

Visional, Inc., FAQ for FY2024/7 2Q Financial Results

Consolidated Financial Results

Q1 What is the summary of the results for FY2024/7 2Q?

Consolidated net sales for FY2024/7 1H recorded JPY 31.43 Bn (19.0% YoY growth) and consolidated net sales for 2Q were JPY 15.37 Bn (16.6% YoY growth), progressing on plan. Consolidated operating profit for FY2024/7 1H recorded JPY 9.79 Bn (68.1% YoY growth, 31.2% margin) and consolidated operating profit for 2Q were JPY 4.83 Bn (127.9% YoY growth, 31.5% margin), exceeding plan.

Disciplined execution balancing investments for future growth and cost control continues.

The Company consists of HR Tech segment and Incubation segment:

HR Tech Segment

BizReach: Net sales for 1H recorded JPY 27.49 Bn (18.9% YoY growth) and net sales for 2Q were JPY 13.40 Bn (16.5% YoY growth). 2Q net sales declined vs. 1Q yet 1H progressed within plan. 1Q and 2Q net sales fluctuate based on when individuals start their next roles. While solid demand for hiring professionals especially among Japanese companies continues, no change observed in the slowdown of hiring activities in some companies. Future market conditions remain unclear.

Adjusted operating profit before corporate expense allocation for 1H was JPY 12.19 Bn (27.3% YoY growth, 44.3% margin) and adjusted operating profit for 2Q was JPY 6.03 Bn (52.7% YoY growth, 45.0% margin). Marketing investments in 2Q landed smaller than plan as a result of our continued effort to improve marketing efficiency by reviewing advertising channels, as well as temporary refrainment on advertising post the 2024 Noto Peninsula Earthquake in January.

HRMOS: Financial figures for FY2024/7 include all HRMOS services (*1). Net sales for 1H recorded JPY 1.74 Bn (74.1% YoY growth) and net sales for 2Q were JPY 0.91 Bn (76.6% YoY growth). Strong net sales growth was driven mainly by HRMOS ATS and HRMOS Expense Management. Net sales for 1H is trending higher than plan.

As a result of investment in product development and marketing activities, adjusted operating losses before corporate expense allocation for 1H were JPY 0.49 Bn and for 2Q was JPY 0.21 Bn. 1H operating losses decreased compared to plan due to strong net sales growth.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 2.43 Bn (30.0% YoY growth), and the number of unique paying customers were 1,744 companies (26.5% YoY growth).

HR Tech Other: This segment includes other recruitment platform businesses. In December 2022, we have closed CareerTrek, included in this segment, as part of our resource prioritization exercises and therefore is not included in the figures of FY2024/7.

Incubation Segment

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

Due to the share transfer of BizHint, Inc., completed on December 1, 2023, segment net sales for 1H were JPY 1.23 Bn (13.3% YoY growth) and 2Q net sales for the Incubation Segment decreased compared to 1Q, and recorded JPY 0.54 Bn (8.2% YoY decline). Segment operating losses for 1H were JPY 0.32 Bn and segment operating losses for 2Q were JPY 0.13 Bn. We are building businesses whilst controlling investments.

*1 Financial figures for FY2024/7 include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll after its release

during FY2024/7.

Q2 How do you evaluate 2Q net sales growth rate of 16.5% for BizReach?

Net sales in 2Q have decreased compared to 1Q, as 1Q and 2Q net sales fluctuate based on when individuals start their next roles. 1H is progressing within plan against our full year forecast.

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

When there is a violation to 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 0.21 Bn was recorded as penalty income.

Q4 What is the summary of the consolidated financial forecast for FY2024/7 and current progress?

There is no change to our FY2024/7 consolidated financial forecast disclosed on September 14, 2023, progressing on plan.

(JPY MM)	6 months ended Jan. 31,2024	FY2024/7 Forecast	Progress (%)
Consolidated Net Sales	31,432	66,400	47.3%
HR Tech Segment	30,123	63,340	47.6%
BizReach	27,498	59,000	46.6%
HRMOS	1,745	3,300	52.9%
Incubation Segment	1,237	2,940	42.1%
Others	71	120	59.5%
Operating Profit	9,791	16,000	61.2%
Ordinary Profit	10,193	16,320	62.5%
Profit Attributable to Owners of Parent	7,212	10,930	66.0%

HR Tech Segment

BizReach: 1H net sales progressing within plan. 3Q net sales expected to be the biggest quarter driven by the normal seasonality of the hiring market. Although we do not expect recovery of some companies slowing down in their hiring activities, our full year net sales forecast for BizReach is JPY 59.00 Bn (20.0% YoY growth) based on the assumption that demand for professionals will continue to be solid.

Since 1H marketing investments were smaller than plan, 2H investments will be expanded. Investments will be made within the required returns based on job seeker profiles. As a result, BizReach full year adjusted operating profit margin before corporate expense allocation is expected to be 40%.

HRMOS: While product development remains our priority, our full year net sales forecast for HRMOS is JPY 3.30 Bn (51.0% YoY growth). Net sales for 1H is trending above plan.

Adjusted operating losses before corporate expense allocation for FY2024/7 expected to be smaller than FY2023/7 due to strong net sales. Impact to consolidated financials is limited. We plan to launch HRMOS Payroll during FY2024/7.

Financial figures for FY2024/7 include all HRMOS services; however, the disclosed SaaS KPIs consists of HRMOS ATS and HRMOS Talent Management.

Incubation Segment

We continue to create businesses to increase enterprise value in the mid to long term, balancing investments for future growth and cost control. Due to the share transfer of BizHint, Inc., completed on December 1, 2023, full year segment net sales expected to fall short of forecast, yet no change

to the consolidated full year financial forecast. Segment losses expected to be similar levels to FY2023/7.

Whilst net sales is exposed to market conditions especially 3Q, which is the biggest quarter for BizReach, operating profit can be controlled to a certain extent. Should our forecast change based on changes in the economic assumptions etc., we will disclose as soon as appropriate.

Q5 What is the background of the share transfer of BizHint, Inc.?

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.

Q6 What is the impact of the share transfer of BizHint, Inc. to the financial results?

Due to the share transfer of BizHint, Inc., completed on December 1, 2023, 2Q net sales for the Incubation Segment decreased compared to 1Q, which recorded JPY 0.54 Bn. As a result, full year Incubation Segment net sales expected to fall short of forecast, yet no change to our full year consolidated forecasts for this fiscal year.

JPY 0.46 Bn is recorded under extraordinary income as gain on sale of shares of subsidiaries.

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, 2024, is 39,214,800 shares (increase of 118,600 shares from July 31, 2023).

As of January 31, 2024, the total shares outstanding on a fully diluted basis is 41,688,800 shares.

Q8 When will the Company change its listing segment to the Prime Market?

As disclosed on December 7, 2023, the Company has received approval from the Tokyo Stock Exchange on the same date, and the listing on the Tokyo Stock Exchange has changed from the Growth Market segment to the Prime Market segment on December 14, 2023.

For details, please refer to the "Notice Regarding Change in Market Category to Tokyo Stock Exchange Prime Market" released on December 14, 2023.

Q9 What is Adjusted Operating Profit before Corporate Expense Allocation?

This is the operating profit or losses 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.

Q10 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

Q11 How should we consider the impact of the economic uncertainty to the business?

Although some companies in Japan have slowed down their hiring efforts, many Japanese companies continue to have solid professional hiring needs driven by changes in hiring behavior. As a result, in 2Q, more than 1,400 direct employers have started to use BizReach, leading to the number of registered direct employers to reach to more than 28,900 companies.

We expect the market to continue to grow structurally, and direct employers to continue to pursue mid-career hiring. As such, we forecast BizReach net sales to grow 20.0% YoY for FY2024/7.

Q12 What is the mid-term growth rate for BizReach?

The normalized full year net sales growth rate target for BizReach is 15 – 20% in the next 3 years.

We will continue to invest to grow the business and maintain the full year adjusted operating margin before corporate expenses to be around 40%.

For FY2024/7, we forecast BizReach net sales to grow 20.0%, which indicates the upper limit of the range, and profit margin of 40%.

Q13 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

Q14 What is the future vision of BizReach?

We believe 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.

HRMOS

Q15 What is the product lineup of HRMOS?

HRMOS currently consists of HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, and HRMOS Expense Management.

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY2.43 Bn (30.0% YoY growth) as of the end of 2Q.

In October 2023, HRMOS Talent Management, officially released its dashboard function which enables visualization and analysis of human capital to address HR and organizational issues followed by its beta version released in June 2023. Furthermore, in December 2023, HRMOS Talent Management has released “Human Resource Search Function” that allows users to search for employees’ backgrounds and skills using free words, and in January 2024, “GPT Model Position Specs Creation” and “GPT Model Internal Resume Creation” have been developed. Pilot process to begin, with official launch target in summer 2024.

HRMOS Expense Management has released HRMOS Attendance Management master data integration function in November 2023 as part of its efforts to strengthen streamlining of data

between HRMOS services. The release of this function will enable companies using both HRMOS Expense Management and HRMOS Attendance Management increased efficiency to update data between services and ensure up-to-date master data.

We continue to advance product development, aiming to provide services in workforce management/payroll area by the end of FY2024/7 by releasing HRMOS Payroll.

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