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Consolidated Financial Results for the Second Quarter Ended December 31, 2023 [Japanese GAAP]

August 10, 2023

Stock Listing TSE

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Scheduled date of filing of quarterly securities report : —
 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, 2023

(January 1, 2023 through June 30, 2023)

(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 FY2023	15,620	34.3	2,428	163.4	2,462	166.9	1,614	185.0
2Q FY2022	11,628	34.5	921	40.9	922	35.5	566	24.2

(Note) Comprehensive income: 2Q FY2023 : 1,658 million yen (163.7%)

2Q FY2022 : 629 million yen (29.7%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2Q FY2023	32.98	32.66
2Q FY2022	11.78	11.55

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Million yen	Million yen	%
2Q FY2023	20,153	13,844	68.1
FY2022	17,951	12,039	67.0

(Reference) Equity; 2Q FY2023 : 13,722 million yen

FY2022 : 12,022 million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2022	—	0.00	—	0.00	0.00
FY2023	—	0.00	—	—	—
FY2023 (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 2023

(January 1, 2023 through December 31, 2023)

(% 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	30,095	18.1	4,019	66.5	4,053	67.3	2,673	72.7	54.60

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

For details, please refer to “1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Financial Results Forecast and Other Forward-Looking Statements” on page 4 of the attached materials.

*** Notes**

(1) Changes in significant subsidiaries during the period : None
(Changes in specified subsidiaries resulting in changes in the scope of consolidation)

(2) Application of accounting procedures specific to preparation of the quarterly financial statements : Yes

(Note) For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes on Quarterly Consolidated Financial Statements (Special Accountment Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)” on page 8 of the attached materials.

(3) Changes in accounting policies, accounting estimates, and restatement

- ① Changes in accounting policies associated with revision of accounting standards : None
- 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 FY2023	50,471,700	FY2022	50,422,200
② Treasury stock as of term-end	2Q FY2023	1,501,681	FY2022	1,501,642
③ Average number of shares outstanding (quarterly total)	2Q FY2023	48,945,081	2Q FY2022	48,050,228

* 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 4 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 Japanese economy has been recovering, with customer spending and capital investing gradually picking up.

However, amid ongoing global monetary tightening and other factors, a downturn in global economies poses a downside risk to the economy. In addition to the effects of rising prices, supply-side constraints, and fluctuations in financial and capital markets, it is important that we pay close attention to the spread of COVID-19 variations and infections.

Within this economic environment, the Group has focused on its core business, the GLOBAL WiFi business, the Information and Communications service business, and the Glamping/Tourism business, and strived to respond flexibly to consumer needs.

As a result, net sales, operating profit, ordinary profit, and profit attributable to owners of parent for the first half of the current consolidated period all exceeded the results of the previous year.

	FY2023/2Q Result (million yen)	FY2022/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	15,620	11,628	3,991	34.3
Operating profit	2,428	921	1,506	163.4
Ordinary profit	2,462	922	1,539	166.9
Profit attributable to owners of parent	1,614	566	1,047	185.0

Business results by segment are as follows.

(GLOBAL WiFi Business)

During the first half of the current consolidated period, the number of regular international flights has approximately recovered by 60% of its pre-COVID-19 level and the extent of recovery in travel demand tended to be high.

The number of foreign visitors to Japan from January to June reached 10.71 million, 64.4% recovery compared to 2019, with visitors from East Asia, Europe, the United States, Australia, and the Middle East.

The number of outbound Japanese also increased steadily, reaching a combined total of 3.61 million between January to June, recovering by a total of 37.9% compared to 2019. Although still recovering the number of outbound travelers has reached a total of 700,000 in the month of June alone, showing a steady increase. (Source: Japan National Tourism Organization (JNTO))

In this environment, the inbound demand for “NINJA WiFi”, a Wi-Fi rental service for foreign visitors to Japan, together with the sales of SIM cards from vending machines at airport counters have been steadily increasing as well.

As for outbound sales, the demand for the “Unlimited Data Plan” and the high-speed data communication plan “5G Plan” was high, and we were able to archive a high number of sales per customer.

Additionally, we took different measures against the rise in costs of overseas telecommunication services due to the weak yen by reviewing contracts and improving the efficiency of data operations.

As a result, both net sales and segment profit for the first half of the current fiscal year significantly exceeded those of the previous year.

GLOBAL WiFi Business	FY2023/2Q Result (million yen)	FY2022/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	9,012	5,793	3,219	55.6
Segment profit	2,613	952	1,660	174.3

(Information and Communications Service Business)

According to the “172nd Survey of Business Conditions of Small and Medium Enterprises” (Source: Japan Finance Corporation Research Institute), during the first half of the current consolidated fiscal year, the Diffusion Index of sales and profits of small and medium-sized enterprises (SMEs), which are the main service sectors provided by our business, showed signs of improvement with an increase in points for two consecutive quarters.

In this business environment, sales of office automation equipment and mobile communication devices remained strong.

In addition, we strived to expand sales of monthly subscription-based in-house services by maximizing lifetime value (customer lifetime value), such as future up-selling and cross-selling, reducing long-term churn rates, and generating continuous income through stock products.

As a result, net sales and segment profit for the first half of the current fiscal year have exceeded those of the same period of the previous year.

Information and Communications Service Business	FY2023/2Q Result (million yen)	FY2022/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	6,132	5,619	513	9.1
Segment profit	655	606	48	8.0

(Glamping/Tourism Business)

This is a new business segment that launched the previous fiscal year.

Glamping is an outdoor activity that gets away from crowds, and its demand continuously growing with a record number of facilities opening in 2022. (Source: Japan Glamping Association)

As domestic travel demand increases, more and more customers are choosing glamping as their accommodation, seeking extraordinary experiences not found in existing hotels and inns.

In this business environment, Vision Group opened “VISION GLAMPING Resort & Spa Koshikano Onsen” (Kirishima City, Kagoshima Prefecture) in April 2022, which is a renovation of “Koshikano Onsen”, and opened “VISION GLAMPING Resort & Spa Yamanakako” (Yamanakako, Yamanashi Prefecture) in December 2022.

As a result, both net sales and segment profit for the first half of the current fiscal year have exceeded those of the same period of the previous year.

Glamping/Tourism Business	FY2023/2Q Result (million yen)	FY2022/2Q Result (million yen)	Change (million yen)	YoY (%)
Net sales	427	135	292	215.2
Segment profit	21	-5	27	—

(2) Explanation of Financial Position

(Assets)

Total assets at the end of the second quarter consolidated fiscal period are 20,153 million yen (2,201 million yen more than at the end of the previous consolidated fiscal year).

Current assets totaled 14,429 million yen (1,576 million yen more than at the end of the previous consolidated fiscal year), mainly due to a 1,437 million yen increase in cash and deposits.

Fixed assets totaled 5,723 million yen (624 million yen more than at the end of the previous consolidated fiscal year), mainly due to a 384 million yen increase in property, plant, and equipment and a 179 million yen increase in goodwill resulting from making ZORSE Co., Ltd. a subsidiary.

(Liabilities)

Total liabilities at the end of the second quarter consolidated fiscal period are 6,308 million yen (397 million yen more than at the end of the previous consolidated fiscal year).

Current liabilities are 5,428 million yen (555 million yen more than at the end of the previous consolidated fiscal year), mainly

due to a 288 million yen increase in notes and accounts payable-trade, a 160 million yen increase in current portion of long-term loans payable, and a 403 million yen increase in income taxes payable, while accounts payable decreased in 469 million yen. Fixed liabilities amounted to 880 million yen (158 million yen less than at the end of the previous consolidated fiscal year), due to a 156 million yen decrease in long-term loans payable.

(Net assets)

Net assets at the end of the second quarter consolidated fiscal period are 13,844 million yen (1,804 million yen more than at the end of the previous consolidated fiscal year). The main factors are a 1,614 million yen increase in retained earnings due to the posting of profit attributable to owners of parent and a 103 million yen increase in stock acquisition rights due to the posting of stock compensation expenses.

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

We have revised our consolidated financial results forecast for the full year announced on February 14, 2023, 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 first half of fiscal year ending December 31, 2023 and revision of full-year earnings forecast for the fiscal year ending December 31, 2023” released today (August 10, 2023).

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,156,512	9,594,365
Accounts receivable-trade	3,658,679	3,684,672
Products	224,171	223,537
Supplies	15,939	9,301
Other	916,571	1,069,634
Allowance for doubtful accounts	-119,196	-151,914
Total current assets	12,852,677	14,429,597
Fixed assets		
Tangible fixed assets	2,185,266	2,570,042
Intangible fixed assets		
Goodwill	1,159,147	1,338,218
Other	172,775	177,869
Total intangible fixed assets	1,331,922	1,516,087
Investments and other assets		
Other	1,648,980	1,710,004
Allowance for doubtful accounts	-67,295	-72,528
Total investments and other assets	1,581,684	1,637,475
Total fixed assets	5,098,873	5,723,605
Total assets	17,951,550	20,153,203
Liabilities		
Current liabilities		
Notes and accounts payable-trade	820,701	1,109,405
Current portion of long-term debt	120,097	280,573
Accounts payable	2,180,363	1,710,694
Income taxes payable	499,182	902,348
Provision for bonuses	366,769	348,532
Other	885,824	1,077,175
Total current liabilities	4,872,939	5,428,729
Fixed liabilities		
Long-term debt	847,078	690,182
Other	191,536	190,029
Total fixed liabilities	1,038,615	880,212
Total liabilities	5,911,554	6,308,942
Net assets		
Shareholders' equity		
Share capital	2,535,941	2,557,013
Capital surplus	2,602,056	2,623,128
Retained earnings	8,637,117	10,251,233
Treasury stock	-1,862,967	-1,863,040
Total shareholders' equity	11,912,147	13,568,334
Other accumulated comprehensive income		
Valuation difference on available-for-sale securities	-14,198	1,794
Foreign currency translation adjustment	124,419	152,727
Total other accumulated comprehensive income	110,220	154,522
Subscription rights to shares	11,344	114,586
Non-controlling interests	6,284	6,817
Total net assets	12,039,996	13,844,261
Total liabilities and net assets	17,951,550	20,153,203

(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)

	FY2022/2Q Cumulative period (January 1, 2022 – June 30, 2022)	FY2023/2Q Cumulative period (January 1, 2023 – June 30, 2023)
Net sales	11,628,833	15,620,221
Cost of sales	6,174,140	7,143,508
Gross profit	5,454,693	8,476,713
Selling, general, and administrative expenses	4,532,771	6,048,607
Operating profit	921,922	2,428,105
Non-operating income		
Interest income	1,599	338
Dividends earned	1,500	3,768
Subsidy income	4,897	27,887
Insurance surrender value	—	12,233
Other	4,301	7,627
Total non-operating income	12,299	51,856
Non-operating expenses		
Interest expense	5,560	5,379
Equity in losses of affiliates	2,007	5,647
Exchange loss	961	4,473
Other	3,176	2,085
Total non-operating expenses	11,706	17,585
Ordinary profit	922,515	2,462,376
Extraordinary income		
Gain on sales of fixed assets	81	—
Gain on sales of investment securities	1,230	—
Return profit on cancellation of contract	—	9,370
Total extraordinary income	1,311	9,370
Extraordinary loss		
Loss on retirement of fixed assets	3,406	24,034
Total extraordinary loss	3,406	24,034
Income before tax adjustment	920,420	2,447,711
Corporate, resident, and business taxes	221,965	846,250
Income tax adjustment	129,890	-13,188
Total income taxes	351,855	833,062
Quarterly profit	568,564	1,614,649
Quarterly profit attributable to non-controlling interests	2,300	533
Quarterly profit attributable to owners of parent	566,263	1,614,116

Quarterly Consolidated Statement of Comprehensive Income
Consolidated Cumulative Second Quarter

(Thousands of yen)

	FY2022/2Q Cumulative period (January 1, 2022 – June 30, 2022)	FY2023/2Q Cumulative period (January 1, 2023 – June 30, 2023)
Quarterly profit	568,564	1,614,649
Other comprehensive income		
Valuation difference on available-for-sale securities	-12,131	15,993
Foreign currency translation adjustment	72,648	28,308
Total other comprehensive income	60,517	44,301
Quarterly comprehensive income	629,082	1,658,951
(Breakdown)		
Quarterly comprehensive income related to owners of the parent	626,781	1,658,417
Quarterly comprehensive income related to non-controlling interests	2,300	533

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Special Accountment Treatment Applied in the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

Tax expenses for consolidated subsidiaries are calculated by multiplying income before income taxes with an effective tax rate which is reasonably estimated by applying tax effect accounting to an estimated income before income taxes for the consolidated fiscal year including this second quarter.

However, in cases where calculating tax expenses using such an estimated effective tax rate would significantly lack rationality, tax expenses are calculated by multiplying the quarterly income before income taxes by the statutory effective tax rate, after adjusting significant differences that do not fall under temporary differences.

(Change in Accounting Policies)

(Change in Tax Expense Calculation Method)

However, to further improve the efficiency of quarterly closing operations of consolidated subsidiaries, effective from the first quarter of the current fiscal year, the calculation method to rationally estimate the effective tax rate after applying tax effect accounting to profits and multiply the quarterly net income before tax by the estimated effective tax rate has been changed.

As the impact of this change is minor, it has not been applied retroactively.

(Segment Information, etc.)

I. 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	Glamping /Tourism	Total				
Net sales								
Sales to external customers	5,793,035	5,610,850	134,698	11,538,583	90,250	11,628,833	—	11,628,833
Intersegment sales and transfers	—	8,427	1,047	9,474	2,603	12,078	-12,078	—
Total	5,793,035	5,619,277	135,745	11,548,058	92,853	11,640,911	-12,078	11,628,833
Segment profit or loss (-)	952,825	606,596	-5,936	1,553,486	-60,665	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 media and catalog sales businesses.

2. Adjustments in the segment profit or loss -570,899 thousand yen are company-wide expenses that are not allocated to each reporting segment. These are mainly general and administrative expenses that do not belong to the reporting segment.

3. Segment profit or loss 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.

II. FY2023/2Q Cumulative period (January 1, 2023 – June 30, 2023)

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	Glamping /Tourism	Total				
Net sales								
Sales to external customers	9,012,677	6,124,936	418,681	15,556,294	63,927	15,620,221	—	15,620,221
Intersegment sales and transfers	—	7,539	9,133	16,672	4,011	20,684	-20,684	—
Total	9,012,677	6,132,475	427,814	15,572,967	67,938	15,640,906	-20,684	15,620,221
Segment profit or loss (-)	2,613,299	655,002	21,410	3,289,713	-71,696	3,218,016	-789,910	2,428,105

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

2. Adjustments in the segment profit or loss -789,910 thousand yen are company-wide expenses that are not allocated to each reporting segment. These are mainly general and administrative expenses that do not belong to the reporting segment.

3. Segment profit or loss is adjusted to the operating profit of the quarterly consolidated income statement.

2. Matters related to changes in reportable segments, etc.

Effective from the end of the previous consolidated fiscal year, the “Glamping/Tourism business”, which was included in the “Other” segment, has been changed to a reportable segment due to its increased importance.

The segment information for the previous second quarter consolidated cumulative period is disclosed based on the reportable segment classifications after the change.

3. Information on impairment loss on fixed assets or goodwill by reporting segment
(Significant Changes in the Amount of Goodwill)

Within the Information and Communications Service business segment, the Company acquired shares of ZORSE Co., Ltd., which was included in the scope of consolidation. The increase in goodwill due to this business was 276,145,000 yen in the first half of the current fiscal year.