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Consolidated Financial Results for the Fiscal Year Ended July 31, 2022 [Japanese GAAP]



September 14, 2022

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 Stock exchange listing: Tokyo Stock Exchange
 Code number: 4194
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 Scheduled date of Annual General Meeting of Shareholders: October 26, 2022
 Scheduled date of commencing dividend payments: –
 Scheduled date of filing annual securities report: October 26, 2022
 Availability of supplementary explanatory materials on financial results: Available
 Schedule of financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended July 31, 2022 (August 1, 2021 - July 31, 2022)

(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	%
Fiscal year ended July 31, 2022	43,954	53.2	8,320	251.3	8,751	284.8	5,858	312.4
July 31, 2021	28,698	10.9	2,368	8.3	2,274	0.9	1,420	(69.5)

(Note) Comprehensive income: Fiscal year ended July 31, 2022: ¥5,859 million [312.4%]

Fiscal year ended July 31, 2021: ¥1,420 million [(69.5)%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended July 31, 2022	160.93	140.50	22.9	21.7	18.9
July 31, 2021	43.37	35.84	9.0	8.6	8.3

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended July 31, 2022: ¥319 million

Fiscal year ended July 31, 2021: ¥297 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2022	45,762	28,779	62.8	748.87
As of July 31, 2021	35,076	22,536	64.2	628.40

(Reference) Equity: As of July 31, 2022: ¥28,722 million

As of July 31, 2021: ¥22,533 million

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
As of July 31, 2022	9,608	(3,954)	77	31,362
As of July 31, 2021	4,315	(33)	12,234	25,630

2. Dividends

	Annual Dividend					Total dividends	Dividend payout ratio (consolidated)	Dividend / Net assets (consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
Fiscal year ended July 31, 2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended July 31, 2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending July 31, 2023 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Results Forecast for the Fiscal Year Ending July 31, 2023 (August 1, 2022 - July 31, 2023)

(% 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
	56,000	27.4	12,500	50.2	12,810	46.4	8,330	42.2	217.23

(Note) For details, please refer to “1. Overview of Operating Results (4) Future Outlook” on page 4 of the Attachments.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2022 (August 1, 2021 - July 31, 2022)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
July 31, 2022	7,001	303.3	2,839	—	2,816	—	2,963	—
July 31, 2021	1,736	25.3	(768)	—	(1,209)	—	(892)	—

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
July 31, 2022	81.41	71.08
July 31, 2021	(27.23)	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2022	41,423	24,596	59.3	639.89
As of July 31, 2021	29,662	21,249	71.6	592.59

(Reference) Equity: As of July 31, 2022: ¥24,544 million
As of July 31, 2021: ¥21,249 million

* Notes:

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

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

1) Changes in accounting policies due to the revision of accounting standards: Yes

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

3) Changes in accounting estimates: None

4) Retrospective restatement: None

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

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

July 31, 2022: 38,346,700 shares

July 31, 2021: 35,858,000 shares

2) Total number of treasury shares at the end of the period:	
July 31, 2022:	179 shares
July 31, 2021:	– shares
3) Average number of shares during the period:	
Fiscal year ended July 31, 2022:	36,406,466 shares
Fiscal year ended July 31, 2021:	32,759,934 shares

(Notes) On December 6, 2020, as a result of exercising the put options of Class A preferred stock, the Company redeemed all the Class A preferred stock as treasury stock and issued common stock to the shareholders in return. On the same day, all shares of the treasury stock redeemed were then canceled in accordance with Article 178 of the Companies Act, following the resolution reached at the Board of Directors’ meeting held on November 20, 2020. In addition, on December 7, 2020, the Company conducted a 100-for-1 stock split, following the resolution reached at the Board of Directors’ meeting held on November 20, 2020. Accordingly, “Total number of issued shares at the end of the period” and “Average number of shares during the period” were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2021.

* These consolidated financial results are outside the scope of audit 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.

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1. Overview of Operating Results

(1) Overview of Operating Results for the Fiscal Year under Review

Statements in this document about the future reflect our judgments as of the end of the fiscal year under review.

In the fiscal year under review, although we saw the prolonged impact of COVID-19, the Japanese economy was on a recovery trend aided by easing restrictions on movement taken by the government as vaccination and drugs against COVID-19 were widely available. On the other hand, the outlook for the global macroeconomy remains unclear due to factors such as a surge of raw material prices and fluctuation in the financial capital markets, reflecting the unstable global situation.

Under these circumstances, the Group's core BizReach business performed strongly, backed by a continued willingness of companies to recruit and the increase in job seekers due to advertising. Behind this was the resumption of hiring that had been restrained under COVID-19 and enhanced opportunities for mid-career recruiting at hiring companies.

The BizReach business boosted performance of the Group, and as a result, in the fiscal year under review, the Group recorded net sales of ¥43,954 million (up 53.2% year on year), operating profit of ¥8,320 million (up 251.3% year on year), ordinary profit of ¥8,751 million (up 284.8% year on year), and profit attributable to owners of parent of ¥5,858 million (up 312.4% year on year).

Performance by segment was as follows.

(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 of the end of the fiscal year under review, the cumulative number of registered direct employers (Note 1) increased to more than 21,100 (compared to more than 17,100 as of the end of the previous fiscal year), the number of active direct employers (Note 2) increased to more than 10,400 (compared to more than 8,000 as of the end of the previous fiscal year), the number of active headhunters (Note 3) rose to more than 5,500 (compared to more than 5,100 as of the end of the previous fiscal year), and the number of scoutable job seekers (Note 4) increased to more than 1.70 million (compared to more than 1.38 million as of the end of the previous fiscal year). The business recorded net sales of ¥37,607 million (up 59.6% year on year). With regards to expenses, as a result of ongoing advertising activities, including television commercials, and ongoing human resource investment to increase the number of talents engaged in sales activities and product development, it recorded adjusted operating profit before corporate expense allocation (Note 5) of ¥17,609 million (up 82.7% year on year).

In April 2022, the HRMOS business released "Individual Condition Survey," a new function by which companies identify changes in conditions of their employees, while continuously improving existing functions. We are conducting marketing activities in order to expand the number of customers while continuing product investment such as the development of new functionality.

ARR (Note 6) of the HRMOS business rose 28.2% to ¥1,627 million, the number of unique paying customers (Note 7) increased 26.8% to 1,193, and ARPU (Note 8) rose 1.1% to ¥113,688 from the end of the previous fiscal year. The churn rate (Note 9), which is a 12-month average, decreased to 0.60%.

As a result, the HRMOS business recorded net sales of ¥1,458 million (up 26.2% year on year) and an adjusted operating loss before corporate expense allocation (Note 5) of ¥2,954 million (loss of ¥2,102 million for the previous fiscal year). As a result, in the fiscal year under review, the HR Tech segment recorded net sales of ¥41,791 million (up 54.5% year on year) and segment profit of ¥10,670 million (up 166.7% year on year).

(Notes) 1. The total number of direct employers that have subscribed to BizReach, excluding headhunters

2. The number of direct employers that have subscribed to BizReach for at least 1 day during the fiscal year
3. The number of headhunters that have been screened by BizReach, Inc.
4. 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
5. 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.
6. 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).
7. The number of paying users of HRMOS series services
8. Average Revenue per User. $\text{MRR as of the end of the month} \div \text{number of active employers}$
9. 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, and BizHint.

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. In the fiscal year under review, the segment recorded net sales of ¥2,002 million (up 34.8% year on year) and segment loss of ¥1,649 million (loss of ¥863 million for the previous fiscal year).

(2) Overview of Financial Position for the Fiscal Year under Review

As of the end of the fiscal year under review, total assets amounted to ¥45,762 million, a ¥10,685 million increase since the end of the previous fiscal year. This was primarily due to a ¥5,731 million increase in cash and deposits to ¥31,362 million, a ¥1,097 million increase in accounts receivable - trade to ¥4,356 million due to the growth in net sales, and a ¥2,661 million increase in goodwill to ¥3,958 million due to the acquisition of shares in IEYASU, Inc. and ezSoft Co., Ltd.

As of the end of the fiscal year under review, total liabilities amounted to ¥16,983 million, a ¥4,442 million increase since the end of the previous fiscal year. This was primarily due to a ¥1,898 million increase in unearned contract liabilities (recorded as unearned revenue in the previous fiscal year) to ¥4,941 million due to an increase in the number of corporate users for the BizReach business, and a ¥1,188 million increase in income taxes payable to ¥2,030 million.

As of the end of the fiscal year under review, net assets amounted to ¥28,779 million, a ¥6,242 million increase since the end of the previous fiscal year. This was mainly due to a ¥5,858 million increase in retained earnings due to the recording of profit attributable to owners of parent.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review amounted to ¥31,362 million. The status of cash flows in the fiscal year under review and the factors responsible for those results are as follows:

Cash flows from operating activities resulted in a net inflow of ¥9,608 million primarily due to the recording of profit before income taxes of ¥8,755 million, a ¥1,769 million increase in contract liabilities, a ¥1,045 million increase in trade receivables, a ¥700 million increase in accounts payable – other, a ¥861 million increase in accrued consumption taxes and income taxes paid of ¥2,049 million.

Cash flows from investing activities resulted in a net outflow of ¥3,954 million primarily due to purchase of property, plant and equipment of ¥325 million, payments of guarantee deposits of ¥655 million and purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥2,875 million.

Cash flows from financing activities resulted in a net inflow of ¥77 million primarily due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥325 million, repayments of lease obligations of ¥24 million and repayments of long-term borrowings of ¥219 million.

(4) Future Outlook

For the fiscal year ending July 31, 2023, the Group expects full-year consolidated net sales of ¥56,000 million (up 27.4% year on year) based on the premise that the effect of the current conditions on the hiring market will continue to be immaterial, although the future remains uncertain owing to such factors as the trend of COVID-19, a surge of raw material prices, and fluctuation in the financial capital markets.

For the fiscal year ending July 31, 2023, the Group expects net sales of ¥49,000 million (up 30.3% year on year) for the BizReach business based on the premise that enhanced opportunities for mid-career recruiting at hiring companies will continue and recruiting demand for professional human resources will continue to increase, despite the rebound effect from the resumption of hiring that had been restrained under COVID-19 seen in the fiscal year ended July 31, 2022 subsiding to a certain extent.

For the fiscal year ending July 31, 2023, the Group expects net sales of ¥1,980 million (up 35.8% year on year) for the HRMOS business due to customer cultivation and feature expansion, etc., while also continuing to prioritize product development. The Group plans to report the financial results of IEYASU (currently HRMOS Attendance Management), an attendance management cloud, which was acquired in the fiscal year ended July 31, 2022, by integrating them into the financial results of the HRMOS business from the first quarter of the fiscal year ending July 31, 2023, and the above net sales of ¥1,980 million includes net sales of HRMOS Attendance Management.

With regard to expenses, the Group will continue to conduct advertising activities and invest in human resources for the BizReach business, and invest in product development for the HRMOS business and in growth investments for other new businesses while measuring the effectiveness of these investments.

As a result of the foregoing, the Group expects consolidated net sales of ¥56,000 million (up 27.4% year on year) and consolidated operating profit of ¥12,500 million (up 50.2% year on year) for the fiscal year ending July 31, 2023.

In non-operating loss (profit) items, the Group expects ordinary profit of ¥12,810 million (up 46.4% year on year) primarily due to the recording of share of profit of entities accounted for using equity method. The Group does not expect any extraordinary income or losses, and expects profit attributable to owners of parent of ¥8,330 million (up 42.2% year on year) based on the calculation of income taxes, etc. in accordance with its profit plan.

2. Basic Policy on Selecting Accounting Standards

The Group prepares its consolidated financial statements in accordance with Japanese GAAP, taking into account the comparability of the consolidated financial statements with other periods.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(in millions of yen)

	As of July 31, 2021	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	25,630	31,362
Accounts receivable - trade	3,258	4,356
Other	679	1,082
Allowance for doubtful accounts	(36)	(57)
Total current assets	29,532	36,743
Non-current assets		
Property, plant and equipment		
Buildings	743	748
Accumulated depreciation	(334)	(413)
Buildings, net	409	334
Leased assets	148	148
Accumulated depreciation	(128)	(148)
Leased assets, net	19	0
Construction in progress	—	27
Other	585	850
Accumulated depreciation	(313)	(478)
Other, net	271	371
Total property, plant and equipment	700	735
Intangible assets		
Software	35	23
Goodwill	1,296	3,958
Customer relationship	1,123	980
Other	1	1
Total intangible assets	2,457	4,964
Investments and other assets		
Investment securities	86	97
Leasehold deposits	782	847
Deferred tax assets	1,501	1,709
Other	18	672
Allowance for doubtful accounts	(2)	(8)
Total investments and other assets	2,385	3,318
Total non-current assets	5,544	9,018
Total assets	35,076	45,762

(in millions of yen)

	As of July 31, 2021	As of July 31, 2022
Liabilities		
Current liabilities		
Current portion of long-term borrowings	200	205
Accounts payable - other	3,341	4,054
Income taxes payable	842	2,030
Contract liabilities	—	4,941
Unearned revenue	3,042	—
Lease obligations	24	0
Provision for bonuses	955	1,161
Provision for repayment	38	—
Other	601	1,594
Total current liabilities	9,046	13,988
Non-current liabilities		
Lease obligations	0	—
Liabilities from application of equity method	2,773	2,453
Deferred tax liabilities	114	100
Long-term borrowings	600	440
Other	5	—
Total non-current liabilities	3,494	2,994
Total liabilities	12,540	16,983
Net assets		
Shareholders' equity		
Share capital	6,063	6,226
Deposits for subscriptions of shares	—	6
Capital surplus	10,027	10,190
Retained earnings	6,442	12,300
Treasury shares	—	(1)
Total shareholders' equity	22,533	28,722
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total accumulated other comprehensive income	0	0
Share acquisition rights	3	56
Total net assets	22,536	28,779
Total liabilities and net assets	35,076	45,762

(2) Consolidated Statement of Income and Comprehensive Income
Consolidated Statement of Income

(in millions of yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Net sales	28,698	43,954
Cost of sales	3,999	5,802
Gross profit	24,699	38,151
Selling, general and administrative expenses	22,331	29,830
Operating profit	2,368	8,320
Non-operating income		
Interest income	0	0
Share of profit of entities accounted for using equity method	297	319
Penalty income	30	98
Other	11	32
Total non-operating income	339	451
Non-operating expenses		
Interest expenses	1	1
Share issuance costs	77	—
Issuance cost of subscription rights to shares	2	3
Foreign exchange losses	0	2
Listing expenses	341	—
Provision of allowance for doubtful accounts	—	8
Commitment fees	—	4
Other	8	0
Total non-operating expenses	433	21
Ordinary profit	2,274	8,751
Extraordinary income		
Gain on sale of non-current assets	16	—
Gain on reversal of share acquisition rights	—	3
Total extraordinary income	16	3
Extraordinary losses		
Loss on valuation of investment securities	0	—
Total extraordinary losses	0	—
Profit before income taxes	2,290	8,755
Income taxes - current	1,151	3,113
Income taxes - deferred	(281)	(217)
Total income taxes	869	2,896
Profit	1,420	5,858
Profit attributable to owners of parent	1,420	5,858

Consolidated Statement of Comprehensive Income

(in millions of yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Profit	1,420	5,858
Other comprehensive income		
Valuation difference on available-for-sale securities	0	0
Total other comprehensive income	0	0
Comprehensive income	1,420	5,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,420	5,859
Comprehensive income attributable to non-controlling interests	—	—

(3) Consolidated Statements of Changes in Equity

For the fiscal year ended July 31, 2021 (From August 1, 2020 to July 31, 2021)

(in millions of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	100	4,064	5,021	9,185
Changes during period				
Issuance of new shares	5,963	5,963		11,926
Profit attributable to owners of parent			1,420	1,420
Net changes in items other than shareholders' equity				
Total changes during period	5,963	5,963	1,420	13,347
Balance at end of period	6,063	10,027	6,442	22,533

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	(0)	20	9,205
Changes during period			
Issuance of new shares			11,926
Profit attributable to owners of parent			1,420
Net changes in items other than shareholders' equity	0	(16)	(16)
Total changes during period	0	(16)	13,331
Balance at end of period	0	3	22,536

For the fiscal year ended July 31, 2022 (From August 1, 2021 to July 31, 2022)

(in millions of yen)

	Shareholders' equity					
	Share capital	Deposits for Subscriptions of shares	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	6,063	–	10,027	6,442	–	22,533
Changes during period						
Issuance of new shares						–
Profit attributable to owners of parent				5,858		5,858
Purchase of treasury shares					(1)	(1)
Issuance of share acquisition rights						–
Forfeiture of share acquisition rights						–
Issuance of new shares - exercise of share acquisition rights	162	6	162			331
Net changes in items other than shareholders' equity						
Total changes during period	162	6	162	5,858	(1)	6,189
Balance at end of period	6,226	6	10,190	12,300	(1)	28,722

	Accumulated other comprehensive income	Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities		
Balance at beginning of period	0	3	22,536
Changes during period			
Issuance of new shares			–
Profit attributable to owners of parent			5,858
Purchase of treasury shares			(1)
Issuance of share acquisition rights		6	6
Forfeiture of share acquisition rights		(3)	(3)
Issuance of new shares - exercise of share acquisition rights			331
Net changes in items other than shareholders' equity	0	50	50
Total changes during period	0	52	6,242
Balance at end of period	0	56	28,779

(4) Consolidated Statements of Cash Flows

(in millions of yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Cash flows from operating activities		
Profit before income taxes	2,290	8,755
Depreciation	480	415
Amortization of goodwill	189	392
Share-based payment expenses	—	50
Listing expenses	341	—
Share issuance costs	77	—
Share of loss (profit) of entities accounted for using equity method	(297)	(319)
Loss (gain) on sales of property plant and equipment	(16)	—
Decrease (increase) in trade receivables	(1,245)	(1,045)
Increase (decrease) in provision for bonuses	432	194
Increase (decrease) in contract liabilities	—	1,769
Increase (decrease) in unearned revenue	1,129	—
Increase (decrease) in accounts payable - other	1,834	700
Increase (decrease) in accrued consumption taxes	(222)	861
Other, net	315	(114)
Subtotal	5,310	11,659
Interest and dividends received	0	0
Interest paid	(1)	(1)
Income taxes paid	(992)	(2,049)
Net cash provided by (used in) operating activities	4,315	9,608
Cash flows from investing activities		
Proceeds from cancellation of money held in trust	300	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(2,875)
Purchase of property, plant and equipment	(116)	(325)
Proceeds from sale of property, plant and equipment	23	18
Purchase of shares of subsidiaries	(300)	—
Payments of leasehold deposits	—	(99)
Payments of guarantee deposits	(0)	(655)
Proceeds from refund of leasehold and guarantee deposits	97	3
Other, net	(37)	(20)
Net cash provided by (used in) investing activities	(33)	(3,954)

(in millions of yen)

	For the fiscal year ended July 31, 2021	For the fiscal year ended July 31, 2022
Cash flows from financing activities		
Repayments of short-term borrowings	—	(11)
Proceeds from issuance of share acquisition rights	1	2
Proceeds from issuance of shares resulting from exercise of share acquisition rights	651	325
Proceeds from issuance of shares	11,176	—
Proceeds from long-term borrowings	1,000	—
Repayments of long-term borrowings	(200)	(219)
Repayments of lease obligations	(53)	(24)
Payments of listing expenses	(341)	—
Other, net	(1)	5
Net cash provided by (used in) financing activities	12,234	77
Effect of exchange rate change on cash and cash equivalents	0	—
Net increase (decrease) in cash and cash equivalents	16,515	5,731
Cash and cash equivalents at beginning of period	9,114	25,630
Cash and cash equivalents at end of period	25,630	31,362

(5) Notes to Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Standard”), etc. from the beginning of the fiscal year under review and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time the control of the goods or services is transferred to customers.

The Company has applied the Revenue Recognition Standard, etc., in accordance with the transitional treatment provided in the proviso of Paragraph 84 of the Revenue Recognition Standard. The cumulative effect of retroactively applying the new accounting policies prior to the beginning of the fiscal year under review is adjusted in retained earnings at the beginning of the fiscal year under review, and the new accounting policies have been applied to the balance from the beginning of the period.

The effect of the application of said accounting standard on the consolidated financial statements is immaterial.

Due to the application of the Revenue Recognition Standard, etc., “Unearned revenue,” which was included in “Current liabilities” in the consolidated balance sheets for the previous fiscal year, is now presented in “Contract liabilities” from the fiscal year under review. “Provision for repayment,” which was also included in “Current liabilities,” is now presented in “Other” as refund liability from the fiscal year under review.

In accordance with the transitional treatment stipulated in Article 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated in accordance with the new approach for presentation.

(Adoption of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Standard”), etc., from the beginning of the fiscal year under review. From then on, the Company will apply new accounting policies stipulated in the Fair Value Measurement Standard, etc. in accordance with the transition treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). The effect of the application of said accounting standard on the consolidated financial statements is immaterial.

(Business combinations)

(Business combination through acquisition)

1. BizReach, Inc., a consolidated subsidiary of the Company, adopted a resolution to acquire the shares of IEYASU, Inc. to make it a subsidiary at the Board of Directors' meeting held on August 16, 2021, and entered into a share transfer agreement with the company on the same day. BizReach, Inc. has completed the acquisition of these shares on November 1, 2021.

(1) Outline of the business combination

1. Name and business of the company acquired
 - a. Name of the company acquired: IEYASU, Inc.
 - b. Description of its business: development and sales of attendance management systems
2. Main purpose of the business combination
To accelerate the medium-term growth strategy of HRMOS, in anticipation of future collaboration with HRMOS payroll and labor management domain that is under development in-house by BizReach, Inc., a consolidated subsidiary of the Company.
3. Date of the business combination
November 1, 2021
4. Legal form of the business combination
Acquisition of shares
5. Name following the business combination
No change in the company name
6. Ratio of voting rights acquired
80.1%
7. Major grounds for deciding on the acquired company
BizReach, Inc., a consolidated subsidiary of the Company, has acquired shares thereof with cash as consideration.

(2) Period of performance of the acquired company included in the consolidated statement of income for the fiscal year under review

From November 1, 2021 through July 31, 2022

(3) Acquisition costs of the company acquired and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥801 million
Acquisition costs		¥801 million

(4) Description and amount of major expenses related to the acquisition

Advisory fees and commissions ¥2 million

(5) Amount of goodwill that accrued, the cause for the accrual, the amortization method and the amortization period

1. Amount of goodwill accrued
¥911 million
The amount of goodwill accrued is a provisionally calculated amount as the allocation of acquisition cost has not been completed as of the end of the fiscal year under review.
2. Cause for the accrual
Due to the excess earnings power expected from the future business development.
3. Amortization method and the amortization period
Amortized over seven years by the straight-line method.

(6) Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

Current assets	¥26 million
Non-current assets	¥1 million
<hr/>	
Total assets	¥27 million
Current liabilities	¥72 million
Non-current liabilities	¥66 million
<hr/>	
Total liabilities	¥138 million

(7) Estimated effects that would be exerted on the consolidated statement of income for the fiscal year under review if the business combination is assumed to have been completed on the start date of the fiscal year under review and the calculation method thereof

Omitted as the estimated effects are not material.

2. At a meeting of the Board of Directors held on December 9, 2021, the Company resolved that BizReach, Inc., a consolidated subsidiary of the Company, would acquire the shares of ezSoft, Co., Ltd. and make it a subsidiary, and concluded a share transfer agreement on the same day. BizReach, Inc. has completed acquisition of these shares on March 1, 2022.

(1) Outline of the business combination

1. Name and business of the company acquired

a. Name of the company acquired: ezSoft Co., Ltd.

b. Description of its business: Provides and operates expense management cloud systems

2. Main purpose of the business combination

The main reason for the business combination is to accelerate the establishment of the HCM ecosystem through the future collaboration between the “HRMOS” series provided by BizReach, Inc., a consolidated subsidiary of the Company, and the services provided by ezSoft, Co., Ltd., which is the mid-term growth strategy of HRMOS.

3. Date of the business combination

March 1, 2022

4. Legal form of the business combination

Acquisition of shares

5. Name following the business combination

No change in the company name

6. Ratio of voting rights to be acquired

100.0%

7. Major grounds for deciding on the acquired company

BizReach, Inc., a consolidated subsidiary of the Company, has acquired shares thereof with cash as consideration.

(2) Period of performance of the acquired company included in the consolidated statement of income for the fiscal year under review

From March 1, 2022 through July 31, 2022

(3) Acquisition costs of the company acquired and breakdown by type of consideration

Consideration for acquisition	Cash and deposits	¥2,862 million
Acquisition costs		¥2,862 million

(4) Description and amount of major expenses related to the acquisition

Advisory fees and commissions	¥3 million
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(5) Amount of goodwill that accrued, the cause for the accrual, the amortization method and the amortization period

1. Amount of goodwill accrued

¥2,142 million

The amount of goodwill accrued is a provisionally calculated amount as the allocation of acquisition cost has not been completed as of the end of the fiscal year under review.

2. Cause for the accrual

Due to the excess earnings power expected from the future business development.

3. Amortization method and the amortization period

Amortized over seven years by the straight-line method.

(6) Amount of assets accepted and liabilities assumed on the date of the business combination, and the major breakdown thereof

Current assets	¥842 million
Non-current assets	¥29 million
Total assets	¥872 million
Current liabilities	¥152 million
Non-current liabilities	¥– million
Total liabilities	¥152 million

(7) Estimated effects that would be exerted on the consolidated statement of income for the fiscal year under review if the business combination is assumed to have been completed on the start date of the fiscal year under review and the calculation method thereof

Omitted as the estimated effects are not material.

(8) Details of contingent consideration provided for in the business combination agreement and the future accounting policy thereof

Based on the share transfer agreement, the consideration for acquisition may change in the future. In the case of a change of the consideration for acquisition, the acquisition cost will be revised on the assumption that it changed at the time of acquisition and the amount of goodwill and amortization of goodwill will be revised.

(Segment information, etc.)

(Segment information)

1. Overview of reportable segments

(1) Method of determining reportable segments

The reportable segments are components of the Group for which separate financial information is available, and whose operating results are reviewed periodically by the Board of Directors to determine allocation of operating resources and evaluate their performance.

The Group consists of segments organized by business based on companies, and classifies its businesses into two reportable segments, namely, “HR Tech” and “Incubation.”

(2) Type of products and services belonging to each reportable segment

“HR Tech” segment provides services including “BizReach,” HR matching platform for professionals, “HRMOS,” an HCM (Human Capital Management) platform, “CareerTrek,” HR matching platform for young talents, and “BizReach Campus,” a network service for alumni visits.

“Incubation” segment provides services including “Trabox,” a logistics matching platform, “M&A Succeed,” an M&A matching platform, and “BizHint,” a B to B lead generation platform.

2. Method of calculating net sales, profit (loss), assets, liabilities and other items by reportable segment

Reportable segment profit figures are based on operating profit. Intersegment sales and transfers are based on market prices.

The Group does not allocate assets to business segments for internal management purposes, but allocates depreciation and amortization of goodwill.

3. Information on sales, profit (loss) and other items by reportable segment

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	27,052	1,485	28,537	161	28,698
Intersegment sales or transfers	236	94	330	(330)	—
Total	27,288	1,579	28,868	(169)	28,698
Segment profit (loss)	4,000	(863)	3,137	(768)	2,368
Other items					
Depreciation	176	126	303	177	480
Amortization of goodwill	26	163	189	—	189

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

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

For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

Information on sales and profit (loss) by reportable segment

(in millions of yen)

	Reportable segment			Reconciliations (Note 1)	Amounts in the consolidated financial statements (Note 2)
	HR Tech	Incubation	Total		
Net sales					
Net sales to external customers	41,791	2,002	43,793	161	43,954
Intersegment sales or transfers	149	78	228	(228)	—
Total	41,940	2,080	44,021	(67)	43,954
Segment profit (loss)	10,670	(1,649)	9,020	(699)	8,320
Other items					
Depreciation	113	126	240	175	415
Amortization of goodwill	251	141	392	—	392

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

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

[Related information]

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

1. Information by product and service

This information is omitted as similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

1. Information by product and service

This information is omitted as similar information is disclosed in segment information.

2. Information by geographical area

(1) Net sales

This information is omitted as net sales to external customers in Japan account for over 90% of net sales in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted as the amount of property, plant and equipment located in Japan accounts for over 90% of the amount of property, plant and equipment in the consolidated balance sheets.

3. Information by major customers

This information is omitted as there are no external customers for whom net sales account for 10% or more of net sales in the consolidated statement of income.

[Information regarding impairment losses on non-current assets by reportable segment]

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

Not applicable.

For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

Not applicable.

[Information regarding amortization and unamortized balance of goodwill by reportable segment]

For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)

(in millions of yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	132	1,164	1,296	—	1,296

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)

(in millions of yen)

	Reportable segment			Reconciliations	Amounts in the consolidated financial statements
	HR Tech	Incubation	Total		
Balance at end of period	2,935	1,023	3,958	—	3,958

(Note) Information on amortization of goodwill is omitted as similar information is disclosed in segment information.

[Information regarding gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

	For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)	For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)
Net assets per share	628.40 yen	748.87 yen
Basic earnings per share	43.37 yen	160.93 yen
Diluted earnings per share	35.84 yen	140.50 yen

(Notes) 1. On December 7, 2020, the Company conducted a 100-for-1 stock split, following the resolution at the Board of Directors' meeting held on November 20, 2020. Net assets per share, basic earnings per share and diluted earnings per share were calculated assuming that the stock split was conducted at the beginning of the fiscal year ended July 31, 2021.

2. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Item	For the fiscal year ended July 31, 2021 (from August 1, 2020 to July 31, 2021)	For the fiscal year ended July 31, 2022 (from August 1, 2021 to July 31, 2022)
Basic earnings per share		
Profit attributable to owners of parent (in millions of yen)	1,420	5,858
Amount not attributable to common shareholders (in millions of yen)	—	—
Profit attributable to owners of parent related to common stock (in millions of yen)	1,420	5,858
Average number of shares of common stock during the period (shares)	32,759,934	36,406,466
Diluted earnings per share		
Increase in common stock (shares)	6,879,007	5,293,914
(Of which, share acquisition rights (shares))	(6,879,007)	(5,293,914)
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	—	—

3. The bases for calculating net assets per share are as follows:

Item	As of July 31, 2021	As of July 31, 2022
Total net assets (in millions of yen)	22,536	28,779
Amount deducted from total net assets (in millions of yen)	3	62
(Of which, deposits for subscriptions of shares (in millions of yen))	(—)	(6)
(Of which, share acquisition rights (in millions of yen))	(3)	(56)
Net assets at the end of the period related to common stock (in millions of yen)	22,533	28,716
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	35,858,000	38,346,521

(Significant subsequent events)

Not applicable.