

# Visional, Inc., FAQ for FY2023/7 3Q Financial Results

## Consolidated Financial Results

### Q1 What is the summary of the results for FY2023/7 3Q?

The consolidated net sales for FY2023/7 3Q were JPY 15.13 Bn (23.9% YoY growth) and consolidated net sales for 9 months ended April were JPY 41.54 Bn (30.3% YoY growth). Consolidated operating profit for FY2023/7 3Q were JPY 4.13 Bn (33.5% YoY growth) and consolidated operating profit for 9 months ended April were JPY 9.96 Bn (38.4% YoY growth). Demand for hiring professionals continues, and sales and operating profit are progressing on plan against our full-year earnings forecast.

The Company consists of HR Tech segment and Incubation segment:

#### HR Tech Segment

BizReach: Net sales for 3Q were JPY 13.31 Bn (26.9% YoY growth) and net sales for 9 months ended April were JPY 36.43 Bn (33.0% YoY growth). Although global tech companies and some tech companies in Japan have slowed down hiring efforts, professional hiring needs of direct employers and headhunters using BizReach continues. In particular, sales growth from direct employers has remained strong, with the total number of registered direct employers reaching 24,800+ as of the end of April 2023. This is an increase of 1,300+ companies during 3Q. Progress of net sales against our full-year forecast is as planned.

3Q adjusted operating profit before corporate expense allocation were JPY 5.65 Bn (profit margin was 42.5%). Based on solid demand for hiring professionals, we continued to proactively invest in marketing to acquire job seekers. In the acquisition of job seekers, we are managing profitability by utilizing various channels, including the development of new marketing channels, and managing return based on each job seeker profile. As a result, progress of profit against our full-year forecast is as planned.

HRMOS: While product development remains our priority, HRMOS ATS and HRMOS Talent Management have expanded their customer base. 3Q HRMOS net sales (including HRMOS ATS, HRMOS Talent Management and HRMOS Attendance Management) amounted to JPY 0.57 Bn (53.1% YoY growth) and net sales for 9 months ended April were JPY 1.57 Bn (49.0% YoY growth). 3Q operating losses before corporate expense allocation (including HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, and new product development expenses) were JPY 0.33 Bn and operating losses before corporate expense allocation for 9 months ended April were JPY 1.41 Bn. Net sales is progressing strongly compared to plan, although the impact on consolidated results is negligible.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 2.02 Bn (31.6% YoY growth), and the number of unique paying customers was 1,475 companies (30.9% YoY growth).

HR Tech Other: This includes other recruitment platform businesses and ezSoft Co., Ltd., which is going through PMI.

#### Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech. Segment sales for 3Q were JPY 0.66 Bn (19.0% YoY growth) and segment sales for 9 months ended April were JPY 1.75 Bn (21.9% YoY growth). Segment operating losses for 3Q were JPY 0.28 Bn and segment operating losses for 9 months ended April were JPY 1.08 Bn. We are controlling expenses while achieving business growth.

**Q2****How is the progress towards FY2023/7 financial forecast?**

Visional Group is making progress as planned towards its earnings forecast for FY2023/7, which was disclosed on September 14, 2022. Consolidated financial forecasts for net sales is JPY 56.00 Bn (27.4% YoY growth) and operating profit is JPY 12.50 Bn (50.9% YoY growth), unchanged from previous disclosure. We will continue to balance growth investments and cost control.

HR Tech Segment

BizReach: Current hiring trends of direct employers are within the range of our assumptions from September 2022, when we disclosed our earnings forecast, and there have been no significant changes since our previous disclosure. Our full year net sales forecast for BizReach is JPY 49.00 Bn (30.3% YoY growth) based on the assumption that despite economic uncertainty, demand for professionals will continue especially amongst Japanese companies going through structural changes.

Our full year adjusted operating profit margin before corporate expense allocation is expected to land in the lower range of our full year forecast of 40-45%, as we expect to continue to invest in marketing during 4Q based on continuing demand for hiring professionals.

HRMOS: Our full year net sales forecast for HRMOS is JPY 1.98 Bn (35.8% YoY growth), while product development remains our priority.

3Q progress against our full-year forecast is strong, although the impact on the consolidated results is negligible. Adjusted operating losses before corporate expense allocation for FY2023/7 is expected to decrease significantly compared to FY2022/7, and it is progressing as planned.

SaaS KPIs disclosed consists of HRMOS ATS and HRMOS Talent Management, and therefore does not include the impact of HRMOS Attendance Management.

Incubation Segment

We continue to create businesses to increase enterprise value in the mid to long term. Our full year net sales forecast for the incubation segment is JPY 2.60 Bn (29.9% YoY growth). Progress of net sales against our full-year forecast is behind plan, although impact to our consolidated financials is negligible. Profitability will be maintained by controlling expenses.

(JPY MM)	9 months ended April 30,2023	FY2023/7 Forecast	Progress (%)
<b>Consolidated Net Sales</b>	41,541	56,000	74.2%
<b>HR Tech Segment</b>	39,686	53,275	74.5%
BizReach	36,436	49,000	74.4%
HRMOS	1,576	1,980	79.6%
<b>Incubation Segment</b>	1,758	2,600	67.6%
<b>Operating Profit</b>	9,964	12,500	79.7%
<b>Ordinary Profit</b>	10,475	12,810	81.8%
<b>Profit Attributable to Owners of Parent</b>	7,038	8,330	84.5%

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

**Q3****What is the impact of reflecting the finalization of the provisional accounting treatment for the business combination on the financial figures for FY2022/7?**

With respect to the acquisition of shares of IEYASU, Inc. on November 1, 2021 and the acquisition of shares of ezSoft Co., Ltd. on March 1, 2022, provisional accounting treatment was applied for FY2022/7, which we confirmed during FY2023/7 1Q. As a result, the accounting treatment asks that we treat as if such confirmation had taken place in FY2022/7 in the comparative information. As a

result, the consolidated financial statements for FY2022/7 in the comparative information have been changed to reflect the following. As a result, the figures for each quarter from FY2022/7 2Q onwards have been changed.

(JPY MM)	FY22/7 Before reflection	FY22/7 Post reflection	Impact
<b>Total Intangible Assets</b>	<b>4,964</b>	<b>5,287</b>	<b>+322</b>
Goodwill	3,958	3,300	(657)
Other (*1)	1,006	1,986	+980
<b>Total Investments and Other Assets (*2)</b>	<b>3,318</b>	<b>3,185</b>	<b>(132)</b>
<b>Total Fixed Liabilities (*2)</b>	<b>2,994</b>	<b>3,190</b>	<b>+196</b>
<b>Retained Earnings</b>	<b>12,300</b>	<b>12,294</b>	<b>(6)</b>
<b>Selling, General &amp; Administrative Expenses</b>	<b>29,830</b>	<b>29,869</b>	<b>+38</b>
<b>Operating Profit</b>	<b>8,320</b>	<b>8,282</b>	<b>(38)</b>
<b>Ordinary Profit</b>	<b>8,751</b>	<b>8,713</b>	<b>(38)</b>
<b>Total Income Taxes</b>	<b>2,896</b>	<b>2,864</b>	<b>(32)</b>
<b>Profit Attributable to Owners of Parent</b>	<b>5,858</b>	<b>5,852</b>	<b>(6)</b>

\*1 Including Customer Relationship and Software

\*2 Effect of changes in Deferred Tax Assets and Deferred Tax Liabilities

**Q4 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 April 30, 2023, is 38,658,400 shares (increase of 311,700 shares from July 31, 2022).

As of April 30, 2023, the total shares outstanding on a fully diluted basis is 41,833,100 shares.

**Q5 What is Adjusted 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.

**Q6 What are Liabilities from application of Equity Method?**

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

**BizReach**

**Q7 How should we consider the impact of the economic uncertainty to the business?**

Global tech companies and some tech companies in Japan have stopped or slowed down hiring, and these hiring demands have yet to recover. Despite these conditions, many Japanese companies continue to have solid professional hiring needs driven by changes in hiring behavior. As a result, the number of new direct employers signing up for BizReach was 1,300+ companies during 3Q.

Although it is unclear as to how much and for how long the uncertain economic situation will affect recruitment, we expect the market to continue to grow structurally, and direct employers to continue

to actively pursue mid-career hiring. As such, we forecast BizReach to grow 30.3% YoY for FY2023/7.

**Q8 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

**Q9 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. We will encourage increased use of our platforms 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**

**Q10 What is the product lineup of HRMOS?**

HRMOS currently consists of HRMOS ATS, which was ranked No.1 in customer satisfaction (\*1), HRMOS Talent Management, HRMOS Attendance Management (\*2), and HRMOS Expense Management (\*3).

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY2.02 Bn as of the end of 3Q.

In March 2023, HRMOS Talent Management released an organization simulation function and a 360° feedback function as new functions to the module, 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.

HRMOS Attendance Management released HRMOS Year-end Tax Adjustment functions in August 2022. Additionally, a price revision was announced on February 1, 2023.

We are currently advancing product development, aiming to provide services in payroll and workforce management in the future.

\*1 Based on Seed Planning, Inc.'s "Survey on Actual Usage of Applicant Tracking System" as of August 2021. Calculated the percentage of companies which selected "comprehensively satisfied" for the question asking the degree of satisfaction about applicant tracking systems which they have used.

\*2 HRMOS Attendance Management is currently in a PMI process following the acquisition of IEYASU, Inc. on November 1, 2021. Over 50,000 companies (cumulative) including SMEs and startups are using the service.

\*3 HRMOS Expense Management was rebranded in November 2022 after the acquisition of ezSoft Co.,Ltd., on March 1, 2022. The service is used by companies in different industries and different company sizes.

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

Although the Churn Rate increased temporarily due to the impact of COVID-19, it is now consistently below the pre-COVID-19 level of 1%. New customer acquisitions of HRMOS ATS are also progressing as planned, and we believe that the impact of the uncertain economic situation on HRMOS is limited.

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