

# Visional, Inc., FAQ for FY2024/7 3Q Financial Results

## Consolidated Financial Results

### Q1 What is the summary of the results for FY2024/7 3Q?

Consolidated net sales for FY2024/7 3Q YTD recorded JPY 48.92 Bn (17.8% YoY growth) and consolidated net sales for 3Q were JPY 17.49 Bn (15.6% YoY growth), progressing within plan. Consolidated operating profit for FY2024/7 3Q YTD recorded JPY 15.26 Bn (53.2% YoY growth, 31.2% margin) and consolidated operating profit for 3Q were JPY 5.47 Bn (32.3% YoY growth, 31.3% margin). Operating profit exceeded plan due to efficient marketing and changes in marketing plan. Disciplined execution balancing investments for future growth and cost control continues. The Company consists of HR Tech segment and Incubation segment:

#### HR Tech Segment

**BizReach:** Net sales for 3Q YTD recorded JPY 42.96 Bn (17.9% YoY growth) and net sales for 3Q were JPY 15.46 Bn (16.2% YoY growth). While solid demand for hiring professionals continues in the hiring market, slowdown of hiring activities in companies have expanded. As a result, results fell slightly short of plan. Future market conditions remain unclear.

Adjusted operating profit before corporate expense allocation for 3Q YTD were JPY 18.94 Bn (24.3% YoY growth, 44.1% margin) and adjusted operating profit for 3Q were JPY 6.75 Bn (19.3% YoY growth, 43.7% margin). 3Q YTD operating profit exceeded plan due to reduced marketing activities in 2Q. 15<sup>th</sup> year anniversary campaign started in April 2024 and most of the expenses expected to be recorded in 4Q.

**HRMOS:** Financial figures for FY2024/7 include all HRMOS services (\*1). Net sales for 3Q YTD recorded JPY 2.74 Bn (74.4% YoY growth) and net sales for 3Q were JPY 1.00 Bn (75.0% YoY growth). Steady customer acquisition continues, and all services grew stronger than plan.

Adjusted operating losses before corporate expense allocation for 3Q YTD were JPY 0.69 Bn and for 3Q were JPY 0.20 Bn. 3Q YTD operating losses decreased compared to plan due to strong net sales growth and efficient marketing activities.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 2.62 Bn (29.9% YoY growth), and the number of unique paying customers were 1,849 companies (25.4% YoY growth).

**HR Tech Other:** This segment includes other recruitment platform businesses. In December 2022, we have closed CareerTrek, included in this segment, as part of our resource prioritization exercises and therefore is not included in the figures of FY2024/7.

#### Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech.

Due to the share transfer of BizHint, Inc., completed on December 1, 2023, segment net sales for 3Q YTD were JPY 1.68 Bn (3.9% YoY decline) and segment net sales for 3Q were JPY 0.45 Bn (32.1% YoY decline), decrease from 2Q. Segment operating losses for 3Q YTD were JPY 0.57 Bn and segment operating losses for 3Q were JPY 0.25 Bn. We are building businesses whilst controlling investments.

\*1 Financial figures for FY2024/7 include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll.

### Q2 How do you evaluate BizReach 3Q net sales growth of 16.2%?

Growth rate in 3Q indicates solid demand for professionals in the hiring market. More than 1,400

direct employers have started to use BizReach in 3Q, leading to the number of registered direct employers to reach to more than 30,300 companies showing expansion of direct recruiting (direct sourcing). On the other hand, slowdown of hiring activities in companies have expanded, leading to 3Q BizReach net sales landing slightly below plan.

3Q YTD growth rate is 17.9%. Full year growth rate is expected to be approx. 18.0% taking into consideration 3Q results, market trends, as well as longer lead time trends observed for job changes. Mid-term growth rate expected to be around 15% as market outlook remains unclear.

**Q3 What is penalty income recorded in the non-operating income?**

When there is a violation to our BizReach terms of service, we charge a penalty that is defined in our terms of service agreement. This penalty income is recorded in non-operating income. For 3Q YTD, JPY 0.24 Bn was recorded as penalty income.

**Q4 What is the summary of the revised consolidated financial forecast for FY2024/7?**

We have revised our consolidated full year financial forecast disclosed in September, 2023 in light of recent trends in its business performance. Please refer to “Notice Regarding Revision of Consolidated Earnings Forecast” announced today.

Taking into consideration the current business performance, market trends etc., BizReach net sales forecast is changed to slightly below JPY 58.00 Bn, minus approx. 1.7%. However, as HRMOS and other businesses’ net sales is trending above plan, consolidated net sales forecast is unchanged.

Consolidated operating profit forecast is changed to JPY 17.20 Bn (30.0% YoY growth, 25.9% margin), up 7.5% as we continue with disciplined execution balancing investments for future growth and cost control.

BizReach operating profit margin before corporate expense allocation is unchanged at 40% as we conduct investments for sustainable growth.

HRMOS operating losses before corporate expense allocation is expected to reduce significantly compared to previous year due to strong net sales growth and efficient marketing activities.

Other businesses’ losses expected to reduce due to net sales growth and continued cost control.

Robust cost control in corporate expenses is also contributing to consolidated operating profit expansion even though rent etc. will increase from 4Q as we expand office space with increase of staff.

(JPY MM)	FY24/7 Sep 2023 Forecast	FY24/7 June 2024 Forecast	Difference
<b>Consolidated Net Sales</b>	<b>66,400</b>	<b>66,400</b>	<b>--</b>
<b>HR Tech Segment</b>	<b>63,340</b>	<b>63,965</b>	<b>+625</b>
BizReach	59,000	58,000	(1,000)
HRMOS	3,300	3,800	+500
<b>Incubation Segment</b>	<b>2,940</b>	<b>2,300</b>	<b>(640)</b>
Others	120	135	+15
<b>Operating Profit</b>	<b>16,000</b>	<b>17,200</b>	<b>+1,200</b>
<b>Ordinary Profit</b>	<b>16,320</b>	<b>17,800</b>	<b>+1,480</b>
<b>Profit Attributable to Owners of Parent</b>	<b>10,930</b>	<b>12,220</b>	<b>+1,290</b>

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

- Q5 What is the impact of the share acquisition of InterRace, Inc.?**  
73.3% shares of InterRace, Inc. was acquired on March 1, 2024. The company provides talent acquisition services. It is recorded in HR Tech Segment. Impact to consolidated full year financial forecast is negligible.
- Q6 What is the background of the share transfer of BizHint, Inc.?**  
On December 1, 2023, the Company transferred all the shares of its consolidated subsidiary, BizHint, Inc., to SMARTCAMP Co., Ltd.  
BizHint, Inc. operates a B-to-B lead generation platform “BIZHINT”. Since its start in August 2016, the business has grown into one of the largest performance-based lead generation platforms and media for decision makers in Japan, providing IT/SaaS and DX solutions. The share transfer will enable BizHint, Inc. and SMARTCAMP Co., Ltd. to further accelerate matching of companies who are looking to increase efficiency, with IT/SaaS and DX solutions providers.
- For details, please refer to the “Notice Regarding Change of a Consolidated Subsidiary (Share Transfer)” disclosed on October 31, 2023.
- Q7 What is the impact of the share transfer of BizHint, Inc. to the financial results?**  
Due to the share transfer of BizHint, Inc., completed on December 1, 2023, net sales for the Incubation Segment have decreased. As a result, full year Incubation Segment net sales is changed, yet no change to our full year consolidated net sales forecast for this fiscal year.  
JPY 0.46 Bn is recorded under extraordinary income as gain on sale of shares of subsidiaries.
- Q8 What is the impact of stock options to total shares outstanding?**  
We grant stock options (tax qualified stock options and stock options with charge) to directors and selected employees to increase their motivation and morale for improving business performance, and to hire talent for Visional Group, leading to further enhancement in the corporate value of Visional Group. These stock options can be exercised in phases through FY2030/7. Majority of these stock options were granted prior to the Company's listing, and about half became exercisable from April 23, 2022.  
Total shares outstanding as of April 30, 2024, is 39,226,300 shares (increase of 130,100 shares from July 31, 2023).  
As of April 30, 2024, the total shares outstanding on a fully diluted basis is 41,688,800 shares.
- Q9 What is Adjusted Operating Profit before Corporate Expense Allocation?**  
This is the operating profit or losses of the business before bearing the personnel expenses and ancillary outsourcing and other general and administrative expenses associated with business administration, information systems that cannot be charged directly to specific products and services. In principle, the costs directly tied to products and services are recorded.
- Q10 What are Liabilities from application of Equity Method?**  
This is an account that arose when 60% of Stanby, Inc. was divested to LY Corporation (formerly, Z Holdings Corporation). Stanby, Inc. is currently our equity method affiliate.

## **BizReach**

- Q11 How should we consider the impact of the economic uncertainty to the business?**  
Market outlook remains unclear and slowdown of hiring activities in companies have expanded, yet direct recruiting (direct sourcing) is expanding amongst Japanese companies. During 3Q, more than 1,400 direct employers have started to use BizReach, leading to the number of registered direct employers to reach to more than 30,300 companies.

For FY2024/7, we forecast BizReach net sales to grow approx. 18.0% YoY, and mid-term growth rate

is expected to be around 15%.

**Q12 What is your cost structure?**

Our major costs consist of marketing expenses and personnel expenses. As BizReach is still in its growth stage, we will continue to invest in hiring and expanding our sales organization through internal moves, and conduct marketing activities including online, offline ads, and TV commercials whilst carefully monitoring the return on our investments.

**Q13 What is the future vision of BizReach?**

We believe importance of direct recruiting (direct sourcing) will increase as war for talent intensifies and liquidity in the labor market accelerates, driven by factors such as mismatch of corporation and worker life spans, shift to performance-based workstyle with clear job descriptions, and the social dynamic changes caused by the pandemic.

The ratio of net sales of BizReach from direct employers is gradually increasing, indicating the penetration of direct recruiting in Japan.

We will continue to encourage increased use of our platform based on further growth in the professional hiring market, increase in our market share through further acquisition of job seekers and direct employers, reactivation of existing job seekers, and investments in matching capabilities.

## **HRMOS**

**Q14 What is the product lineup of HRMOS?**

HRMOS currently consists of HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll.

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY2.62 Bn (29.9% YoY growth) as of the end of 3Q.

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.

We continue to advance in product development. As planned, HRMOS Payroll released in June 2024. Impact to consolidated full year financial forecast is negligible.

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