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Consolidated Financial Results for the Nine Months Ended April 30, 2022 [Japanese GAAP]



June 13, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of filing quarterly securities report: June 14, 2022
 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, 2022 (August 1, 2021 - April 30, 2022)

(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, 2022	31,884	54.8	7,218	131.9	7,515	156.2	4,880	158.9
April 30, 2021	20,601	–	3,112	–	2,933	–	1,885	–

(Note) Comprehensive income: Nine months ended April 30, 2022: ¥4,881 million [158.9%]
 Nine months ended April 30, 2021: ¥1,885 million [– %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended April 30, 2022	136.08	116.90
April 30, 2021	59.41	48.39

(Note) The year-on-year rates of changes for the nine months ended April 30, 2021 are not disclosed, as the Company did not prepare consolidated financial statements for the nine months ended April 30, 2020.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2022	42,598	27,602	64.7
As of July 31, 2021	35,076	22,536	64.2

(Reference) Equity: As of April 30, 2022: ¥27,554 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	—	0.00	—		
Fiscal year ending July 31, 2022 (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, 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	43,600	51.9	8,000	237.8	8,320	265.8	5,400	280.1	150.55

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

* Notes:

(1) Changes in significant subsidiaries during the period (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: 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):

April 30, 2022: 35,879,800 shares

July 31, 2021: 35,858,000 shares

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

April 30, 2022: 179 shares

July 31, 2021: — shares

3) Average number of shares during the period:

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

Nine months ended April 30, 2021: 31,732,518 shares

(Notes) 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, following the resolution reached at the Board of Directors’ meeting held on November 20, 2020.. 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, 2021.

* 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	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements.....	9
(Notes on going concern assumption).....	9
(Notes in case of significant changes in shareholders' equity)	9
(Changes in accounting policies)	9
(Segment information, etc.)	11
(Business combinations)	12

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.

In the nine months ended April 30, 2022, the Japanese economy was on a recovery trend as vaccination and drugs against COVID-19 were widely available. On the other hand, the outlook for the global macroeconomy is currently uncertain and due to factors such as a surge of raw material prices and fluctuation in the financial capital markets, the outlook for economic activities that have shown signs of recovery have again become unclear.

Under these circumstances, the Group's core BizReach business performed steadily, backed by a continued great willingness of companies to recruit and the increase in job seekers due to advertising.

As a result, in the nine months ended April 30, 2022, the Group recorded net sales of ¥31,884 million (up 54.8% year on year), operating profit of ¥7,218 million (up 131.9% year on year), ordinary profit of ¥7,515 million (up 156.2% year on year), and profit attributable to owners of parent of ¥4,880 million (up 158.9% 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.

In the BizReach business, backed by continued recovery of human resources demand in the professional hiring domain, as of the end of the third quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 20,000 (compared to more than 17,100 as of the end of the previous fiscal year), the number of active headhunters (Note 2) increased to more than 5,200 (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 more than 1.59 million (compared to more than 1.38 million as of the end of the previous fiscal year), all of which, as an indicator, have shown growth from the end of the previous fiscal year. As a result, the BizReach business recorded net sales of ¥27,390 million (up 63.9% year on year) and adjusted operating profit before corporate expense allocation (Note 4) of ¥14,006 million (up 87.4% year on year).

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. During the third quarter under review, new functions such as "Individual Condition Survey" by which companies identify changes in conditions of their employees have been released.

ARR (Note 5) of the HRMOS business rose 27.7% to ¥1,537 million, the number of unique paying customers (Note 6) increased 25.6% to 1,127, and ARPU (Note 7) rose 1.6% to ¥113,651 from the end of the previous fiscal year. The churn rate (Note 8), which is a 12-month average, decreased to 0.66%.

As a result, the HRMOS business recorded net sales of ¥1,057 million (up 24.8% year on year) and an adjusted operating loss before corporate expense allocation (Note 4) of ¥2,047 million (loss of ¥1,151 million for the previous fiscal year). As a result, in the nine months ended April 30, 2022, the HR Tech segment recorded net sales of ¥30,320 million (up 56.0% year on year) and segment profit of ¥8,929 million (up 112.3% year on year).

(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. $MRR \text{ as of the end of the month} \div \text{number of active employers}$
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 (currently, M&A 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 nine months ended April 30, 2022, the segment recorded net sales of ¥1,442 million (up 38.6% year on year) and segment loss of ¥1,206 million (loss of ¥564 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 ¥42,598 million, a ¥7,521 million increase since the end of the previous fiscal year. This was primarily due to a ¥2,072 million increase in cash and deposits to ¥27,702 million, a ¥1,842 million increase in accounts receivable - trade to ¥5,101 million due to the growth in net sales, and a ¥2,812 million increase in goodwill to ¥4,109 million due to the acquisition of shares in IEYASU, Inc. and ezSoft Co., Ltd.

As of the end of the third quarter under review, total liabilities amounted to ¥14,996 million, a ¥2,456 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,718 million increase in unearned contract liabilities (recorded as unearned revenue in the previous fiscal year) to ¥4,760 million due to an increase in the number of corporate users for the BizReach business, and a ¥524 million increase in income taxes payable to ¥1,367 million.

As of the end of the third quarter under review, net assets amounted to ¥27,602 million, a ¥5,065 million increase since the end of the previous fiscal year. This was mainly due to a ¥4,880 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

For our full-year consolidated earnings forecast for the fiscal year ending July 31, 2022, consolidated net sales are now expected to exceed the previous forecast, as the professional hiring market continues to be brisk and the BizReach business grew steadily in the third quarter, continuing from the strong first half. We anticipate this trend to continue for this fiscal year.

We have revised our consolidated net sales forecast from our previous forecast of ¥41,000 million to ¥43,600 million, as a result of our review, followed mainly by revision of our net sales forecast for the BizReach business from our previous forecast of ¥35,300 million to ¥37,500 million.

We have revised our consolidated operating profit forecast from our previous forecast of ¥6,000 million to ¥8,000 million. Part of the consolidated net sales increment will be reinvested back into the BizReach business for future growth through advertising and promotion investments, resulting in operating profit increment of ¥2,000 million.

In addition, as a result of above revisions in forecasts of consolidated net sales and consolidated operating profit, we expect consolidated ordinary profit and profit attributable to owners of 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 figures 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 April 30, 2022
Assets		
Current assets		
Cash and deposits	25,630	27,702
Accounts receivable - trade	3,258	5,101
Other	679	1,097
Allowance for doubtful accounts	(36)	(39)
Total current assets	29,532	33,861
Non-current assets		
Property, plant and equipment	700	689
Intangible assets		
Goodwill	1,296	4,109
Other	1,160	1,044
Total intangible assets	2,457	5,154
Investments and other assets		
Other	2,388	2,896
Allowance for doubtful accounts	(2)	(2)
Total investments and other assets	2,385	2,893
Total non-current assets	5,544	8,737
Total assets	35,076	42,598

(in millions of yen)

	As of July 31, 2021	As of April 30, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	200	206
Income taxes payable	842	1,367
Unearned revenue	3,042	—
Contract liabilities	—	4,760
Provision for bonuses	955	640
Provision for repayment	38	—
Other	3,967	4,863
Total current liabilities	9,046	11,838
Non-current liabilities		
Liabilities from application of equity method	2,773	2,533
Long-term borrowings	600	492
Other	120	132
Total non-current liabilities	3,494	3,157
Total liabilities	12,540	14,996
Net assets		
Shareholders' equity		
Share capital	6,063	6,069
Deposits for subscriptions of shares	—	129
Capital surplus	10,027	10,033
Retained earnings	6,442	11,322
Treasury shares	—	(1)
Total shareholders' equity	22,533	27,554
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Share acquisition rights	3	47
Total net assets	22,536	27,602
Total liabilities and net assets	35,076	42,598

(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, 2021	For the nine months ended April 30, 2022
Net sales	20,601	31,884
Cost of sales	3,030	4,244
Gross profit	17,571	27,639
Selling, general and administrative expenses	14,458	20,421
Operating profit	3,112	7,218
Non-operating income		
Share of profit of entities accounted for using equity method	217	239
Other	20	67
Total non-operating income	237	307
Non-operating expenses		
Interest expenses	1	1
Commitment fees	—	3
Share issuance costs	70	—
Listing expenses	338	—
Issuance cost of subscription rights to shares	—	3
Other	6	2
Total non-operating expenses	416	9
Ordinary profit	2,933	7,515
Profit before income taxes	2,933	7,515
Income taxes - current	1,025	2,526
Income taxes - deferred	22	108
Total income taxes	1,048	2,634
Profit	1,885	4,880
Profit attributable to owners of parent	1,885	4,880

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended April 30

(in millions of yen)

	For the nine months ended April 30, 2021	For the nine months ended April 30, 2022
Profit	1,885	4,880
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total other comprehensive income	0	0
Comprehensive income	1,885	4,881
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,885	4,881
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)

For the nine months ended April 30, 2021 (from August 1, 2020 to April 30, 2021)

1. Dividends paid

Not applicable.

2. Dividends whose record date is within the nine months ended April 30, 2022 and effective date is after the end of the third quarter under review

Not applicable.

3. Significant changes in shareholders' equity

The Company's share capital and legal capital surplus both increased by ¥336 million with issuance of new shares through the exercise of stock acquisition rights. Furthermore, on April 22, 2021, the Company was listed on the Tokyo Stock Exchange Mothers Section (currently, Growth Market). In conjunction with this listing, new shares were issued through a public offering with a share payment date of April 21, 2021, and share capital and legal capital surplus increased by ¥5,000 million, respectively.

As a result, share capital and capital surplus as of April 30, 2022 were ¥5,436 million and ¥9,400 million, respectively.

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

1. Dividends paid

Not applicable.

2. Dividends whose record date is within the nine months ended April 30, 2022 and effective date is after the end of the third quarter under review

Not applicable.

3. 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 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 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. “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 and the nine months ended April 30, 2021 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. 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 nine months ended April 30, 2021 (from August 1, 2020 to April 30, 2021)

Information on 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	19,439	1,040	20,480	120	20,601
Intersegment sales or transfers	168	56	224	(224)	—
Total	19,608	1,097	20,705	(103)	20,601
Segment profit (loss)	4,207	(564)	3,642	(529)	3,112

(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.

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

Information on 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)	8,929	(1,206)	7,722	(504)	7,218

(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)

(Business combination through acquisition)

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, would acquire the shares of ezSoft, Co., Ltd. and make it a subsidiary, and concluded a share transfer agreement on the same day. BizReach, Inc. has completed acquisition of these shares on March 1, 2022.

(1) Outline of the business combination

1. Name and business of the company acquired
 - a. Name of the company 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 “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
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 acquired company

BizReach, Inc., a consolidated subsidiary of the Company, has acquired shares thereof with cash as consideration.

(2) Period of performance of the acquired company included in the quarterly consolidated statement of income for the cumulative quarterly consolidated accounting period

From March 1, 2022 through April 30, 2022

(3) Acquisition costs of the company acquired and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥2,862 million
Acquisition costs		¥2,862 million

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

Advisory fees and commissions ¥3 million

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

1. Amount of goodwill accrued

¥2,142 million

The amount of goodwill accrued is a provisionally calculated amount as the allocation of acquisition cost has not been completed as of the end of the third quarter under review.
2. Cause for the accrual

Due to the excess earnings power expected from the future business development.
3. Amortization method and the amortization period

Amortized over seven years by the straight-line method.

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

Current assets	¥842 million
Non-current assets	¥29 million
<hr/>	
Total assets	¥872 million
Current liabilities	¥152 million
Non-current liabilities	¥— million
<hr/>	
Total liabilities	¥152 million

(7) Estimated effects that would be exerted on the quarterly consolidated statement of income for the nine months ended April 30, 2022 if the business combination is assumed to have been completed on the start date of the fiscal year under review and the calculation method thereof

Omitted as the estimated effects are not material.

(8) Details of contingent consideration provided for in the business combination agreement and the future accounting policy thereof

Based on the share transfer agreement, the consideration for acquisition may change in the future. In the case of a change of the consideration for acquisition, the acquisition cost will be revised on the assumption that it changed at the time of acquisition and the amount of goodwill and amortization of goodwill will be revised.