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Consolidated Financial Results for the Nine Months Ended April 30, 2023 [Japanese GAAP]



June 13, 2023

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 Stock exchange listing: Tokyo Stock Exchange
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 Scheduled date of filing quarterly securities report: June 14, 2023
 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, 2023 (August 1, 2022 - April 30, 2023)

(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, 2023	41,541	30.3	9,964	38.4	10,475	39.8	7,038	44.3
April 30, 2022	31,884	54.8	7,198	131.2	7,495	155.5	4,878	158.8

(Note) Comprehensive income: Nine months ended April 30, 2023: ¥7,099 million [45.5%]
 Nine months ended April 30, 2022: ¥4,878 million [158.8%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended April 30, 2023	182.67	169.40
April 30, 2022	136.01	116.84

(Note) In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Accordingly, data for the nine months ended April 30, 2022 is presented at the amounts after reflecting the contents of the confirmation of the provisional accounting treatment.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2023	52,547	36,100	68.5
As of July 31, 2022	45,952	28,772	62.5

(Reference) Equity: As of April 30, 2023: ¥35,985 million
 As of July 31, 2022: ¥28,716 million

(Note) In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Accordingly, data for the fiscal year ended July 31, 2022 is presented at the amounts after reflecting the contents of the confirmation of the provisional accounting treatment.

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2023	—	0.00	—		
Fiscal year ending July 31, 2023 (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, 2023 (August 1, 2022 - July 31, 2023)

(% 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
	56,000	27.4	12,500	50.9	12,810	47.0	8,330	42.3	217.23

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

2. In the three months ended October 31, 2022, the Company has confirmed the provisional accounting treatment concerning business combinations. Amounts for the fiscal year ended July 31, 2022 after reflecting the contents of the confirmation of the provisional accounting treatment are operating profit of ¥8,282 million, ordinary profit of ¥8,713 million, and profit attributable to owners of parent of ¥5,852 million, and the year-on-year rates of changes above are computed using the amounts reflecting the confirmation.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): 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, 2023: 38,658,400 shares

July 31, 2022: 38,346,700 shares

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

April 30, 2023: 213 shares

July 31, 2022: 179 shares

3) Average number of shares during the period:

Nine months ended April 30, 2023: 38,532,852 shares

Nine months ended April 30, 2022: 35,868,979 shares

* 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.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	5
(3) Notes to Quarterly Consolidated Financial Statements	7
(Notes on going concern assumption)	7
(Notes in case of significant changes in shareholders' equity)	7
(Segment information, etc.)	7
(Business combinations)	8

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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

In the first quarter of the fiscal year under review, we confirmed the provisional accounting treatment concerning business combinations. Accordingly, we used the revised amounts reflected in the confirmation of the provisional treatment for comparison and analysis with the amounts for the previous fiscal year.

In the nine months ended April 30, 2023, the Japanese economy showed signs of recovery partly aided by effects of various measures taken toward coexistence with COVID-19. On the other hand, the outlook for the global macroeconomy remains unclear due to factors such as a surge of raw material prices reflecting the unstable global situation, and the concern over the economic slowdown in Europe and North America resulting from monetary policies, etc. and how that will impact the domestic economy in Japan.

Under these circumstances, the Group's core BizReach business boosted performance of the entire Group for the current quarter of the fiscal year under review as well, backed by a continued willingness of companies to recruit human resources.

As a result, in the nine months ended April 30, 2023, the Group recorded net sales of ¥41,541 million (up 30.3% year on year), operating profit of ¥9,964 million (up 38.4% year on year), ordinary profit of ¥10,475 million (up 39.8% year on year), and profit attributable to owners of parent of ¥7,038 million (up 44.3% year on year).

Performance by segment was as follows.

(i) HR Tech

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

The BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices, as a result of the continued strength of human resources demand in the professional human resources domain and aggressive advertising. As of the end of the third quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 24,800 (compared to more than 21,100 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 6,100 (compared to more than 5,500 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to more than 2.02 million (compared to more than 1.70 million as of the end of the previous fiscal year). The business recorded net sales of ¥36,436 million (up 33.0% year on year), and adjusted operating profit before corporate expense allocation (Note 4) of ¥15,241 million (up 8.8% year on year).

In the HRMOS business, we are conducting marketing activities to expand the number of customers while continuing product investment such as the development of new functionality. In August 2022, the business released a free cloud HRMOS year-end tax adjustment function, a new function of HRMOS Attendance Management, which allows users to respond to the digitalization of the year-end tax adjustment. In addition, in March 2023, the business released an organization simulation function and a 360° feedback function, new functions of HRMOS Talent Management, which allow users to consider the placement of human resources based on a comprehensive selection of employee data and conduct objective and multifaceted evaluations by coordinating with employee databases, respectively.

As for the combined KPI of HRMOS ATS module and HRMOS Talent Management module, ARR (Note 5) rose 31.6% to ¥2,023 million, the number of unique paying customers (Note 6) increased 30.9% to 1,475, and ARPU (Note 7) rose 0.6% to ¥114,306 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, was 0.50%.

As a result, the HRMOS business, which includes HRMOS ATS, HRMOS Talent Management, and HRMOS Attendance Management, recorded net sales of ¥1,576 million (up 49.0% year on year), and an adjusted operating loss before corporate expense allocation (Note 4) of ¥1,410 million (loss of ¥2,047 million

for the previous fiscal year). As a result, in the nine months ended April 30, 2023, the HR Tech segment recorded net sales of ¥39,686 million (up 30.9% year on year) and segment profit of ¥11,830 million (up 32.8% year on year).

- (Notes)
1. The total number of direct employers that have subscribed to BizReach, excluding headhunters
 2. The number of headhunters that have been screened by BizReach, Inc.
 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 unique paying users of HRMOS ATS and HRMOS Talent Management services
 7. Average Revenue per User. MRR as of the end of the month \div number of unique paying customers
 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, M&A Succeed, BizHint, yamory, and Assured.

Each business in the Incubation segment conducted activities within the limits of profits generated from the HR Tech segment, including human resource investment, new-product development, and advertising. In the nine months ended April 30, 2023, the segment recorded net sales of ¥1,758 million (up 21.9% year on year) and segment loss of ¥1,085 million (loss of ¥1,206 million for the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the third quarter under review, total assets amounted to ¥52,547 million, a ¥6,595 million increase since the end of the previous fiscal year. This was primarily due to a ¥3,722 million increase in cash and deposits to ¥35,084 million and a ¥1,657 million increase in notes and accounts receivable – trade to ¥6,014 million due to the growth in net sales.

As of the end of the third quarter under review, total liabilities amounted to ¥16,447 million, a ¥732 million decrease since the end of the previous fiscal year. This was primarily due to a ¥1,611 million increase in unearned contract liabilities to ¥6,552 million due to an increase in the number of corporate users for the BizReach business, etc., a ¥604 million decrease in long-term borrowings (including current portion of long-term borrowings) to ¥42 million, a ¥456 million decrease in income taxes payable to ¥1,574 million, and a ¥451 million decrease in provision for bonuses to ¥710 million.

As of the end of the third quarter under review, net assets amounted to ¥36,100 million, a ¥7,327 million increase since the end of the previous fiscal year. This was mainly due to a ¥7,038 million increase in retained earnings due to the recording of profit attributable to owners of parent.

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

The content of the consolidated financial results forecast for the fiscal year ending July 31, 2023 is unchanged from the forecast issued on September 14, 2022.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2022	As of April 30, 2023
Assets		
Current assets		
Cash and deposits	31,362	35,084
Notes and accounts receivable - trade	4,356	6,014
Other	1,082	2,672
Allowance for doubtful accounts	(57)	(44)
Total current assets	36,743	43,726
Non-current assets		
Property, plant and equipment	735	865
Intangible assets		
Goodwill	3,300	2,924
Other	1,986	1,738
Total intangible assets	5,287	4,663
Investments and other assets		
Other	3,194	3,300
Allowance for doubtful accounts	(8)	(9)
Total investments and other assets	3,185	3,291
Total non-current assets	9,208	8,821
Total assets	45,952	52,547
Liabilities		
Current liabilities		
Current portion of long-term borrowings	205	7
Income taxes payable	2,030	1,574
Contract liabilities	4,941	6,552
Provision for bonuses	1,161	710
Other	5,649	5,092
Total current liabilities	13,988	13,937
Non-current liabilities		
Liabilities from application of equity method	2,453	2,213
Long-term borrowings	440	34
Other	296	261
Total non-current liabilities	3,190	2,509
Total liabilities	17,179	16,447
Net assets		
Shareholders' equity		
Share capital	6,226	6,254
Deposits for subscriptions of shares	6	119
Capital surplus	10,190	10,218
Retained earnings	12,294	19,333
Treasury shares	(1)	(1)
Total shareholders' equity	28,716	35,924
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	61
Total accumulated other comprehensive income	0	61
Share acquisition rights	56	114
Total net assets	28,772	36,100
Total liabilities and net assets	45,952	52,547

(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, 2022	For the nine months ended April 30, 2023
Net sales	31,884	41,541
Cost of sales	4,244	4,491
Gross profit	27,639	37,049
Selling, general and administrative expenses	20,441	27,084
Operating profit	7,198	9,964
Non-operating income		
Share of profit of entities accounted for using equity method	239	239
Penalty income	40	248
Other	26	30
Total non-operating income	307	518
Non-operating expenses		
Interest expenses	1	0
Commitment fees	3	3
Foreign exchange losses	1	2
Issuance cost of subscription rights to shares	3	-
Other	0	0
Total non-operating expenses	9	7
Ordinary profit	7,495	10,475
Extraordinary income		
Gain on sale of non-current assets	—	2
Gain on reversal of share acquisition rights	—	4
Total extraordinary income	—	6
Extraordinary losses		
Loss on valuation of investment securities	—	3
Total extraordinary losses	—	3
Profit before income taxes	7,495	10,479
Income taxes - current	2,526	3,266
Income taxes - deferred	91	174
Total income taxes	2,617	3,440
Profit	4,878	7,038
Profit attributable to owners of parent	4,878	7,038

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended April 30

(in millions of yen)

	For the nine months ended April 30, 2022	For the nine months ended April 30, 2023
Profit	4,878	7,038
Other comprehensive income		
Valuation difference on available-for-sale securities	0	61
Total other comprehensive income	0	61
Comprehensive income	4,878	7,099
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,878	7,099
Comprehensive income attributable to 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)

Not applicable.

(Segment information, etc.)

(Segment information)

For the nine months ended April 30, 2022 (from August 1, 2021 to April 30, 2022)

1. Information on net sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	30,320	1,442	31,763	120	31,884
Intersegment sales or transfers	107	62	170	(170)	—
Total	30,427	1,505	31,933	(49)	31,884
Segment profit (loss)	8,909	(1,206)	7,703	(504)	7,198

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

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

2. Information regarding impairment losses on non-current assets or goodwill by reportable segment (Significant changes in goodwill)

During the fiscal year ended July 31, 2022, the Company applied provisional accounting treatment concerning the business combination with IEYASU, Inc. carried out in the second quarter and with ezSoft Co., Ltd. carried out in the third quarter. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

For details, please refer to "Business combinations" in the Notes to Quarterly Consolidated Financial Statements.

For the nine months ended April 30, 2023 (from August 1, 2022 to April 30, 2023)

Information on net sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	39,686	1,758	41,444	96	41,541
Intersegment sales or transfers	25	71	96	(96)	—
Total	39,711	1,829	41,540	0	41,541
Segment profit (loss)	11,830	(1,085)	10,745	(780)	9,964

(Notes) 1. Reconciliations of segment profit (loss) are general and administrative expenses that are not allocable to the reportable segments.

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

(Business combinations)

(Confirmation of provisional accounting treatment concerning business combinations)

During the previous fiscal year, the Company applied provisional accounting treatment concerning the business combination with IEYASU, Inc. on November 1, 2021. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements in the nine months ended April 30, 2023 reflects a major revision of the initial allocation of the acquisition cost. As a result of the allocation of ¥461 million to other in intangible assets and ¥154 million to other in non-current liabilities, the amount of goodwill has changed from a provisional ¥911 million to ¥605 million, a decrease of ¥306 million. This change has no effect on retained earnings as of the end of the previous fiscal year.

In addition, this change has an insignificant effect on the quarterly consolidated statement of income for the nine months ended April 30, 2022.

During the previous fiscal year, the Company applied provisional accounting treatment concerning the business combination with ezSoft Co., Ltd. on March 1, 2022. The Company has confirmed the provisional accounting treatment in the three months ended October 31, 2022.

Due to the confirmation of the provisional accounting treatment, comparison data in the quarterly consolidated financial statements in the nine months ended April 30, 2023 reflects a major revision of the initial allocation of the acquisition cost. As a result of the allocation of ¥615 million to other in intangible assets and ¥206 million to other in non-current liabilities, the amount of goodwill has changed from a provisional ¥2,142 million to ¥1,733 million, a decrease of ¥408 million. This change has resulted in a ¥6 million decrease in retained earnings as of the end of the previous fiscal year.

In addition, this change has an insignificant effect on the quarterly consolidated statement of income for the nine months ended April 30, 2022.