

Visional, Inc. FY2025/7 2Q Financial Results FAQ

March 13, 2025

Consolidated Financial Results

Q1 What is the summary of FY2025/7 2Q financial performance and progress to FY financial forecast?

2Q YTD consolidated net sales recorded JPY 36.93 Bn (17.5% YoY growth) and 2Q consolidated net sales recorded JPY 18.23 Bn (18.6% YoY growth). Progress to FY financial forecast is 48.3% (2Q YTD progress of the previous fiscal year to FY actual results of the previous fiscal year was 47.5%), progressing within plan at the top range.

2Q YTD consolidated operating profit was JPY 10.22 Bn (4.4% YoY growth, 27.7% margin) and 2Q consolidated operating profit was JPY 4.77 Bn (1.3% YoY decline, 26.2% margin). In FY2024/7 2Q, profit increased compared to plan, as appropriate marketing investments could not be made due to the impact of the Noto Peninsula Earthquake. However, for FY2025/7 2Q, after making the planned growth investments, progress to FY financial forecast is 53.4% (2Q YTD progress of the previous fiscal year to FY actual results of the previous fiscal year was 54.9%), progressing on plan.

The Company consists of the HR Tech Segment and the Incubation Segment.

HR Tech Segment:

BizReach: 2Q YTD net sales recorded JPY 32.12 Bn (16.8% YoY growth) and 2Q net sales recorded JPY 15.77 Bn (17.7% YoY growth). Progressing at the top range of plan as direct employers' hiring demand for professionals and job seekers' behavior are trending strongly. The total number of registered direct employers reached more than 34,700 companies as of the end of January 2025. This is an increase of more than 1,500 companies compared to 1Q. 2Q YTD operating profit (before corporate expense allocation) was JPY 13.23 Bn (8.5% YoY growth, 41.2% margin) and 2Q operating profit (before corporate expense allocation) was JPY 6.29 Bn (4.3% YoY growth, 39.9% margin). Based on strong hiring demand, executed mainly job seeker acquisition as planned. As mentioned above, compared to FY2024/7 2Q when profit increased compared to plan due to limited investments by the Noto Peninsula Earthquake, for FY2025/7 2Q, profit landed on plan after making the planned growth investments. Profit margin is progressing on plan against our FY financial forecast of 40%.

HRMOS: Financial figures since FY2024/7 include all HRMOS services (*1). 2Q YTD net sales recorded JPY 2.38 Bn (36.6% YoY growth) and 2Q net sales recorded JPY 1.22 Bn (34.4% YoY growth). Sales grew steadily in each HRMOS service. In addition, "Internal BizReach by HRMOS" promotion started at the end of January 2025.

2Q YTD operating loss (before corporate expense allocation) was JPY 0.12 Bn (loss of JPY 0.49 Bn for the same period of the previous fiscal year) and 2Q operating loss (before corporate expense allocation) was JPY 0.04 Bn (loss of JPY 0.21 Bn for the same quarter of the previous fiscal year). Progressing on track to become profitable in FY2026/7. We will strategically invest in "Internal BizReach by HRMOS" promotion in this 2H and therefore although 2Q YTD loss has decreased YoY, progress to FY financial forecast is on plan. HRMOS ATS and HRMOS Talent Management total ARR was JPY 3.18 Bn (30.5% YoY growth), and the number of unique paying customers was 2,159 companies (23.8% YoY growth).

HR Tech Other: This includes other recruitment platform businesses.

Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech.

2Q YTD segment net sales recorded JPY 1.11 Bn (9.9% YoY decline) and 2Q segment net sales recorded JPY 0.55 Bn (0.6% YoY growth). Due to the share transfer of BizHint, Inc.,

completed on December 1, 2023, YoY net sales growth had been negative, however, YoY growth in 2Q has turned positive as each business within Incubation has grown. 2Q YTD segment operating loss was JPY 0.77 Bn (loss of JPY 0.32 Bn for the same period of the previous fiscal year) and 2Q segment operating loss was JPY 0.41 Bn (loss of JPY 0.13 Bn for the same quarter of the previous fiscal year). We are building businesses whilst controlling investments.

*1 HRMOS financial figures since FY2024/7 include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll. In addition, financial figures also include “Internal BizReach by HRMOS” development costs and net sales after launch.

Q2 How do you evaluate BizReach 2Q net sales growth of 17.7%?

2Q growth rate of 17.7% indicates landing within plan at the top range. Recovery in hiring demand varies, yet direct recruiting has further expanded amongst Japanese companies, resulting in more than 1,500 direct employers starting to use BizReach in 2Q compared to 1Q, leading to the number of registered direct employers to reach more than 34,700 companies showing expansion of direct recruiting (direct sourcing).

Although the demand is trending strongly, there is the possibility of market changes in 3Q, the largest seasonal quarter, like last year when job seekers' behavior slowed down temporarily by wage increase and wage increase expectations, FY2025/7 BizReach net sales forecast remains unchanged at 15.0%.

Q3 What is penalty income recorded in the non-operating income?

When there is a violation of our BizReach terms of service, we charge a penalty that is defined in our terms of service agreement. This penalty income is recorded in non-operating income. For 1H, JPY 0.40 Bn was recorded as penalty income.

Q4 What is the summary of the FY financial forecast for FY2025/7?

There is no change to our FY2025/7 financial forecast disclosed on September 12, 2024, and performance is progressing on plan.

We are progressing on track towards the delivery of our FY consolidated net sales forecast of JPY 76.40 Bn (15.5% YoY growth), and consolidated operating profit forecast of JPY 19.15 Bn (7.4% YoY growth, 25.1% margin). Based on the track record of disciplined execution, for FY2025/7, whilst maintaining BizReach margin, we will increase our investment in human capital and investment in other businesses to deliver sustainable growth.

HR Tech Segment:

BizReach: Recovery in hiring demand varies, yet growth in Japanese companies is driving our performance, and 2Q net sales is trending within plan at the top range. Although the trend is strong currently, as there is the possibility of changes in the market outlook, no change to our forecast of FY2025/7 net sales of JPY 66.44 Bn (15.0% YoY growth), operating profit margin (before corporate expense allocation) of 40%.

HRMOS: The basic line-up of our service offering of our envisioned integrated human capital ecosystem is now in place with the launch of HRMOS Payroll as a new addition to the HRMOS series at the end of July 2024. In addition, “Internal BizReach by HRMOS” promotion started at the end of January 2025. Net sales of “Internal BizReach by HRMOS” has already been factored into the forecast for FY2025/7, although the impact is negligible as sales lead time is long.

Based on our strategy to grow each service as well as to introduce the integrated HRMOS service offering, we forecast FY2025/7 net sales of JPY 5.00 Bn (30.1% YoY growth). Operating loss (before allocation expense allocation) for FY2025/7 is expected to be at a similar level to the previous year as marketing investments are planned to be larger in 2H.

Incubation segment:

We continue to create businesses to enhance corporate value over the medium to long term, balancing investment for future growth and cost discipline. FY2025/7 segment net sales is forecasted at JPY 2.47 Bn (11.3% YoY growth). Segment loss is forecasted to be around JPY 1.5 Bn.

(JPY MM)	6 months ended Jan 31, 2025	FY2025/7 Forecast	Progress
Consolidated Net Sales	36,930	76,400	48.3%
HR Tech Segment	35,760	73,880	48.4%
BizReach	32,129	66,440	48.4%
HRMOS	2,383	5,000	47.7%
Incubation Segment	1,115	2,470	45.2%
Others	54	50	109.7%
Operating Profit	10,224	19,150	53.4%
Ordinary Profit	10,819	19,600	55.2%
Profit Attributable to Owners of Parent	7,549	13,470	56.0%

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

Q5 What is the background to the merger with IEYASU, Inc. and what is the financial impact?

In FY2025/7 1Q, IEYASU, Inc., which was a consolidated subsidiary, was absorbed in an absorption-type merger with BizReach, Inc. as the surviving company.

This merger was executed as part of a reorganization within the Group to enable accelerated sales and marketing of HRMOS series to our customers. Impact to consolidated financials is limited.

Q6 What is the background of the share transfer of BizHint, Inc. and what is the impact?

On December 1, 2023, the Company transferred all the shares of its consolidated subsidiary, BizHint, Inc., to SMARTCAMP Co., Ltd.

BizHint, Inc. operates a B-to-B lead generation platform “BIZHINT”. Since its start in August 2016, the business has grown into one of the largest performance-based lead generation platforms and media for decision makers in Japan, providing IT/SaaS and DX solutions. The share transfer will enable BizHint, Inc. and SMARTCAMP Co., Ltd. to further accelerate matching of companies who are looking to increase efficiency, with IT/SaaS and DX solutions providers.

For details, please refer to the “Notice Regarding Change of a Consolidated Subsidiary (Share Transfer)” disclosed on October 31, 2023.

Although the impact to consolidated financials is limited, the reason for the negative YoY growth in quarterly segment sales growth rate until FY2025/7 1Q was due to this share transfer, despite the growth of each underlying remaining businesses in the Incubation Segment.

Q7 What is the impact of stock options to total shares outstanding?

We grant stock options (tax qualified stock options and stock options with charge) to directors and selected employees to increase their motivation and morale for improving business performance, and to hire talent for Visional Group, leading to further enhancement in the corporate value of Visional Group. These stock options can be exercised in phases through FY2030/7. Majority of these stock options were granted prior to the Company’s listing, and about half became exercisable from April 23, 2022.

Total shares outstanding as of January 31, 2025, is 39,748,600 shares (increase of 68,700 shares from October 31, 2024).

As of January 31, 2025, the total shares outstanding on a fully diluted basis is 41,532,500 shares.

Q8 What is Adjusted Operating Profit before Corporate Expense Allocation? (or shown as operating profit (before corporate expense allocation))

This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general and administrative expenses associated with business administration, information systems that cannot be charged directly to specific products and services. In principle, the costs directly tied to products and services are recorded.

Q9 What are Liabilities from application of Equity Method?

This is an account that arose when 60% of Stanby, Inc. was divested to LY Corporation (formerly, Z Holdings Corporation). Stanby, Inc. is currently our equity method affiliate.

BizReach

Q10 What is your cost structure?

Our major costs consist of marketing expenses and personnel expenses. As BizReach is still in its growth stage, we will continue to invest in hiring and expanding our sales organization through internal moves, and conduct marketing activities including online, offline ads, and TV commercials whilst carefully monitoring the return on our investments.

Q11 What is the future vision of BizReach?

We believe the importance of direct recruiting (direct sourcing) will increase as war for talent intensifies and liquidity in the labor market accelerates, driven by factors such as mismatch of corporation and worker life spans, shift to performance-based workstyle with clear job descriptions, and the social dynamic changes caused by the pandemic.

The ratio of net sales of BizReach from direct employers is gradually increasing, indicating the penetration of direct recruiting in Japan.

We will continue to encourage increased use of our platform based on further growth in the professional hiring market, increase in our market share through further acquisition of job seekers and direct employers, reactivation of existing job seekers, and investments in matching capabilities.

Q12 Will BizReach be affected by stricter regulations on so-called "congratulatory gifts"?

From April 1, 2025, some of the ministerial guidelines based on the Employment Security Act will be revised. As a result, providers of recruitment information, etc. will be prohibited, in principle, from providing job seekers with money, gift certificates, etc. (Please refer to Japanese FAQ for the official Japanese provision title).

Providing a fair level of monetary provision plays a role in preventing fraud in recruitment support services, and we also implement such measures, but we will take measures to prevent fraud in other means that is aligned with the amendment, and as such, we do not anticipate impact to our business performance at this time. Should our financial forecast change based on such impact, we will disclose as soon as appropriate.

HRMOS

Q13 What is the service lineup of HRMOS?

HRMOS currently consists of HRMOS ATS, HRMOS Talent Management, Internal BizReach by HRMOS, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll.

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY 3.18 Bn (30.5% YoY growth) as of the end of 2Q.

HRMOS has launched HRMOS Payroll as a new addition to the HRMOS series at the end of FY2024/7. HRMOS Payroll is a cloud system that provides functions for efficient processing of labor and payroll operations and seamlessly integrates with other functions and services in the HRMOS series to streamline various labor and payroll operations and prevent human error. In addition, Internal scout service, "Internal BizReach by HRMOS" promotion started at the end of

January 2025. For an overview of the service, please see Q14.

Q14 What kind of service is “Internal BizReach by HRMOS” ?

In recent years, changing jobs has become a positive option for career development, and employees who have left the company have increased in many companies. “Internal BizReach by HRMOS” is a new service aiming at creating a company at which employees will want to continue working by promoting “Internal Scouting” activities that provide employees with career options to address the new challenge of the outflow of employees. We believe we are uniquely positioned to offer this new service, which is furnished with generative AI trained on data accumulated through BizReach, and realizes optimal matching of internal talent to internal positions through automatic generation of internal resumes and internal position specifications in addition to highly accurate talent searches and recommendations.

Q15 What is the financial impact of “Internal BizReach by HRMOS” for FY2025/7?

“Internal BizReach by HRMOS” is managed together with “HRMOS Talent Management” and is included in HRMOS financial figures. We started the promotion at the end of January 2025, and net sales have already been factored into the forecast for FY2025/7, although impact for this fiscal year is negligible as sales lead time is long. Marketing investment is planned in 2H and this is also included in FY2025/7 forecast.

We will make a more concrete net sales forecast for this service based on customer interaction this 2H, yet our plan at launch is 1,000 companies in 3 years with related net sales of JPY 3.0 Bn.

Q16 Why does FY2025/7 HRMOS net sales growth forecast appear to be slowing significantly?

FY2024/7 YoY net sales growth was impacted by the addition of HRMOS Expense Management that was not included in HRMOS in the prior year. FY2025/7 YoY growth rate represents growth within the same services. As such, although the growth rate appears to be slowing significantly, growth of each of the HRMOS services is forecasted to grow steadily.

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