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Consolidated Financial Results for the Nine Months Ended April 30, 2021 [Japanese GAAP]



June 7, 2021

Company name: Visional, Inc.
 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: June 8, 2021
 Scheduled date of commencing dividend payments: –
 Availability of supplementary explanatory materials on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Nine Months Ended April 30, 2021 (August 1, 2020 - April 30, 2021)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended April 30, 2021	20,601	–	3,112	–	2,933	–	1,885	–
April 30, 2020	–	–	–	–	–	–	–	–

(Note) Comprehensive income: Nine months ended April 30, 2021: ¥1,885 million [– %]

Nine months ended April 30, 2020: ¥ – million [– %]

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended April 30, 2021	59.41		48.39	
April 30, 2020	–		–	

- (Notes)
- The figures for the nine months ended April 30, 2020 and the year-on-year rates of changes for the nine months ended April 30, 2021 are not disclosed, as the Company did not prepare consolidated financial statements for the nine months ended April 30, 2020.
 - On December 7, 2020, the Company conducted a 100-for-1 stock split. Basic earnings per share and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the fiscal year ending July 31, 2021.
 - The Company was listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021, so the diluted earnings per share for the nine months ended April 30, 2021 were calculated by using the average share value for the period from the date of listing in the Tokyo Stock Exchange Mothers Market to the end of the nine months ended April 30, 2021, as the average share value during the period.

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of April 30, 2021	32,535		21,742		66.8	
As of July 31, 2020	17,722		9,205		51.8	

(Reference) Equity: As of April 30, 2021: ¥21,742 million

As of July 31, 2020: ¥9,185 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2020	–	0.00	–	0.00	0.00
Fiscal year ending July 31, 2021	–	0.00	–		
Fiscal year ending July 31, 2021 (Forecast)				0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2021 (August 1, 2020 - July 31, 2021)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	26,700	3.2	960	(56.1)	840	(62.7)	390	(91.6)	11.92

(Notes) 1. Revision to the financial results forecast announced most recently: None

2. Basic earnings per share was calculated using the weighted-average number of issued shares during the period, including 2,127,700 shares publicly offered; third-party allotments of 266,900 shares related to sales by means of over-allotments were not considered.

* Notes:

(1) Changes in significant subsidiaries during the period under review: None

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

April 30, 2021: 35,591,100 shares

July 31, 2020: 28,565,400 shares

2) Total number of treasury shares at the end of the period:

April 30, 2021: – shares

July 31, 2020: – shares

3) Average number of shares during the period:

Nine months ended April 30, 2021: 31,732,518 shares

Nine months ended April 30, 2020: – shares

(Notes) 1. On December 6, 2020, as a result of exercising the put options of Class A preferred stock, the Company redeemed all the Class A preferred stock as treasury stock and issued common stock to the shareholders in return. On the same day, all shares of the treasury stock redeemed were then canceled in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors' meeting held on November 20, 2020. In addition, on December 7, 2020, the Company conducted a 100-for-1 stock split. Accordingly, "Total number of issued shares at the end of the period" and "Average number of shares during the period" were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2020.

2. For the fiscal year ended July 31, 2020, “Total number of issued shares at the end of the period” includes the number of Class A preferred stock.
3. “Average number of shares during the period” for the nine months ended April 30, 2020 is not disclosed, as the Company did not prepare consolidated financial statements for the nine months ended April 30, 2020.

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Statements in this document about the future reflect our judgments as of the end of the current quarter of the fiscal year under review.

Because we did not prepare consolidated financial statements for the nine months ended April 30, 2020, we have not conducted a year-on-year comparison with the nine months ended April 30, 2020.

The Group's mission is the "persistent creation of new possibilities." We are a digital transformation company with multiple businesses that solve a wide variety of issues facing society through services created using technology.

In the nine months ended April 30, 2021, the state of the domestic economy remains severe due to factors such as the restrictions placed on economic activity by the re-issuing of state of emergency declarations in response to the COVID-19 pandemic. Although there are expectations for the spread of COVID-19 to come to an end as vaccinations begin, the future remains uncertain. The real GDP growth rate for the period from January to March 2021 (first preliminary figures) announced by the Cabinet Office in May 2021 was -1.3% (annualized -5.1%), and the real GDP growth rate for the fiscal year 2020 was -4.6%, reflecting the difficult situation.

With regard to the Group's market conditions, companies continue to show caution toward recruiting in response to the effects of COVID-19 on the employment situation in Japan. On the other hand, in the Group's core BizReach business, which specializes in the professional domain, although affected by COVID-19, net sales have surpassed their pre-pandemic levels and are performing strongly.

Although the human capital-related market will be affected by COVID-19 in the immediate future, demand in the recruiting and human capital management domains is expected to increase as employment becomes more fluid in the medium and long term and work styles become more diverse at an accelerating pace.

Under these circumstances, during the nine months ended April 30, 2021, the Group recorded net sales of ¥20,601 million, operating profit of ¥3,112 million, ordinary profit of ¥2,933 million, and profit attributable to owners of parent of ¥1,885 million.

Performance by segment was as follows.

(i) HR Tech

The HR Tech segment consists of BizReach, HRMOS, and other HR Tech services.

Against a backdrop of solid demand for human capital in the professional human capital domain, the BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices. The cumulative number of registered direct employers (Note 1) increased to more than 16,200 (compared to more than 13,800 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 4,800 (compared to more than 4,600 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to 1.30 million (compared to 1.11 million as of the end of the previous fiscal year). The business recorded net sales of ¥16,713 million. With regard to expenses, as a result of ongoing investment in advertising, including television commercials, and product development, it recorded adjusted operating profit before corporate expense allocation (Note 4) of ¥7,472 million.

In August 2020, the HRMOS business launched the new feature Organizational Diagnostic Survey (a new feature aimed at accurately ascertaining organizational challenges and tying this to action, even for organizations that are continually changing), and in October 2020, it released HRMOS Recruiting New Graduate Edition (a recruiting management cloud that leverages the recruiting-management expertise and technologies built up in mid-career recruiting and also supports year-round recruiting).

In addition to investing in the products such as the development of new functions, as a result of sales and advertising activities, ARR (Note 5) rose 16.6% compared to the end of the third quarter of the previous fiscal year to ¥1,203 million, the number of unique paying customers (Note 6) increased 11.2% to 897, and ARPU (Note 7) rose 4.9% to ¥111,808. The churn rate (Note 8) that is a 12-month average increased from 1.01% as of the end of the third quarter of the previous fiscal year to 1.40%, as a result of factors such as the curtailment of hiring by employers due to the COVID-19 pandemic. However, the single-month churn rates from February to April 2021 were 1.14%, 0.77%, and 1.27%, respectively, lower than the 12-month average.

As a result, the HRMOS business recorded net sales of ¥847 million and an adjusted operating loss before corporate expense allocation (Note 4) of ¥1,151 million.

As a result, in the nine months ended April 30, 2021, the HR Tech segment recorded net sales of ¥19,439 million and segment profit of ¥4,207 million.

- (Notes)
1. The total number of employers that have introduced BizReach, excluding headhunters
 2. The number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 3. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters
 4. This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general administrative expenses associated with accounting, legal, human resources, and other business administration, and also personnel costs and ancillary outsourcing and other costs of the information systems and design divisions that cannot be charged directly to specific products and services.
 5. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue).
 6. The number of paying users of HRMOS series services
 7. Average Revenue per User. $\text{MRR as of the end of the month} \div \text{number of active employers}$
 8. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months.

(ii) Incubation

The Incubation segment includes Trabox, BizReach SUCCEED, and BizHint.

In the nine months ended April 30, 2021, the segment recorded net sales of ¥1,040 million and segment loss of ¥564 million. This was primarily due to appropriate recruiting, new-product development, and advertising within the scope of the HR Tech segment profit.

(2) Explanation of Financial Position

As of the end of the third quarter ended April 30, 2021, total assets amounted to ¥32,535 million, a ¥14,812 million increase since the end of the previous fiscal year. This was primarily due to a ¥14,135 million increase in cash and deposits to ¥23,249 million, and a ¥1,322 million increase in notes and accounts receivable - trade to ¥3,334 million due to the growth in net sales during the third quarter.

As of the end of the third quarter ended April 30, 2021, total liabilities amounted to ¥10,792 million, a ¥2,275 million increase since the end of the previous fiscal year. This was primarily due to a ¥929 million increase in unearned revenue to ¥2,847 million due to an increase in the number of corporate users for the BizReach business in the third quarter, and long-term borrowings of ¥650 million in preparation for the impact of the spread of COVID-19.

As of the end of the third quarter ended April 30, 2021, net assets amounted to ¥21,742 million, a ¥12,537 million increase since the end of the previous fiscal year. This was mainly due to a ¥1,885 million increase in retained earnings due to the recording of profit attributable to owners of parent, and a ¥5,336 million increase in share capital to ¥5,436 million, and a ¥5,336 million increase in capital surplus to ¥9,400 million, from exercising share acquisition rights and issuing new shares in conjunction with the listing in the Tokyo Stock Exchange Mothers Section.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The content of the full-year consolidated financial results forecast is unchanged from the previously issued forecast.

In the fourth quarter of the fiscal year ending July 31, 2021, the Company will make upfront investments necessary for its future business development primarily in advertising, product development, and recruiting. Consequently, the actual performance for the nine months ended April 30, 2021 exceeds the forecast for the full fiscal year ending July 31, 2021 for operating profit and each subsequent profit category.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2020	As of April 30, 2021
Assets		
Current assets		
Cash and deposits	9,114	23,249
Notes and accounts receivable - trade	2,012	3,334
Work in process	167	2
Other	878	608
Allowance for doubtful accounts	(34)	(36)
Total current assets	12,137	27,159
Non-current assets		
Property, plant and equipment	899	749
Intangible assets		
Goodwill	1,186	1,338
Other	1,301	1,195
Total intangible assets	2,488	2,534
Investments and other assets		
Other	2,200	2,095
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	2,196	2,092
Total non-current assets	5,584	5,375
Total assets	17,722	32,535

(in millions of yen)

	As of July 31, 2020	As of April 30, 2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	–	200
Income taxes payable	578	615
Unearned revenue	1,917	2,847
Provision for bonuses	522	465
Provision for repayment	32	38
Other	2,239	2,983
Total current liabilities	5,290	7,149
Non-current liabilities		
Long-term borrowings	–	650
Liabilities from application of equity method	3,070	2,853
Other	155	139
Total non-current liabilities	3,225	3,642
Total liabilities	8,516	10,792
Net assets		
Shareholders' equity		
Share capital	100	5,436
Capital surplus	4,064	9,400
Retained earnings	5,021	6,906
Total shareholders' equity	9,185	21,742
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total accumulated other comprehensive income	(0)	0
Share acquisition rights	20	–
Total net assets	9,205	21,742
Total liabilities and net assets	17,722	32,535

(2) Quarterly Consolidated Statement of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

Nine months ended April 30

(in millions of yen)

	For the nine months ended April 30, 2021
Net sales	20,601
Cost of sales	3,030
Gross profit	17,571
Selling, general and administrative expenses	14,458
Operating profit	3,112
Non-operating income	
Share of profit of entities accounted for using equity method	217
Other	20
Total non-operating income	237
Non-operating expenses	
Interest expenses	1
Share issuance costs	70
Listing expenses	338
Other	6
Total non-operating expenses	416
Ordinary profit	2,933
Profit before income taxes	2,933
Income taxes - current	1,025
Income taxes - deferred	22
Total income taxes	1,048
Profit	1,885
Profit attributable to owners of parent	1,885

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended April 30

(in millions of yen)

	For the nine months ended April 30, 2021
Profit	1,885
Other comprehensive income	
Valuation difference on available-for-sale securities	0
Total other comprehensive income	0
Comprehensive income	1,885
Comprehensive income attributable to	
Owners of parent	1,885
Non-controlling interests	—

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Share capital and legal capital surplus increased by ¥336 million each due to the exercise of share acquisition rights. Furthermore, on April 22, 2021, the Company was listed on the Tokyo Stock Exchange Mothers Section. In conjunction with this listing, new shares were issued through a public offering with a share payment date of April 21, 2021, and share capital and legal capital surplus increased by ¥5,000 million, respectively.

As a result, share capital and capital surplus as of April 30, 2021 were ¥5,436 million and ¥9,400 million, respectively.

(Segment information, etc.)

For the nine months ended April 30, 2021 (from August 1, 2020 to April 30, 2021)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the quarterly consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	19,439	1,040	20,480	120	20,601
Intersegment sales or transfers	168	56	224	(224)	-
Total	19,608	1,097	20,705	(103)	20,601
Segment profit (loss)	4,207	(564)	3,642	(529)	3,112

(Notes) 1. Reconciliations of sales to external customers mainly represent office rental fees from an associated company accounted for by the equity method.

2. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

3. Segment profit (loss) is adjusted based on operating profit.

(Significant subsequent events)

With regard to the sale of the Company's shares in connection with over-allotment, at the Board of Directors meetings held on March 17 and April 6, 2021, it was resolved that in order to return the Company's shares borrowed by Nomura Securities Co., Ltd. from Soichiro Minami, a shareholder of the Company, shares for subscription would be issued to Nomura Securities through third-party share allotment as indicated below. Payment was completed on May 18, 2021.

Below is an overview of the issued shares for subscription.

1. Overview of shares for subscription

(1) Type and quantity of shares for subscription	Company common stock	266,900 shares
(2) Paid-in amount	Per share amount	¥3,825
(3) Total paid-in amount		¥1,020 million
(4) Allotment price	Per share amount	¥4,700
(5) Total allotment price		¥1,254 million
(6) Matters regarding increase in share capital and legal capital surplus	Increase in share capital per share	¥2,350
	Increase in legal capital surplus per share	¥2,350
(7) Allottee and number of allotted shares	Nomura Securities Co., Ltd.	266,900 shares
(8) Unit of number of shares applied for		100 shares
(9) Share payment date		May 18, 2021

(Note) The paid-in amount is the amount stipulated in Article 199, Paragraph 1, Item 2 of the Companies Act. The allotment price is the amount paid by the allottee. They are equal to the underwriting price for the issuance of shares for subscription offered in a public offering in conjunction with the listing on the Tokyo Stock Exchange Mothers Section, and for the offering by the underwriting of the underwriter.

2. Use of proceeds

As indicated in the Revised Securities Registration Statement issued on April 12, 2021, the Company plans to allot the ¥1,254 million in net proceeds received from the third-party allotment to (1) marketing investment, including advertising and sales promotion, (2) human resource expenses for expanding business, and (3) investment funds for use in business acquisitions, etc. Until the time of actually allotting the proceeds, the Company will follow a policy of managing the proceeds through highly safe financial instruments, etc.