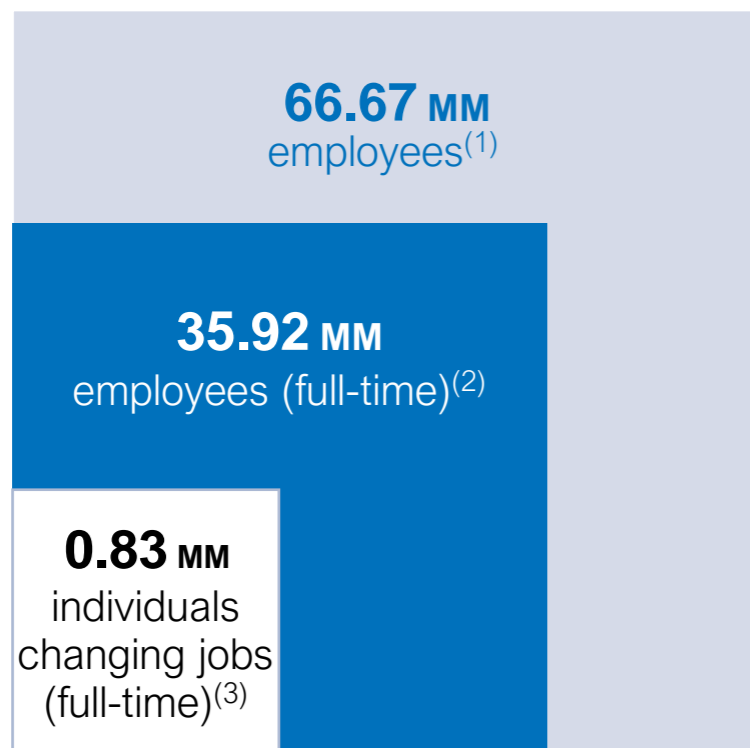


Notes: (1) # of users who registered on BizReach platform with resume that have passed a general screening process and whose profile is set to be viewable by direct employers and headhunters (2) Based on "2019 Statistical Survey of Actual Statistics for Salary in the Private Sector" by Japanese National Tax Agency (<https://www.nta.go.jp/publication/statistics/kokuzeicho/minkan2019/pdf/001.pdf>) (3) As of July 2021. Direct employers who have subscribed to our BizReach platform at any point in time within FY20/7 (4) As of the end of June 2021. Based on "Notification and Certification Status of General Employers Action Plan Formulation Notification by Prefecture (As of the end of June 2021)" by Ministry of Health, Labor and Welfare (https://www.mhlw.go.jp/general/seido/koyou/jisedai/dl/jyoukyou_r03_06.pdf)

Japanese recruitment market is undergoing a structural stage of expansion due to the ongoing changes in workstyle, which will increase liquidity in the Japanese labor market going forward

Significant Room for Job Mobility in Japan

2020



Acceleration of Workstyle Shifts in Japan

- ✔ Conventional workstyle no longer sustainable due to a mismatch of corporation and worker life spans
- ✔ Performance-based workstyle with clear job descriptions accelerates the job change movement
- ✔ “Direct Recruiting” becomes essential for employers as the war for talent accelerates
- ✔ The shift to remote work caused by Covid-19 is expected to further drive this movement

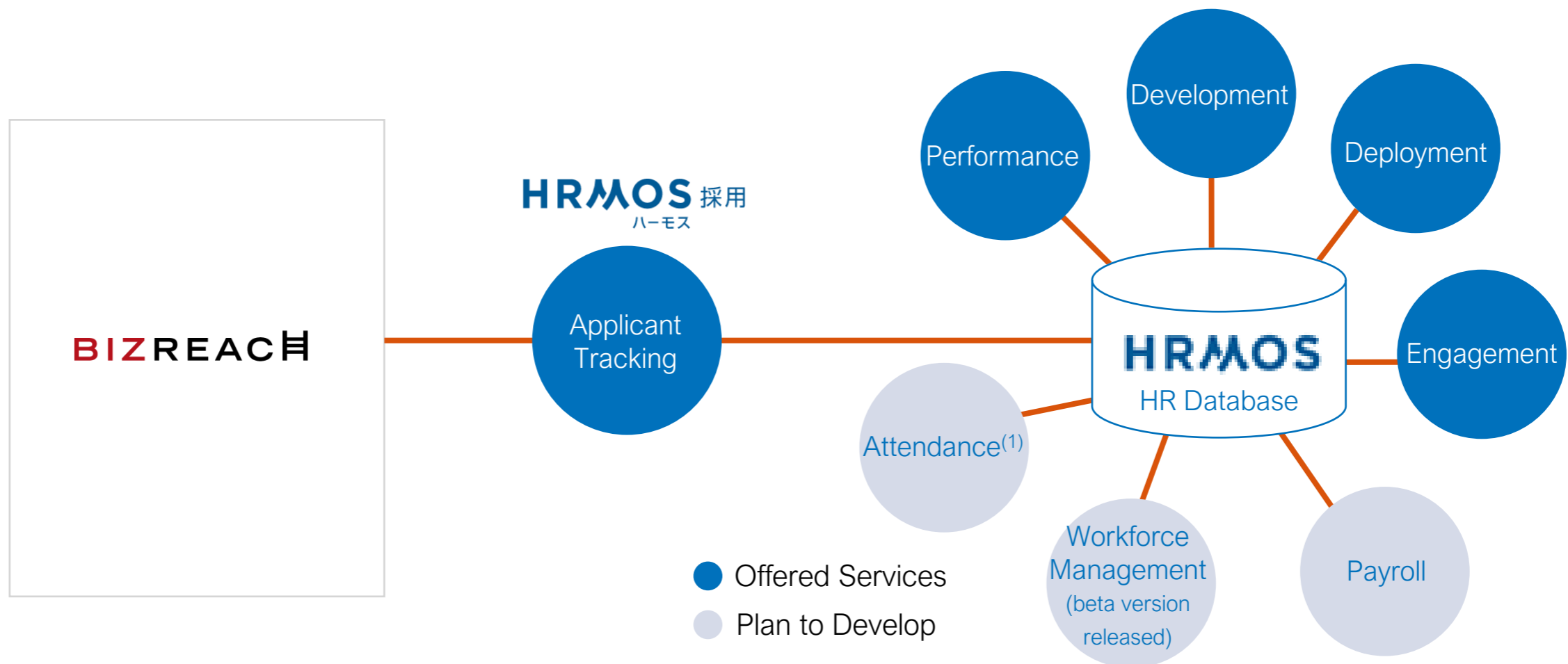
Notes: (1) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2020. Figures are calculated as taking twelve months average of the monthly research on the number of employees, as of the end of each month (2) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2020. Figures are calculated as taking twelve months average of the monthly research on the number of full-time employees, as of the end of each month (3) Source: “Labor Force Survey” by Statistics Bureau, Ministry of Internal Affairs and Communications from CY2020. Figures are calculated as taking twelve months average of the monthly research on the number of full-time employees, who changed jobs to full-time jobs within a year, as of the end of each month

1-2

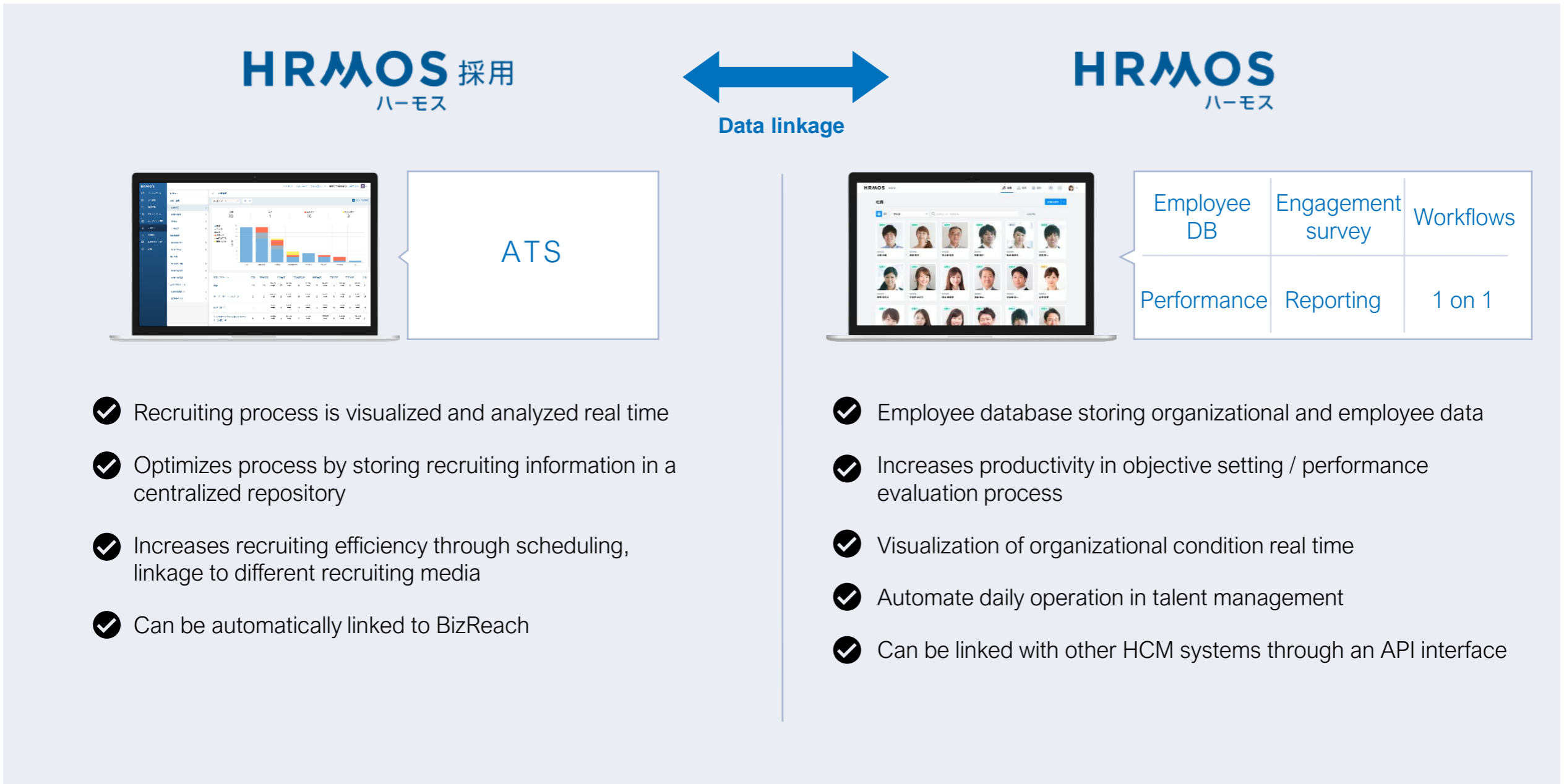
Further Development of HCM Ecosystem

Seamless integration of BizReach and HRMOS to create a unified, data-driven HCM Ecosystem where employee productivity is optimized, business operations are streamlined to guide our customers make smarter decisions

Human Capital Management (HCM) Ecosystem



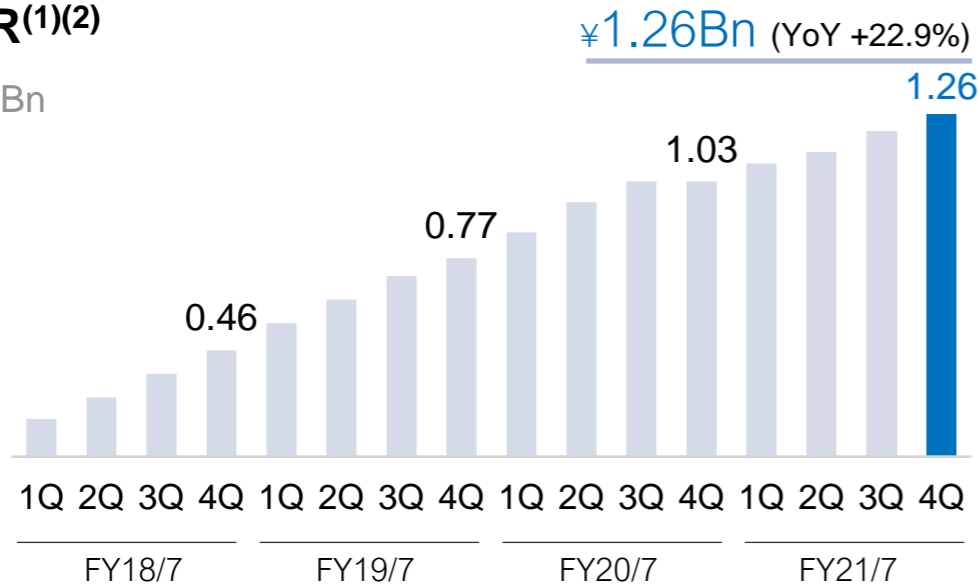
Data linkage between modules in the cloud-based HCM SaaS Solution enables optimization of different operational processes



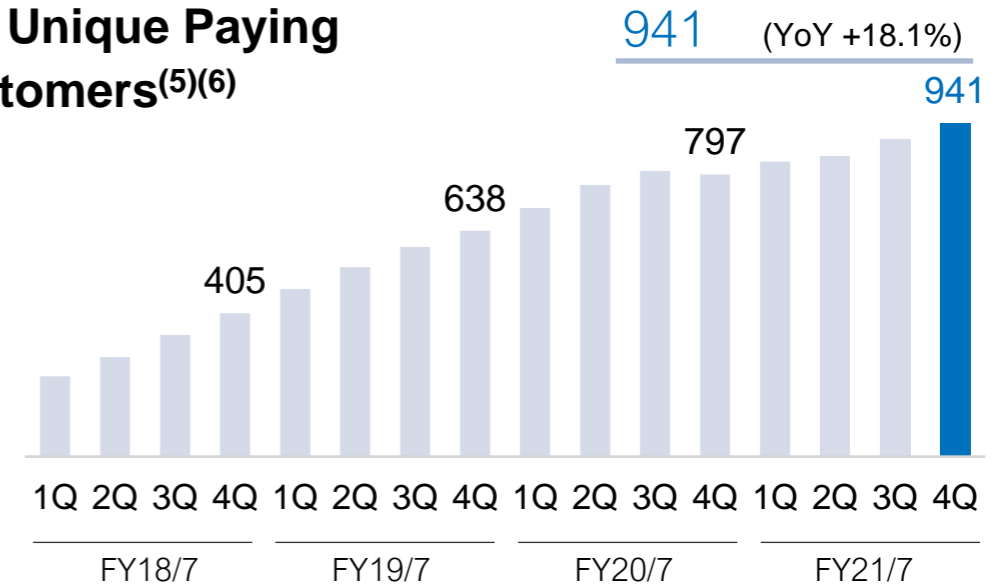
ARR exceeded JPY 1.26Bn in 4Q FY2021/7 driven by solid growth of sticky customer base and ARPU expansion

ARR⁽¹⁾⁽²⁾

JPY Bn

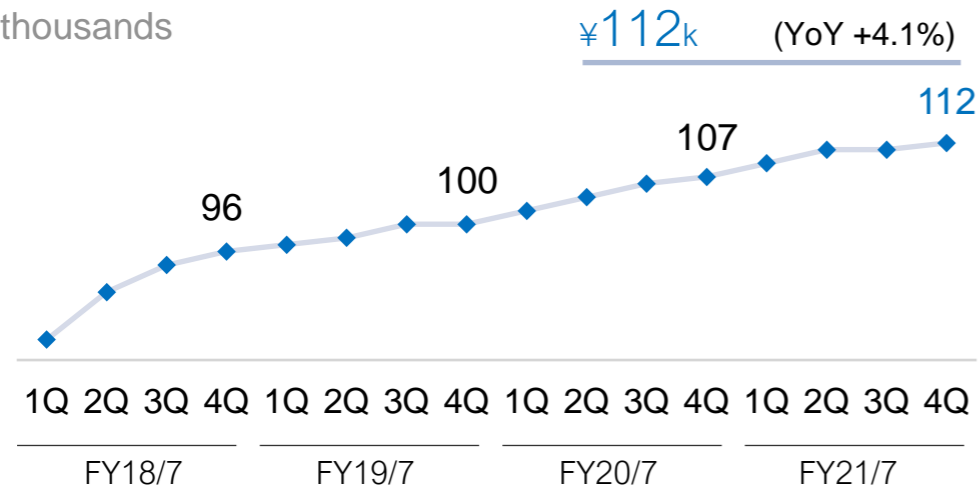


of Unique Paying Customers⁽⁵⁾⁽⁶⁾

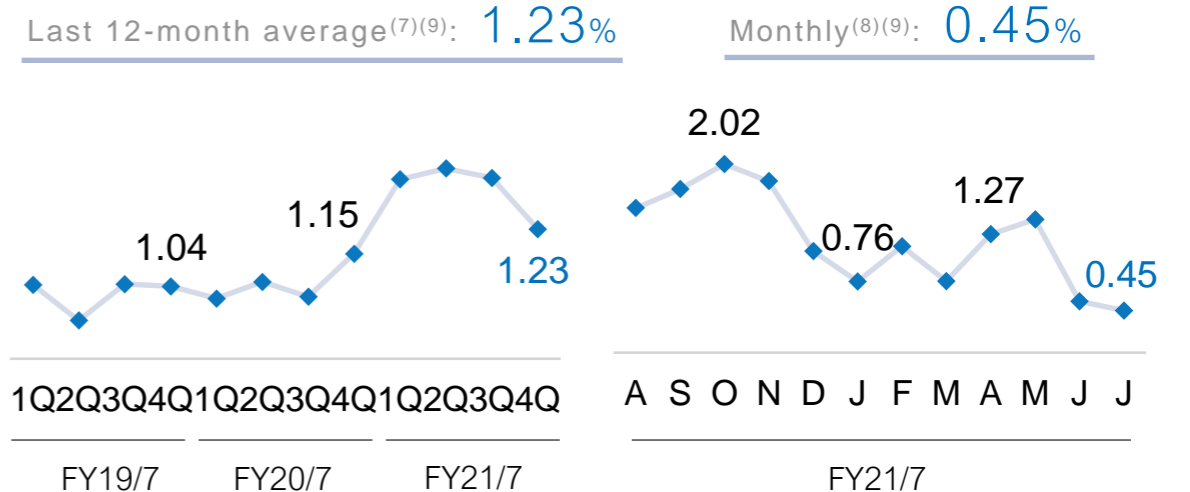


ARPU⁽³⁾⁽⁴⁾

JPY thousands



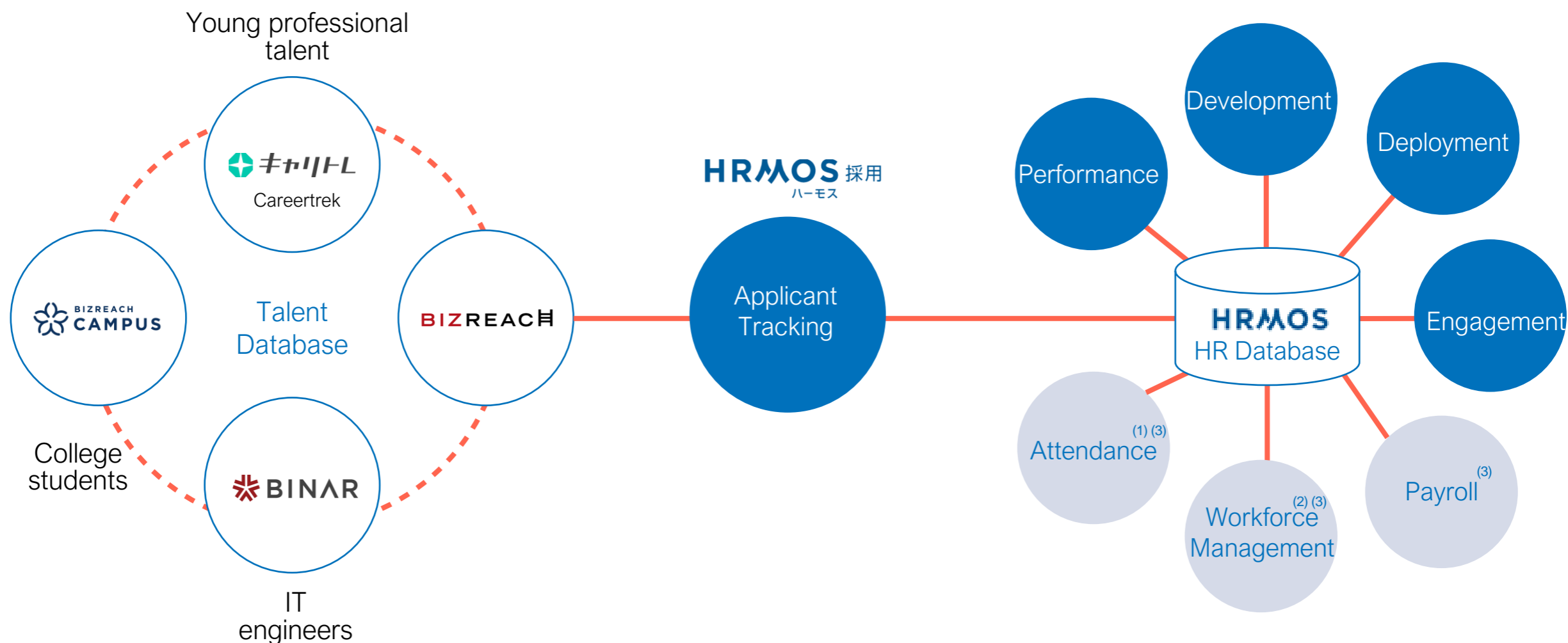
Churn Rate



Notes: (1) HRMOS Annual Recurring Revenue (ARR). HRMOS MRR (Monthly Recurring Revenue) for the last month of a quarter multiplied by 12 (MRR = previous month's monthly recurring revenue + newly acquired monthly recurring revenue + upsell monthly recurring revenue - down-sell monthly recurring revenue - churned monthly recurring revenue. Excludes one-time fees such as initial setup fees) (2) As of July 2021 (3) HRMOS Average Revenue Per User (ARPU). HRMOS MRR for the last month of the relevant quarter divided by the number of unique paying customers as of the end of the same quarter (4) As of July 2021 (5) Unique fee-paying customers as of the final month of the quarter. Customers using multiple HRMOS modules are counted as one customer (6) As of July 2021 (7) Last 12-month average of Monthly Churn Rate based on HRMOS MRR as of the final month of the quarter. Monthly Churn Rate = churned monthly HRMOS MRR divided by HRMOS MRR at the end of previous month (8) Monthly Churn Rate = churned monthly HRMOS MRR divided by HRMOS MRR at the end of previous month (9) As of July 2021

Online recruiting platforms specializing in various areas, and new modules in talent management and workforce management incubated to further support the creation of our unified, data-driven HCM Ecosystem

Human Capital Management (HCM) Ecosystem



Notes: (1) Plan to acquire 80.1% of the shares of IEYASU, Inc., which develops and sells attendance management systems, as of November 1, 2021. (2) Launch of the beta version in May 2021. (3) Products to be developed

2

Investments for Long Term Growth

Building on the proven set of principles and approaches that enabled our prior successes, we will continue to evaluate all potential areas of growth that will emerge from seismic shifts and technological innovation in Japan

Guidelines for deciding on a market and a business model

- ✓ Potential for dynamic growth emerging from structural shifts and technological innovation in Japan
- ✓ Obvious need for digital transformation (DX) in the industry
- ✓ Large total addressable market (TAM)
- ✓ Clear trend and benchmark in overseas markets
- ✓ Existence of established competitors with significant profitability



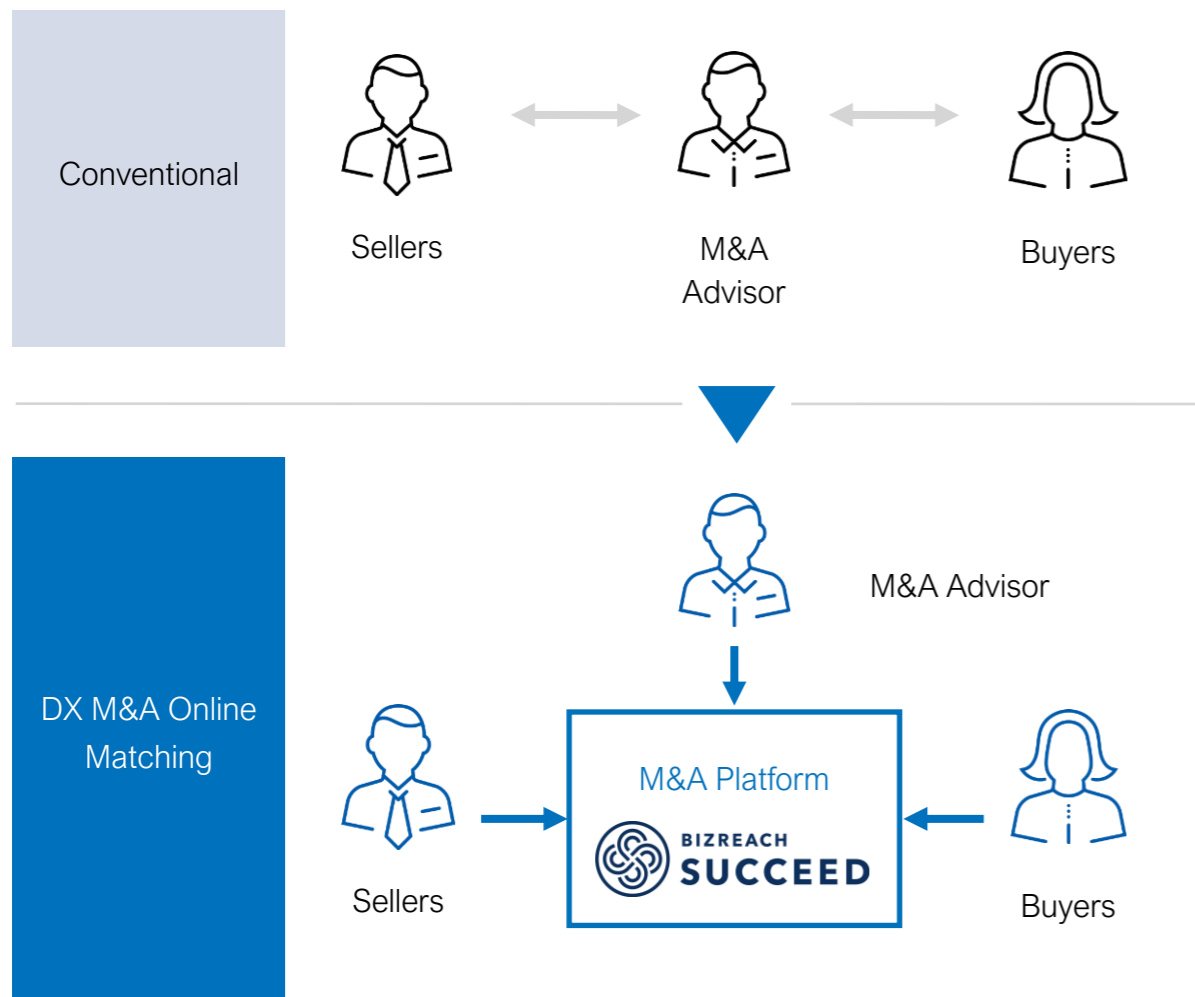
MVP⁽¹⁾ and lean startup organization

- ✓ Start with a small team
- ✓ Incubate businesses for 2-3 years in “Build-Measure-Learn” feedback cycle to check business models and pivot if necessary
- ✓ Invest further when the business model is prepared to scale

BizReach SUCCEED:

Similar to BizReach, developed an online M&A platform that enables direct communication between parties. Increase liquidity in the M&A market to enhance productivity in Japan

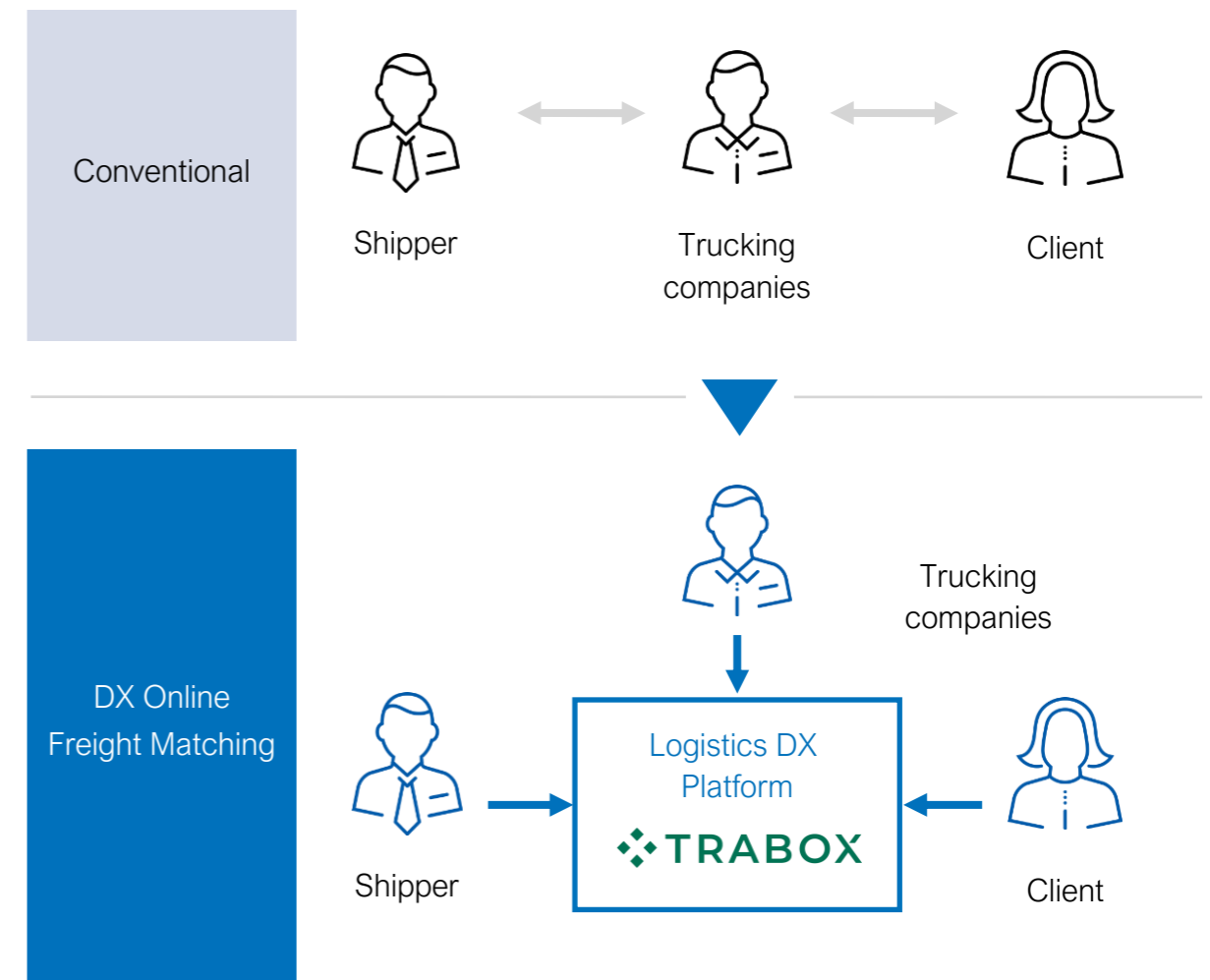
DX in M&A Industry



Trabox:

Acquired one of the largest freight matching platforms (load board) in Japan. Plan to enter into a cloud-based TMS (Transport Management System) to accelerate DX in logistics industry

DX of Logistics Industry



3

Message to Investors

Persistent Creation of New Possibilities.

**We will tap into the power of the internet to support the digital transformation of the Japanese economy.
We will continue to maximize mid-to-long term enterprise value by persistently transforming social obstacles into new possibilities.**

Commitment towards our group mission

- ✔ Sustained growth and profit expansion of the BizReach business
Normalized mid-term (3 years) net sales growth target of BizReach is 15-20% annual growth⁽¹⁾
- ✔ Seamless integration of BizReach and HRMOS to build a data-driven HCM ecosystem
- ✔ Continue to incubate businesses to drive sustainable long-term growth

Others

Company Name	Visional, Inc.
Address	2-15-1, Shibuya, Shibuya-ku, Tokyo
CEO	Representative Director and CEO Soichiro Minami
# of Employees	1,271 people (As of July end, 2021)
Share Capital	JPY 6,063MM (As of July end, 2021)
Business Overview	Management support of group companies
Subsidiaries	BizReach, Inc. BINAR, Inc. Cloud Solutions, Inc. Visional Incubation, Inc. Trabox, Inc.



Soichiro Minami - Representative Director and CEO

Soichiro Minami is the founder of BizReach, Inc., where he served as Representative Director and President, and currently serves as Representative Director and CEO of Visional since February 2020. Mr. Minami began his career at Morgan Stanley Dean Witter Japan Limited (currently Morgan Stanley MUFG Securities Co., Ltd.) and has experience working for Pacific Century CyberWorks Japan K.K. (currently PCCW Limited) and Rakuten Baseball, Inc. Mr. Minami also previously served as CEO of LUXA, Inc. (currently au Commerce & Life, Inc.). Mr. Minami also serves as Representative Director of Stanby, Inc.



Shin Takeuchi - Director and CTO

Shin Takeuchi has served as Director and CTO of Visional since February 2020. Mr. Takeuchi started his career at FUJISOFT ABC Incorporated (currently FUJISOFT Incorporated) and became independent as a freelancer in March 2007. Mr. Takeuchi also served as Director of BizReach, Inc. and serves as Director of Japan CTO Association.



Satoshi Murata – Director and Executive Officer

Satoshi Murata has served as Director of BizReach, Inc. since August 2019 and Director, Executive Officer of Visional since February 2020. Mr. Murata also served as Representative Director of Visional Incubation, Inc. since August 2021. Mr. Murata started his career at Global Media Online, Inc. (currently GMO Internet, Inc.) and has experience working for Viacom International Japan K.K. (currently Viacom Networks Japan K.K.) and SELECT SQUARE Co., Ltd. Mr. Murata served as Representative Director and CEO of LUXA, Inc. (currently au Commerce & Life, Inc.).



Yosuke Tada – Director and Executive Officer

Yosuke Tada has served as Director and Executive Officer of Visional since February 2020. Mr. Tada is the founding Vice President of pleiades Inc. Mr. Tada has served as Director of BizReach, Inc. since October 2015, where he currently serves as Representative Director and CEO.



Toru Shimada – Outside Director

Toru Shimada has served as Outside Director of Visional since February of 2020. Mr. Shimada started his career at Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.) and founded Intelligence, Ltd. (currently Persol Career Co., Ltd.), where he served as Director. Mr. Shimada also previously served as Executive Vice-President, President & CEO and CEO & Owner of Rakuten Baseball, Inc., Director, Executive Officer, Executive Vice-President and CEO of Rakuten, Inc., Special Advisor to U-NEXT Co., Ltd., Director of TSUKUI CORPORATION and Director of BizReach, Inc. Mr. Shimada currently serves as Director of transcocos inc., Executive Vice-President and COO of USEN-NEXT HOLDINGS Co., Ltd. and Director of MITANI SANGYO Co., Ltd.



Naoko Harima – Outside Director (Audit & Supervisory Committee Member)

Naoko Harima has served as Auditor of BizReach, Inc. since January 2019 and Outside Director (Audit & Supervisory Committee Member) of Visional since February 2020. Ms. Harima started her career at Asahi & Co. (currently KPMG AZSA LLC) and founded Naoko Harima Accounting Firm. Ms. Harima has experience working for Japan Hotel and Resort, Inc. (currently Japan Hotel REIT Advisors Co., Ltd.) and JEPLAN, INC., where she served as Auditor. Ms. Harima currently serves as Auditor of KinoPharma, Inc., Director of ATSUGI CO., LTD. and Auditor of Visional Incubation, Inc.



Tadatsugu Ishimoto – Outside Director (Audit & Supervisory Committee Member)

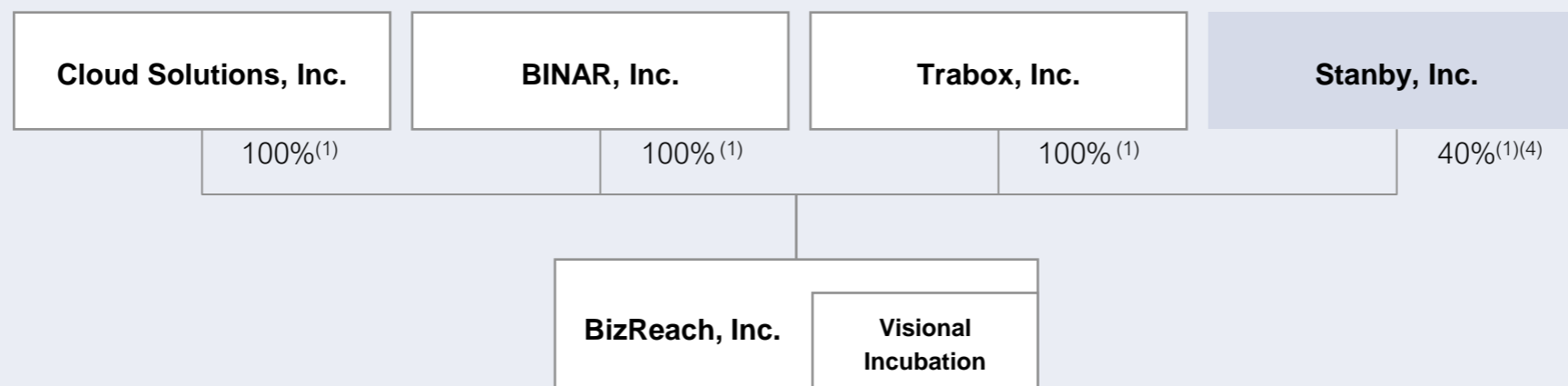
Tadatsugu Ishimoto has served as Outside Director (Audit & Supervisory Committee Member) of Visional since February 2020. Mr. Ishimoto started his career at KPMG Peat Marwick (currently KPMG Tax Corporation) and has served as Director of Doctor-NET Inc., Auditor of Goodman Japan Limited, Auditor of Enigmo Inc., Auditor of UNITED, Inc., Auditor of BizReach, Inc. and Auditor of Money Forward, Inc. Mr. Ishimoto currently serves as Representative Partner of Mentor Capital Tax Office (currently Mentor Capital Tax Corporation), Representative Director of Mentor Capital FAS and Auditor of i-mobile Co., Ltd. and Director of UNITED, Inc.



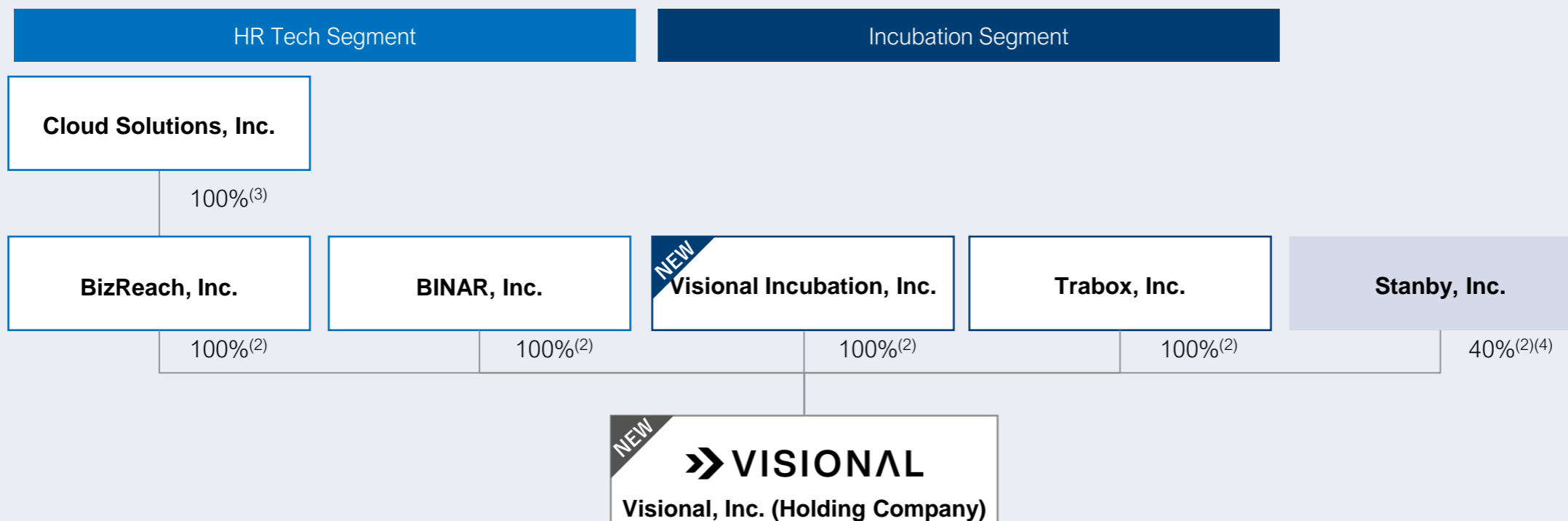
Maiko Chihara – Outside Director (Audit & Supervisory Committee Member)

Maiko Chihara has served as Outside Director (Audit & Supervisory Committee Member) of Visional since February 2020. Ms. Chihara started her career at Nagashima Ohno & Tsunematsu and joined Kataoka & Kobayashi LPC, where she currently serves as Partner. Ms. Chihara also served as Auditor of BizReach, Inc. and currently serves as Audit Officer of Tokio Marine Private Reit Inc., Auditor of Nippon Avionics Co., Ltd., Auditor of Japan Renewable Energy Corporation.

Former Group Structure before creation of holding company



Current Group Structure (since 2/3/2020)



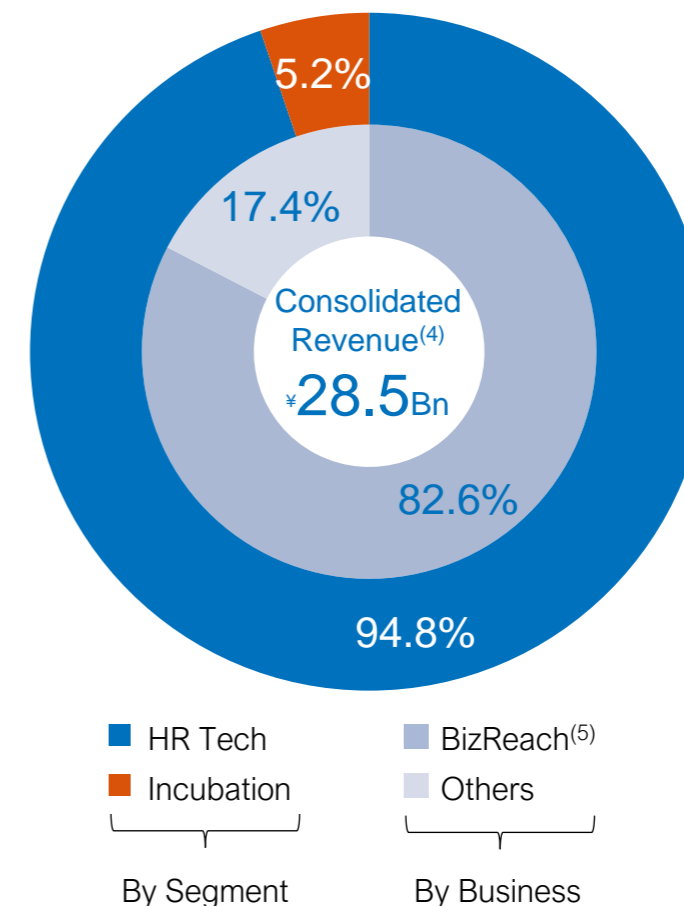
Notes: (1) BizReach, Inc.'s shareholding ratio of its subsidiaries and affiliate until it moved to the current group holding structure (2) Visual, Inc.'s shareholding ratio of its subsidiaries and affiliate (3) BizReach, Inc.'s shareholding ratio of its subsidiary (4) Joint venture with Z Holdings Corporation, in which Visual, Inc. holds a 40% stake as an equity method affiliate

We have accelerated business incubation in new industry verticals, supported by BizReach as profit engine

Business Overview

HR Tech Segment	BIZREACH	HR matching platform for professionals
	キャリアトル Careertrek	HR matching platform for young professional talents
	BIZREACH CAMPUS	Network for alumni visits
	BINAR	HR matching platform for high-skilled IT engineers
	HRMOS ハーモス	Cloud-based HCM software
Incubation Segment	BIZREACH SUCCEED	M&A matching platform
	yamory	OSS ⁽¹⁾ vulnerability management tool
	BIZHINT	B to B lead generation platform
	TRABOX	Logistics matching platform
Affiliate	スタンバイ ⁽²⁾ Stanby	Job operating search engine

FY2021/7 Revenue Breakdown by Segment and Business⁽³⁾



Notes: (1) Open source software (2) Joint venture with Z Holdings Corporation, in which Visional, Inc. holds a 40% stake as an equity method affiliate (3) Excluding adjustments (¥161 MM) (4) Based on FY2021/7 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020 (FY ending in July and prepared in accordance with J-GAAP) (5) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.)

Below are some of the risks associated with our business model and strategy. Please refer to the risk section in our disclosure for details.

Risks Related to Our business

Probability of manifestation and Actions to Mitigate Risks

Our results of operations could be adversely affected by negative economic conditions in Japan

The performance of our businesses is generally sensitive to economic, social and geopolitical conditions in Japan, which is currently our sole operating market, as well as global economic conditions more generally. In our online recruiting businesses, our results of operations are sensitive to negative developments in the labor and employment market resulting from economic downturns or uncertainty. Our ability to achieve expected growth of emerging businesses in our Incubation segment, could also be adversely impacted by economic downturns. Negative economic trends may also result in downward competitive pressure on the pricing of our services across our businesses, and we may be unable to reduce selling and administrative expenses without negatively impacting our market presence, quality of service, infrastructure or capacity to respond to future increases in demand for our services.



Probability : Mid, Impact : Mid

Not only businesses related to hiring that could be adversely affected by negative economic conditions and the labor market, including BizReach, CareerTrek and BizReach Campus, we operate other businesses that are less adverse to the labor market. Also, we aim to create a revenue structure that is less susceptible to changes in the business environment by providing services in a wide range of recruiting fields and diversifying our revenue sources.

Our past and future acquisitions, minority investments, joint ventures and strategic alliances could fail to deliver the anticipated benefits or otherwise have an adverse effect on our businesses and results of operations

As part of our business strategy, we actively engage in acquisitions, minority investments, joint ventures and other strategic alliances with third parties to expand our product and service offerings, enter into new business areas and acquire related technologies, focusing on businesses operating in Japan. As part of our acquisition strategy, we have in the past acquired and may in the future acquire or invest in early-stage or emerging companies that are unprofitable, and the consolidation of such target companies into our overall results may negatively impact our consolidated results of operations and any future acquisitions or minority investments we undertake may similarly adversely affect our consolidated results of operations. In addition, we may have difficulty accurately assessing the future viability and growth trajectory of early-stage companies, especially in cases where the relevant technologies are in the early stages of development and still relatively untested or are rapidly evolving in ways that are difficult to predict. We may also face uncertainties when we acquire or invest in companies with a limited operating history or a management system that requires improvement, which is often the case for early-stage companies, including potential compliance issues or liabilities that were not identified in due diligence.



Probability : Low, Impact : Low

We will continue to conduct due diligence and consider risks when executing acquisitions, minority investments, joint ventures and other strategic alliances with third parties. Also, we will support growth through post merger integration (PMI) after the acquisition.

Risks Related to Our business

Probability of manifestation and Actions to Mitigate Risks

Security breaches or unauthorized access or use of our or our customers' data could adversely affect our reputation and expose us to claims from customers and penalties from authorities

Our services involve the generation, processing, storage and transmission of large amounts of personal, confidential and other sensitive information, including personal and employment information about job seekers, highly confidential financial information and transaction data regarding our customers' businesses and personal or identifying information regarding their employees. Our systems and those of our third-party cloud infrastructure providers are vulnerable to computer viruses, break-ins, phishing attacks and other cyberattacks that could lead to unauthorized disclosure of personally identifiable or other sensitive information. If we gain greater visibility or market share, we may face a higher risk of being targeted by cyberattacks. If we experience any of the foregoing security breaches or other incidents involving personal information, our business, results of operations and reputation could be adversely impacted.



Probability : Low, Impact : High
We will continue to develop a rigorous process to manage personal information and confidential information of our customers and business partners. Rules are put in place and we will continue to refine as necessary, as well as continue our efforts to educate our employees.

We may have difficulties or incur significant costs in recruiting and retaining talented employees

Our future success depends, in part, on our ability to continue to attract, retain and motivate highly skilled personnel. In particular, we are in constant need of software engineers to support our product development activities. We face intense competition in hiring these types of employees from a broad range of companies, including global technology and other companies that are larger than us and have more financial and other resources than we do. In order to compete with such companies, we must offer competitive compensation packages and a high-quality work environment to attract, retain and motivate employees. If we are unable to attract qualified personnel to fill key positions and retain and motivate our existing employees, we may be unable to manage our business effectively, including the development, marketing and sale of our solutions, which could adversely affect our business, results of operations and financial condition.



Probability : Low, Impact : Low
We will attract, hire and retain the best talent through demonstrating our Direct Recruiting efforts. We also focus on on-the-job training and training programs to develop talents.

We will continue to conduct active advertising and investment in talent for BizReach that continues to be in the expansion phase, active investment in product development for HRMOS to complete the HCM ecosystem, and investment in other new businesses. In addition, M&A will be an option to accelerate the development of the HCM ecosystem, as well as to enter into other business domains.

Use of Proceeds from IPO

Use of Proceeds	Estimated Use (FY2021/7)	Estimated Use (FY2022/7)	Estimated Use (FY2023/7)	Estimated Use Total
1. Marketing investment, including advertising and sales promotion	JPY 500MM	JPY 1,500MM	JPY 2,000MM	JPY 4,000MM
2. Human resource expenses for expanding businesses	JPY 500MM	JPY 1,500MM	JPY 2,000MM	JPY 4,000MM
3. Investment funds for use in business acquisitions (M&A) ⁽¹⁾	-	NA ⁽²⁾	NA	JPY 1,656MM

Notes: (1) Until the time of actually allotting the proceeds, we will follow a policy of managing the proceeds through highly safe financial instruments, etc. If we are not able to find the right acquisition target, we will use the proceeds to marketing and human resource expenses (2) In the Subsequent Events section of the Financial Results released on September 13, 2021, the Company announced that it plans to acquire shares of IEYASU, Inc. and make it a subsidiary of BizReach as part of HRMOS' growth strategy

Appendix - Financials

Key Financials: Profit and Loss Statement⁽¹⁾

	¥ MM			
	FY18/7	FY19/7	FY20/7	FY21/7
Revenue	15,700	21,492	25,879	28,698
YoY Growth (%)	-	36.9%	20.4%	10.9%
HR Tech Segment	15,543	21,175	24,914	27,052
YoY Growth (%)	-	36.2%	17.7%	8.6%
Incubation Segment	156	316	892	1,485
YoY Growth (%)	-	101.6%	182.1%	66.3%
Cost of Sales	2,011	3,228	4,104	3,999
Gross Profit	13,689	18,263	21,775	24,699
Marketing	-	8,020	7,640	9,562
Payroll	-	4,633	5,301	6,308
Rent	-	824	1,251	1,258
Others	-	4,270	5,394	5,202
Margin (%)	87.1%	85.0%	84.1%	86.1%
Selling, General & Administrative Expenses	13,060	17,749	19,588	22,331
Operating Income	629	514	2,186	2,368
Margin (%)	4.0%	2.4%	8.4%	8.3%
HR Tech Segment	1,531	1,732	3,343	4,000
Incubation Segment	(156)	(663)	(868)	(863)
Pre-tax Profit	590	393	7,023	2,290
Income Tax Expense	(25)	58	2,364	869
Net Income	616	335	4,658	1,420
Margin (%)	3.9%	1.6%	18.0%	5.0%

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

Reconciliation of Adjusted Operating Profit before Corporate Expense Allocation to Operating Income⁽¹⁾

¥ MM

	FY18/7	FY19/7	FY20/7	FY21/7
Total Adjusted Operating Profit before corporate expense allocation	3,321	4,829	7,531	6,170
BizReach Business ⁽²⁾⁽³⁾	4,232	6,132	9,232	9,637
HRMOS Business ⁽³⁾	(443)	(664)	(1,159)	(2,102)
Other Businesses ⁽³⁾	(467)	(638)	(541)	(1,364)
Adjustment item				
-) Corporate and general administrative expenses (such as accounting, HR, legal, general affairs, etc.) ⁽⁴⁾	2,692	4,315	5,345	3,802
-) HR Tech Segment ⁽⁴⁾	n/a ⁽⁵⁾	n/a ⁽⁵⁾	4,647	3,263
-) Incubation Segment ⁽⁴⁾	n/a ⁽⁵⁾	n/a ⁽⁵⁾	697	538
Operating Income (J-GAAP)	629	514	2,186	2,368

Adjusted Headcount by Function and Business (FY21/7)⁽⁶⁾

	Adjusted headcount	% of subtotal for HR Tech businesses
HR Tech businesses		
BizReach Business	564	58.5%
HRMOS Business	222	23.0%
Other HR Tech businesses	178	18.5%
Subtotal for HR Tech businesses	964	100.0%
General functions of HR Tech businesses	44	n/a
Total for HR Tech businesses	1,008	n/a
Incubation businesses	97	n/a
Corporate	166	n/a
Total	1,271	n/a

Notes: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 and FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP) (2) Financial data of the BizReach Business, the core service of our group (which differs from the financial data of our subsidiary BizReach, Inc.)

(3) Calculated as revenue of each business minus cost of sales and selling, general and administrative expenses which are directly allocated to each business (4) These expenses comprise corporate and general administrative expenses that we have not directly allocated to individual businesses for our internal management purposes (5) The breakdown of corporate and general administrative expenses by segment is not available for the fiscal years ended July 31, 2018 and 2019 (6) Adding headcount calculated back to those who belong to each business, based on man-hours equivalent to labor costs, which is directly allocated to each such business and included in the relevant adjusted operating profit before corporate expense allocation

Key Financials: Balance Sheet⁽¹⁾

¥ MM					¥ MM				
Assets	FY18/7	FY19/7	FY20/7	FY21/7	Liabilities and Equity	FY18/7	FY19/7	FY20/7	FY21/7
Current Assets	7,453	7,515	12,137	29,532	Current Liabilities	4,583	5,190	5,290	9,046
Cash and Cash Equivalents	4,953	4,761	9,114	25,630	Accounts Payable	1,582	1,937	1,486	3,341
Notes and Accounts Receivable	2,158	2,132	2,012	3,258	Deferred Revenue	1,937	1,910	1,917	3,042
Other Current Assets	341	620	1,011	643	Other Current Liabilities	1,062	1,342	1,886	2,662
Fixed Assets	1,442	2,340	5,584	5,544	Fixed Liabilities	95	118	3,225	3,494
Tangible Assets	527	755	899	700	Liabilities from application of Equity Method	-	-	3,070	2,773
Intangible Assets	60	39	2,488	2,457	Other Fixed Liabilities	95	118	155	720
Goodwill	-	-	1,186	1,296	Total Liabilities	4,678	5,308	8,516	12,540
Other Intangible Assets	60	39	1,301	1,160	Total Equity	4,217	4,547	9,205	22,536
Total Investments and Other Assets	853	1,545	2,196	2,385	Total Liabilities and Equity	8,895	9,856	17,722	35,076
Total Assets	8,895	9,856	17,722	35,076					

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

Key Financials: Cash Flow Statement⁽¹⁾

	¥ MM			
	FY18/7	FY19/7	FY20/7	FY21/7
Cash Flows from Operating Activities				
Pre-tax Profit	590	393	7,023	2,290
Depreciation and Amortization of Goodwill	118	231	547	670
Gain on Transfer of Business	-	-	(4,799)	-
Income Taxes Paid	(0)	(332)	(2,966)	(992)
Others	1,134	480	(38)	2,347
Cash Flows from Operating Activities	1,843	771	(234)	4,315
Cash Flows from Investing Activities				
Proceeds from Business Divestiture	-	-	8,000	-
Purchases of Shares of Subsidiaries Resulting in Change in Scope of Consolidation	-	-	(2,363)	-
Purchases of Property and Equipment	(301)	(313)	(447)	(116)
Others	(304)	(508)	(389)	82
Cash Flows from Investing Activities	(606)	(823)	4,799	(33)
Proceeds from issuance of shares	-	-	-	11,176
Others	(47)	(112)	(19)	1,057
Cash Flows from Financing Activities	(47)	(112)	(19)	12,234
Net Increase (Decrease) in Cash and Cash Equivalents	1,189	(165)	4,544	16,515
Cash and Cash Equivalents at Beginning of Year	3,763	4,953	4,761	9,114
Increase (Decrease) in Cash and Cash Equivalents from Change of Scope of Consolidation	-	(26)	(192)	-
Cash and Cash Equivalents at End of Year	4,953	4,761	9,114	25,630

Note: (1) Based on FY20 financials prepared by Visional, Inc. continued from the financials of BizReach, Inc. Visional, Inc. was established through a share transfer, and BizReach, Inc. became a wholly-owned subsidiary of Visional, Inc. in February 2020. Therefore, FY18 to FY19 annual financial results are based on the consolidated financial results of BizReach, Inc. (All FYs ending in July and prepared in accordance with J-GAAP)

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