

# Visional, Inc., FY2023/7 2Q Financial Results

March 16, 2023

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(Moderator) Thank you very much for taking time out of your busy schedule to join us today for the Visional Group financial results briefing for the second quarter of the fiscal year ending July 31, 2023. Since we are holding today's meeting via Zoom webinar, the cameras and microphones of all participants will be automatically turned off.

Today's financial results presentation materials are available on our website.

Before I begin, I would like to remind you of the following.

In this presentation, we may discuss future prospects based on our current expectations. Please be aware that these statements are subject to risks and uncertainties, and actual results may differ from those discussed in the forward-looking statements.

Risako Suefuji, CFO will now explain the contents of the earnings announcement for the second quarter of fiscal year ending July 31, 2023, which was disclosed at 3:00 p.m. JST today.

We will now begin the explanation.

(Suefuji) Thank you very much for your time today. My name is Risako Suefuji.

Let me provide a brief explanation of our financial performance for FY2023/7 2Q.

Slide 2 summarizes our 2Q performance. In a nutshell, strong demand for hiring professionals continued and there were no significant changes to market hiring trends since our last quarterly disclosure. Consolidated net sales including BizReach and HRMOS are progressing on track. Based on investment priorities, we have executed our strategic investments as planned and our profits landed on plan.

Consolidated financials are shown on slide 3 and 4. Let me use slide 4 to explain Visional Group's consolidated financial results.

Moving to slide 4. Consolidated net sales for 2Q recorded JPY 13.18Bn, 30.5% YoY growth. HR Tech segment recorded JPY 12.55Bn, 30.9% YoY growth, and for Incubation segment, JPY 0.59Bn, 27.2% YoY growth. 1H consolidated net sales were JPY 26.40Bn, 34.2% YoY growth. 2Q and 1H are progressing on plan.

Regarding our segment profit/losses, as our businesses are in growth phase, we have disclosed that we will continue active investments towards BizReach for FY2023/7. As such, we have made the required investments in BizReach in 2Q, whilst controlling investment for other businesses.

As a result, 2Q consolidated operating profit landed at JPY 2.12Bn, 36.0% YoY growth. HR Tech segment landed at JPY 2.74Bn, 27.3% YoY growth. Incubation segment losses landed at JPY 0.34Bn. As a result, 1H consolidated operating profit was JPY 5.82Bn, 42.2% YoY growth.

Slide 5 is our financial forecast for FY2023/7. No change to our forecasts.

For BizReach, we anticipate 3Q to be the biggest Q in terms of net sales based on usual seasonality and thus the business is progressing on plan. Growth investments for BizReach is planned throughout the fiscal year, and 1H marketing investments were executed as planned. 2H investment will continue to be strong, and no change to our full year BizReach adjusted operating profit margin before corporate expense allocation to land between 40 to 45%.

For HRMOS, we are on track. Product development remains our priority. Adjusted operating losses before corporate expense allocation for FY2023/7 is expected to decrease compared to FY2022/7.

Incubation segment net sales is forecasted as JPY 2.60Bn, 29.9% YoY growth. Business development continues for mid to long term enterprise value growth. As they are early businesses, net sales fluctuation risk exists, although impact to consolidated financials is limited and profitability will be maintained by controlling expenses.

We will explain the performance of our key businesses.

Starting with BizReach.

Please refer to slide 8. 2Q net sales were JPY 11.50 Bn. 1H were JPY 23.12 Bn, 36.8% YoY growth. No significant changes to hiring activities of companies since our last disclosure in December and they are within our expectation. Although some companies including global tech companies have slowed down their hiring efforts, strong demand for professionals continues with Japanese companies as they change their hiring behavior. Our net sales are driven by growth in both our direct employers and headhunters, and, as visible from 1,200+ additions 2 consecutive Qs in the # of registered direct employers, sales growth of direct employers are especially strong.

Moving on to slide 9 showing our quarterly net sales trend, 2Q net sales were JPY 11.50Bn, 33.3% YoY growth. Although net sales for 2Q were lower than 1Q, quarterly results are within our expectation. Quarterly net sales fluctuate based on when individuals start their new roles.

As explained earlier, we anticipate 3Q net sales to become the biggest Q based on usual seasonality.

On slide 10 shows our adjusted operating profit before corporate expense allocation. Japanese companies' hiring needs continue to be strong, and we see continued growth trends of jobs available on BizReach. To drive a stable matching success on our platform, acquisition of job seekers is key. We were able to grow our scoutable job seekers by 0.11MM+ compared to 1Q as a result of marketing campaigns conducted.

Using different channels and managing returns based on job seeker profiles, we are controlling profitability. This year, like previous years, higher investment plans in 2H expected, although less concentration in 2H compared to last year as we have planned an aggressive campaign from 2Q. We continue to anticipate operating profit margin before corporate expense allocation to land between 40 to 45%.

On slide 11 is our KPIs for BizReach. All KPIs are growing nicely, building a strong customer base as the platform grows.

The next few slides, from slide 12 to 15, are for your reference.

Slide 12 shows how our sales are driven by customers building up over the years. This slide is not changed from our previous disclosure.

No change to slide 13.

Slide 14 and 15 are included here to show some statistics regarding recruiting.

On slide 14, a recent Cabinet Office statistic shows that over 70% of listed companies would like to increase the number of employees in the next 3 years. Labor shortage continues.

On slide 15, Japanese management considers strengthening human capital, including hiring, as top management agenda now, and in 3 years' time. Through BizReach and HRMOS, we hope to help solve these social issues.

Moving onto HRMOS.

On slide 17 is the illustration of our HCM ecosystem, which I am sure many of you are familiar with. Whilst we are controlling our investments for HRMOS, sales and marketing for our existing modules, product development, and PMI for our acquired modules are all on track.

On slide 18 shows net sales for HRMOS, which includes HRMOS ATS, HRMOS Talent Management, and HRMOS Attendance Management from FY2023/7.

Driven by the increase in unique paying customers, 2Q net sales were JPY 0.51Bn. 1H were JPY 1.00Bn, 46.8% YoY growth. Although progress to full year forecast looks strong, progress is on track as we forecast a temporary increase in Churn Rate for HRMOS Attendance Management in 2H. The service continues to be a freemium model, yet we announced a pricing increase on February 1st, 2023.

On slide 19 shows HRMOS operating losses before corporate expense allocation. The figures shown here include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management and product development costs of new modules under development. As we are selective in what to invest, HRMOS losses for FY2023/7 are expected to decrease compared to FY2022/7, and we are on track to delivery.

HRMOS KPIs are shown on slide 20 and 21.

As disclosed, these KPIs consist of HRMOS ATS and HRMOS Talent Management. Each KPI is progressing on track. Driven by the growth in the # of unique paying customers, ARR grew 31.5% YoY.

This summarizes our financial performance for this quarter.

(Moderator) This concludes Visional Group financial results briefing for the second quarter of the fiscal year ending July 31, 2023. Thank you very much for your participation.

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