May 11, 2023

ExaWizards Inc. (TSE 4259)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Unaudited)

Stock exchange listing: Tokyo Stock Exchange
Code number: 4259
URL: https://exawizards.com/en/ir
Contact: exa_ir@exwzd.com

Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31		% Change
	2022	2023	
Revenue	4,810	5,591	16.2
Operating profit	(201)	(378)	-
Ordinary profit	(97)	(375)	-
Net profit attributable to owners of parent	(137)	(141)	-
Comprehensive income	(179)	(155)	-
Basic EPS (yen)	(1.79)	(1.72)	-
Diluted EPS (yen)	-	-	-
Return on equity (%)	(3.1)	(2.2)	
Ordinary profit to total assets (%)	(1.7)	(4.8)	
Operating profit to net sales (%)	(4.2)	(6.8)	
Equity in earnings of affiliated companies	-	-	-

(Note 1) On August 28, 2021, the Company conducted a 100-for-1 stock split. Basic EPS was calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2022.

(Note 2) Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2022	As of March 31, 2023
Total assets	7,865	7,939
Net assets	6,633	6,618
Equity ratio	83.8%	82.4%
Net assets per share	82.44	78.53
Equity	6,589	6,540

Consolidated Results of Cash Flows

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31	
	2022	2023
Cash flows from operating activities	24	71
Cash flows from investing activities	(701)	(483)
Cash flows from financing activities	3,878	105
Cash and cash equivalents at the end of periods	5,537	5,231

Dividends

(In yen, unless otherwise stated)	FY2021	FY2022	FY2023 (Forecast)
At the end of Q1	-	-	-
At the end of Q2	-	-	-
At the end of Q3	-	-	-
At the end of Q4	-	-	-
Total	-	-	-

Consolidated Financial Results Forecasts for FY2023

(In millions of yen, unless otherwise stated)	FY2023 (Forecast)	year over year % change
Revenue	7,000	25.2
Operating profit	(370)	-

Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation

None.

Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

Number of Issued Shares - Common Stock

	As of March 31, 2022	As of March 31, 2023
Number of issued shares including treasury stock	79,928,400	83,383,800
Number of treasury stock	-	100,300

	Fiscal Year Ended March 31, 2022	Fiscal Year Ended March 31, 2023
Average number of shares during the period	76,831,883	81,886,800

(Note) On August 28, 2021, the Company conducted a 100-for-1 stock split. “Number of issued shares” and “Average number of shares during the period” were calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2022.

(Reference) Summary of non-consolidated business results

Non-consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31		% Change
	2022	2023	
Revenue	4,016	4,321	7.6
Operating profit	(110)	(346)	-
Ordinary profit	50	(247)	-
Net profit	(49)	(28)	-
Basic EPS (yen)	(0.65)	(0.35)	-
Diluted EPS (yen)	-	-	-

(Note 1) On August 28, 2021, the Company conducted a 100-for-1 stock split. Basic EPS was calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2022.

(Note 2) Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.

Non-consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2022	As of March 31, 2023
Total assets	7,696	7,856
Net assets	6,701	6,765
Equity ratio	87.0%	86.1%
Net assets per share	83.80	81.19
Equity	6,698	6,761

Supplementary Information

- Consolidated Financial Results are exempt from audit conducted by certified public accountants or audit firms.
- Previously, the amounts of accounts and other items presented in the Company's consolidated financial statements were stated in thousands of yen, but effective from the first quarter of the current consolidated fiscal year, the Company has changed to stating such amounts in millions of yen. In order to facilitate comparison, the figures for the previous consolidated fiscal year are also presented in millions of yen.
- A full set of materials is posted on https://exawizards.com/en/ir
- Disclaimer
    - This document has been prepared by ExaWizards Inc. (hereinafter “ExaWizards”) for the sole purpose of providing information to deepen your understanding of ExaWizards and has not been prepared for the purpose of soliciting investments or any other similar activities, whether in Japan or overseas.
    - The forward-looking statements contained in this document (including, but not limited to, ExaWizards’ business plan, market size, competitive situation, industry information and growth potential) refer to ExaWizards’ judgments based on the information and other data available as of the date of publication of this document. These forward-looking statements do not guarantee future performance and are subject to various risks and uncertainties. Please note that actual results may differ from the forecast due to changes in the environment and other factors.
    - ExaWizards does not assume any obligation to update or revise the description in this document and to publicly announce such update or revision even if there is any change in the information contained in this document after the publication date of this document.
    - In addition to information about ExaWizards, this document also contains other information, including competitive environment of ExaWizards, industry trends and changes in the general social structure. ExaWizards has not independently verified the accuracy, reasonableness or appropriateness of such information, and does not guarantee the above with respect to any such information.

Table of Contents

1. Qualitative Information Regarding Results for the Period
(1) Explanation of Operating Results 5
(2) Explanation of Financial Position 6
(3) Explanation of Cash Flow Statement 6
(4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements 7

2. Basic Approach to the Selection of Accounting Standards
Basic Approach to the Selection of Accounting Standards 7

3. Consolidated Financial Statements and Primary Notes
(1) Consolidated Balance Sheets 8
(2) Consolidated Statements of Income and Comprehensive Income 10
Consolidated Statements of Income 10
Consolidated Statements of Comprehensive Income 10
(3) Consolidated Statements of Changes in Net Assets 11
(4) Consolidated Statements of Cash Flows 13
(5) Notes to the consolidated financial statements 14
Going Concern Assumption 14
Change in presentation 14
Additional Information 14
Segment information 15
Per Share information 16
Significant subsequent events 17

1. Qualitative Information Regarding Results for the Period

(1) Explanation of Operating Results

Overall

In the AI Platform segment, we aim to discover industrial and social issues in various industries and to innovate them through the continuous resolution of client's issues, based on our mission of "Solving social issues through Artificial Intelligence for future generations". In the AI Products segment, we provide a wide range of customers with AI software that can be immediately used in business with minimal additional adjustments, with the aim of solving social issues.

Consolidated Results of Operations

Revenue:

Net sales for the consolidated fiscal year totaled ¥5,591 million (+16.2% year-on-year). This was mainly due to the number of customers increased in the AI Platform segment.

COGS, Gross Profit:

Cost of goods sold for the consolidated fiscal year totaled ¥2,455 million (+39.4% year-on-year). This was mainly due to an increase in personnel and software depreciation.

As a result of the above, gross profit for the consolidated fiscal year was ¥3,135 million (+2.8% year-on-year), and the gross profit margin was 56.1%.

SG&A, Operating Profit:

Selling, general and administrative expenses for the consolidated fiscal year totaled ¥3,513 million (+8.1% year-on-year). The main elements were personnel expenses.

As a result of the above, operating loss for the consolidated fiscal year was ¥378 million (operating loss of ¥201 million in the same period of the previous year).

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥4 million (-97.4% year-on-year). Non-operating expenses totaled ¥1 million (-96.8% year-on-year).

As a result of the above, ordinary loss for the consolidated fiscal year was ¥375 million (ordinary loss of ¥97 million in the same period of the previous year).

Extraordinary Income and Loss, Profit attributable to owners of Parent:

Loss before income taxes and minority interests for the consolidated fiscal year totaled ¥88 million (loss before income taxes and minority interest of ¥194 million in the same period of the previous year). An extraordinary income of ¥13 million was recorded in the first quarter of the current fiscal year as a gain on sale of a part of the businesses belonging to the AI Products segment, and ¥280 million was recorded in the fourth quarter of the current fiscal year as a gain on sale of businesses related to "CareWiz Hanasuto", a service for nursing care providers.

Net loss attributable to owners of the parent for the current fiscal year was ¥141 million (net loss attributable to owners of the parent of ¥137 million in the same period of the previous year) due to the recording of ¥ 67 million in total income taxes for the reversal of deferred tax assets described below.

Accounting of income tax deferred amount

In the fourth quarter of the fiscal year ending March 31, 2023, as a result of careful consideration of the recoverability of deferred tax assets based on the outlook for future performance, the Company reversed a portion of deferred tax assets, resulting in ¥37 million, has been recorded as corporate tax deferred.

This accounting treatment does not involve substantial expenditures and does not affect the Company's cash flow. The impact of this matter on business performance is as described in the above Consolidated Results of Operations, Extraordinary Income and Loss, Profit attributable to owners of Parent.

Results of Operations by Segment

AI Platform:

In the consolidated fiscal year, we worked with several major clients on creating innovations through AI projects that utilize image and data analysis technologies utilizing machine learning, deep learning, and statistics. Strong corporate demand for AI-based DX support also provided a boost, and the number of customers increased.

As a result, net sales totaled ¥4,703 million (+12.5% year-on-year), gross profit totaled ¥2,757 million (-1.1% year-on-year), gross profit margin was 58.6% (-8.1pt year-on-year), operating income totaled ¥314 million (-55.9% year-on-year), and the ratio of revenue from long term clients to net sales was 73.9%. (Note)

(Note) Continuous revenue from the clients that ExaWizards maintains its contract for consecutive 4 quarters and more.

AI Products:

In the consolidated fiscal year, in addition to expanding sales of existing products, we also worked to develop new services based on the knowledge gained through the AI Platform segment.

In the DX AI Products group, the number of companies introducing "exaBase DX Assessment & Learning" for assessing and training corporate DX personnel mainly increased.

In the Social AI Products group, sales of "CareWiz Toruto" expanded through collaboration with their respective partner companies. In addition, in order to further strengthen business cooperation between the Company and Care Connect Japan Co., Ltd. (hereinafter referred

to as “CCJ”), the business related to “CareWiz Hanasuto” was transferred to CCJ, and on April 28, 2023, the Company made a minority investment.
In the meantime, depreciation expenses for software and personnel expenses increased due to software development activities to meet these demands.
As a result, net sales were ¥888 million (+40.8% year-on-year), gross profit was ¥377 million (+45.4% year-on-year), gross profit margin was 42.5% (＋1.4pt year-on-year), and operating loss was ¥692 million (operating loss of ¥914 million in the same period of the previous year).

(2) Explanation of Financial Position

Assets

Total assets at the end of the current consolidated fiscal year, amounted to ¥7,939 million, ¥73 million increase since the end of the previous consolidated fiscal year. This was mainly due to intangible assets increased of ¥307 million due to an increase in software, and Tools, furniture and fixtures increased of ¥45 million, while decreases of ¥306 million in cash and deposits.

Liabilities

Total liabilities at the end of the current consolidated fiscal year, amounted to ¥1,321 million, ¥88 million increase since the end of the previous consolidated fiscal year. This was due to an increase of ¥50 million in accrued expenses due to salaries-related expenses associated with an increase in the number of employees.

Net assets

Total net assets at the end of the current consolidated fiscal year, amounted to ¥6,618 million, ¥14 million decrease since the end of the previous consolidated fiscal year. This was mainly due to decrease of ¥141 million in net loss attributable to owners of the parent for the current fiscal year, while recording a total of ¥126 million in capital and capital reserves due to the exercise of subscription rights to shares.

(3) Explanation of Cash Flow Statement

Overall

Cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥5,231 million, ¥306 million decrease since the end of the previous consolidated fiscal year. The status of each cash flow and its factors are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥71 million (¥24 million in the previous consolidated fiscal year). This was mainly due to positive factors such as depreciation ¥394 million and subsidies received ¥95 million, while negative factors such as gain on sale of businesses of ¥293 million and an increase in trade receivables of ¥119 million.

Cash Flows from Investing Activities

Net cash used in investing activities amounted to ¥483 million (¥701 million in the previous consolidated fiscal year). This was mainly due to a negative factor such as ¥845 million used for the purchase of intangible assets, while a positive factor such as income from proceeds from sale of businesses ¥456 million.

Cash flow from financing activities

Net cash provided by financing activities amounted to ¥105 million (¥3,878 million in the previous consolidated fiscal year). This was mainly due to proceeds of ¥125 million from proceeds from issuance of share acquisition rights.

(4) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statement

The consolidated earnings forecast for the fiscal year ending March 31,2024 is as follows.

	Net Sales	Operating Profit
	Millions of Yen	Millions of Yen
Results for the fiscal year ending March 31, 2023 (A)	5,591	(378)
Forecast for the fiscal year ending March 31, 2024 (B)	7,000	(370)
Change (B-A)	1,408	8
Percentage Change (%)	25.2	-

In the fiscal year ending March 31, 2024, in response to the increase in demand in the AI/DX market due to the emergence of generative AI, we will invest in generative AI product development/existing. We will actively invest ¥520 million in expanding product functions, and will proceed with preparations from the next fiscal year onwards.

2. Basic Approach to the Selection of Accounting Standards

For the time being, the Group intends to prepare consolidated financial statements under Japanese GAAP, taking into consideration the comparability of consolidated financial statements from period to period and inter-company comparability.
In the future, the Group intends to consider the application of International Financial Reporting Standards (IFRS), taking into consideration the trends in the ratio of foreign shareholders and other factors.

.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(In millions of yen)	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	5,537	5,231
Accounts receivable – trade and contract assets	914	1,032
Other	183	108
Total current assets	6,636	6,372
Non-current assets		
Property, plant and equipment		
Buildings	99	91
Accumulated depreciation	(15)	(13)
Buildings, net	83	77
Tools, furniture and fixtures	111	168
Accumulated depreciation	(68)	(80)
Tools, furniture and fixtures, net	42	88
Total property, plant and equipment	126	165
Intangible assets		
Goodwill	212	160
Software	594	954
Other	0	0
Total intangible assets	807	1,114
Investments and other assets		
Leasehold and guarantee deposits	100	124
Insurance funds	95	96
Deferred tax assets	55	20
Other	43	45
Total investments and other assets	295	287
Total non-current assets	1,229	1,567
Total assets	7,865	7,939

(In millions of yen)	As of March 31, 2022	As of March 31, 2023
Liabilities and net assets		
Liabilities		
Current liabilities		
Current portion of bonds payable	6	-
Current portion of long-term borrowings	29	10
Accounts payable - other	212	225
Accrued expenses	254	304
Income tax payables	71	48
Contract liabilities	67	110
Other	182	215
Total current liabilities	824	914
Non-current liabilities		
Long-term borrowings	310	300
Retirement benefit liability	58	66
Asset retirement obligations	39	39
Total non-current liabilities	408	406
Total liabilities	1,232	1,321
Net assets		
Shareholders' equity		
Share capital	2,274	2,337
Capital surplus	5,059	4,487
Retained earnings	(744)	(249)
Treasury stock	-	(34)
Total shareholders' equity	6,589	6,540
Share acquisition rights	3	3
Non-controlling interests	40	75
Total net assets	6,633	6,618
Total liabilities and net assets	7,865	7,939

(2) **Consolidated Statements of Income and Comprehensive Income**

Consolidated Statements of Income

(In millions of yen)	Fiscal Year Ended March 31 2022	2023
Net sales	4,810	5,591
Cost of sales	1,761	2,455
Gross profit	3,049	3,135
Selling, general and administrative expenses	3,250	3,513
Operating profit (loss)	(201)	(378)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	157	1
Other	1	2
Total non-operating income	159	4
Non-operating expenses		
Interest expenses	5	1
Foreign exchange losses	4	0
Listing expenses	45	-
Other	0	0
Total non-operating expenses	55	1
Ordinary profit (loss)	(97)	(375)
Extraordinary income		
Gain on sale of businesses	-	293
Total extraordinary income	-	293
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Impairment losses	53	4
Loss on liquidation of subsidiaries and associates	40	-
Total extraordinary losses	96	6
Profit (loss) before income taxes	(194)	(88)
Income taxes – current	32	31
Income taxes – deferred	(51)	35
Total income taxes	(19)	67
Profit (loss)	(175)	(155)
Profit (loss) attributable to non-controlling interests	(37)	(14)
Profit (loss) attributable to owners of parent	(137)	(141)

Consolidated Statements of Comprehensive Income

(In millions of yen)	Fiscal Year Ended March 31 2022	2023
Profit (loss)	(175)	(155)
Other comprehensive income		
Foreign currency translation adjustment	(4)	-
Total other comprehensive income	(4)	-
Comprehensive income	(179)	(155)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(141)	(141)
Comprehensive income attributable to non-controlling interests	(37)	(14)

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	treasury stock	Total shareholders' equity
Balance at beginning of period	100	2,885	(606)		2,378
Changes during period					
Issuance of new shares	2,164	2,164			4,329
Issuance of new shares - exercise of share acquisition rights	9	9			18
Deficit disposition					
Profit attributable to owners of parent			(137)		(137)
Acquisition of treasury stock					
Increase in consolidated subsidiaries - non-controlling interests					
Increase (decrease) in equity due to capital increase of consolidated subsidiary					
Net changes in items other than shareholders' equity					
Total changes during period	2,174	2,174	(137)	-	4,210
Balance at end of period	2,274	5,059	(744)	-	6,589

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4	4	0	-	2,383
Changes during period					
Issuance of new shares					4,329
Issuance of new shares - exercise of share acquisition rights					18
Deficit disposition					-
Profit attributable to owners of parent					(137)
Acquisition of treasury stock					-
Increase in consolidated subsidiaries - non-controlling interests				78	78
Increase (decrease) in equity due to capital increase of consolidated subsidiary					-
Net changes in items other than shareholders' equity	(4)	(4)	3	(37)	(38)
Total changes during period	(4)	(4)	3	40	4,250
Balance at end of period	-	-	3	40	6,633

For the fiscal year ended March 31, 2023

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	treasury stock	Total shareholders' equity
Balance at beginning of period	2,274	5,059	(744)	-	6,589
Changes during period					
Issuance of new shares					
Issuance of new shares - exercise of share acquisition rights	63	63			126
Deficit disposition		(635)	635		
Profit attributable to owners of parent			(141)		(141)
Acquisition of treasury stock				(34)	(34)
Increase in consolidated subsidiaries - non-controlling interests					
Increase (decrease) in equity due to capital increase of consolidated subsidiary					
Net changes in items other than shareholders' equity					
Total changes during period	63	(572)	494	(34)	(49)
Balance at end of period	2,337	4,487	(249)	(34)	6,539

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	-	-	3	40	6,633
Changes during period					
Issuance of new shares					-
Issuance of new shares - exercise of share acquisition rights					126
Deficit disposition					-
Profit attributable to owners of parent					(141)
Acquisition of treasury stock					(34)
Increase in consolidated subsidiaries - non-controlling interests					-
Increase (decrease) in equity due to capital increase of consolidated subsidiary				49	49
Net changes in items other than shareholders' equity	-	-	(0)	(14)	(14)
Total changes during period	-	-	(0)	34	(14)
Balance at end of period	-	-	3	75	6,618

(4) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows

(In millions of yen)	Fiscal Year Ended March 31 2022	2023
Cash flows from operating activities		
Profit (loss) before income taxes	(194)	(88)
Depreciation	232	394
Amortization of goodwill	47	51
Loss on retirement of non-current assets	2	1
Impairment losses	53	4
Loss (gain) on sale of businesses	-	(293)
Interest and dividend income	(0)	(0)
Interest expenses	5	1
Foreign exchange losses (gains)	3	-
Subsidy income	(157)	(1)
Decrease (increase) in trade receivables	(281)	(119)
Decrease (increase) in other current assets	(23)	(9)
Increase (decrease) in accounts payable - other, and accrued expenses	64	59
Increase (decrease) in income taxes payable - factor based tax	58	(21)
Increase (decrease) in contract liabilities	37	42
Increase (decrease) in other current liabilities	78	3
Increase (decrease) in retirement benefit liability	0	8
Other, net	0	(2)
Subtotal	(71)	32
Interest and dividends received	0	0
Interest paid	(5)	(1)
Subsidies received	131	95
Income taxes paid	(30)	(54)
Net cash provided by (used in) operating activities	24	71
Cash flows from investing activities		
Purchase of property, plant and equipment	(72)	(69)
Proceeds from sale of property, plant and equipment	3	-
Purchase of intangible assets	(397)	(845)
Purchase of shares of subsidiaries and associates	(32)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(230)	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(23)	-
Proceeds from sale of businesses	-	456
Purchase of insurance funds	(13)	(6)
Proceeds from maturity of insurance funds	5	5
Payments of leasehold and guarantee deposits	(67)	(25)
Proceeds from refund of leasehold and guarantee deposits	127	1
Net cash provided by (used in) investing activities	(701)	(483)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(500)	-
Repayments of long-term borrowings	(45)	(29)
Redemption of bonds	(6)	(6)
Proceeds from issuance of shares	4,329	-
Payment for acquisition of treasury stock	-	(34)
Proceeds from issuance of share acquisition rights	18	125
Proceeds from issuance of shares resulting from exercise of share acquisition rights	78	49
Proceeds from share issuance to non-controlling shareholders	3	-
Net cash provided by (used in) financing activities	3,878	105
Effect of exchange rate change on cash and cash equivalents	(0)	-
Net increase (decrease) in cash and cash equivalents	3,200	(306)
Cash and cash equivalents at beginning of period	2,337	5,537
Cash and cash equivalents at end of period	5,537	5,231

(5) Notes to the consolidated financial statements

Going Concern Assumption

Not applicable.

Change in presentation

Related to Consolidated balance sheet

“Contract Liabilities”, which was included in “Other” under “Current Liabilities” in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to its increased financial significance. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, ¥67 million, which was included in "Other" under "Current liabilities" in the consolidated balance sheet for the previous fiscal year, has been reclassified to "Contract liabilities.".

Related to Consolidated Statement of Cash Flows

“Increase (decrease) in contract liabilities”, which was included in “Increase (decrease) in other current liabilities” in “Cash flows from operating activities” in the previous consolidated fiscal year, is presented separately from the current consolidated fiscal year due to its increased financial significance. In order to reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified. As a result, ¥37 million, which was included in "Increase (decrease) in other current liabilities " under "Cash flows from operating activities" in the consolidated statements of cash flows for the previous fiscal year, has been reclassified to " Increase (decrease) in contract liabilities ".

Additional Information

Application of Group Aggregation System

The Company and some of its consolidated subsidiaries have adopted the group aggregation system from the current consolidated fiscal year. Along with this, regarding the accounting treatment and disclosure of corporate tax, local corporate tax, and tax effect accounting, we comply with the "Handling of Accounting and Disclosures When Applying the Group Aggregation System" (Practical Report No. 42, August 12, 2021).

Segment Information

1. Overview of reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has established business divisions by service, each of which formulates comprehensive strategies for the services it handles and develops business activities.

Accordingly, the Group's reportable segments consist of service segments based on business divisions and are classified as follows: the "AI platform business," which supports client companies in formulating their digital and AI strategies and systems, and provides DX support through the development and provision of algorithms and services accumulated by the Company and the "AI Products business" provides software based on those algorithms that can be provided as a general-purpose service.

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

The accounting method of the reportable segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements.

Profit and loss of reportable segments are based on operating profit.

3. Information on the amount of sales and profit (loss) for each reportable segment

For the Fiscal Year Ended March 31, 2022

(In millions of yen)	AI Platform	AI Products	Total	Amounts in the consolidated financial statements (Note 1)
Net sales				
Revenue from contracts with customers	4,180	630	4,810	4,810
Net sales to external customers	4,180	630	4,810	4,810
Intersegment revenue or transfers	-	-	-	-
Total	4,180	630	4,810	4,810
Segment profit (loss)	713	(914)	(201)	(201)
Others				
Depreciation	88	143	232	232

(Note) 1. Total segment profit (loss) agrees with operating profit (loss) of consolidated statements of income.

2. The Group does not allocate assets to business segments for internal management purposes.

For the Fiscal Year Ended March 31, 2022

(In millions of yen)	AI Platform	AI Products	Total	Amounts in the consolidated financial statements (Note 1)
Net sales				
Revenue from contracts with customers	4,703	888	5,591	5,591
Net sales to external customers	4,703	888	5,591	5,591
Intersegment revenue or transfers	-	-	-	-
Total	4,703	888	5,591	5,591
Segment profit (loss)	314	(692)	(378)	(378)
Others				
Depreciation	136	257	394	394

(Note) 1. Total segment profit (loss) agrees with operating profit (loss) of consolidated statements of income.

2. The Group does not allocate assets to business segments for internal management purposes.

Per Share information

(yen)	Fiscal Year Ended March 31 2022	2023
Net assets per share	82.44	78.53
Basic EPS	(1.79)	(1.72)
Diluted EPS	-	-

(Note) 1. On August 28, 2021, the Company conducted a 100-for-1 stock split. Net assets per share and Basic EPS were calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2022.
2. Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.
3. The bases for calculating net assets per share are as follows:

(In millions of yen)	Fiscal Year Ended March 31 2022	2023
Total net assets (in millions of yen)	6,633	6,618
Amount deducted from total net assets (in millions of yen)	44	78
(Of which, share acquisition rights (in millions of yen))	(3)	(3)
(Of which, non-controlling interests (in millions of yen))	(40)	(75)
Net assets at the end of the period related to common stock (in millions of yen)	6,589	6,540
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	79,928,400	83,283,500

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

(In millions of yen)	Fiscal Year Ended March 31 2022	2023
Basic earnings per share		
Profit attributable to owners of parent (in millions of yen)	(137)	(141)
Amount not attributable to common shareholders (in millions of yen)	—	—
Profit attributable to owners of parent related to common stock (in millions of yen)	(137)	(141)
Average number of shares of common stock during the period (shares)	76,831,883	81,886,800
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	Share acquisition rights: 22 types 103,821 units	Share acquisition rights: 22 types 64,364 units

Significant Subsequent Events

Issuance of Stock Acquisition Rights (Stock Options)

The Company announced as follows that on May 11,2023 its Board of Directors passed a resolution regarding the issuance of stock options to directors (excluding outside directors), pursuant to Articles 236, 238, and 240 of the Companies Act. The issuance of stock options is subject to approval of the resolution "Revision of Remuneration Amount for Directors (excluding outside directors)" at the 8th Ordinary General Meeting of Shareholders of the Company to be held on June 28, 2023

1. Purpose of Issuance of the stock acquisition rights as stock options

In aiming to expand the Company's business performance and increase its corporate value over the medium to long term, the Company has decided to issue stock options with target stock price conditions as compensation to the Company's directors (excluding outside directors) for the purpose of functioning as a sound incentive for the directors (excluding outside directors) to improve the Company's corporate value and business performance over the medium to long term.

2. Outline of the Issuance of the Stock Acquisition Rights

(1) Name of share options

The 24th Share Options

(2) The persons who are to be granted share options and the total number of share options

Company directors (excluding outside directors) 4 persons 6,000 share options

The total number shown above is the expected number of share options to be allotted. If the number of applications for subscriptions to share options is lower than the number of share options to be allotted or otherwise the total number of share options to be allotted is decreased, the total number of share options to be allotted shall be the total number of share options to be issued.

(3) Class and number of shares underlying the share options

The class of shares underlying the share options shall be common shares, and the number of shares underlying one share option (hereinafter, the "Number of Shares to Be Granted") shall be one hundred (100).

(4) Amount to be paid for share options

It is not required to pay money in exchange for share options.

(5) Value of the property to be contributed for the exercise of share options

The value of the property to be contributed for the exercise of one share option shall be calculated by multiplying the amount to be paid per share to be granted by the exercise of the share options (hereinafter, the "Exercise Value") by the Number of Shares to Be Granted.
The Exercise Value shall be calculated by multiplying the average closing price of our common stock on the Tokyo Stock Exchange for each day of the month preceding the month to which the allocation date belongs (excluding days on which no trades were executed) by 1.05, and rounding up any fractional amount less than 1 yen. However, if the Exercise Value is lower than the closing price on the allocation date (or, if no trades were executed on that date, the closing price on the immediately preceding trading day), the closing price shall be used as the Exercise Value.

(6) Period in which share options may be exercised

The exercise period shall be from July 15, 2025, to June 14, 2033.

(7) Matters related to capital and the capital reserve to be increased when shares are issued by the exercise of share options

The amount of capital to be increased when the shares are issued by the exercise of share options shall be one-half of the maximum amount of an increase in capital, etc., calculated in accordance with the provisions of Article 17, paragraph 1 of the Rules of Corporate Accounting. Any fraction of less than one yen arising as a result of the calculation shall be rounded up.

(8) Other conditions for the exercise of share options

1. The Holders of Share Options shall hold the position of director, auditor, or employee of the Company or its subsidiary or affiliated company at the time of exercising the share options; provided, however, that this shall not apply if the relevant Holder of Share Options retires or resigns due to the expiry of his/her term of office, he/she reaches retirement age, or for the company's reasons or the Board of Directors decides, by a resolution, that there are reasonable grounds for the exercise of share options after the retirement or resignation of the Holder of Share Options.

2. If a Holder of Share Options has died, the heir of the Holder of Share Options shall not be permitted to exercise the share options and the relevant share options shall cease to exist pursuant to Article 287 of the Companies Act.

3. The Holders of Share Options may exercise all or part of the number of share options allotted; provided, however, that a share option of less than one unit may not be exercised.

4. If a Holder of Share Options no longer holds the position of director, auditor, or employee of the Company or its subsidiary or affiliated company, the Company may determine, by a resolution of the Board of Directors, that the relevant Holder of Share Options shall not be permitted to exercise the share options. In this case, the share options shall cease to exist on the date of resolution pursuant to Article 287 of the Companies Act.

5. The Holders of Share Options may exercise their share options only when the price of the Company's common shares in ordinary transactions on the Tokyo Stock Exchange exceeds the target price (1,200 yen) at least once during the period from the Date of Allotment to the expiration date of the exercise period (June 14, 2033).

However, when the Company conducts a share split, an allotment of shares without contribution, or a consolidation of shares with regard to its common shares after the Date of Allotment, the target price shall be the figure after adjustment according to the following formula. The Adjusted target price shall be rounded up to the nearest one yen.

$$\text{Adjusted target price} = \text{Pre-adjustment target price} \times \frac{1}{\text{Ratio of share split, allotment of shares without contribution, or consolidation of shares}}$$

(9) Date of allotment of share options

July 14, 2023