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Consolidated Financial Results for the Three Months Ended October 31, 2021 [Japanese GAAP]



December 9, 2021

Company name: Visional, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of filing quarterly securities report: December 10, 2021
 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 Three Months Ended October 31, 2021 (August 1, 2021 - October 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	%
Three months ended October 31, 2021	9,570	–	2,536	–	2,621	–	1,780	–
October 31, 2020	–	–	–	–	–	–	–	–

(Note) Comprehensive income: Three months ended October 31, 2021: ¥1,780 million [– %]
 Three months ended October 31, 2020: ¥ – million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended October 31, 2021	49.66	42.64
October 31, 2020	–	–

(Note) The figures for the three months ended October 31, 2020 and the year-on-year rates of changes for the three months ended October 31, 2021 are not disclosed, as the Company did not prepare consolidated financial statements for the three months ended October 31, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of October 31, 2021	36,808	24,317	66.1
As of July 31, 2021	35,076	22,536	64.2

(Reference) Equity: As of October 31, 2021: ¥24,313 million
 As of July 31, 2021: ¥22,533 million

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2021	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2022	—				
Fiscal year ending July 31, 2022 (Forecast)		0.00	—	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, 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
Full-year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	41,000	42.9	6,000	153.3	6,320	177.9	4,100	188.6	114.34

(Note) Revision to the financial results forecast announced most recently: Yes

* Notes:

- (1) Changes in significant subsidiaries during the period under review: 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: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Principal Notes, (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies)” on page 9 of the Attachments.

(4) Total number of issued shares (common shares)

- 1) Total number of issued shares at the end of the period (including treasury shares):

October 31, 2021:	35,858,000 shares
July 31, 2021:	35,858,000 shares

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

October 31, 2021:	70 shares
July 31, 2021:	— shares

- 3) Average number of shares during the period:

Three months ended October 31, 2021:	35,857,943 shares
Three months ended October 31, 2020:	— 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. “Average number of shares during the period” for the three months ended October 31, 2020 is not disclosed, as the Company did not prepare consolidated financial statements for the three months ended October 31, 2020.

* 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.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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

Because we did not prepare consolidated financial statements for the three months ended October 31, 2020, we have not conducted a year-on-year comparison with the three months ended October 31, 2020.

In the three months ended October 31, 2021, the state of the Japanese economy remained severe due to the effects of COVID-19, but signs of a return to normal economic activity have begun to appear. For example, the number of new cases of infection fell due mainly to the nationwide vaccination rollout, and the declaration of a state of emergency was lifted at the end of September.

Under these circumstances, the Group's core BizReach business performed steadily and largely drove overall financial results, backed by a recovery in the willingness of companies to recruit and the increase in job seekers due to advertising.

As a result, in the three months ended October 31, 2021, the Group recorded net sales of ¥9,570 million, operating profit of ¥2,536 million, ordinary profit of ¥2,621 million, and profit attributable to owners of parent of ¥1,780 million.

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 except the number of active headhunters, backed by continued recovery of human resources demand in the professional human resources domain. As of the end of the first quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 18,100 (compared to more than 17,100 as of the end of the previous fiscal year), the number of active headhunters (Note 2) decreased to more than 4,900 (compared to more than 5,100 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to 1.44 million (compared to 1.38 million as of the end of the previous fiscal year). The number of active headhunters decreased mainly as a result of periodic screening to maintain platform quality. The BizReach business recorded net sales of ¥8,271 million and adjusted operating profit before corporate expense allocation (Note 4) of ¥4,444 million.

In the HRMOS business, we are conducting marketing activities in order to expand the number of customers while continuing product investment such as the development of new functionality. ARR (Note 5) rose 23.2% to ¥1,347 million, the number of unique paying customers (Note 6) increased 18.7% to 989, and ARPU (Note 7) rose 3.8% to ¥113,503 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, decreased to 0.96%.

As a result, the HRMOS business recorded net sales of ¥330 million and an adjusted operating loss before corporate expense allocation (Note 4) of ¥553 million.

As a result, in the three months ended October 31, 2021, the HR Tech segment recorded net sales of ¥9,116 million and segment profit of ¥3,107 million.

(Notes) 1. The total number of 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 paying users of HRMOS series services
7. Average Revenue per User. MRR as of the end of the month \div number of active employers
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, BizReach SUCCEED, and BizHint.

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 three months ended October 31, 2021, the segment recorded net sales of ¥413 million and segment loss of ¥405 million.

(2) Explanation of Financial Position

As of the end of the first quarter under review, total assets amounted to ¥36,808 million, a ¥1,731 million increase since the end of the previous fiscal year. This was primarily due to a ¥928 million increase in cash and deposits to ¥26,559 million, and a ¥571 million increase in accounts receivable - trade to ¥3,830 million due to the growth in net sales in the first quarter.

As of the end of the first quarter under review, total liabilities amounted to ¥12,491 million, a ¥48 million decrease since the end of the previous fiscal year. This was primarily due to a ¥729 million increase in unearned contract liabilities (recorded as unearned revenue in the previous fiscal year) to ¥3,771 million due to an increase in the number of corporate users for the BizReach business in the first quarter, offset by a ¥557 million decrease in income taxes payable to ¥285 million and a ¥469 million decrease in the provision for bonuses to ¥485 million.

As of the end of the first quarter under review, net assets amounted to ¥24,317 million, a ¥1,780 million increase since the end of the previous fiscal year. This was mainly due to a ¥1,780 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

Our full-year consolidated earnings forecast for the fiscal year ending July 31, 2022 was based on the assumption that the BizReach business would emerge from the effects of stagnant economic activity caused by the spread of the COVID-19 pandemic and that the current level of business growth would continue. However, consolidated net sales are now expected to exceed the initial forecast, as business growth is progressing at a faster pace than initially forecasted against the backdrop of stronger-than-expected demand for recruitment and active new registrations and activity among job seekers.

We have revised our net sales forecast for the BizReach business from our initial forecast of ¥32,000 million to ¥35,300 million, and therefore we have revised our consolidated net sales forecast to ¥41,000 million. In the BizReach business, we target an annual sales growth rate of 15-20% on a normalized basis, and we believe that we will converge within this range over the medium term (three years). As a result of the revision to the BizReach business net sales forecast, we expect consolidated operating income, consolidated

ordinary income, and net income attributable to owners of the parent company to each exceed the previous forecast, and we have revised our full-year consolidated earnings forecast figures.

The above financial results forecasts are based on the information that is available to the Company as of the date of this release, and there might be cases in which actual results differ materially from forecast values due to various factors.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2021	As of October 31, 2021
Assets		
Current assets		
Cash and deposits	25,630	26,559
Accounts receivable - trade	3,258	3,830
Other	679	1,209
Allowance for doubtful accounts	(36)	(31)
Total current assets	29,532	31,567
Non-current assets		
Property, plant and equipment	700	682
Intangible assets		
Goodwill	1,296	1,255
Other	1,160	1,121
Total intangible assets	2,457	2,377
Investments and other assets		
Other	2,388	2,184
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,385	2,181
Total non-current assets	5,544	5,240
Total assets	35,076	36,808

(in millions of yen)

	As of July 31, 2021	As of October 31, 2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	200	200
Income taxes payable	842	285
Unearned revenue	3,042	—
Contract liabilities	—	3,771
Provision for bonuses	955	485
Provision for repayment	38	—
Other	3,967	4,391
Total current liabilities	9,046	9,133
Non-current liabilities		
Liabilities from application of equity method	2,773	2,693
Long-term borrowings	600	550
Other	120	114
Total non-current liabilities	3,494	3,357
Total liabilities	12,540	12,491
Net assets		
Shareholders' equity		
Share capital	6,063	6,063
Capital surplus	10,027	10,027
Retained earnings	6,442	8,222
Treasury shares	—	(0)
Total shareholders' equity	22,533	24,313
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Share acquisition rights	3	3
Total net assets	22,536	24,317
Total liabilities and net assets	35,076	36,808

(2) Quarterly Consolidated Statement of Income and Comprehensive Income
 Quarterly Consolidated Statement of Income
 Three months ended October 31

(in millions of yen)

	For the three months ended October 31, 2021
Net sales	9,570
Cost of sales	1,304
Gross profit	8,266
Selling, general and administrative expenses	5,729
Operating profit	2,536
Non-operating income	
Share of profit of entities accounted for using equity method	79
Other	6
Total non-operating income	86
Non-operating expenses	
Interest expenses	0
Commitment fees	1
Other	0
Total non-operating expenses	1
Ordinary profit	2,621
Profit before income taxes	2,621
Income taxes - current	643
Income taxes - deferred	197
Total income taxes	840
Profit	1,780
Profit attributable to owners of parent	1,780

Quarterly Consolidated Statement of Comprehensive Income
Three months ended October 31

(in millions of yen)

	For the three months ended October 31, 2021
Profit	1,780
Other comprehensive income	
Valuation difference on available-for-sale securities	0
Total other comprehensive income	0
Comprehensive income	1,780
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	1,780
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.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Standard"), etc. from the beginning of the first quarter under review and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of the goods or services is transferred to customers.

The Company has applied the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the first quarter under review is adjusted in retained earnings at the beginning of the first quarter, and the new accounting policies have been applied to the balance from the beginning of the period.

The effect of the application of said accounting standard on the quarterly consolidated financial statements is immaterial.

Due to the application of the Revenue Recognition Standard, etc., "Unearned revenue," which was included in "Current liabilities" in the consolidated balance sheets for the previous fiscal year, is now presented in "Contract liabilities" from the first quarter under review. "Provision for repayment," which was also included in "Current liabilities," is now presented in "Other" as refund liability from the first quarter.

In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated in accordance with the new approach for presentation.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Standard"), etc., from the beginning of the first quarter under review. From then on, the Company will apply new accounting policies stipulated in the Fair Value Measurement Standard, etc. in accordance with the transition treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019). The effect of the application of said accounting standard on the quarterly consolidated financial statements is immaterial.

(Segment information, etc.)

(Segment information)

For the three months ended October 31, 2021 (from August 1, 2021 to October 31, 2021)

Information on sales and profit (loss) and disaggregation of revenue by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Notes 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	9,116	413	9,530	40	9,570
Intersegment sales or transfers	32	21	54	(54)	—
Total	9,149	435	9,584	(14)	9,570
Segment profit (loss)	3,107	(405)	2,702	(165)	2,536

(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.

(Significant subsequent events)

(Business combination through acquisition)

1. 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. has completed the acquisition of these shares on November 1, 2021.

(1) Outline of the business combination

1. Name and business of the company acquired

a. Name of the company 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 in-house by BizReach, Inc., a consolidated subsidiary of the Company.

3. Date of the business combination

November 1, 2021

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 acquired

80.1%

7. Major grounds for deciding on the acquired 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 acquired and breakdown by type of consideration
They are not disclosed in accordance with the arrangement with the acquired company.
- (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.

2. At a meeting of the Board of Directors held on December 9, 2021, the Company resolved that BizReach, Inc., a consolidated subsidiary of the Company, to acquire the shares of ezSoft, Co., Ltd. and make it a subsidiary, and concluded a share transfer agreement on the same day. BizReach, Inc. plans to acquire these shares on March 1, 2022.

- (1) Outline of the business combination
 - 1. Name and business of the company to be acquired
 - a. Name of the company to be acquired: ezSoft Co., Ltd.
 - b. Description of its business: Provides and operates expense management cloud systems
 - 2. Main purpose of the business combination
The main reason for the business combination is to accelerate the establishment of the HCM ecosystem through the future collaboration between the HCM platform “HRMOS” series provided by Bizreach, Inc., a consolidated subsidiary of the Company, and the services provided by ezSoft, Co., Ltd., which is the mid-term growth strategy of HRMOS.
 - 3. Date of the business combination
March 1, 2022 (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
100.0%
 - 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.