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Consolidated Financial Results for the Fiscal Year Ended July 31, 2021 [Japanese GAAP]



September 13, 2021

Company name: Visional, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of Annual General Meeting of Shareholders: October 27, 2021
 Scheduled date of commencing dividend payments: –
 Scheduled date of filing annual securities report: October 27, 2021
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2021 (August 1, 2020 – July 31, 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	%
Fiscal year ended July 31, 2021	28,698	10.9	2,368	8.3	2,274	0.9	1,420	(69.5)
July 31, 2020	25,879	–	2,186	–	2,254	–	4,658	–

(Note) Comprehensive income: Fiscal year ended July 31, 2021: ¥1,420 million [(69.5) %]

Fiscal year ended July 31, 2020: ¥4,658 million [– %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2021	43.37	35.84	9.0	8.6	8.3
July 31, 2020	163.08	–	67.9	16.4	8.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended July 31, 2021: ¥297million

Fiscal year ended July 31, 2020: ¥52 million

- (Notes)
- The year-on-year rates of changes for the fiscal year ended July 31, 2020 are not disclosed, as the Company was established on February 3, 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 ended July 31, 2020.
 - The diluted earnings per share for the fiscal year ended July 31, 2020 are not disclosed, as the Company's shares were unlisted and the average share value during the period cannot be calculated despite the existence of diluted shares. The Company was listed on the Tokyo Stock Exchange Mothers Market on April 22, 2021, and the diluted earnings per share for the fiscal year ended July 31, 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 fiscal year ended July 31, 2021, as the average share value during the period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2021	35,076	22,536	64.2	628.40
As of July 31, 2020	17,722	9,205	51.8	185.42

(Reference) Equity: As of July 31, 2021: ¥22,533 million

As of July 31, 2020: ¥9,185 million

(Note) The amount of residual assets distributed to preferred shareholders was deducted from the calculation of the net assets per share for the fiscal year ended July 31, 2020.

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	%	Yen
As of July 31, 2021	4,315	(33)	12,234	25,630
As of July 31, 2020	(234)	4,799	(19)	9,114

2. Dividends

	Annual Dividend					Total dividends	Dividend payout ratio (consolidated)	Dividend / Net assets (consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal year ended July 31, 2020	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended July 31, 2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending July 31, 2022 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2022 (August 1, 2021 - July 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full-year	37,700	31.4	2,670	12.7	2,990	31.5	1,760	23.9	49.08

(Note) For details, please refer to “1. Overview of Operating Results, etc. (4) Future Outlook” on page 4 of the Attachments.

* Notes:

- (1) Changes in significant subsidiaries during the fiscal year under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) 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
- (3) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

July 31, 2021:	35,858,000 shares
July 31, 2020:	23,235,300 shares

2) Total number of treasury shares at the end of the period:
July 31, 2021: – shares
July 31, 2020: – shares

3) Average number of shares during the period:
Fiscal year ended July 31, 2021: 32,759,934 shares
Fiscal year ended July 31, 2020: 28,565,400 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" and "Average number of shares during the period" include the number of Class A preferred stock.

* These consolidated financial results are outside the scope of audit 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. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

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

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 fiscal year under review, the state of the Japanese economy remains uncertain due to protracted stagnation of economic activities resulting from the COVID-19 pandemic.

With regard to the Group's market conditions, although companies continued to show caution toward recruiting in response to the effects of COVID-19, recruiting activities have been on a recovery trend recently. In particular, in the Group's core BizReach business, which specializes in the professional domain, although affected by COVID-19, strong recovery has been confirmed since the third quarter.

In addition, for the human capital-related market, we expect that demand in the recruiting and human capital management domains will continue to increase in the future as employment becomes more fluid in the medium and long term and work styles become more diverse at an accelerating pace.

Under these circumstances, in the fiscal year under review, the Group recorded net sales of ¥28,698 million (up 10.9% year on year), operating profit of ¥2,368 million (up 8.3% year on year), ordinary profit of ¥2,274 million (up 0.9% year on year), and with regard to profit attributable to owners of parent, it decreased from the previous fiscal year in which gain on transfer from business divestitures of the Stanby business (extraordinary income) was recorded, to ¥1,420 million (down 69.5% 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.

Against a backdrop of solid hiring demand 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 17,100 (compared to more than 13,800 as of the end of the previous fiscal year), the number of annual active employers (Note 2) increased to more than 8,000 (compared to more than 6,600 as of the end of the previous fiscal year), the number of active headhunters (Note 3) rose to more than 5,100 (compared to more than 4,600 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 4) increased to 1.38 million (compared to 1.11 million as of the end of the previous fiscal year). The business recorded net sales of ¥23,561 million (up 12.5% year on year). 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 5) of ¥9,637 million (up 4.4% year on year).

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 activities and advertising activities, including television commercials, ARR (Note 6) rose 22.9% year on year to ¥1,269 million, the number of unique paying customers (Note 7) increased 18.1% to 941, and ARPU (Note 8) rose 4.1% to ¥112,429 million. The churn rate (Note 9) that is a 12-month average increased from 1.15% as

of the end of the previous fiscal year to 1.23%, 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 May to July 2021 were 1.43%, 0.55%, and 0.45%, respectively, showing a downward trend in recent months.

As a result, the HRMOS business recorded net sales of ¥1,155 million (up 24.1% year on year) and an adjusted operating loss before corporate expense allocation (Note 5) of ¥2,102 million (loss of ¥1,159 million for the previous fiscal year).

As a result, in the fiscal year under review, the HR Tech segment recorded net sales of ¥27,052 million (up 8.6% year on year) and segment profit of ¥4,000 million (up 19.6% year on year).

- (Notes)
1. The total number of employers that have subscribed to BizReach, excluding headhunters
 2. The number of direct hiring companies that have subscribed to BizReach for at least 1 day during the fiscal year
 3. The number of headhunters that have been screened by BizReach, Inc. as of the end of the fiscal year
 4. 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
 5. 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.
 6. 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).
 7. The number of paying users of HRMOS series services
 8. Average Revenue per User. $MRR \text{ as of the end of the month} \div \text{number of active employers}$
 9. 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 fiscal year under review, the segment recorded net sales of ¥1,485 million (up 66.3% year on year) and segment loss of ¥863 million (loss of ¥868 million for the previous fiscal year). This was primarily due to appropriate recruiting, new-product development, and advertising within the amount of the HR Tech segment profit.

(2) Overview of Financial Position for the Fiscal Year under Review

As of the end of the fiscal year under review, total assets amounted to ¥35,076 million, a ¥17,354 million increase since the end of the previous fiscal year. This was primarily due to a ¥16,515 million increase in cash and deposits to ¥25,630 million, and a ¥1,246 million increase in notes and accounts receivable - trade to ¥3,258 million due to the growth in net sales.

As of the end of the fiscal year under review, total liabilities amounted to ¥12,540 million, a ¥4,023 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,124 million increase in unearned revenue to ¥3,042 million due to an increase in the number of corporate users for the BizReach business.

As of the end of the fiscal year under review, net assets amounted to ¥22,536 million, a ¥13,331 million

increase since the end of the previous fiscal year. This was mainly due to a ¥1,420 million increase in retained earnings due to the recording of profit attributable to owners of parent, and a ¥5,963 million increase in share capital to ¥6,063 million, and a ¥5,963 million increase in capital surplus to ¥10,027 million, from exercising share acquisition rights and issuing new shares in conjunction with the listing in the Tokyo Stock Exchange Mothers Section.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥25,630 million. The status of cash flows in the fiscal year under review and the factors responsible for those results are as follows:

Cash flows from operating activities resulted in a net inflow of ¥4,315 million primarily due to the recording of profit before income taxes of ¥2,290 million, a ¥1,245 million increase in trade receivables, a ¥1,834 million increase in accounts payable - other and income taxes paid of ¥992 million.

Cash flows from investing activities resulted in a net outflow of ¥33 million primarily due to purchase of property, plant and equipment of ¥116 million and proceeds from refund of leasehold and guarantee deposits of ¥97 million.

Cash flows from financing activities resulted in a net inflow of ¥12,234 million due to proceeds from issuance of shares of ¥11,176 million, proceeds from long-term borrowings of ¥1,000 million and payments of listing expenses of ¥341 million.

(4) Future Outlook

Although the Company's business was affected by the spread of COVID-19 mainly in the first half of the fiscal year ended July 31, 2021, recovery to a growth path has been confirmed mainly in the BizReach business since the third quarter.

For the fiscal year ending July 31, 2022, the Company expects full-year consolidated net sales of ¥37,700 million (up 31.4% year on year) based on the premise that the BizReach business will come out of the slowdown in the recruiting support market caused by the spread of COVID-19 and fully recover to a growth path.

For the fiscal year ending July 31, 2022, the Company expects net sales of ¥32,000 million (up 35.8% year on year) for the BizReach business against a backdrop of a recovery in the recruiting support market in the professional domain, and net sales of ¥1,420 million (up 22.9% year on year) for the HRMOS business, due to active customer cultivation and feature expansion, etc.

With regard to expenses, the Company will continue to conduct active advertising activities and invest in human capital for the BizReach business that continues to be in the expansion phase, actively invest in product development for the HRMOS business for the realization of the HCM ecosystem, and to invest in other new businesses.

In the fiscal year ending July 31, 2022, as well, the Company will make investments in the order of the BizReach business, the HRMOS business, and then other new businesses, within the amount of the profits to be generated by the BizReach business.

As a result of the foregoing, the Company expects consolidated net sales of ¥37,700 million (up 31.4% year on year) and operating profit of ¥2,670 million (up 12.7% year on year) for the fiscal year ending July 31, 2022.

In non-operating loss (profit) items, the Company expects ordinary profit of ¥2,990 million (up 31.5% year on year) primarily due to the recording of share of profit of entities accounted for using equity method. The Company does not expect any extraordinary income or losses, and expects profit attributable to owners of parent of ¥1,760 million (up 23.9% year on year) based on the calculation of income taxes, etc. in accordance with its profit plan.

2. Basic Policy on Selecting Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP, taking into account the comparability of the consolidated financial statements with other periods.

2. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2020	As of July 31, 2021
Assets		
Current assets		
Cash and deposits	9,114	25,630
Notes and accounts receivable - trade	2,012	3,258
Work in process	167	—
Other	878	679
Allowance for doubtful accounts	(34)	(36)
Total current assets	12,137	29,532
Non-current assets		
Property, plant and equipment		
Buildings	775	743
Accumulated depreciation	(255)	(334)
Buildings, net	519	409
Leased assets	148	148
Accumulated depreciation	(79)	(128)
Leased assets, net	69	19
Construction in progress	2	—
Other	630	585
Accumulated depreciation	(322)	(313)
Other, net	307	271
Total property, plant and equipment	899	700
Intangible assets		
Software	36	35
Goodwill	1,186	1,296
Customer relationship	1,265	1,123
Other	—	1
Total intangible assets	2,488	2,457
Investments and other assets		
Investment securities	61	86
Leasehold deposits	890	782
Deferred tax assets	1,234	1,501
Other	13	18
Allowance for doubtful accounts	(4)	(2)
Total investments and other assets	2,196	2,385
Total non-current assets	5,584	5,544
Total assets	17,722	35,076

(in millions of yen)

	As of July 31, 2020	As of July 31, 2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	—	200
Accounts payable - other	1,486	3,341
Income taxes payable	578	842
Unearned revenue	1,917	3,042
Lease obligations	53	24
Provision for bonuses	522	955
Provision for loss on closing branches	17	—
Provision for repayment	32	38
Other	682	601
Total current liabilities	5,290	9,046
Non-current liabilities		
Lease obligations	25	0
Liabilities from application of equity method	3,070	2,773
Deferred tax liabilities	129	114
Long-term borrowings	—	600
Other	0	5
Total non-current liabilities	3,225	3,494
Total liabilities	8,516	12,540
Net assets		
Shareholders' equity		
Share capital	100	6,063
Capital surplus	4,064	10,027
Retained earnings	5,021	6,442
Total shareholders' equity	9,185	22,533
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total accumulated other comprehensive income	(0)	0
Share acquisition rights	20	3
Total net assets	9,205	22,536
Total liabilities and net assets	17,722	35,076

(2) Consolidated Statement of Income and Comprehensive Income
 Consolidated Statement of Income

(in millions of yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Net sales	25,879	28,698
Cost of sales	4,104	3,999
Gross profit	21,775	24,699
Selling, general and administrative expenses	19,588	22,331
Operating profit	2,186	2,368
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	52	297
Penalty income	16	30
Other	11	11
Total non-operating income	80	339
Non-operating expenses		
Listing expenses	—	341
Interest expenses	1	1
Issuance cost of subscription rights to shares	6	2
Foreign exchange losses	3	0
Share issuance costs	—	77
Other	1	8
Total non-operating expenses	11	433
Ordinary profit	2,254	2,274
Extraordinary income		
Gain on transfer from business divestitures	4,799	—
Gain on sale of non-current assets	—	16
Total extraordinary income	4,799	16
Extraordinary losses		
Provision of allowance for loss on office closing	17	—
Impairment losses	2	—
Loss on valuation of investment securities	1	0
Loss on liquidation of subsidiaries and associates	0	—
Loss on midterm cancelation	9	—
Total extraordinary losses	31	0
Profit before income taxes	7,023	2,290
Income taxes - current	3,241	1,151
Income taxes - deferred	(876)	(281)
Total income taxes	2,364	869
Profit	4,658	1,420
Profit attributable to owners of parent	4,658	1,420

Consolidated Statement of Comprehensive Income

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Profit	4,658	1,420
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Total other comprehensive income	(0)	0
Comprehensive income	4,658	1,420
Comprehensive income attributable to		
Owners of parent	4,658	1,420
Non-controlling interests	—	—

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended July 31, 2020 (From August 1, 2019 to July 31, 2020)

(in millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	2,097	2,067	362	4,527
Changes during period				
Issuance of new shares				—
Increase (decrease) by share transfers	(1,997)	1,997		—
Profit attributable to owners of parent			4,658	4,658
Net changes in items other than shareholders' equity				
Total changes during period	(1,997)	1,997	4,658	4,658
Balance at end of period	100	4,064	5,021	9,185

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	—	20	4,547
Changes during period			
Issuance of new shares			—
Increase (decrease) by share transfers			—
Profit attributable to owners of parent			4,658
Net changes in items other than shareholders' equity	(0)	—	(0)
Total changes during period	(0)	—	4,658
Balance at end of period	(0)	20	9,205

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(in millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	100	4,064	5,021	9,185
Changes during period				
Issuance of new shares	5,963	5,963		11,926
Increase (decrease) by share transfers				—
Profit attributable to owners of parent			1,420	1,420
Net changes in items other than shareholders' equity				
Total changes during period	5,963	5,963	1,420	13,347
Balance at end of period	6,063	10,027	6,442	22,533

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	(0)	20	9,205
Changes during period			
Issuance of new shares			11,926
Increase (decrease) by share transfers			—
Profit attributable to owners of parent			1,420
Net changes in items other than shareholders' equity	0	(16)	(16)
Total changes during period	0	(16)	13,331
Balance at end of period	0	3	22,536

(4) Consolidated Statements of Cash Flows

(in millions of yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Cash flows from operating activities		
Profit before income taxes	7,023	2,290
Depreciation	440	480
Amortization of goodwill	107	189
Listing expenses	—	341
Share issuance costs	—	77
Gain on transfer from business divestitures	(4,799)	—
Share of loss (profit) of entities accounted for using equity method	(52)	(297)
Loss (gain) on sales of property plant and equipment	—	(16)
Decrease (increase) in trade receivables	186	(1,245)
Increase (decrease) in provision for bonuses	86	432
Increase (decrease) in unearned revenue	(2)	1,129
Increase (decrease) in accounts payable - other	(480)	1,834
Increase (decrease) in accrued consumption taxes	170	(222)
Other, net	138	315
Subtotal	2,733	5,310
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes paid	(2,966)	(992)
Net cash provided by (used in) operating activities	(234)	4,315
Cash flows from investing activities		
Payments for money held in trust	(300)	—
Proceeds from cancellation of money held in trust	—	300
Proceeds from business divestitures	8,000	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,363)	—
Purchase of property, plant and equipment	(447)	(116)
Proceeds from sale of property, plant and equipment	—	23
Purchase of shares of subsidiaries	—	(300)
Payments of leasehold deposits	(108)	—
Proceeds from refund of leasehold and guarantee deposits	—	97
Other, net	19	(38)
Net cash provided by (used in) investing activities	4,799	(33)
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(192)	—
Cash and cash equivalents at end of period	9,114	25,630

(in millions of yen)

	For the fiscal year ended July 31, 2020	For the fiscal year ended July 31, 2021
Cash flows from financing activities		
Proceeds from allocation of new shares to a third party of consolidated subsidiaries	120	—
Proceeds from short-term borrowings	2,000	—
Repayments of short-term borrowings	(2,000)	—
Proceeds from issuance of share acquisition rights	—	1
Proceeds from issuance of shares resulting from exercise of share acquisition rights	—	651
Proceeds from issuance of shares	—	11,176
Proceeds from long-term borrowings	—	1,000
Repayments of long-term borrowings	(86)	(200)
Repayments of lease obligations	(52)	(53)
Payments of listing expenses	—	(341)
Other, net	—	(1)
Net cash provided by (used in) financing activities	(19)	12,234
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	4,544	16,515
Cash and cash equivalents at beginning of period	4,761	9,114
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(192)	—
Cash and cash equivalents at end of period	9,114	25,630

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

(1) Method of determining reportable segments

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance.

The Group consists of segments organized by business based on companies, and classifies its businesses into two reportable segments, namely, “HR Tech” and “Incubation.”

(2) Type of products and services belonging to each reportable segment

“HR Tech” segment provides services including “BizReach,” a membership-based job change site specialized for professional human resources, “HRMOS,” a cloud based HCM (Human Capital Management) platform, “CareerTrek,” a job change site designed for people in their 20s that are looking for new challenges, “BizReach Campus,” network for alumni visits, and “BINAR”, a recruiting platform for high-skilled engineers.

“Incubation” segment provides services including “Trabox,” a logistics DX (digital transformation) platform, “BizReach SUCCEED,” a business succession and M&A platform, “BizHint,” a B to B lead generation platform, and “yamory,” a OSS (open source software) vulnerability management tool.

2. Method of calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

Reportable segment profit figures are based on operating profit. Intersegment sales and transfers are based on market prices.

The Group does not allocate assets to business segments for internal management purposes, but allocates depreciation and amortization of goodwill.

3. Information on sales, profit (loss) and other items by reportable segment

For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	24,914	892	25,807	72	25,879
Intersegment sales or transfers	200	129	330	(330)	—
Total	25,114	1,022	26,137	(257)	25,879
Segment profit (loss)	3,343	(868)	2,474	(288)	2,186
Other items					
Depreciation	227	95	323	117	440
Amortization of goodwill	23	83	107	—	107
Impairment losses	—	—	—	2	2

(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) and depreciation are all general and administrative expenses that are not allocable to the reportable segments.

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

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Notes 1, 2)	Amounts in the consolidated financial statements (Note 3)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	27,052	1,485	28,537	161	28,698
Intersegment sales or transfers	236	94	330	(330)	—
Total	27,288	1,579	28,868	(169)	28,698
Segment profit (loss)	4,000	(863)	3,137	(768)	2,368
Other items					
Depreciation	176	126	303	177	480
Amortization of goodwill	26	163	189	—	189
Impairment losses	—	—	—	—	—

(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) and depreciation are all general and administrative expenses that are not allocable to the reportable segments.

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

[Related information]

For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)

1. Information by product and service

This information is omitted as similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

1. Information by product and service

This information is omitted as similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]

For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)

This information is omitted as similar information is disclosed in segment information.

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

Not applicable.

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)

(in millions of yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	158	1,028	1,186	—	1,186

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

(in millions of yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	132	1,164	1,296	—	1,296

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)	For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)
Net assets per share	185.42 yen	628.40 yen
Basic earnings per share	163.08 yen	43.37 yen
Diluted earnings per share	—	35.84 yen

- (Notes)
- On December 7, 2020, the Company conducted a 100-for-1 stock split, following the resolution at the Board of Directors' meeting held on November 20, 2020. Net assets per share, 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 ended July 31, 2020.
 - The amount of residual assets distributed to preferred shareholders was deducted from the calculation of the net assets per share for the fiscal year ended July 31, 2020.
 - With regard to basic earnings per share for the fiscal year ended July 31, 2020, Class A preferred stock was treated as equivalent to common stock as Class A preferred stock has the same rights as common stock to claim dividends from surplus.
 - The diluted earnings per share for the fiscal year ended July 31, 2020 are not disclosed, as the Company's shares were unlisted in the fiscal year ended July 31, 2020, and the average share value during the period cannot be calculated despite the existence of diluted shares.
 - The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Item	For the fiscal year ended July 31, 2020 (from August 1, 2019 to July 31, 2020)	For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (in millions of yen)	4,658	1,420
Amount not attributable to common shareholders (in millions of yen)	—	—
Profit attributable to owners of parent related to common stock (in millions of yen)	4,658	1,420
Average number of shares of common stock during the period (shares)	28,565,400	32,759,934
(Of which, number of common stock (shares))	(23,235,300)	(32,759,934)
(Of which, number of Class A preferred stock (shares))	(5,330,100)	(—)
Diluted earnings per share		
Increase in common stock (shares)	—	6,879,007
(Of which, share acquisition rights (shares))	(—)	(6,879,007)
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

- The bases for calculating net assets per share are as follows:

Item	As of July 31, 2020	As of July 31, 2021
Total net assets (in millions of yen)	9,205	22,536
Amount deducted from total net assets (in millions of yen)	4,897	3
(Of which, Class A preferred stock (in millions of yen))	(4,877)	(—)
(Of which, share acquisition rights (in millions of yen))	(20)	(3)
Net assets at the end of the period related to common stock (in millions of yen)	4,308	22,533
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	23,235,300	35,858,000

(Significant subsequent events)

(Business combination through acquisition)

BizReach, Inc., a consolidated subsidiary of the Company, adopted a resolution to acquire the shares of IEYASU, Inc. to make it a subsidiary at the Board of Directors' meeting held on August 16, 2021, and entered into a share transfer agreement with the company on the same day. BizReach, Inc. plans to acquire these shares on November 1, 2021.

(1) Outline of the business combination

1. Name and business of the company to be acquired
 - a. Name of the company to be acquired: IEYASU, Inc.
 - b. Description of its business: development and sales of attendance management systems
2. Main purpose of the business combination
To accelerate the medium-term growth strategy of HRMOS, in anticipation of future collaboration with HRMOS payroll and labor management domain that is under development
3. Date of the business combination
November 1, 2021 (planned)
4. Legal form of the business combination
Acquisition of shares
5. Name following the business combination
No change in the company name
6. Ratio of voting rights to be acquired
80.1%
7. Major grounds for deciding on the acquiring company
BizReach, Inc., a consolidated subsidiary of the Company entered into a basic agreement with the company to acquire shares thereof in consideration of cash.

(2) Acquisition costs of the company to be acquired and breakdown by type of consideration

They are not disclosed in accordance with the arrangement with the company to be acquired.

(3) Description and amount of major expenses related to the acquisition

They are not finalized at this time.

(4) Amount of goodwill that accrued, the cause for the accrual, the amortization method and the amortization period

They are not finalized at this time.

(5) Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

They are not finalized at this time.