



President Kenichi Sano

Vision Inc. (9416)



Company Information

Market	TSE 1st Section
Industry	Information and telecommunications
CEO	Kenichi Sano
HQ Address	Shinjuku i-Land Tower, 6-5-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo
Year-end	December
HP	https://www.vision-net.co.jp/en/

Stock Information

Share Price	Number of Shares Issued (Treasury stock excluded)		Total Market Cap	ROE (Act)	Trading Unit
¥4,860	16,234,152 shares		¥78,897 million	16.7%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR
-	-	¥130.38	37.3x	¥602.84	8.8x

* Stock price as of the close on August 19, 2019. Number of shares issued at the end of the most recent quarter excluding treasury shares.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
Dec. 2015 (Actual)	12,485	804	807	585	48.95	-
Dec. 2016 (Actual)	14,843	1,290	1,298	812	50.12	-
Dec. 2017 (Actual)	17,554	1,788	1,795	1,208	74.30	-
Dec. 2018 (Actual)	21,503	2,484	2,499	1,529	94.02	-
Dec. 2019 (Forecast)	25,793	3,264	3,248	2,116	130.38	-

* The forecasted values were provided by the company.

*Unit: ¥mn.

This Bridge Report outlines Vision's results for the second quarter of the fiscal year ending December 2019 and the forecast for the fiscal year ending December 2019.

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Key Points

- For the second quarter of the fiscal year ending Dec. 2019 (cumulative total), sales and operating income grew 31.3% and 36.7%, respectively, year on year. The sales of the Global WiFi business grew 36.7% year on year with the increase in the number of rental transactions, and acquisition of new customers and boosting sales from existing customers led to a 17.8% increase in sales of the Information and Communications Service business. The improvement in operational efficiency through utilization of AI chatbots and RPA absorbed the increased cost rate resulting from additional costs from product mix of the Information and Communications Service business and personnel expenses for drivers for the company's new business ProDrivers., which raised the operating income rate by 0.6 points to 13.1%.
- As for the forecast for the full fiscal year, which was revised upward based on the performance of the second quarter, sales and operating income are estimated to augment 19.9% and 31.4%, respectively, year on year. However, the revised forecast considered only the extra profit earned in the second quarter (cumulative total), and the company decided to leave the forecasts for the third and fourth quarters unchanged as they were in the beginning of the term, although there were no special concerns for those two quarters. We would like to pay attention to how far the company can exceed the revised forecast. Also, the company will split one share into three shares with the record date being September 30, 2019.
- While the Global WiFi business continued to grow, the penetration ratio of the company's Wi-Fi rental service were still not more than 17.9% for outbound travelers and 2.9% for inbound travelers. However, the penetration ratio of mainly the outbound travelers in the second quarter (cumulative total) rose, surpassing the previous trend, as a result of both offensive and defensive initiatives, such as improving convenience through store digitalization, "Global WiFi for Biz" and "Unlimited Plan Offer," and cutting down on cost, which is the source of the company's price competitive power. The penetration ratio is expected to continue growing from the third quarter onward as well.

1. Company Overview

Under the management philosophy of "Contributing to the Information and Communications Revolution," Vision conducts the Global WiFi service, which leases the personal Wi-Fi (wireless LAN) routers which can be used in over 200 countries and regions on a flat-rate packet basis, and as an information and telecommunications service distributor, it also provides information and telecommunications services of arranging telecommunications infrastructure and office equipment necessary for business activities, such as fixed-line telecommunications, mobile telecommunications, broadband etc.

The company forms a group with its 18 consolidated subsidiaries, both inside and outside Japan. Of those, the 6 based in Japan are Members Net Inc. (which conducts the business of charging agency, fixed-line telephone service subscription agency, etc.) and Best Link Inc. (which carries out the business of broadband service subscription agency), etc. There are 12 overseas subsidiaries that operate as overseas hubs for the Global WiFi service in South Korea, Singapore, UK, Hong Kong, Hawaii, Taiwan, China (Shanghai), France, Italy, California and New Caledonia; there is also a local subsidiary in Vietnam, which is an offshore hub for database construction and system development.

【Corporate slogan - More vision, More success】

The present era, where information and telecommunication technology is rapidly advancing, is full of business and communication opportunities, and the company continues to be the No.1 distributor in many fields related to information and telecommunications services. The company believes that it is because the company was able to “provide the best value by considering a customer’s perspective.” The future of telecommunication will be for the betterment of everyone’s future. The company will support customers in realizing many dreams by creating new services that customers can use with more peace of mind, convenience and efficiency.

【Vision Group’s management philosophy – Contributing to the Information and Communications Revolutions in the world】

This philosophy is put in with Vision’s determination to “actively promote the Information and Communications Revolution in the world, bring innovations to an individual’s lifestyle and the company’s business style, and contribute to the advancement of humanity and society by continuing to be an distributor that effectively and efficiently connects the client companies with end users and makes sure that its employee’s unlimited ambition, dreams and thoughts are contributing to the stakeholders, without compromising nor ever forgetting the venture spirit.”

1-1 Business Description

Global WiFi business

The company offers services including “Global WiFi” (a Wi-Fi router rental service that allows people traveling overseas to use local internet services at a competitive rate through its partnerships with the overseas operators) and “NINJA WiFi” (a Wi-Fi router rental service for overseas visitors to Japan, etc.), while also engaging in services for the travelers between foreign countries in overseas bases (South Korea, Taiwan and California).



(From the reference material of the company)

Advantages

① **Affordable fixed-rate system**, ② **the most comprehensive area coverage**, ③ **comfort**, ④ **safety/security**, and ⑤ **substantial support bases and corporate sales capabilities** ⇒ **One of the largest customer bases in the industry**

The advantages of “Global WiFi” and “NINJA WiFi” include the following: ① cost benefits of up to 89.9% (the rental fee per day is 300 yen at the minimum, depending on the travel destination) compared to the overseas fixed-rate packet plans offered by other Japanese mobile carriers, ② the industry’s most comprehensive coverage of over 200 countries and regions, ③ high-speed telecommunications services through partnerships with telecommunication operators all over the world, ④ available at 24 hours a day, 365 days a year, at 47 bases worldwide, and ⑤ the industry’s largest number of available spots at airport counters.

Furthermore, from the business perspective, another advantageous point is the fact that use by corporations, through which stable demand can be expected, has accounted for about 30%~40% in this business segment. As a result, the company has secured a great number of users, which is one of the largest market shares in the industry.

Earnings structure

Title	Overview
Sales	①Rental fee per day × No. of days of using a router (average: ¥1,000/day for 7 days) + Optional services, such as the insurance service and mobile batteries ②Monthly fee + Charges for data telecommunications × No. of days of using a router
Cost of sales	<ul style="list-style-type: none"> •Data telecommunications fee (to carriers in each county) •Price of terminals (expenses associated with mobile Wi-Fi routers are posted in rental assets and depreciation costs are recorded; the depreciation period is 2 years) •Outsourcing expenses (commission for distributors), etc.
SG&A expenses	•Personnel cost, advertising cost, operation costs/land and building rent of shipping centers/airport counters/customer centers, and other SG&A expenses

Information and Communications Service business

With Best Link Inc., a consolidated subsidiary, at its core, the group offers services aimed mainly at newly established corporations, venture businesses and multi-store development enterprises such as food-service chains, from its 7 offices nationwide and in cooperation with its partner companies. The services include subscription agency operations for various telecommunications services such as business phones, agency operations of arranging lines for landline telephones, subscriber telephones, and NTT Hikari telephones, corporate mobile phones, broadband lines, sales and maintenance of mobile telecommunication devices, OA equipment and security products (UTM), etc., designing websites, and agency operations for new power services targeting enterprises.

The company has advantages in prospecting for corporations newly established (within 6 months), one of its major targets, and it is estimated, according to the data by the Ministry of Justice (the number of newly registered companies was 116,208 in Japan in 2018), that the company has conducted transactions with one in every 7-8 corporations newly founded in Japan. These advantageous points are backed by the company's strong power to attract customers through its unique online marketing (Internet media strategy), through which the company maximizes running yield (recurring revenue-type business) and conducts additional sales with high productivity (up/cross selling) through the Customer Relationship Management (CRM; customer relationship and ongoing transactions) strategy.

For example, the company receives commission from operators for telephone line arrangements unless contracts for the service are cancelled, and it can earn maintenance fees for multifunction photocopiers on a continuous basis. Moreover, the follow-up service by its customer loyalty team has enabled the company to establish a recurring revenue-type business model, in which earnings are accumulated by taking in demand for lines and equipment that increases with customers' business growth, and providing optimal services according to customers' growth stage (additional sales with high productivity through up/cross selling). The company will evolve its recurring revenue-type business model while shifting the target customer from enterprises with growth potential to ones in the growth stage.

2. Second quarter of the Fiscal Year December 2019 Earnings Results

2-1 Second quarter of Consolidated Business Results

	FY 18/12 2Q	Ratio to Sales	FY 19/12 2Q	Ratio to Sales	YoY	Initial forecast	Compared with the forecast
Sales	9,855	100.0%	12,937	100.0%	+31.3%	11,614	+11.4%
Gross profit	5,819	59.0%	7,496	57.9%	+28.8%	-	-
SG&A expenses	4,583	46.5%	5,806	44.9%	+26.7%	-	-
Operating income	1,236	12.5%	1,690	13.1%	+36.7%	1,437	+17.6%
Ordinary income	1,245	12.6%	1,673	12.9%	+34.4%	1,439	+16.3%
Net income	809	8.2%	1,075	8.3%	+32.9%	962	+11.7%

*Unit: ¥mn

Sales and operating income increased 31.3% and 36.7%, respectively, year on year.

Sales grew 31.3% year on year to 12,937 million yen. The sales of the Global WiFi business rose 36.7% to 8,184 million yen as the number of rental transactions increased (960,000 → 1,390,000 transactions), and the sales of the Information and Communications

Service business augmented to 4,509 million yen, up 17.8% year on year, due to acquisition of new customers and up-selling and cross-selling strategies for existing customers.

Operating income rose 36.7% year on year to 1,690 million yen. Gross profit rate declined 1.1 points as the proportion of commodities giving rise to supply costs such as compound machines grew in the Information and Communications Service business and personnel expenses incurred for drivers for the company's new service ProDrivers added up to costs (posted from the third quarter of the fiscal year ended Dec. 2018), but SGA rate dropped 1.6 points due to increased efficiency in operation through utilization of AI chatbots and RPA (ratio of personnel expenses to sales reduced 4.3 points) and operating income margin improved.

2-2 Trends by segment

	FY 18/12 2Q	Composition Ratio	FY 19/12 2Q	Composition Ratio	YOY
Global WiFi	5,987	60.8%	8,184	63.2%	+36.7%
Information and Communications Service	3,827	38.8%	4,509	34.9%	+17.8%
Others	40	0.4%	247	1.9%	+509.3%
Consolidated Sales	9,855	100.0%	12,937	100.0%	+31.3%
Global WiFi	1,149	19.2%	1,596	19.5%	+38.9%
Information and Communications Service	634	16.6%	832	18.5%	+31.2%
Others	-67	-	-157	-	-
Adjustments	-480	-	-580	-	-
Consolidated Operating Income	1,236	12.5%	1,690	13.1%	+36.7%

*Unit: ¥mn

Global WiFi business

While the numbers of travelers from Japan to overseas and foreign visitors to Japan marked a record high, the penetration ratio for outbound travelers (the proportion of travelers from Japan to overseas using the company's Wi-Fi router) rose from 14.9% in the fiscal year ended Dec. 2018 (full year) to 17.9%. The shipment quantity increased as the unlimited plan and the stationary plan for corporations "Global WiFi for Biz" were well received mainly by the corporate clients and the company met the increased demand during the Golden Week by increasing the procurement of Wi-Fi routers, SIM cards, etc.

As for profit, the company's continuous efforts to improve profitability, such as improving cost rate and operation, led to higher profitability.

Information and Communications Service business

While increasing clients, including newly established corporations and venture firms steadily, the company increased sales from existing clients by continuing transactions through CRM (a recurring-revenue model) and implementing up-selling and cross-selling strategies. Also, the sale of the in-house service (cloud-type workflow service) and acquisition of clients for consulting services that match the growth stage of each client company also started yielding good results.

2-3 Financial Condition and Cash Flow

Financial Condition

	December 2018	June 2019		December 2018	June 2019
Cash and deposits	7,563	7,994	Trade payables	877	1,071
Trade receivables	1,966	2,169	Income taxes payable	598	556
Current assets	10,262	11,074	Current liabilities	3,748	3,729
Property, plant and equipment	3,289	3,515	Noncurrent liabilities	0	7
Noncurrent assets	13,552	14,589	Net assets	9,803	10,852

*Unit: ¥mn

The company acquired its treasury shares from May 15, 2019 to June 11, 2019. It acquired 243,500 common shares for 1,120,100,000 yen. Capital-to-asset ratio was 74.2% (72.2% at the end of the previous term).

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Cash Flow

	FY 12/18 2Q	FY 12/19 2Q	YOY	
Operating Cash Flow (A)	1,103	1,444	+340	+30.8%
Investing Cash Flow (B)	-902	-993	-91	-
Financing Cash Flow	-303	2	+305	-
Balance of cash and cash equivalents at end of period	6,338	7,994	+1,656	+26.1%

*Unit: ¥mn

3. Fiscal Year December 2019 Earnings Estimates

3-1 Consolidated Earnings

	FY 12/18 (actual)	Ratio to sales	FY 12/19 (forecast)	Ratio to sales	YOY	Initial forecast	Compared with the forecast
Sales	21,503	100.0%	25,793	100.0%	+19.9%	24,470	+5.4%
Gross Profit	12,650	58.8%	15,094	58.5%	+19.3%	14,640	+3.1%
SG&A	10,165	47.3%	11,830	45.9%	+16.4%	11,628	+1.7%
Operating income	2,484	11.6%	3,264	12.7%	+31.4%	3,012	+8.4%
Ordinary income	2,499	11.6%	3,248	12.6%	+29.9%	3,013	+7.8%
Net income	1,529	7.1%	2,116	8.2%	+38.4%	2,003	+5.6%

*Unit: ¥mn

Sales and operating income are projected to grow 19.9% and 31.4%, respectively, year on year. The forecast for the full fiscal year was revised upward based on the results of the second quarter.

Trends by segment

	FY 12/18 (actual)	Composition Ratio	FY 12/19 (forecast)	Composition Ratio	YOY	Initial forecast	Compared with the forecast
Global WiFi	13,505	62.8%	16,395	63.6%	+21.4%	15,579	+5.2%
Information and Communications Service	7,775	36.2%	8,587	33.3%	+10.4%	8,036	+6.9%
Others	231	1.1%	814	3.2%	+252.6%	855	-4.8%
Adjustments	-8	-	-4	-	-	-	-
Consolidated Sales	21,503	100.0%	25,793	100.0%	+19.9%	24,470	+5.4%
Global Wifi	2,413	17.9%	2,916	17.8%	+20.8%	2,662	+9.5%
Information and Communications Service	1,218	15.7%	1,543	18.0%	+26.6%	1,422	+8.5%
Others	-194	-	-69	-	-	62	-
Adjustments	-954	-	-1,126	-	-	-1,135	-
Consolidated Operating Income	2,484	11.6%	3,264	12.7%	+31.4%	3,012	+8.4%

*Unit: ¥mn

4. Initiatives and Progress in the fiscal year ending December 2019

4-1 Global WiFi business

The company will work to provide "Global WiFi for Biz", pursue corporate demand, and strengthen our relationships with corporate customers. Moreover, while implementing the store digitalization strategy, the company will link this strategy with Cloud WiFi and the customer database to boost the "super last-minute online order receipt system,".

Cloud WiFi and Global WiFi for Biz (permanent in the office for 1,970 yen per month)

The term-end number of leased personal Wi-Fi(Wireless LAN) routers that are equipped with the next-generation telecommunication technology (Cloud WiFi) and capable of managing Subscriber Identity Modules (SIMs) on cloud has surpassed 90% of all leased devices (Depending on telecommunication operators, some countries are not supported, thus the company has almost reached the upper limit). Cloud WiFi is a differentiated service that utilizes users' own SIMs, to allow them to use telecommunication lines with just 1 device all over the world without inserting or replacing SIMs. The security hurdle for making a seamless connection with carriers in many countries and regions is high, however, the company is enabling usage in over 100 countries and regions.

On the other hand, merits to the company include reducing telecommunications cost (improving the efficiency of using telecommunication lines), saving labor for shipping and operation (reducing SGA), and offering new services and methods (improving profitability). We can enumerate some examples of the new services offered, such as offering the Global WiFi for Biz service (a standing-type service that doesn't require renting every time, offers up to 3GB free of charge per month to use in domestic telecommunication, and ready for everyday use), which is expected to promote long-term continuous use by corporate users (improving convenience and satisfaction levels), forging alliances with travel agencies and incorporate the service into overseas travel products, expanding the stock at the airport counters as well as the support area coverage (minimizing opportunity loss), and to provide services to travelers who are about to depart (increasing the number of users).

Started a rental service of "GW01," the first smartphone-type Wi-Fi router supporting cloud functions in the world on August 1.

In order to meet the customer's demand for the improvement in the weight and thickness of the device, the company started renting "the Global WiFi" smartphone-type Wi-Fi router "GW01" with reduced thickness by 59% and the weight by 25%. A single router automatically connects to 108 or more areas, like the Cloud WiFi routers that the company has been providing so far. Moreover, it can be used for maximum 12 consecutive hours and a user can check the usage status on a large display without worrying about the remaining battery.

As content setting is possible for each type of business firm, the company will make efforts in providing OEM using the smartphone-type Wi-Fi router supporting Cloud function "GW01" to improve the convenience for a wider range of travelers to overseas.

Started providing an unlimited plan

In recent years, data communication capacity has been increasing with diversification of smartphone applications, sending and reception of images and videos with large capacity, postings on social networking sites, etc., and a larger number of people are sharing the data with friends, family members, etc. Therefore, there was a great demand for a plan allowing users to use the internet without worrying about the data capacity. In order to meet such demands, the company started offering an unlimited plan. This service is available in 71 countries as of August 9, 2019.

The store digitalization strategy and the super last-minute online order receipt system

The company is proceeding with the strategy of making stores digitalized by ①, installing automatic delivery lockers (Smart Pickup), ②, adopting self-registration KIOSK terminals with multilingual support and payment settlement functions (Smart Entry), and the ③ QR code-based reception counter that features immediate customer identification (Smart Check). The company aims to evolve its stores to ones that can be used by Japanese tourists travelling abroad and foreign tourists visiting Japan, more conveniently, more comfortably, and with greater peace of mind, as well as strengthen its efforts toward the increase in the number of routers on lease (number of routers delivered) and increase of optional services (such as insurance services and accessories).

As of the end of the second quarter, the company has installed 20 automatic delivery lockers (Smart Pickup) at 6 major airports out of its 17 airports in Japan (8 units as of the end of FY 12/17, 18 units as of the end of FY 12/18). In addition to strengthening the contact point with users, optimizing the level of services according to user needs will be possible (reducing the waiting time for repeat users who do not require explanations while making airport staff deal with users who need it). As it is difficult to expand and install more airport counters, the company is planning to increase SmartPickup lockers, which will save labor, and improve throughput and reduce costs by effectively utilizing the limited space.

In addition, collaboration between the store digitalization strategy, Cloud WiFi, and the customer database has established a "super last-minute online order receipt system," enabling the company to provide services for customers who are about to depart, whom the company failed to secure before the system was established (the system has made it possible for the company to cope expeditiously with

online application submitted right in front of airport counters by collaborating with the database).

Status of installation of the automatic receipt locker (Smart Pickup), 20 lockers already installed

Haneda Airport: 3 lockers, Narita Airport: 6 lockers, Chubu Centrair International Airport: 3 lockers (1 locker added), Kansai International Airport: 6 lockers, Itami Airport: 1 locker and Kitakyushu Airport: 1 locker (1 locker newly installed).

4-2 Information and Communications Service business

The company is strengthening the sales channels and putting efforts in the sale of in-house services. To strengthen the sales channels, the company is developing "Vision Business Market," a website for supporting the business of startup, venture, small and medium enterprises. The "Vision Business Market" provides useful information and introduces the company's services and products of the partner companies for not only above-mentioned enterprises but also individuals in preparation of starting their own businesses.

On the other hand, the company will provide in-house services on the cloud utilizing the company's operational know-how for existing customers (utilizing the customer base the company has cultivated so far). The company sells Cloud-based services that it has developed internally using its know-how, and as the first step, it began to sell "VWS WEB CALL SYSTEM," a total solution for telephone appointment business support. The service is easy to be adopted even by small-scale business operators because it has a competitive edge in terms of the functions of increasing the staff operation efficiency and grasping the business condition, and the burden of fixed cost is insignificant. The service is subject to the "IT-introduction subsidies." The company plans to provide services with growing customer needs one after another.

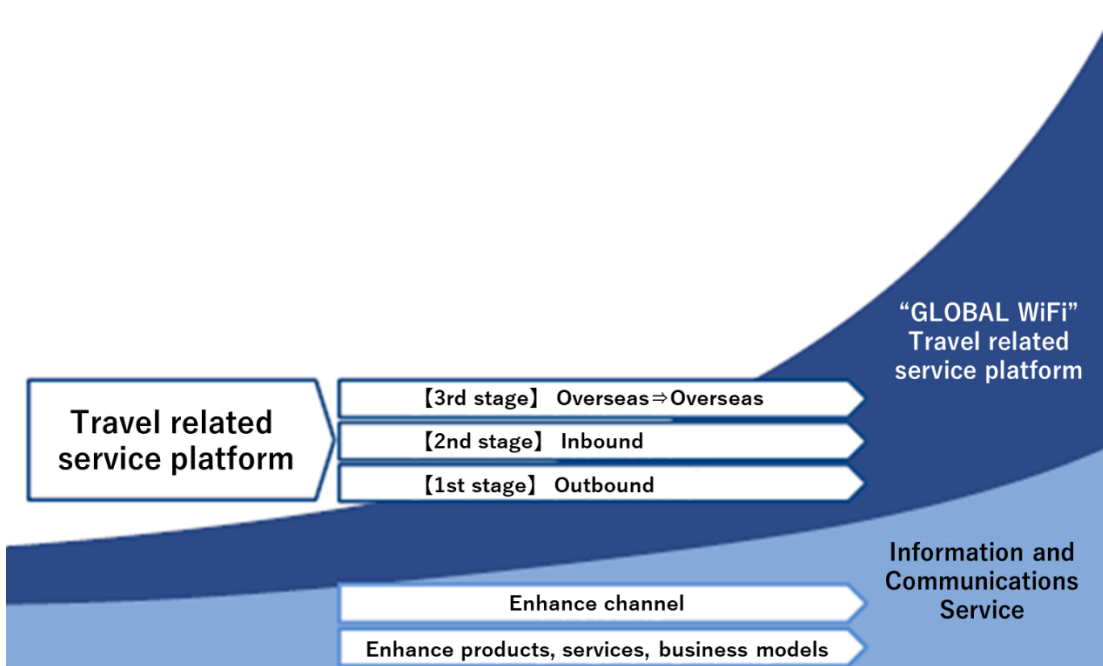
4-3 Other (travel-related service platform)

By utilizing the customer base of a total of 3.6 million people who stayed for 25.22 million nights (outbound: about 2.82 million people who stayed 19.76 million nights, inbound: about 780,000 people who stayed for 5.45 million nights; actual data in 2018, surveyed by the company), the company provides services and information (media) that help solve problems during overseas travel; it launched the new service "ProDrivers," transportation service that makes all kinds of business and daily transportation more convenient by offering airport pickup, transportation for executives, etc.

The company launched the service in Tokyo; the ProDrivers service offers features such as that it can be used in units of 2 hours, customers can move along with their baggage, and it can be used by up to 9 people (allowing customers to split the cost). The company possesses 30 vehicles, and is increasing the number of drivers on a continuous basis. The company is not only targeting customers of the Global WiFi business, but also the customers of the Information and Communications Service business, and, of course, they are putting effort into gaining new customers. They plan to sequentially expand the service area to cover major cities nationwide while forming partnerships. In overseas nations, the company will meet the needs by offering the pickup-reservation service, "SmartRyde" of DLGB Inc. (Representative: Sota Kimura, Chuo-ku, Tokyo), one of the enterprises with which the company has established capital and business alliances.

5. Growth strategy

In the Global WiFi business, the company will work toward expansion (exploring a new market: growth of each stage, global expansion), extension (improving profitability) and utilization (business development: platform for travel-related services) of the customer and business bases, and in the Information and Communications Service business, strengthen the channels, products/services and the business model.

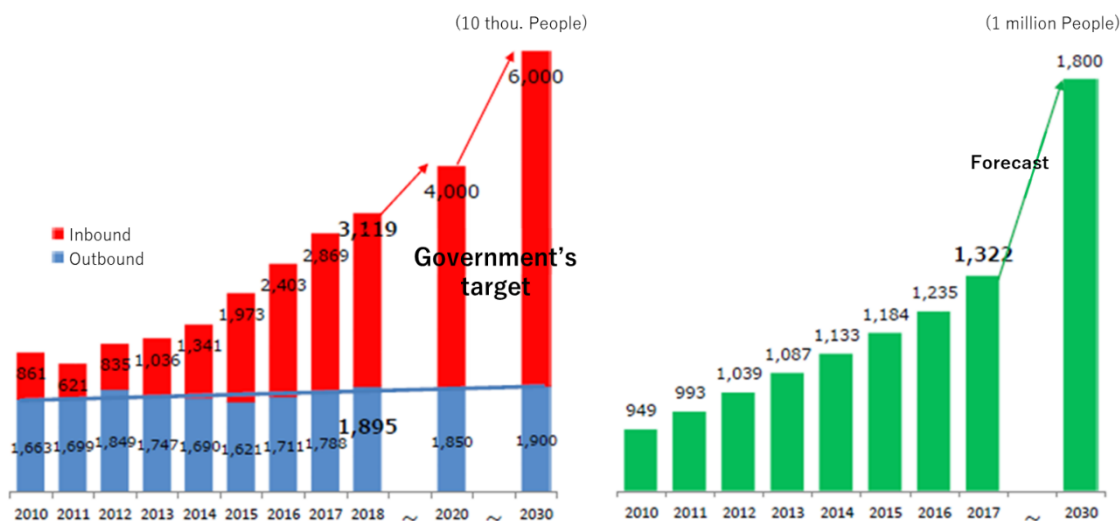


(From the reference material of the company)

5-1 Global WiFi business

Market scale

About 31.19 million foreign tourists visited Japan (inbound travelers) in 2018 (according to the Japan National Tourism Organization). The company has estimated the scale of the personal Wi-Fi router rental market at approximately 218.3 billion yen, based on the average customer unit price. As the Japanese government has cited “40 million tourists in 2020” and “60 million tourists in 2060” as a goal, the market scale is expected to further increase. Meanwhile, the number of Japanese tourists traveling to overseas nations (outbound travelers) is about 17 million per year, and the company estimated that the market scale is about 132.6 billion yen. The number of tourists travelling from one overseas country to another has exceeded 1.3 billion (according to the reference material of the company; source: officially published material by the United Nations World Tourism Organization), and the market scale estimated by the company is over 9 trillion yen.



Create from JNTO materials, March 2016 “Advisory Council on Tourism Nation Promotion”, Heisei29 edition tourism white paper, and the materials released by UNWTO
 ※Estimate from Average revenue Per User of our customer

(From the reference material of the company)

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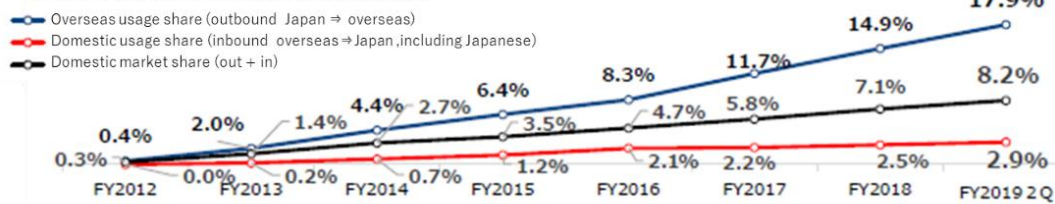


Room for increasing its market share

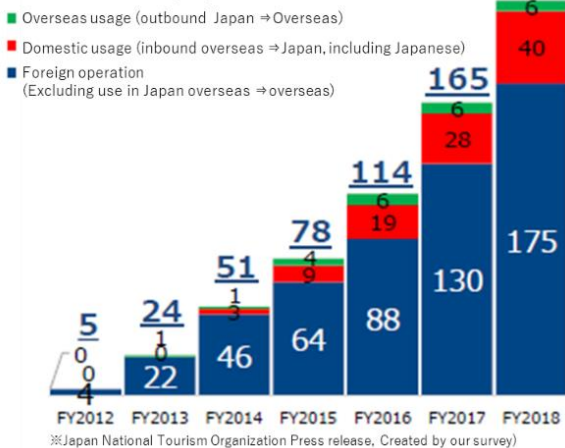
The company is growing rapidly, but its market share is still 17.9% for overseas use (outbound: from Japan to overseas) and 2.9% for domestic use (inbound: from overseas to Japan, including Japanese people). Accordingly, their share in the Japanese market (outbound and inbound travelers) is 8.2%, which indicates that there remains room for increasing the market share. The company will endeavor to further increase the percentage by not only prospecting for new users, but also offering services to repeat users and taking in corporate demand. Furthermore, it will strengthen the business foundation through cost reduction and productivity improvement in an attempt to boost profitability.

In the medium and long term, the company plans to develop a new business, “a travel-related service platform,” using the customer bases of “Global WiFi” and “NINJA WiFi.”

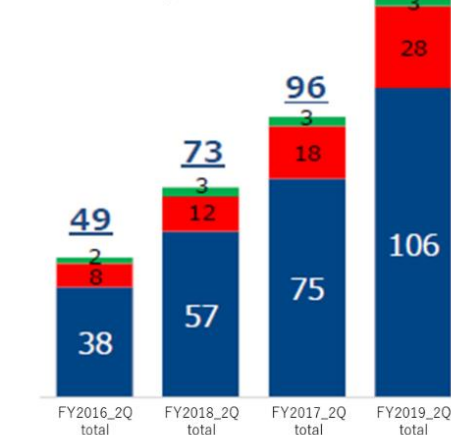
Our WiFi rental service usage rate(Japan)※



Number of rentals per year (unit : ten thousand)



Rental number(2Q total transition)



※Japan National Tourism Organization Press release, Created by our survey)

(From the reference material of the company)

Comparison of means of connecting to the Internet at overseas destinations (1)

Connection method	Price	Range of use	Communication speed	Management	Security
 	○	○	○	○	○
Procurement in partnership with local high-quality lines. Local fastest . Reliable price. Safe . Easy .					
International roaming (Overseas packet flat rate)	×	△	△	○	○
There are issues with price and quality. (High price of 980~2980 yen a day. It may be charged even more.)					
Prepaid SIM (Local procurement)	△	△	○	×	○
Need knowledge. It takes time and effort. (Local purchase, Problem in capacity, Recharge regularly etc.)					
Free Wi-Fi spot	○	×	△	○	×
Limited location. The speed may be slow depending on the facility line and the number of people connected. Security concerns.					

(From the reference material of the company)

Means of connecting to the Internet at overseas destinations (2)

WiFi router rental	Comparison table	Overseas packet flat rate	Free WiFi spot /Hotel WiFi
300 yen/day~1970 yen/day Apply and rent on the web	Charge	980 yen/day~2980 yen/day Prior confirmation of construct details, compatible models, and settings is required according to the plan ※Depending on contract mobile company	Free WiFi spot Free Hotel WiFi included in accommodation fee or 500~3000 yen
Reliable flat-rate system and stable Communication speed, Enhanced security and compensation. Can be used with peace of mind with a flat-rate system. Capacity can be selected according to the rental scene.	Merit	Easy connection ※Desaring is also possible	Easy to use Available area is limited, but many places are provided free of charge and easy to connect
More luggage It is necessary to carry a router in addition to the smartphone.	Demerit	The price is expensive Pricing is more expensive than rental WiFi. Incorrect data roaming settings can result in high charges.	Careful about unauthorized access While easy to use, there is a risk of unauthorized access and virus infection and personal information being stolen
For those who want to communicate at a stable rate without worrying about additional charges with the flat rate system.(Can be used by multiple people, even cheaper than split) If you carry it, you can use it in various places. Access is not concentrated and difficult to connect.	Recommended	Those who want to use it easily with their own devices	Use area is limited but I want to be cheap. Overseas internet is sufficient in a limited time

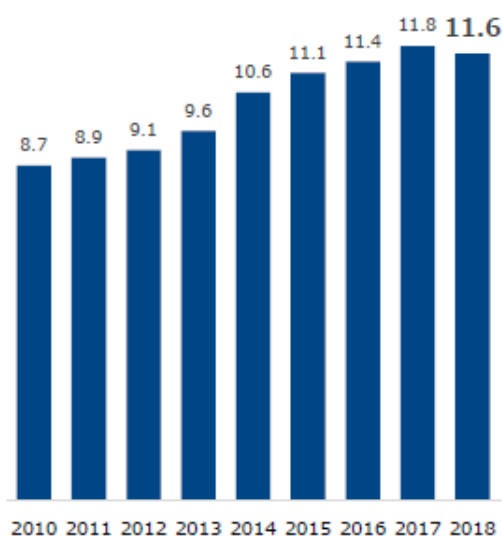
(From the reference material of the company)

5-2 Information and Communications Service business

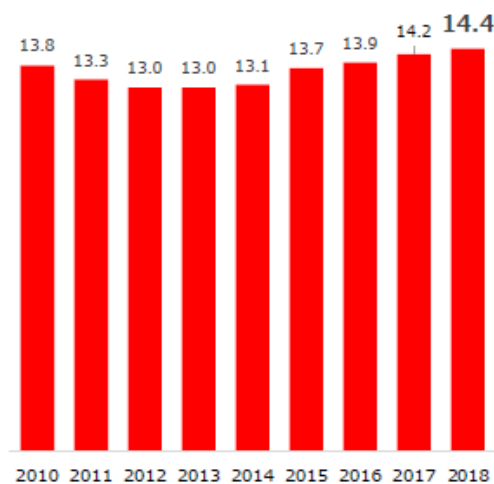
The company attracts customers through its unique online marketing (Internet media strategy), through which the company maximizes running yield (recurring revenue-type business) and conducts additional sales with high productivity (up/cross selling) through its unique know-how, the Customer Relationship Management (CRM; customer relationship and ongoing transactions) strategy.

The company has advantages in prospecting for corporations newly established (within 6 months), one of its major targets, and it is constantly increasing client corporations by 8,000-9,000 every term. According to the data by the Ministry of Justice, the number of newly registered companies was 116,208 in Japan in 2018, meaning that the company has conducted transactions with one in every 7-8 corporations newly founded in Japan. Also, the company is taking in demand for change procedures at the time of adding commodities and transferring office, replacement of equipment, etc., through the recurring revenue-type business (the number of registered head and branch offices for transfer is approx. 140,000 through the years, even after excluding the offices not requiring registration for transfer).

Number of incorporation registrations (total)



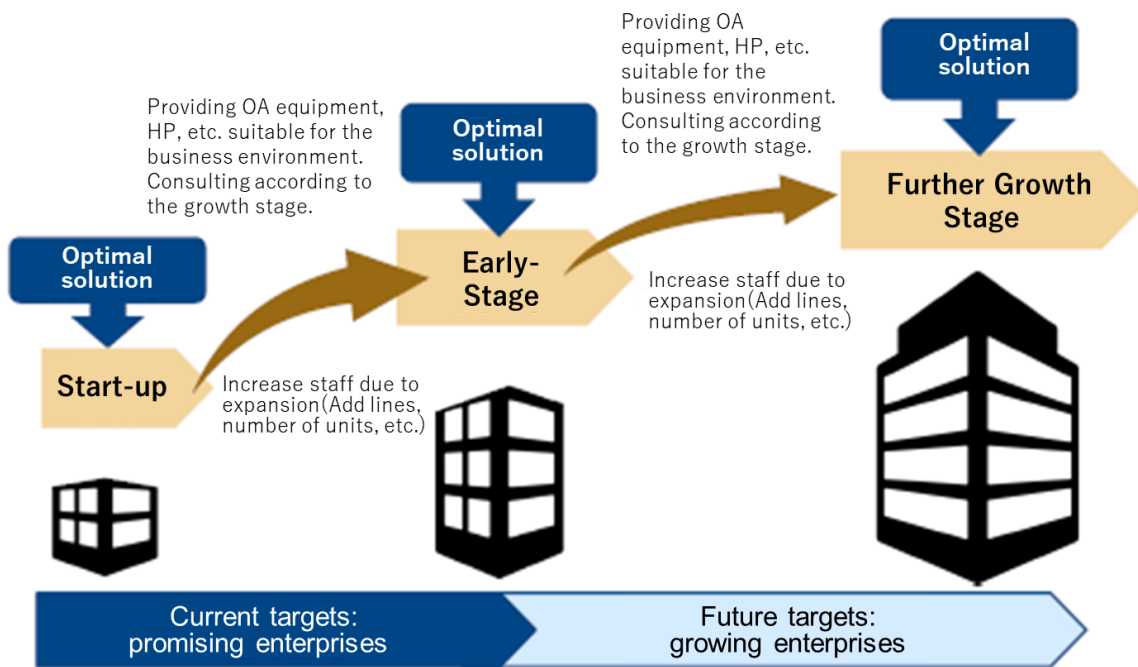
Number of registrations of transfer of head office and branch (total)



(From the reference material of the company)

For example, the company continuously receives commission from operators for telephone line arrangements unless contracts for the service are cancelled, and it can earn maintenance fees for multifunction photocopiers on a continuous basis. Moreover, the follow-up service by its Customer Loyalty Team has enabled the company to establish a recurring revenue-type business model, in which earnings are accumulated by taking in demand for lines and equipment that increases with customers’ business growth, and providing optimal services according to customers’ growth stage (additional sales with high productivity through up/cross selling). The company will evolve its recurring revenue-type business model while shifting the target customer from enterprises with growth potential to ones in the growth stage.

Stock-type Business Model



(From the reference material of the company)

5-3 Sustainable growth and improving corporate value – Initiatives for ESG –

For the environment, the company takes measures for global warming, promotes eco-friendliness and recycling, and also provides support for affected areas. Also, the company aims to contribute to society through recruitment/employment (diverse employment channels, efforts for having advantages in recruitment) and the Work Style Reform (personnel system conforming to prevailing time and environment and unique benefits). As for corporate governance, the company is taking efforts in strengthening the governance and promoting risk management and thorough compliance.

Environment	<ul style="list-style-type: none"> ▪ Acquire “Green Site License” that offsets carbon emissions via websites ▪ Support for “Shinsai Regain” (a specified NPO) ▪ Efforts in encouraging paper-free work (2018: fees for copying and papers were cut down 9.6% year on year) ▪ Cheap rental of LED lighting
Society	<ul style="list-style-type: none"> ▪ Utilize diverse employment channels Fair employment, employee referral, active hiring of female employees, international employees, and disabled employees ▪ Introduce a personnel system conforming to prevailing time and environment & unique company benefit systems Reduced working hours, shift-work system, flex-time system, half-holiday, hourly paid leave (paid leave), leave on spouse’s birthday (special leave) and allowance for hydration (summer time, subsidy for influenza vaccination)

	<ul style="list-style-type: none"> ▪ Continuous increment in the average annual salary Improvement in efficiency of work through an AI chatbot and RPA ⇒ increased productivity, shift to work of a high added value, provision of commission, incentive and performance-based bonus, increment in the average annual salary ▪ Open "Vision Kids Nursery," a company-led nursery school
Corporate governance	<ul style="list-style-type: none"> ▪ Strengthen information security Acquire the ISMS international standard "ISO/IEC 27001," establish and run an information security committee ▪ Compliance, risk management and internal control activity Conduct training programs periodically

6. Conclusions

While the Information and Communications Service business continues to see a stable growth, the Global WiFi business is growing rapidly. Increased sales and profit are anticipated for the fiscal year ending Dec. 2019 for six consecutive years, where sales are expected to be 25.7 billion yen, which is 2.5 times more than the term five years prior (fiscal year ended Dec. 2014) when sales and profit started continuous growth, and operating income is estimated to be 3.2 billion yen, which is 11.4 times more. However, the penetration ratio of the company's Wi-Fi rental service were still not more than 17.9% for outbound travelers and 2.9% for inbound travelers, indicating that there is a room for improvement. As a matter of fact, the penetration ratio of mainly the outbound travelers in the second quarter (cumulative total) rose, surpassing the previous trend, as a result of both offensive and defensive initiatives, such as improving convenience through store digitalization, "Global WiFi for Biz" and "Unlimited Plan Offer," and improving business efficiency and cutting down on cost, which are the source of the company's price competitiveness.

While the company might seem to be overly concerned about competition, it is leading in non-price competition in addition to price competition, as it has a greater number of countries/areas available for use, where customers cannot only connect but also use the internet at a high speed. In overseas, especially, "the most important thing is 'to be able to connect'" (President Sano). The matter of interest for overseas carriers is also to win the competition in the domestic market. Therefore, they consider Vision as a perfect partner as it resells its own lines instead of roaming. From a medium-to-long-term perspective, a favorable relationship with overseas carriers may help in expanding the overseas business (from oversea to overseas) with great potential.

<Reference: Regarding corporate governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with an audit and supervisory board
Directors	6 directors, including 3 outside one
Auditors	4 auditors, including 4 outside ones

◎ Corporate Governance Report : Updated on March 26, 2019

Basic policy

Our corporate group improves ourselves to change clients' expectations into impression, pursues innovation without hesitation to actualize the ideal, always feels grateful about the support of many people (stakeholders), and operates its business activities with a humble mindset. Under this code of conduct, Vision observes laws, in-company regulations, and policies, carries out business in good faith, and strives to realize optimal corporate governance.

<Main Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts) >

【Principle 4-1-3 Roles and responsibilities of the board of directors (1) (To oversee the planning by a successor to the chief executive officer and others)】

Under a business environment that will change from time to time, our company will have thorough discussion before appointing top executives.

For instance, in our company the board of directors will designate top executives from candidates who are considered appropriate for the position in terms of their personality, knowledge, business performance, and other factors, in accordance with our management philosophy and business strategies. We will hold discussion on supervision of succession planning.

【Supplementary Principle 4-10-1 Involvement and advice from independent directors on the matters of nomination and remuneration by establishing a voluntary independent advisory committee.】

Regarding the nomination and appointment of candidates for directors and corporate auditors, we comprehensively take into account the knowledge, experience, capabilities, etc. and decide upon deliberation at the Board of Directors. Remuneration is determined in accordance with the Board of Directors Regulations established by the Board of Directors including external directors within the framework of the total remuneration resolved at a shareholders' meeting. Based on these facts, we believe there is no need to establish a voluntary advisory committee and the current system is functioning properly.

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

【Principle 1-4 So-called strategically held shares】

The basic policy of Vision is not to hold the shares of other companies strategically, unless it is considered beneficial for improving corporate value in the medium to long term. If we hold listed shares for cross-shareholding, we will examine all the shares individually at the Board of Directors every quarter. As for the shares of companies that are no longer expected to contribute to the improvement of our corporate value over the medium to long term, we will sell the shares taking into consideration stock prices and market trends. Regarding the exercise of voting rights, we have a policy to decide whether or not to approve for each case, and the decision is made based on its potential contribution to the improvement of our corporate value over the medium to long term.

Regarding disclosure of the verification results of purposes of cross-shareholding, we do not disclose them because they are linked with our business strategies and benefits of the company and shareholders may be damaged by the disclosure.

【Principle 5-1 Policy for constructive dialogue with shareholders】

If shareholders or others want to have a dialogue with Vision, the company will respond positively within a reasonable range, to contribute to the sustainable growth of the company and the medium to long-term improvement in corporate value. As of now, Vision holds a briefing session attended by the president or a director in charge of IR two or more times per year, meetings with institutional investors, briefing sessions for individual investors several times a year, and so on. The information on their results is properly shared through meetings of the board of directors, etc. In addition, Vision takes thoroughgoing measures for preventing the leakage of insider information.

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