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Consolidated Financial Results for the Second Quarter Ended December 31, 2022 [Japanese GAAP]

August 10, 2022

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 Scheduled date of filing of quarterly securities report : August 10, 2022
 Scheduled starting date of dividend payment : —
 Quarterly supplementary financial document : Yes
 Quarterly financial results briefing : Yes (for institutional investors and analysts)

(Round down to million yen)

1. Consolidated Financial Results for the Second Quarter Ended December 31, 2022

(January 1, 2022 through June 30, 2022)

(1) Consolidated Operating Results (Cumulative) (% change 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	%
2Q FY2022	11,628	34.5	921	40.9	922	35.5	566	24.2
2Q FY2021	8,644	-10.2	654	—	680	922.1	455	—

(Note) Comprehensive income: 2Q FY2022 : 629 million yen (29.7%)
 2Q FY2021 : 485 million yen (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2Q FY2022	11.78	11.55
2Q FY2021	9.68	9.43

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
2Q FY2022	16,080	11,010	68.4
FY 2021	14,932	10,122	67.7

(Reference) Equity; 2Q FY2022 : 10,993 million yen
 FY 2021 : 10,113 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY 2021	—	0.00	—	0.00	0.00
FY 2022	—	0.00	—	—	—
FY 2022 (Forecast)	—	—	—	0.00	0.00

(Note) Revisions to dividend forecast during the most recent quarter: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2022 (January 1, 2022 through December 31, 2022)

(% change 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 fiscal year	23,794	31.5	1,909	72.8	1,909	67.0	1,245	70.8	25.50

(Note) Revisions to financial forecast during the most recent quarter: Yes

For details, please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements” on page 3 of the attached materials.

* **Notes**

- (1) Changes in significant subsidiaries during the period : None
- (2) Application of accounting procedures specific to preparation of the quarterly financial statements : None
 Notes on the Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements
- (3) Changes in accounting policies, accounting estimates, and restatement
- ① Changes in accounting policies associated with revision of accounting standards : Yes
 - ② Changes in accounting policies other than ① : None
 - ③ Changes in accounting estimates : None
 - ④ Restatement : None

(4) Shares issued (common stock)

① Shares issued as of term-end (incl. Treasury stock)	2Q FY2022	50,342,400	FY 2021	49,091,100
② Treasury stock as of term-end	2Q FY2022	1,501,642	FY 2021	1,501,590
③ Average number of shares outstanding (quarterly total)	2Q FY2022	48,050,228	2Q FY2021	47,085,954

* Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or audit firm.

* Explanation for appropriate use of forecasts and other notes

The forward-looking statements such as operational forecasts contained in this statement's summary are based in information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ from such forward-looking statements for a variety of reasons. For the assumptions on the earnings forecasts and notes on their use, please refer to "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward Looking Statements" on page 3 of the attached document.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the first half of the current fiscal year, the economy continued to pick up, but the outlook remained uncertain due to the emergence of a new strain of COVID-19, rising international resource prices, and the rapid depreciation of the yen.

In this economic environment, our group continued to focus on the GLOBAL WiFi business and the information and communication services business in Japan and strived to flexibly respond to the needs of society. As a result, the Group's operating results for the first half of the current fiscal year were as follows.

Net sales, operating income, ordinary income, and net income attributable to owners of the parent for the first half of the current consolidated cumulative period all exceeded the results of the previous year.

	FY2022/2Q Result (million yen)	FY2021/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	11,628	8,644	2,983	34.5
Operating profit	921	654	267	40.9
Ordinary profit	922	680	241	35.5
Profit attributable to owners of parent	566	455	110	24.2

Business results by segment are as follows.

“GLOBAL WiFi” Business

Many countries have repeatedly eased or tightened entry/exit restrictions in response to the spread of COVID-19 and recently it is common for countries to eliminate restrictions except in some countries and regions.

As a result, for the first time since April 2020, the combined number of foreign visitors to Japan and the number of Japanese leaving the country exceeded 100,000 and the same trend continued for three consecutive months through June (source: Japan National Tourist Organization).

Against the backdrop of this environment, in addition to meeting various communication demands for outbound, inbound, and domestic use, our PCR testing services have also performed well. Demand for PCR testing services has been even higher since the latter half of June due to the increase of new COVID-19 strains.

We also continued to respond to registration and confirmation services for designated applications at airport quarantine stations, which are temporarily commissioned as part of border control measures at the time of entry into Japan.

In addition, we have worked to register and confirm the designated quarantine application at the airport station, which is temporarily entrusted as part of the border measures when entering Japan.

As a result of these efforts, both net sales and segment income for the first half of the consolidated fiscal year under review exceeded those of the previous year.

GLOBAL WiFi Business	FY2022/2Q Result (million yen)	FY2021/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	5,793	3,865	1,927	49.9
Segment profit	952	380	572	150.4

Information and Communications Service Business

During the first half of the current fiscal year, sales of mobile communication devices and office automation equipment were strong.

Furthermore, the Company strived to maximize lifetime value (customer lifetime value) through future up-selling and cross-selling, reduction of long-term churn rates, and continuous income from stock products, and despite a temporary increase in operating costs, the Company strove to expand sales of its monthly subscription-based in-house services.

As a result, net sales increased year on year, but segment income decreased year on year.

Information and Communications Service	FY2022/2Q Result (million yen)	FY2021/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	5,619	4,655	964	20.7
Segment profit	606	777	-171	-22.0

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter consolidated accounting period are 16,080 million yen (1,148 million yen more than the end of the previous consolidated fiscal term).

Current assets amounted to 11,353 million yen (604 million yen more than the end of the previous consolidated fiscal term), mainly due to a 962 million yen increase in notes and accounts receivable-trade and a 342 million yen decrease in cash and deposits.

Fixed assets totaled 4,727 million yen (544 million yen more than the end of the previous consolidated fiscal year), mainly due to a 1,062 million yen increase in property, plant, and equipment resulting from investments in the glamping business and a 435 million yen decrease in investments and other assets.

(Liabilities)

Total liabilities at the end of the second quarter consolidated accounting period are 5,070 million yen (260 million yen more than the end of the previous consolidated fiscal term).

Current liabilities are 3,977 million yen (97 million yen more than the end of the previous consolidated fiscal term), mainly due to an increase of 81 million yen in income taxes payable.

Fixed liabilities amounted to 1,092 million yen (162 million yen more than the end of the previous fiscal year), mainly due to an increase of 173 million yen in long-term loans payable.

(Net assets)

Total net assets at the end of the second quarter consolidated accounting period are 11,010 million yen (888 million yen more than the end of the previous consolidated fiscal term). The main reasons were the increase of 566 million yen in retained earnings due to the posting of net income attributable to owners of the parent company and a 126 million yen increase in common stock and capital surplus due to the exercise of stock options.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements

We have revised our consolidated earnings forecast for the full year announced on February 14, 2022, considering the results for the first half of the fiscal year, the current situation, and our aggressive investment in each business to achieve record-high earnings as early as possible in the next fiscal year and beyond. For details, please refer to the “Notice of difference between forecast and actual results for six months ended June 30, 2022 and revision of full-year forecast” released today (August 10, 2022).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	7,602,426	7,259,988
Notes and accounts receivable - trade	2,183,816	3,145,836
Products	202,581	178,597
Supplies	5,801	8,885
Other	831,510	867,343
Allowance for doubtful accounts	-77,177	-107,569
Total current assets	10,748,958	11,353,081
Fixed assets		
Tangible fixed assets	534,664	1,597,469
Intangible fixed assets		
Goodwill	1,332,425	1,241,466
Other	150,101	157,614
Total intangible fixed assets	1,482,527	1,399,081
Investments and other assets		
Other	2,237,519	1,795,379
Allowance for doubtful accounts	-71,508	-64,526
Total investments and other assets	2,166,011	1,730,853
Total fixed assets	4,183,203	4,727,404
Total assets	14,932,162	16,080,485
Liabilities		
Current liabilities		
Notes and accounts payable – trade	914,551	907,522
Short-term loans payable	50,000	15,000
Current portion of long-term debt	89,002	113,765
Income taxes payable	179,245	260,864
Provision for bonuses	306,321	332,552
Short-term surrender fees reserve	53,504	—
Other	2,287,413	2,347,730
Total current liabilities	3,880,038	3,977,434
Fixed liabilities		
Long-term debt	733,904	907,146
Other	196,004	185,648
Total fixed liabilities	929,908	1,092,795
Total liabilities	4,809,946	5,070,229
Net assets		
Shareholders' equity		
Share capital	2,387,915	2,514,702
Capital surplus	2,454,031	2,580,817
Retained earnings	7,088,507	7,654,771
Treasury stock	-1,862,904	-1,862,967
Total shareholders' equity	10,067,549	10,887,323
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	5,109	-7,021
Foreign currency translation adjustment	40,991	113,640
Total other accumulated comprehensive income	46,101	106,618
Subscription rights to shares	6,116	11,564
Non-controlling interests	2,447	4,748
Total net assets	10,122,215	11,010,255
Total liabilities and net assets	14,932,162	16,080,485

(2) Quarterly Consolidated Statement of Profit or Loss and Comprehensive Income

Quarterly Consolidated Statement of Profit or Loss

Consolidated Cumulative Second Quarter

(Thousands of yen)

	January 1, 2021 – June 30, 2021	January 1, 2022 – June 30, 2022
Net sales	8,644,983	11,628,833
Cost of sales	4,139,686	6,174,140
Gross profit	4,505,296	5,454,693
Selling, general, and administrative expenses	3,851,006	4,532,771
Operating profit	654,289	921,922
Non-operating income		
Interest income	379	1,599
Dividends earned	1,500	1,500
Currency exchange gain	23,106	—
Subsidy income	3,654	4,897
Other	3,945	4,301
Total non-operating income	32,585	12,299
Non-operating expenses		
Payment fees	—	5,560
Other	5,909	6,145
Total non-operating expenses	5,909	11,706
Ordinary profit	680,965	922,515
Extraordinary income		
Gain on reversal of subscription rights to shares	14,940	—
Gain on sales of fixed assets	154	81
Gain on sales of investment securities	—	1,230
Total extraordinary income	15,094	1,311
Extraordinary loss		
Loss on retirement of fixed assets	2,039	3,406
Loss on valuation of investment securities	17,335	—
Total extraordinary loss	19,375	3,406
Income before tax adjustment	676,685	920,420
Corporate, resident, and business taxes	81,565	221,965
Deferred income tax	138,340	129,890
Total income taxes	219,906	351,855
Quarterly profit	456,779	568,564
Quarterly profit attributable to non-controlling interests	846	2,300
Quarterly profit attributable to owners of parent	455,933	566,263

Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative Second Quarter

(Thousands of yen)

	January 1, 2021 – June 30, 2021	January 1, 2022 – June 30, 2022
Quarterly profit	456,779	568,564
Other comprehensive income		
Net unrealized gains or loss on securities	-3,470	-12,131
Deferred gains or losses on hedges	721	—
Foreign currency translation reserve	31,074	72,648
Total other comprehensive income	28,325	60,517
Quarterly comprehensive income	485,104	629,082
(Breakdown)		
Quarterly comprehensive income related to owners of the parent	484,258	626,781
Quarterly comprehensive income related to non-controlling interests	846	2,300

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes on significant changes in shareholders' equity)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") was adopted. The Company adopted the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and recognized revenue in the amount expected to be received in exchange for the promised goods or services at the beginning of the period. The cumulative effect of the retrospective application of the new accounting policies prior to the beginning of the first quarter of the current fiscal year has been added to or deducted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policies have been applied from the beginning balance of the current fiscal year. As a result, the Company has applied the new accounting policy from the balance at the beginning of the period, and there is no effect on the balance of retained earnings at the beginning of the first quarter of the current fiscal year. The application of the new accounting standard had no impact on the balance of retained earnings at the beginning of the period. In addition, the application of the new accounting standard did not have a material impact on the quarterly consolidated financial statements.

Due to the application of the accounting standard for revenue recognition, "Allowance for short-term cancellation refunds," which was presented in "Current liabilities" in the consolidated balance sheet for the previous fiscal year, is included in "Other" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to reflect the new presentation for the previous consolidated fiscal year and the second quarter of the previous consolidated cumulative period. In addition, in accordance with paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information that breaks down revenue from contracts with customers for the previous consolidated cumulative period is not presented.

(Application of Accounting Standard for Measurement of Fair Value)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Accounting Standard for Calculation of Fair Value") are applied from the beginning of the first quarter of the current consolidated fiscal year, as stipulated in Paragraph 19 of the Accounting Standard for Calculation of Fair Value and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). In accordance with the transitional treatment, the new accounting policies prescribed by the Accounting Standard for Fair Value Calculation will be applied prospectively. This change has no impact on the quarterly consolidated financial statements.

(Segment Information, etc.)

Segment Information

FY2021/2Q Cumulative period (January 1, 2021 – June 30, 2021)

1. Information on net sales and profit or loss by reporting segment

(Thousands of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Quarterly consolidated income statement (Note 3)
	“GLOBAL WiFi”	Information and Communications Service	Total				
Net sales							
Sales to external customers	3,865,419	4,654,920	8,520,340	124,642	8,644,983	—	8,644,983
Intersegment sales and transfers	—	264	264	3,795	4,060	-4,060	—
Total	3,865,419	4,655,185	8,520,604	128,438	8,649,043	-4,060	8,644,983
Segment profit or loss (-)	380,521	777,794	1,158,316	-40,169	1,118,146	-463,856	654,289

(Note) 1. The “Other” category is for businesses that are not included in the reporting segment such as media and catalog sales businesses.

2. The segment profit of -463,856 thousand yen is a company-wide expense that is not allocated to each reporting segment. These are mainly general and administrative expenses that do not belong to the reporting segment.
3. Segment profit is adjusted to the operating profit of the quarterly consolidated income statement.

2. Information on impairment loss on fixed assets or goodwill by reporting segment

Not applicable.

FY2022/2Q Cumulative period (January 1, 2022 – June 30, 2022)

1. Information on net sales and profit or loss by reporting segment

(Thousands of yen)

	Reporting segment			Other (Note 1)	Total	Adjustments (Note 2)	Quarterly consolidated income statement (Note 3)
	“GLOBAL WiFi”	Information and Communications Service	Total				
Net sales							
Sales to external customers	5,793,035	5,610,850	11,403,885	224,948	11,628,833	—	11,628,833
Intersegment sales and transfers	—	8,427	8,427	2,963	11,390	-11,390	—
Total	5,793,035	5,619,277	11,412,312	227,912	11,640,224	-11,390	11,628,833
Segment profit or loss (-)	952,825	606,596	1,559,422	-66,601	1,492,821	-570,899	921,922

(Note) 1. The “Other” category is for businesses that are not included in the reporting segment such as the glamping, media, and catalog sales businesses.

2. The segment profit of -570,899 thousand yen is a company-wide expense that is not allocated to each reporting segment. These are mainly general and administrative expenses that do not belong to the reporting segment.
3. Segment profit is adjusted to the operating profit of the quarterly consolidated income statement.

2. Information on impairment loss on fixed assets or goodwill by reporting segment

Not applicable.