

Disclaimer: This document is an English translation of the original Japanese language document and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original Japanese language document, the original Japanese language document shall prevail in all respects.

Consolidated Financial Results for the Nine Months Ended April 30, 2024 [Japanese GAAP]



June 13, 2024

Company name: Visional, Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
 URL: <https://www.visional.inc/>
 Representative: Soichiro Minami, Representative Director and CEO
 Contact: Risako Suefuji, Executive Officer, CFO
 Phone: +81-3-4540-6200
 Scheduled date of filing quarterly securities report: June 14, 2024
 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, 2024 (August 1, 2023 – April 30, 2024)

(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, 2024	48,926	17.8	15,265	53.2	15,789	50.7	11,083	57.5
April 30, 2023	41,541	30.3	9,964	38.4	10,475	39.8	7,038	44.3

(Note) Comprehensive income: Nine months ended April 30, 2024: ¥10,992 million [54.8%]
 Nine months ended April 30, 2023: ¥7,099 million [45.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended April 30, 2024	282.96	267.65
April 30, 2023	182.67	169.40

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of April 30, 2024	70,701	50,437	71.0
As of July 31, 2023	57,873	39,129	67.4

(Reference) Equity: As of April 30, 2024: ¥50,191 million
 As of July 31, 2023: ¥38,990 million

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2024	—	0.00	—		
Fiscal year ending July 31, 2024 (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, 2024 (August 1, 2023 - July 31, 2024)

(% 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
	66,400	18.0	17,200	30.0	17,800	23.8	12,220	23.1	311.98

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

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

April 30, 2024: 39,226,300 shares

July 31, 2023: 39,096,200 shares

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

April 30, 2024: 236 shares

July 31, 2023: 213 shares

3) Average number of shares during the period:

Nine months ended April 30, 2024: 39,168,882 shares

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

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The statements regarding the forecast of financial results in this report are based on the information that is available to the Company, as well as certain assumptions that are deemed to be reasonable by management. Therefore, there might be cases in which actual results differ materially from forecast values due to various factors.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.....	3
2. Quarterly Consolidated Financial Statements and Principal Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statement of Income and Comprehensive Income	5
Quarterly Consolidated Statement of Income	5
Nine months ended April 30	5
Quarterly Consolidated Statement of Comprehensive Income	6
Nine months ended April 30	6
(3) Notes to Quarterly Consolidated Financial Statements.....	7
(Notes on going concern assumption)	7
(Notes in case of significant changes in shareholders' equity)	7
(Segment information, etc.)	7

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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

In the nine months ended April 30, 2024, the Japanese economy experienced gradual recovery as the normalization of socioeconomic activities progressed, and corporate earnings and private consumption showed improvement. On the other hand, the outlook remains unclear due to the impact of exchange rate fluctuations caused by global monetary tightening and the risk of a downturn in the global economy stemming from continued upward pressure on prices.

Amid these circumstances, the Group's core BizReach business continued to boost performance of the entire Group for the nine months ended April 30, 2024, mainly backed by a strong willingness of Japanese companies to recruit human resources.

As a result, in the nine months ended April 30, 2024, the Group recorded net sales of ¥48,926 million (up 17.8% year on year), operating profit of ¥15,265 million (up 53.2% year on year), ordinary profit of ¥15,789 million (up 50.7% year on year), and profit attributable to owners of parent of ¥11,083 million (up 57.5% year on year).

Performance by segment was as follows. (Net sales represent net sales to external customers.)

(i) HR Tech

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

The BizReach business achieved growth in comparison to the end of the previous fiscal year in all of its growth indices, as a result of the continued strength of human resources demand in the professional human resources domain and aggressive advertising. Regarding KPIs as of the end of the third quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 30,300 (compared to more than 26,200 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 7,400 (compared to more than 6,600 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to more than 2.47 million (compared to more than 2.14 million as of the end of the previous fiscal year). The business recorded net sales of ¥42,968 million (up 17.9% year on year), and adjusted operating profit before corporate expense allocation (Note 4) of ¥18,947 million (up 24.3% year on year).

In the HRMOS business, we are conducting sales and marketing activities to expand the number of customers while continuing product investments to develop new functionalities. As new functions of HRMOS Talent Management, we released a mobile app in February 2024 that allows users from outside the office to submit workflows, approve workflows, search for employees, and promote the use and utilization by employees without the use of PCs, and in March 2024, we released a "skill management" function that systematically visualizes employees' skills and skill levels.

As for the combined KPI of HRMOS ATS service and HRMOS Talent Management service, ARR (Note 5) rose 29.9% year on year to ¥2,627 million, the number of unique paying customers (Note 6) increased 25.4% year on year to 1,849, and ARPU (Note 7) rose 3.6% year on year to ¥118,417. The churn rate (Note 8), which is a 12-month average, was 0.60%.

As a result, the HRMOS business recorded net sales of ¥2,748 million (up 74.4% year on year), and an adjusted operating loss before corporate expense allocation (Note 4) of ¥698 million (loss of ¥1,410 million for the same period of the previous fiscal year).

As a result, in the nine months ended April 30, 2024, the HR Tech segment recorded net sales of ¥47,132 million (up 18.8% year on year) and segment profit of ¥16,530 million (up 39.7% year on year).

- (Notes)
1. The total number of direct employers that have subscribed to BizReach, excluding headhunters
 2. The number of headhunters that have been screened by BizReach, Inc.
 3. The number of registered BizReach users who have configured their employment history to be disclosed to hiring companies or who have configured their employment history to be disclosed to headhunters
 4. This is the operating profit or loss of the business before bearing the personnel expenses and ancillary outsourcing and other general administrative expenses associated with accounting, legal, human resources, and other business administration, and also personnel costs and ancillary outsourcing and other costs of the information systems and design divisions that cannot be charged directly to specific products and services.
 5. Annual Recurring Revenue. This is calculated by multiplying the MRR (Monthly Recurring Revenue) in the final month of the quarter by 12. The MRR is the total monthly revenue from customers subject to recurring billing as of the end of the target period (excluding one-time revenue).
 6. The number of unique paying users of HRMOS ATS and HRMOS Talent Management services
 7. Average Revenue per User. $\text{MRR as of the end of the month} \div \text{number of unique paying customers}$
 8. Reduction in MRR due to the cancellation in the current month divided by MRR at the end of the previous month is defined as the single-month churn rate, and the churn rate is the average of the last 12 months.

(ii) Incubation

The Incubation segment includes Trabox, M&A Succeed, BizHint, yamory, and Assured etc. As the Company transferred all shares of BizHint, Inc., the Company's consolidated subsidiary, on December 1, 2023, the BizHint business has been excluded from the scope of consolidation.

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 activities. In the nine months ended April 30, 2024, the segment recorded net sales of ¥1,689 million (down 3.9% year on year) and segment loss of ¥579 million (loss of ¥1,085 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the third quarter under review, total assets amounted to ¥70,701 million, a ¥12,828 million increase since the end of the previous fiscal year. This was primarily due to an ¥11,791 million increase in cash and deposits to ¥52,961 million and a ¥1,815 million increase in accounts receivable – trade to ¥6,966 million due to the growth in net sales.

As of the end of the third quarter under review, total liabilities amounted to ¥20,264 million, a ¥1,519 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,506 million increase in unearned contract liabilities to ¥8,365 million due to an increase in the number of corporate users for the BizReach business, a ¥262 million decrease in income taxes payable to ¥2,796 million, and a ¥381 million decrease in provision for bonuses to ¥652 million.

As of the end of the third quarter under review, net assets amounted to ¥50,437 million, an ¥11,308 million increase since the end of the previous fiscal year. This was mainly due to an ¥11,083 million increase in retained earnings due to the recording of profit attributable to owners of parent.

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

The Company has revised its consolidated financial results forecast announced on September 14, 2023, in light of recent trends in its business performance. For further details, please refer to the “Notice Regarding Revision of Consolidated Earnings Forecast” announced today.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2023	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	41,170	52,961
Accounts receivable - trade	5,151	6,966
Other	2,645	1,576
Allowance for doubtful accounts	(64)	(71)
Total current assets	48,902	61,433
Non-current assets		
Property, plant and equipment	845	1,052
Intangible assets		
Goodwill	2,799	2,657
Other	1,656	1,410
Total intangible assets	4,455	4,067
Investments and other assets		
Other	3,679	4,149
Allowance for doubtful accounts	(9)	(1)
Total investments and other assets	3,669	4,148
Total non-current assets	8,971	9,267
Total assets	57,873	70,701
Liabilities		
Current liabilities		
Current portion of long-term borrowings	7	10
Income tax payable	3,059	2,796
Contract liabilities	6,858	8,365
Provision for bonuses	1,034	652
Other	5,368	6,292
Total current liabilities	16,328	18,117
Non-current liabilities		
Liabilities from application of equity method	2,133	1,893
Long-term borrowings	32	39
Deferred tax liabilities	249	214
Total non-current liabilities	2,415	2,146
Total liabilities	18,744	20,264
Net assets		
Shareholders' equity		
Share capital	6,356	6,385
Deposits for subscriptions of shares	5	162
Capital surplus	10,321	10,349
Retained earnings	22,223	33,306
Treasury shares	(1)	(1)
Total shareholders' equity	38,905	50,201
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	84	(10)
Total accumulated other comprehensive income	84	(10)
Share acquisition rights	139	187
Non-controlling interests	—	58
Total net assets	39,129	50,437
Total liabilities and net assets	57,873	70,701

(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, 2023	For the nine months ended April 30, 2024
Net sales	41,541	48,926
Cost of sales	4,491	4,140
Gross profit	37,049	44,786
Selling, general and administrative expenses	27,084	29,521
Operating profit	9,964	15,265
Non-operating income		
Share of profit of entities accounted for using equity method	239	239
Penalty income	248	247
Other	30	47
Total non-operating income	518	534
Non-operating expenses		
Interest expenses	0	0
Commitment fees	3	3
Foreign exchange losses	2	5
Other	0	1
Total non-operating expenses	7	10
Ordinary profit	10,475	15,789
Extraordinary income		
Gain on sale of non-current assets	2	—
Gain on sale of shares of subsidiaries	—	462
Gain on reversal of share acquisition rights	4	—
Other	—	24
Total extraordinary income	6	486
Extraordinary losses		
Loss on valuation of investment securities	3	10
Total extraordinary losses	3	10
Profit before income taxes	10,479	16,265
Income taxes - current	3,266	4,929
Income taxes - deferred	174	249
Total income taxes	3,440	5,178
Profit	7,038	11,086
Profit attributable to non-controlling interests	—	3
Profit attributable to owners of parent	7,038	11,083

Quarterly Consolidated Statement of Comprehensive Income

Nine months ended April 30

(in millions of yen)

	For the nine months ended April 30, 2023	For the nine months ended April 30, 2024
Profit	7,038	11,086
Other comprehensive income		
Valuation difference on available-for-sale securities	61	(94)
Total other comprehensive income	61	(94)
Comprehensive income	7,099	10,992
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,099	10,988
Comprehensive income attributable to non-controlling interests	—	3

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information, etc.)

(Segment information)

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

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

(in millions of yen)

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

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

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

For the nine months ended April 30, 2024 (from August 1, 2023 to April 30, 2024)

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

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the quarterly consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	47,132	1,689	48,822	104	48,926
Intersegment sales or transfers	30	42	72	(72)	—
Total	47,163	1,731	48,895	31	48,926
Segment profit (loss)	16,530	(579)	15,951	(686)	15,265

(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.