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Consolidated Financial Results for the Three Months Ended October 31, 2024 [Japanese GAAP]



December 12, 2024

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 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, 2024 (August 1, 2024 – October 31, 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	%
Three months ended October 31, 2024	18,697	16.4	5,453	10.1	5,613	8.2	4,049	16.1
October 31, 2023	16,057	21.5	4,955	33.8	5,189	37.2	3,487	37.8

(Note) Comprehensive income: Three months ended October 31, 2024: ¥4,043 million [16.2%]
 Three months ended October 31, 2023: ¥3,478 million [37.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
October 31, 2024	102.08	97.85
October 31, 2023	89.16	84.11

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of October 31, 2024	75,490	55,338	73.0
As of July 31, 2024	76,314	52,388	68.3

(Reference) Equity: As of October 31, 2024: ¥55,081 million
 As of July 31, 2024: ¥52,158 million

2. Dividends

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended July 31, 2024	—	0.00	—	0.00	0.00
Fiscal year ending July 31, 2025	—				
Fiscal year ending July 31, 2025 (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, 2025 (August 1, 2024 - July 31, 2025)

(% 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
	76,400	15.5	19,150	7.4	19,600	6.1	13,470	3.7	339.79

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Significant changes in the scope of consolidation during the period: 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):

October 31, 2024:	39,679,900 shares
July 31, 2024:	39,642,100 shares
 - 2) Total number of treasury shares at the end of the period:

October 31, 2024:	269 shares
July 31, 2024:	236 shares
 - 3) Average number of shares during the period:

Three months ended October 31, 2024:	39,670,091 shares
Three months ended October 31, 2023:	39,118,217 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit firm: None

* 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 the Group's judgments as of the end of the current quarter of the fiscal year under review.

In the three months ended October 31, 2024, the Japanese economy recovered gradually despite continued stagnation in certain areas of private consumption and other variables. While a gradual recovery is expected to continue going forward, the downside risks to the Japanese economy posed by a downturn in the global economy resulting from the continued high interest rate levels in Europe and the U.S., ongoing concerns about the continued slowdown of the Chinese economy, and other factors remain unresolved. Furthermore, with high prices, the situation in the Middle East, and fluctuations in financial and capital markets, the outlook continues to be uncertain.

Under these circumstances, the Group's core BizReach business continued to boost performance of the entire Group for the three months ended October 31, 2024, backed by a continued willingness of companies to recruit human resources.

As a result, in the three months ended October 31, 2024, the Group recorded net sales of ¥18,697 million (up 16.4% year on year), operating profit of ¥5,453 million (up 10.1% year on year), ordinary profit of ¥5,613 million (up 8.2% year on year), and profit attributable to owners of parent of ¥4,049 million (up 16.1% 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.

In the BizReach business, as of the end of the first quarter under review, the cumulative number of registered direct employers (Note 1) increased to more than 33,200 (compared to more than 31,700 as of the end of the previous fiscal year), the number of active headhunters (Note 2) rose to more than 8,000 (compared to more than 7,800 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 3) increased to more than 2.70 million (compared to more than 2.58 million as of the end of the previous fiscal year), as a result of the continued strength of human resources demand in the professional human resources domain and aggressive advertising. All of its growth indices have grown in comparison to the end of the previous fiscal year, and the BizReach business recorded net sales of ¥16,351 million (up 16.0% year on year), and adjusted operating profit before corporate expense allocation (Note 4) of ¥6,941 million (up 12.7% year on year).

In the HRMOS business, we are conducting marketing activities to expand the number of customers while continuing product investments. In August 2024, as new functions of the applicant tracking system "HRMOS ATS," we released an automated job posting creation function that utilizes AI to generate highly precise job postings with less work involved and an internal job posting function that expands options for filling job positions not only outside the company but also within the company.

As for the combined KPI of HRMOS ATS service and HRMOS Talent Management service, ARR (Note 5) rose 31.5% to ¥2,988 million, the number of unique paying customers (Note 6) increased 25.0% to 2,039, and ARPU (Note 7) rose 5.2% to ¥122,156 from the end of the same period of the previous fiscal year. The churn rate (Note 8), which is a 12 month average, was 0.55%.

The HRMOS business recorded net sales of ¥1,155 million (up 38.9% year on year), and an adjusted operating loss before corporate expense allocation (Note 4) of ¥73 million (loss of ¥277 million for the same period of the previous fiscal year).

During the first quarter under review, IEYASU, Inc., which was a consolidated subsidiary, was absorbed in an absorption-type merger with BizReach, Inc. as the surviving company.

As a result, in the three months ended October 31, 2024, the HR Tech segment recorded net sales of ¥18,100 million (up 18.0% year on year) and segment profit of ¥6,196 million (up 15.2% 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 direct employers 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. MRR as of the end of the month ÷ 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, 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 three months ended October 31, 2024, the segment recorded net sales of ¥564 million (down 18.1% year on year) and segment loss of ¥355 million (loss of ¥184 million for the same period of the previous fiscal year).

(2) Explanation of Financial Position

As of the end of the first quarter under review, total assets amounted to ¥75,490 million, an ¥823 million decrease since the end of the previous fiscal year. This was primarily due to a ¥1,675 million decrease in cash and deposits to ¥56,431 million and a ¥771 million increase in accounts receivable – trade to ¥6,524 million due to the growth in net sales.

As of the end of the first quarter under review, total liabilities amounted to ¥20,152 million, a ¥3,773 million decrease since the end of the previous fiscal year. This was primarily due to a ¥1,223 million increase in unearned contract liabilities to ¥9,838 million due to an increase in the number of direct employers using the BizReach business, a ¥2,685 million decrease in income tax payable to ¥1,624 million, and a ¥487 million decrease in provision for bonuses to ¥597 million.

As of the end of the first quarter under review, net assets amounted to ¥55,338 million, a ¥2,950 million increase since the end of the previous fiscal year. This was mainly due to a ¥1,119 million decrease in capital surplus due to the additional purchase of shares of subsidiaries and a ¥4,049 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 content of the consolidated financial results forecast for the fiscal year ending July 31, 2025 is unchanged from the forecast issued on September 12, 2024.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2024	As of October 31, 2024
Assets		
Current assets		
Cash and deposits	58,107	56,431
Accounts receivable - trade	5,753	6,524
Other	1,846	2,412
Allowance for doubtful accounts	(55)	(63)
Total current assets	65,652	65,305
Non-current assets		
Property, plant and equipment	1,880	1,838
Intangible assets		
Goodwill	2,523	2,389
Other	1,329	1,248
Total intangible assets	3,852	3,637
Investments and other assets		
Other	4,932	4,712
Allowance for doubtful accounts	(3)	(4)
Total investments and other assets	4,929	4,708
Total non-current assets	10,662	10,185
Total assets	76,314	75,490

(in millions of yen)

	As of July 31, 2024	As of October 31, 2024
Liabilities		
Current liabilities		
Current portion of long-term borrowings	9	2
Income tax payable	4,310	1,624
Contract liabilities	8,615	9,838
Provision for bonuses	1,084	597
Other	7,849	6,162
Total current liabilities	21,869	18,225
Non-current liabilities		
Liabilities from application of equity method	1,813	1,733
Long-term borrowings	37	9
Deferred tax liabilities	206	183
Total non-current liabilities	2,056	1,926
Total liabilities	23,926	20,152
Net assets		
Shareholders' equity		
Share capital	6,503	6,513
Deposits for subscriptions of shares	2	0
Capital surplus	10,467	9,348
Retained earnings	35,213	39,263
Treasury shares	(1)	(2)
Total shareholders' equity	52,185	55,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(26)	(42)
Foreign currency translation adjustment	—	0
Total accumulated other comprehensive income	(26)	(41)
Share acquisition rights	170	188
Non-controlling interests	58	67
Total net assets	52,388	55,338
Total liabilities and net assets	76,314	75,490

(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, 2023	For the three months ended October 31, 2024
Net sales	16,057	18,697
Cost of sales	1,313	1,652
Gross profit	14,744	17,044
Selling, general and administrative expenses	9,789	11,591
Operating profit	4,955	5,453
Non-operating income		
Share of profit of entities accounted for using equity method	79	79
Penalty income	141	61
Other	17	21
Total non-operating income	239	162
Non-operating expenses		
Interest expenses	0	0
Commitment fees	1	1
Foreign exchange losses	4	—
Other	0	0
Total non-operating expenses	5	2
Ordinary profit	5,189	5,613
Profit before income taxes	5,189	5,613
Income taxes - current	1,364	1,445
Income taxes - deferred	337	109
Total income taxes	1,701	1,555
Profit	3,487	4,058
Profit attributable to non-controlling interests	—	9
Profit attributable to owners of parent	3,487	4,049

Quarterly Consolidated Statement of Comprehensive Income

Three months ended October 31

(in millions of yen)

	For the three months ended October 31, 2023	For the three months ended October 31, 2024
Profit	3,487	4,058
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(15)
Foreign currency translation adjustment	—	0
Total other comprehensive income	(8)	(15)
Comprehensive income	3,478	4,043
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,478	4,034
Comprehensive income attributable to non-controlling interests	—	9

(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 three months ended October 31, 2023 (from August 1, 2023 to October 31, 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					
BizReach business	14,092	—	14,092	—	14,092
HRMOS business	831	—	831	—	831
Others	412	689	1,101	3	1,104
Revenue from contracts with customers	15,336	689	16,025	3	16,029
Other revenue	—	—	—	28	28
Net sales to external customers	15,336	689	16,025	31	16,057
Intersegment sales or transfers	8	32	41	(41)	—
Total	15,344	722	16,067	(9)	16,057
Segment profit (loss)	5,377	(184)	5,193	(238)	4,955

(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 three months ended October 31, 2024 (from August 1, 2024 to October 31, 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					
BizReach business	16,351	—	16,351	—	16,351
HRMOS business	1,155	—	1,155	—	1,155
Others	593	564	1,157	4	1,162
Revenue from contracts with customers	18,100	564	18,664	4	18,669
Other revenue	—	—	—	28	28
Net sales to external customers	18,100	564	18,664	32	18,697
Intersegment sales or transfers	17	0	17	(17)	—
Total	18,117	564	18,681	15	18,697
Segment profit (loss)	6,196	(355)	5,840	(387)	5,453

(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.

(Notes to statements of cash flows)

The Company has not prepared quarterly consolidated statements of cash flows for the three months ended October 31, 2024. Depreciation (including amortization of intangible assets excluding goodwill) and amortization of goodwill for the three months ended October 31 are as follows:

	(in millions of yen)	
	For the three months ended October 31, 2023	For the three months ended October 31, 2024
Depreciation	169	206
Amortization of goodwill	125	133