

# Visional, Inc. FY2025/7 1Q Financial Results FAQ

December 12, 2024

## Consolidated Financial Results

### Q1 What is the summary of FY2025/7 1Q financial performance and progress to FY financial forecast?

1Q consolidated net sales recorded JPY 18.69 Bn (16.4% YoY growth). Progress to FY financial forecast is 24.5% (1Q progress of the previous fiscal year to FY actual results of the previous fiscal year was 24.3%), progressing on plan. 1Q consolidated operating profit was JPY 5.45 Bn (10.1% YoY growth, 29.2% margin). Progress to FY financial forecast is 28.5% (1Q progress of the previous fiscal year to FY actual results of the previous fiscal year was 27.8%), progressing on plan, executing growth investments while maintaining cost discipline.

The Company consists of the HR Tech Segment and the Incubation Segment.

#### HR Tech Segment:

BizReach: 1Q net sales was JPY 16.35 Bn (16.0% YoY growth). Demand for hiring professionals and trends in job seekers were in line with expectations. The total number of registered direct employers reached more than 33,200 companies as of the end of October 2024. This is an increase of more than 1,500 companies compared to 4Q of the previous year. 1Q net sales progressing on plan against our FY financial forecast.

1Q operating profit (before corporate expense allocation) was JPY 6.94 Bn (12.7% YoY growth, 42.5% margin). In addition to our regular marketing activities to acquire job seekers, various marketing activities including the "CEO's Determination" was marketed in series, executed as planned. Operating profit margin (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 a higher profit margin compared to FY. Profit margin is progressing on plan against our FY financial forecast of 40%.

HRMOS: Financial figures since FY2024/7 include all HRMOS services (\*1). 1Q net sales was JPY 1.15 Bn (38.9% YoY growth). Sales grew in all HRMOS services.

1Q operating losses (before corporate expense allocation) was JPY 0.07 Bn (loss of JPY 0.27 Bn for the same period of the previous fiscal year). As FY2025/7 marketing investments are planned to be larger in 2H including promotion activities related to the launch of the "Internal BizReach" service, losses for 1Q decreased compared to the previous year. However, FY losses expected to be similar level to the previous year, and 1Q progressing on plan.

HRMOS ATS and HRMOS Talent Management total ARR was JPY 2.98 Bn (31.5% YoY growth), and the number of unique paying customers was 2,039 companies (25.0% YoY growth).

HR Tech Other: This includes other recruitment platform businesses.

#### Incubation Segment

To increase mid to long term enterprise value, we are creating businesses in growth areas other than HR Tech.

Due to the share transfer of BizHint, Inc., completed on December 1, 2023, 1Q segment net sales was JPY 0.56 Bn (18.1% YoY decline), and segment operating losses was JPY 0.35 Bn (loss of JPY 0.18 Bn for the same period of the previous fiscal year) yet each business is growing steadily. We are building businesses whilst controlling investments.

\*1 HRMOS financial figures since FY2024/7 include HRMOS ATS, HRMOS Talent Management, HRMOS Attendance Management, HRMOS Expense Management, and HRMOS Payroll.

**Q2 How do you evaluate BizReach 1Q net sales growth of 16.0%?**

1Q growth rate of 16.0% indicates general solidness of the professional hiring market. More than 1,500 direct employers have started to use BizReach in 1Q compared to 4Q of the previous year, leading to the number of registered direct employers to reach more than 33,200 companies showing expansion of direct recruiting (direct sourcing).

At the same time, the market sentiment remains uncertain, with the unrecovered hiring demand impact in some areas of the market, etc. In such environment, we assume BizReach sales growth rate to converge to 15.0% in FY2025/7.

**Q3 What is penalty income recorded in the non-operating income?**

When there is a violation of 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 FY2025/7 1Q, JPY 0.06 Bn was recorded as penalty income.

**Q4 What is the summary of the FY financial forecast for FY2025/7?**

There is no change to our FY2025/7 financial forecast disclosed on September 12, 2024, and performance is progressing on plan.

FY consolidated net sales forecast is JPY 76.40 Bn (15.5% YoY growth), and consolidated operating profit forecast is JPY 19.15 Bn (7.4% YoY growth, 25.1% margin). To increase our enterprise value in the mid-term, in FY2025/7, whilst continuing with our discipline, Visional Group will increase our investment in human capital including hiring, offering competitive compensation, and expansion of office space in addition to investment in other businesses.

HR Tech Segment:

BizReach: While solid demand for hiring professionals continues in the hiring market, market sentiment remains uncertain. Based on such market conditions, we forecast FY2025/7 net sales of JPY 66.44 Bn (15.0% YoY growth), operating profit margin (before corporate expense allocation) of 40%.

HRMOS: The basic line-up of our service offering of our envisioned integrated human capital ecosystem is now in place. Based on our strategy to grow each service as well as to introduce the integrated HRMOS service offering, we forecast FY2025/7 net sales of JPY 5.00 Bn (30.1% YoY growth). Operating losses (before allocation expense allocation) for FY2025/7 is expected to be at a similar level as the previous year as we invest in our promotional activities.

Incubation segment:

We continue to create businesses to enhance corporate value over the medium to long term, balancing investment for future growth and cost discipline. FY2025/7 segment net sales is forecasted at JPY 2.47 Bn (11.3% YoY growth). Segment losses are forecasted to be around JPY 1.5 Bn.

(JPY MM)	3 months ended Oct 31, 2024	FY2025/7 Forecast	Progress
<b>Consolidated Net Sales</b>	18,697	76,400	24.5%
<b>HR Tech Segment</b>	18,100	73,880	24.5%
BizReach	16,351	66,440	24.6%
HRMOS	1,155	5,000	23.1%
<b>Incubation Segment</b>	564	2,470	22.9%
<b>Others</b>	32	50	65.2%
<b>Operating Profit</b>	5,453	19,150	28.5%
<b>Ordinary Profit</b>	5,613	19,600	28.6%
<b>Profit Attributable to Owners of Parent</b>	4,049	13,470	30.1%

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

**Q5 What is the background to the merger with IEYASU, Inc. and what is the financial impact?**

In FY2025/7 1Q, IEYASU, Inc., which was a consolidated subsidiary, was absorbed in an absorption-type merger with BizReach, Inc. as the surviving company.

This merger was executed as part of a reorganization within the Group to enable accelerated sales and marketing of HRMOS series to our customers. Impact to consolidated financials is limited.

**Q6 What is the background of the share transfer of BizHint, Inc. and what is the impact.?**

On December 1, 2023, the Company transferred all 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. 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.

Although the impact to consolidated financials is limited, the reason for the negative YoY growth in quarterly segment sales growth rate is due to this share transfer, despite the growth of each underlying remaining businesses in the Incubation Segment.

**Q7 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, 2024, is 39,679,900 shares (increase of 37,800 shares from July 31, 2024).

As of October 31, 2024, the total shares outstanding on a fully diluted basis is 41,532,500 shares.

**Q8 What is Adjusted Operating Profit before Corporate Expense Allocation? (or shown as 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.

**Q9 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**

**Q10 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.

**Q11 What is the future vision of BizReach?**

We believe the 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.

**Q12 Will BizReach be affected by stricter regulations on so-called "congratulatory gifts"?**

From April 1, 2025, some of the ministerial guidelines based on the Employment Security Act will be revised. As a result, providers of recruitment information, etc. will be prohibited, in principle, from providing job seekers with money, gift certificates, etc. (Please refer to Japanese FAQ for the official Japanese provision title).

Providing a fair level of monetary provision plays a role in preventing fraud in recruitment support services, and we also implement such measures, but we will take measures to prevent fraud in other means that is aligned with the amendment, and as such, we do not anticipate impact to our business performance at this time. Should our financial forecast change based on such impact, we will disclose as soon as appropriate.

## **HRMOS**

**Q13 What is the service lineup of HRMOS?**

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

The number of paying customers using HRMOS ATS and HRMOS Talent Management continues to expand, with ARR of JPY 2.98 Bn (31.5% YoY growth) as of the end of 1Q.

HRMOS has launched HRMOS Payroll as a new addition to the HRMOS series at the end of FY2024/7. HRMOS Payroll is a cloud system that provides functions for efficient processing of labor and payroll operations, and seamlessly integrates with other functions and services in the HRMOS series to streamline various labor and payroll operations and prevent human error.

Impact to consolidated FY financial forecast is limited.

**Q14 Why does FY2025/7 HRMOS net sales growth forecast appear to be slowing significantly?**

FY2024/7 YoY net sales growth was impacted by the addition of HRMOS Expense

Management that was not included in HRMOS in the prior year. FY2025/7 YoY growth rate represents growth within the same services. As such, although the growth rate appears to be slowing significantly, growth of each of the HRMOS services are forecasted to grow steadily.

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