

Visional, Inc., FAQ for FY2024/7 1Q Financial Results

Consolidated Financial Results

Q1 **What is the summary of the results for FY2024/7 1Q and progress against full year financial forecast?**

The consolidated net sales for FY2024/7 1Q recorded JPY 16.05 Bn (21.5% YoY growth) and consolidated operating profit for FY2024/7 1Q was JPY 4.95 Bn (33.8% YoY growth). Disciplined execution balancing investments for future growth and cost control continues and progressing on plan.

The Company consists of HR Tech segment and Incubation segment:

HR Tech Segment

BizReach: Net sales for 1Q recorded JPY 14.09 Bn (21.3% YoY growth). There is no significant change in the hiring market since our previous disclosure. The slowdown of hiring activities amongst some companies have yet to recover; however, needs for professional hiring continues. The total number of registered direct employers reached to more than 27,500 companies as of the end of October 2023. This is an increase of more than 1,300 companies during 1Q. Net sales progressing on plan against our full year forecast.

Adjusted operating profit before corporate expense allocation was JPY 6.15 Bn (43.7% margin). Growth investments were executed as planned mainly in our marketing efforts. Profit margin (adjusted operating profit before corporate expense allocation) for each quarter fluctuates based on the balance between net sales and growth investment plans. As per previous years, 1Q tends to be the smallest quarter for growth investments, resulting in higher profit margin compared to full year. Profit margin is progressing on plan against our full year forecast of 40%.

HRMOS: Financial figures for FY2024/7 include all HRMOS services (*1). Net sales recorded JPY 0.83 Bn (71.3% YoY growth). Customer acquisition for HRMOS ATS and HRMOS Expense Management expanded, contributing to steady increase in stock sales. In addition, HRMOS Expense Management one-time sales associated with introduction support etc. also contributed to 1Q growth of HRMOS net sales. 1Q net sales exceeded plan, yet as this is partially due to one-time sales, the business is progressing within plan against our full year forecast.

Adjusted operating losses before corporate expense allocation was JPY 0.27 Bn. 1Q operating losses decreased compared to plan due to strong net sales growth and partial delay in marketing investments. However, the delay in investment in 1Q is scheduled to be executed from 2Q onwards. In addition, the release of HRMOS Payroll is scheduled this fiscal year, as such, the full year forecast for operating losses (adjusted operating losses before corporate expense allocation) remains unchanged and expected to be similar levels to FY2023/7.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 2.27 Bn (28.8% YoY growth), and the number of unique paying customers were 1,631 companies (27.4% YoY growth).

HR Tech Other: This segment includes other recruitment platform businesses. In December 2022, we have closed CareerTrek, included in this segment, as part of our resource prioritization exercises and therefore is not included in the figures of FY2024/7.

Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech. Segment net sales were JPY 0.68 Bn (39.3% YoY growth) and operating losses were JPY 0.18 Bn.

Due to the share transfer of BizHint, Inc., completed on December 1, 2023, from FY2024/7 2Q, Incubation Segment net sales will decrease, and operating losses will increase compared to

FY2024/7 1Q. However, no change to full year consolidated net sales and consolidated operating profit forecasts for this fiscal year. We will continue to balance investments for future growth and cost control.

*1 Financial figures for FY2024/7 include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll after its release during FY2024/7.

Q2 What is penalty income recorded in the non-operating income?

When there is a violation to our BizReach terms of service, we charge a penalty that is defined in our terms of service agreement. This penalty income is recorded in non-operating income. For FY2024/7 1Q, JPY 0.14 Bn was recorded as penalty income.

Q3 What is the summary of the consolidated financial forecast for FY2024/7?

There is no change to our FY2024/7 consolidated financial forecast disclosed on September 14, 2023, progressing on plan.

(JPY MM)	3 months ended Oct. 31,2023	FY2024/7 Forecast	Progress (%)
Consolidated Net Sales	16,057	66,400	24.2%
HR Tech Segment	15,336	63,340	24.2%
BizReach	14,092	59,000	23.9%
HRMOS	831	3,300	25.2%
Incubation Segment	689	2,940	23.5%
Others	31	120	26.3%
Operating Profit	4,955	16,000	31.0%
Ordinary Profit	5,189	16,320	31.8%
Profit Attributable to Owners of Parent	3,487	10,930	31.9%

HR Tech Segment

BizReach: Although we do not expect recovery of some companies slowing down in their hiring activities, our full year net sales forecast for BizReach is JPY 59.00 Bn (20.0% YoY growth) based on the assumption that demand for professionals will continue to be solid. BizReach full year adjusted operating profit margin before corporate expense allocation is expected to be 40%.

HRMOS: While product development remains our priority, our full year net sales forecast for HRMOS is JPY 3.30 Bn (51.0% YoY growth). Adjusted operating losses before corporate expense allocation for FY2024/7 is expected to be similar levels to FY2023/7. We plan to launch HRMOS Payroll during FY2024/7.

Financial figures for FY2024/7 include all HRMOS services; however, the disclosed SaaS KPIs consists of HRMOS ATS and HRMOS Talent Management.

Incubation Segment

We continue to create businesses to increase enterprise value in the mid to long term, balancing investments for future growth and cost control. Full year segment losses expected to be similar levels to FY2023/7.

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

Q4 What is the background of the share transfer of BizHint, Inc.?

On December 1, 2023, the Company transferred all of the shares of its consolidated subsidiary, BizHint, Inc., to SMARTCAMP Co., Ltd.

BizHint, Inc. operates a B-to-B lead generation platform "BIZHINT". Since its start in August 2016, the business has grown into one of the largest performance-based lead generation platforms and media for decision makers in Japan, providing IT/SaaS and DX solutions. It now has over 0.58 million subscribers. The share transfer will enable BizHint, Inc. and SMARTCAMP Co., Ltd. to further accelerate matching of companies who are looking to increase efficiency, with IT/SaaS and DX solutions providers.

For details, please refer to the "Notice Regarding Change of a Consolidated Subsidiary (Share Transfer)" disclosed on October 31, 2023.

Q5 What is the impact of stock options to total shares outstanding?

We grant stock options (tax qualified stock options and stock options with charge) to directors and selected employees to increase their motivation and morale for improving business performance, and to hire talent for Visional Group, leading to further enhancement in the corporate value of Visional Group. These stock options can be exercised in phases through FY2030/7. Majority of these stock options were granted prior to the Company's listing, and about half became exercisable from April 23, 2022.

Total shares outstanding as of October 31, 2023, is 39,132,600 shares (increase of 36,400 shares from July 31, 2023).

As of October 31, 2023, the total shares outstanding on a fully diluted basis is 41,688,800 shares.

Q6 What is the current progress regarding the application for market change to the Tokyo Stock Exchange Prime Market?

As disclosed on December 7, 2023, the Company has received approval from the Tokyo Stock Exchange on the same date.

As of today, December 14, 2023, the listing on the Tokyo Stock Exchange has changed from the Growth Market segment to the Prime Market segment.

For details, please refer to the "Notice Regarding Change in Market Category to Tokyo Stock Exchange Prime Market" released today.

Q7 What is Adjusted Operating Profit before Corporate Expense Allocation?

This is the operating profit or losses of the business before bearing the personnel expenses and ancillary outsourcing and other general and administrative expenses associated with business administration, information systems that cannot be charged directly to specific products and services. In principle, the costs directly tied to products and services are recorded.

Q8 What are Liabilities from application of Equity Method?

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

BizReach

Q9 How should we consider the impact of the economic uncertainty to the business?

Although some companies in Japan have slowed down their hiring efforts, many Japanese companies continue to have solid professional hiring needs driven by changes in hiring behavior. As a result, in 1Q, more than 1,300 direct employers have started to use BizReach, leading to the number of registered direct employers to reach to more than 27,500 companies.

We expect the market to continue to grow structurally, and direct employers to continue to actively pursue mid-career hiring. As such, we forecast BizReach net sales to grow 20.0% YoY for FY2024/7.

Q10 What is the mid-term growth rate for BizReach?

The normalized full year net sales growth rate target for BizReach is 15 – 20% in the next 3 years. We will continue to invest to grow the business and maintain the full year adjusted operating margin before corporate expenses to be around 40%. For FY2024/7, we forecast BizReach net sales to grow 20.0%, which indicates the upper limit of the range, and profit margin of 40%.

Q11 What is your cost structure?

Our major costs consist of marketing expenses and personnel expenses. As BizReach is still in its growth stage, we will continue to invest in hiring and expanding our sales organization through internal moves, and conduct marketing activities including online, offline ads, and TV commercials whilst carefully monitoring the return on our investments

Q12 What is the future vision of BizReach?

We believe importance of direct recruiting (direct sourcing) will increase as war for talent intensifies and liquidity in the labor market accelerates, driven by factors such as mismatch of corporation and worker life spans, shift to performance-based workstyle with clear job descriptions, and the social dynamic changes caused by the pandemic.

The ratio of net sales of BizReach from direct employers is gradually increasing, indicating the penetration of direct recruiting in Japan.

We will continue to encourage increased use of our platform based on further growth in the professional hiring market, increase in our market share through further acquisition of job seekers and direct employers, reactivation of existing job seekers, and investments in matching capabilities.

HRMOS

Q13 What is the product lineup of HRMOS?

HRMOS currently consists of HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, and HRMOS Expense Management.

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY2.27 Bn (28.8% YoY growth) as of the end of 1Q.

In October 2023, HRMOS Talent Management, officially released its dashboard function which enables visualization and analysis of human capital to address HR and organizational issues followed by its beta version released in June 2023.

HRMOS Expense Management has released HRMOS Attendance Management master data integration function in November 2023 as part of its efforts to strengthen streamlining of data between HRMOS services. The release of this function will enable companies using both HRMOS Expense Management and HRMOS Attendance Management increased efficiency to update data between services and ensure up-to-date master data.

We continue to advance product development, aiming to provide services in workforce management/payroll area by the end of FY2024/7 by releasing HRMOS Payroll.

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