

Visional, Inc., FAQ for FY2023/7 1Q Financial Results

Consolidated Financial Results

Q1 What is the summary of the results for FY2023/7 1Q?

The consolidated net sales for FY2023/7 1Q was JPY 13.21Bn (38.1% YoY growth). Consolidated operating profit for FY2023/7 1Q was JPY 3.70 Bn (46.0% YoY growth). Strong demand for hiring professionals continued to drive BizReach performance, leading to strong growth in consolidated net sales and profit.

The Company consists of HR Tech segment and Incubation segment:

HR Tech Segment

BizReach: Net sales totaled JPY11.61 Bn (40.5% YoY growth). Although some companies have slowed down hiring efforts including global tech companies and SaaS companies that have been aggressively hiring in recent years, professional hiring needs of direct employers and headhunters using BizReach remains high. As such, the number of job openings on BizReach continues to increase. The total number of registered direct employers reached 22,300+ as of the end of October 2022, an increase of 1,200 companies during the quarter.

Adjusted operating profit before corporate expense allocation was JPY 5.63 Bn yen (profit margin was 48.5%). Profit levels landed as planned post marketing efforts and expansion of the sales organization.

HRMOS: While product development remains our priority, HRMOS ATS and HRMOS Talent Management have steadily expanded their customer base. From FY2023/7, HRMOS financial figures include HRMOS Attendance Management, an attendance management cloud service that became part of HRMOS series through M&A. Although HRMOS Attendance Management is a freemium model and majority of customers uses the service free of charge, we are steadily acquiring paying customers while going through PMI. As a result, HRMOS net sales amounted to JPY 0.48Bn (46.8% YoY growth). Operating loss before corporate expense allocation was JPY 0.58 Bn.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 1.76 Bn (31.0% YoY growth), and the number of unique paying customers was 1,280 companies (29.4% YoY growth).

HR Tech Other: This includes other recruitment platform businesses and ezSoft Co., Ltd., which is going through PMI.

Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech. Segment sales was JPY 0.49 Bn (19.8% YoY growth), and segment operating loss was JPY 0.45 Bn.

Q2 How is the Company's progress towards FY2023/7 financial forecast?

Visional Group is making progress as planned towards its earnings forecast for FY2023/7, which was disclosed on September 14, 2022. Consolidated financial forecasts for net sales is JPY 56.0 Bn (27.4% YoY growth) and operating profit is JPY 12.5 Bn (50.9% YoY growth), unchanged from previous disclosure. We will continue to balance growth investments and management discipline.

HR Tech Segment

BizReach: We have disclosed at the time of our FY2022/7 4Q disclosure that we observed some companies slowing down its hiring efforts. The current situation and our FY2023/7 1Q performance is within our expectation. Our full year net sales forecast for BizReach is JPY 49.0 Bn (30.3% YoY

growth) based on the assumption that strong demand for professionals will continue despite economic uncertainty.

Our full year adjusted operating profit margin before corporate expense allocation is expected to be between 40%-45%. (Unchanged from previous disclosure)

HRMOS: Our full year net sales forecast for HRMOS is JPY 1.98 Bn (35.8% YoY growth), while product development remains our priority. (Unchanged from previous disclosure)

The financial figures of HRMOS include HRMOS Attendance Management from FY2023/7, which was rebranded after the acquisition of shares of IEYASU, Inc. in November 2021. HRMOS Attendance Management is a freemium model, with majority of the customers using the service free of charge.

Adjusted operating loss before corporate expense allocation for FY2023/7 is expected to decrease compared to FY2022/7, and it is progressing as planned.

For the SaaS KPIs we disclose consists of HRMOS ATS and HRMOS Talent Management, and therefore does not include the impact of M&A.

Incubation Segment

We continue to create businesses to increase enterprise value in the mid to long term. As they are early businesses, net sales fluctuation risk exists, although impact to consolidate financials is negligible and profitability will be maintained by controlling investments. Our full year net sales forecast for the incubation segment is JPY 2.60 Bn (29.9% YoY growth). (Unchanged from previous disclosure)

(JPY MM)	3 months ended Oct. 31,2022	FY2023/7 Forecast	Progress (%)
Consolidated Net Sales	13,218	56,000	23.6%
HR Tech Segment	12,686	53,275	23.8%
BizReach	11,618	49,000	23.7%
HRMOS	485	1,980	24.5%
Incubation Segment	495	2,600	19.0%
Operating Profit	3,703	12,500	29.6%
Ordinary Profit	3,783	12,810	29.5%
Profit Attributable to Owners of Parent	2,531	8,330	30.4%

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

Q3 What is the impact of reflecting the finalization of the provisional accounting treatment for the business combination on the financial figures for FY2022/7?

With respect to the acquisition of shares of IEYASU, Inc. on November 1, 2021 and the acquisition of shares of ezSoft Co., Ltd. on March 1, 2022, provisional accounting treatment was applied for FY2022/7, which we confirmed during FY2023/7 1Q. As a result, the accounting treatment asks that we treat as if such confirmation had taken place in FY2022/7 in the comparative information. As a result, the consolidated financial statements for FY2022/7 in the comparative information have been changed to reflect the following:

(JPY MM)	FY22/7 Before reflection	FY22/7 Post reflection	Impact
Total Intangible Assets	4,964	5,287	+322
Goodwill	3,958	3,300	(657)
Other (*1)	1,006	1,986	+980
Total Investments and Other Assets (*2)	3,318	3,185	(132)
Total Fixed Liabilities (*2)	2,994	3,190	+196
Retained Earnings	12,300	12,294	(6)
Selling, General & Administrative Expenses	29,830	29,869	+38
Operating Profit	8,320	8,282	(38)
Ordinary Profit	8,751	8,713	(38)
Total Income Taxes	2,896	2,864	(32)
Profit Attributable to Owners of Parent	5,858	5,852	(6)

*1 Including Customer Relationship and Software

*2 Effect of changes in Deferred Tax Assets and Deferred Tax Liabilities

Q4 What is the impact of stock options to total shares outstanding?

We grant stock options to directors and selected employees to increase their motivation and morale for improving business performance, and to hire talent for the 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 October 31, 2022 is 38,475,600 shares (increase of 128,900 shares from July 31, 2022).

As of October 31, 2022, the total shares outstanding on a fully diluted basis is 41,833,100 shares.

Q5 What is Adjusted Operating Profit before Corporate Expense Allocation?

This is the operating profit or loss 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.

Q6 What are Liabilities from application of Equity Method?

This is an account that arose when 60% of Stanby, Inc. was divested to Z Holdings Corporation. Stanby is currently our equity method affiliate.

BizReach

Q7 How should we consider the impact of the economic uncertainty to the business?

As reported in the media, some companies including global tech companies that have stopped or slowed down hiring, and some SaaS companies that were aggressively hiring in recent years are experiencing a rebound and becoming more selective in their hiring efforts. Despite these conditions, many Japanese companies continue to have strong professional hiring needs. As a result, the number of job openings on BizReach continues to increase, and the number of new direct employers signing up for BizReach is growing.

Although it is unclear as to how much and for how long the uncertain economic situation will affect recruitment, we expect the market to continue to grow structurally, and direct employers to continue to actively pursue mid-career hiring. As such, we forecast BizReach to grow 30.3% YoY for FY2023/7. (Unchanged from previous disclosure)

We continue to be unable to provide a medium-term growth target for BizReach as economic outlook remains uncertain and it is difficult to predict the market environment at a steady state.

However, with more than 10,400 active direct employers, we believe that there is still significant room for growth with further progress in job mobility.

Q8 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 net sales trend.

Q9 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. We will encourage increased use of our platforms 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

Q10 What is the product lineup of HRMOS?

HRMOS currently consists of HRMOS ATS, which was ranked No.1 in customer satisfaction(*1), HRMOS Talent Management, HRMOS Attendance Management(*2), and HRMOS Expense Management(*3).

As for progress in FY2023/7 1Q, we have launched a free cloud HRMOS Year-end Tax Adjustment function in August 2022.

We are currently advancing product development, aiming to provide services in payroll and workforce management in the future.

From FY2023/7, HRMOS financial figures include HRMOS ATS, HRMOS Talent Management and HRMOS Attendance Management. ARR, number of unique paying customers, ARPU, and Churn rate are composed of HRMOS ATS and HRMOS Talent Management as in the previous periods, and does not include the impact of M&A.

*1 Based on Seed Planning, Inc.'s "Survey on Actual Usage of Applicant Tracking System" as of August 2021. Calculated the percentage of companies which selected "comprehensively satisfied" for the question asking the degree of satisfaction about applicant tracking systems which they have used.

*2 HRMOS Attendance Management is currently in a PMI process following the acquisition of IEYASU, Inc. on November 1, 2021. Over 40,000 companies (cumulative) including SMEs and startups are using the service.

*3 HRMOS Expense Management was rebranded in November 2022 after the acquisition of ezSoft Co.,Ltd. on March 1, 2022. The service is used by companies in different industries and different company sizes.

Q11 How should we consider the impact of the economic uncertainty to the business?

Although the Churn rate increased temporarily due to the impact of COVID-19, it is now consistently below the pre-COVID-19 level of 1%. New customer acquisitions of HRMOS ATS are also progressing as planned, and we believe that the impact of the uncertain economic situation on HRMOS is limited.

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