May 14, 2024

ExaWizards Inc. (TSE 4259)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 (Unaudited)

Stock exchange listing: Tokyo Stock Exchange
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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
	2023	2024	
Net Sales	5,591	8,384	50.0
Operating profit	(378)	(305)	-
Ordinary profit	(375)	(330)	-
Net profit attributable to owners of parent	(141)	(610)	-
Comprehensive income	(155)	(633)	-
Basic EPS (yen)	(1.72)	(7.50)	-
Diluted EPS (yen)	-	-	-
Return on equity (%)	(2.2)	(10.7)	
Ordinary profit to total assets (%)	(4.8)	(3.7)	
Operating profit to net sales (%)	(6.8)	(3.6)	
Equity in earnings of affiliated companies	-	-	

(Note) Diluted net income per share is not shown in the above table, because net income per share was negative although there are residual shares.

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2023	As of March 31, 2024
Total assets	7,939	9,931
Net assets	6,618	4,983
Equity ratio	82.4%	49.3%

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	
	2023	2024
Cash flows from operating activities	71	(197)
Cash flows from investing activities	(483)	(2,953)
Cash flows from financing activities	105	1,409
Cash and cash equivalents at the end of periods	5,231	3,489

Dividends

(In yen, unless otherwise stated)	FY2022	FY2023	FY2024 (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 FY2024

(In millions of yen, unless otherwise stated)	FY2024 (Forecast)	year over year % change
Net Sales	10,060	20.0
Operating profit	200	-

Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation：Yes

New: 1 company (Company name: STADIUM Co., Ltd.)
On June 30, 2023, the Company acquired 100% of the shares of STADIUM Corporation, which were included in the scope of consolidation from the first quarter of the consolidated fiscal year under review. Ltd. was included in the scope of consolidation from the first quarter of the consolidated fiscal year under review. STADIUM Co., Ltd. is a specified subsidiary of the Company.

Application of Special Accounting Methods for Preparation of Quarterly Consolidated Financial Statements：No

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, 2023	As of March 31, 2024
Number of issued shares including treasury stock	83,383,800	85,121,600
Number of treasury stock	100,300	3,111,700

	Fiscal Year Ended March 31, 2023	Fiscal Year Ended March 31, 2024
Average number of shares during the period	81,886,800	81,432,625

(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
	2023	2024	
Revenue	4,321	5,128	18.7
Operating profit	(346)	(578)	-
Ordinary profit	(247)	(430)	-
Net profit	(28)	(970)	-
Basic EPS (yen)	(0.35)	(11.92)	-
Diluted EPS (yen)	-	-	-

Non-consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2023	As of March 31, 2024
Total assets	7,856	8,774
Net assets	6,765	4,792
Equity ratio	86.1%	54.2%
Net assets per share	81.19	57.97
Equity	6,761	4,753

Supplementary Information

- Consolidated Financial Results are exempt from audit conducted by certified public accountants or audit firms.
- A full set of materials is posted on https://exawizards.com/en/ir
- Disclaimer
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1. Qualitative Information Regarding Results for the Period

(1) Explanation of Operating Results

Overall

With the mission of "Solving social issues through Artificial Intelligence for future generations" the Group is engaged in the following three businesses.

AI Product Business	Providing a wide range of customers with AI software that can be used immediately in their business operations with minimal additional adjustments, with the aim of solving social issues.
AI Platform Business	Discovering industrial and social issues in various industries and realizing innovations through solving management issues of clients, mainly large corporations.
Other Service Business	Businesses such as providing human resources for sales issues of SaaS products and IT products of subsidiary STADIUM.

Consolidated Results of Operations

Net Sales:

Net sales for the period totaled 8,384 million yen (+50.0% YoY). This was mainly due to the start of consolidation of the results of STADIUM, which became a subsidiary, from the second quarter of this consolidated fiscal year, and an increase in the number of installations of our services in the AI product business and AI platform business.

COGS, Gross Profit:

Cost of sales for the period totaled 3,696 million yen (+50.5% YoY). This was mainly due to an increase in personnel expenses, system utilization fees and depreciation of software, which are included in cost of sales.

As a result, gross profit amounted to 4,688 million yen (+49.5% YoY) and gross profit margin was 55.9%.

SG&A, Operating Profit:

Selling, general and administrative (SG&A) expenses were 4,993 million yen (+42.1% YoY). This was mainly due to an increase in SG&A expenses such as personnel expenses, advertising expenses and depreciation and amortization expenses.

As a result, operating loss amounted to 305 million yen (compared with an operating loss of 378 million yen in the same period of the previous year).

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the period totaled 5 million yen. Non-operating expenses totaled 30 million yen.

As a result, ordinary loss amounted to 330 million yen (ordinary loss of 375 million yen for the same period last year).

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

Income (loss) before income taxes and minority interests totaled 692 million yen (88 million yen loss before income taxes and minority interests for the same period last year).

An extraordinary gain of 70 million yen was recorded in the fourth quarter from the transfer of a portion of the business of consolidated subsidiary STADUIM. (See “Notice Concerning Succession (Assignment) of Businesses and Recording of Extraordinary Profit in Connection with Corporate Divestiture (Absorption-Type Divestiture) of Consolidated Subsidiary” disclosed on February 14, 2024).

As an extraordinary loss, 382 million yen was recorded as a total of impairment loss as described below.

In addition, 52 million yen was recorded as loss on liquidation of affiliated companies. This was mainly due to the liquidation of the Company's overseas research and development bases during the first quarter of the current fiscal year. (See “Notice of Dissolution of Subsidiary Company” disclosed on May 11, 2023.)

As a result of the above, net loss attributable to owners of the parent for the current consolidated fiscal year was 610 million yen (net loss attributable to owners of the parent of 141 million yen for the same period last year) due to the recording of 59 million yen as a negative total for income taxes due to the recognition of additional deferred tax assets against future subtraction temporary differences in the application of tax effect accounting.

Impairment Loss

In the second quarter of the current fiscal year, the Company recorded an impairment loss of 164 million yen on software assets and tools, furniture and fixtures owned by a consolidated subsidiary in the AI product business. In addition, the Company recorded an impairment loss of 38 million yen for certain software assets held by the Company, which have become idle assets.

In the fourth quarter, as part of structural reforms, the Company recorded an impairment loss of 178 million yen related to software assets and other assets related to the AI platform and AI product businesses.

Recording of income taxes-deferred

In the second quarter of the fiscal year, 9 million yen was recorded as a decrease in asset retirement obligations due to office relocation. In addition, 36 million yen was recorded as a decrease in deferred tax liabilities due to depreciation of customer-related assets in the current fiscal year, and 48 million yen was recorded as additional deferred tax assets against future temporary differences in the application of tax effect accounting.

Results of Operations by Segment

AI Products:

During the period under review, in addition to expanding sales of existing products, the Group also worked to develop services, including the use of generative AI, based on the knowledge gained from the AI platform business.

In the DX AI product group, the number of companies using "exaBase DX Assessment & Learning," which is used to identify and train DX

human resources for companies, continued to increase, reaching 1,467 companies and the number of users exceeding 200,000 as of March 2024. The “exaBase Generative AI” performed well with 447 companies having installed it as of March 2024.
In the social AI product group, marketing activities for "CareWiz Toruto" and other products remained strong, thanks to the acquisition of business negotiations through marketing activities.
In order to respond to such strong demand, both cost of sales and SG&A expenses, personnel expenses and outsourcing expenses increased due to upfront investment in the development of new products. In SG&A expenses, advertising expenses increased due to constant marketing activities.
As a result, net sales were 1,639 million yen (+84.5% YoY), gross profit was 1,018 million yen (+176.9% YoY), gross profit margin was 62.1% (+20.7 pt YoY), and operating loss was 34 million yen (171 million yen operating loss in the previous year).

AI Platform:
During the period under review, the Company continued to work with a number of major companies to create innovations through AI projects. Strong corporate demand for AI and DX support was also a driver, resulting in increased sales for both new and long-term continuing clients (see note). On the other hand, outsourcing costs related to the operation of projects increased, and depreciation related to software assets related to this business increased.
As a result, net sales were 5,365 million yen (+14.0% YoY), gross profit was 3,035 million yen (+9.7% YoY), gross margin was 56.6% (-2.3 pt YoY), operating income was 1,609 million yen (+20.2% YoY), and the ratio of sales from long-term customers (see note) to total sales was 69.4%.

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

Other Services:
This segment consists of services and other activities that do not currently fall under the AI product and AI platform business models. This segment includes the operations and results of STADIUM, which became a subsidiary during the first quarter of this fiscal year.
In the current fiscal year, as a result of structural reforms as part of PMI, the Company sold a part of the business of STADIUM. (See “Notice Concerning Succession (Transfer) of Businesses and Recording of Extraordinary Profit in Connection with Corporate Divestiture (Absorption-Type Divestiture) of a Consolidated Subsidiary” disclosed on February 14, 2024).
We will continue to review our service portfolio to accelerate Sales Tech services, which have a high affinity with our existing sales agents.
As a result, net sales were 1,382 million yen, gross profit was 679 million yen, gross margin was 49.2%, and operating income was 48 million yen.

(2) Explanation of Financial Position

Assets
Total assets at the end of the current consolidated fiscal year were 9,931 million yen, an increase of 1,991 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 1,746 million yen increase in customer-related assets resulting from the allocation of acquisition costs associated with the acquisition of shares of STADIUM.

Liabilities
Total liabilities amounted to 4,948 million yen at the end of the current consolidated fiscal year, up 3,627 million yen from the end of the previous consolidated fiscal year. This was mainly due to a 2,250 million yen increase in long-term debt resulting from the acquisition of shares of STADIUM, and a 443 million yen increase in deferred tax liabilities resulting from a review of the initial allocation of acquisition costs.

Net assets
Total net assets at the end of the current consolidated fiscal year were 4,983 million yen, a decrease of 1,635 million yen from the end of the previous consolidated fiscal year. This was mainly due to the acquisition of treasury stock amounting to 1,169 million yen and net loss attributable to owners of the parent amounting to 610 million yen.

(3) Explanation of Cash Flow Statement

Overall
Cash and cash equivalents decreased by 1,741 million yen from the end of the previous fiscal year to 3,489 million yen in the current fiscal year. The status of each cash flow and its factors are as follows.

Cash flows from operating activities
Net cash used in operating activities was 197 million yen (71 million yen provided in the previous fiscal year). This was mainly due to such positive factors as depreciation and amortization of 507 million yen, impairment loss of 382 million yen, and an increase in accounts payable and accrued expenses of 331 million yen, while there were negative factors such as an increase in accounts receivable of 652 million yen and loss before income taxes and minority interests of 692 million yen.

Cash Flows from investing activities
Net cash used in investing activities totaled 2,953 million yen (483 million yen in the previous fiscal year). This was mainly due to expenditures of 1,870 million yen for the purchase of investments in subsidiaries resulting in a change in the scope of consolidation and expenditures of 816 million yen for the purchase of intangible fixed assets.

Cash flow from financing activities
Net cash provided by financing activities amounted to 1,409 million yen (105 million yen in the previous fiscal year). This was mainly due to an increase of 2,700 million yen in proceeds from long-term loans payable, while there was a decrease of 1,165 million yen in purchase of treasury stock.

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

The consolidated earnings forecast for the fiscal year ending March 31,2025 is as follows.

	Net Sales	Operating Profit
	Millions of Yen	Millions of Yen
Results for the fiscal year ending March 31, 2024 (A)	8,384	(305)
Forecast for the fiscal year ending March 31, 2025 (B)	10,060	200
Change (B-A)	1,675	505
Percentage Change (%)	20.0	-

- For the fiscal year ending March 31, 2025, our basic policy is to make the company profitable as a whole, while continuing to invest around generative AI
- The following is our forecast of business performance by segment
  - AI Products segment
    - exaBase Generative AI and exaBase DX Assessment & Learning, a DX human resource development service, will continue to drive growth, aiming for the same level of sales growth as in the fiscal year ending March 31, 2024
    - In addition to exaBase IR Assistant, we will gradually launch a series of generative AI assistants such as exaBase Recruiting Assistant
  - AI Platform Business
    - Maintain sales scale and improve operating margin by increasing per-capita operating productivity without unnecessarily increasing headcount
    - Increase the number of projects that mainly use exaBase Studio, especially RAGOps(Note1), by molding the sales force
    - Maximize added value for clients by providing comprehensive services, including the combination of exaBase Generative AI and exaBase DX Assessment & Learning
  - Other Services Business
    - Aim for business growth by continuing PMI in the first half while enhancing profitability from the second half

(Note1) RAGOps: Mechanisms for ongoing operation, development, and extension of Retrieval Augmented Generation (RAG) to improve responses

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 the comparability among enterprises.
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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	5,231	3,489
Accounts receivable – trade and contract assets	1,032	1,851
Other	108	178
Total current assets	6,372	5,518
Non-current assets		
Property, plant and equipment	165	320
Intangible assets		
Goodwill	160	894
Customer-related assets	-	1,746
Software	954	903
Other	0	0
Total intangible assets	1,114	3,544
Investments and other assets		
Investment securities	-	181
Other	287	366
Total investments and other assets	287	548
Total non-current assets	1,567	4,413
Total assets	7,939	9,931

(In millions of yen)	As of March 31, 2023	As of March 31, 2024
Liabilities and net assets		
Liabilities		
Current liabilities		
Current portion of long-term borrowings	10	300
Accounts payable - other	225	660
Accrued expenses	304	460
Income tax payables	48	41
Contract liabilities	110	131
Provision for bonuses	15	20
Other	200	192
Total current liabilities	914	1,806
Non-current liabilities		
Long-term borrowings	300	2,550
Retirement benefit liability	66	72
Asset retirement obligations	39	75
Deferred tax liabilities	-	443
Total non-current liabilities	406	3,141
Total liabilities	1,321	4,948
Net assets		
Shareholders' equity		
Share capital	2,337	2,401
Capital surplus	4,487	4,555
Retained earnings	(249)	(860)
Treasury stock	(34)	(1,203)
Total shareholders' equity	6,540	4,892
Share acquisition rights	3	38
Non-controlling interests	75	52
Total net assets	6,618	4,983
Total liabilities and net assets	7,939	9,931

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(In millions of yen)	Fiscal Year Ended March 31 2023	2024
Net sales	5,591	8,384
Cost of sales	2,455	3,696
Gross profit	3,135	4,688
Selling, general and administrative expenses	3,513	4,993
Operating profit (loss)	(378)	(305)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	1	3
Other	2	2
Total non-operating income	4	5
Non-operating expenses		
Interest expenses	1	20
Foreign exchange losses	0	0
Commission expenses	-	8
Other	0	-
Total non-operating expenses	1	30
Ordinary profit (loss)	(375)	(330)
Extraordinary income		
Gain on sales of fixed assets	-	4
Gain on sale of businesses	293	70
Other	-	0
Total extraordinary income	293	75
Extraordinary losses		
Loss on disposal of fixed assets	1	1
Impairment loss	4	382
Loss on liquidation of subsidiaries and associates	-	52
Total extraordinary losses	6	437
Profit (loss) before income taxes	(88)	(692)
Income taxes – current	31	35
Income taxes – deferred	35	(94)
Total income taxes	67	(59)
Profit (loss)	(155)	(633)
Profit (loss) attributable to non-controlling interests	(14)	(22)
Profit (loss) attributable to owners of parent	(141)	(610)

Consolidated Statements of Comprehensive Income

(In millions of yen)	Nine Months Ended March 31 2023	2024
Profit (loss)	(155)	(633)
Comprehensive income	(155)	(633)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(141)	(610)
Comprehensive income attributable to non-controlling interests	(14)	(22)

(3) Consolidated Statements of Changes in Net Assets

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 - 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)
Disposal of treasury stock to an ESOP trust granting stock					-
Repurchase of treasury stock for ESOP trust granting stock					-
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)	6,540

	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 - exercise of share acquisition rights					126
Deficit disposition					-
Profit attributable to owners of parent					(141)
Acquisition of treasury stock					(34)
Disposal of treasury stock to an ESOP trust granting stock					-
Repurchase of treasury stock for ESOP trust granting stock					-
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

For the fiscal year ended March 31, 2024

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	treasury stock	Total shareholders' equity
Balance at beginning of period	2,337	4,487	(249)	(34)	6,540
Changes during period					
Issuance of new shares - exercise of share acquisition rights	64	64			128
Deficit disposition					-
Profit attributable to owners of parent			(610)		(610)
Acquisition of treasury stock				(1,165)	(1,165)
Disposal of treasury stock to an ESOP trust granting stock		3		176	179
Repurchase of treasury stock for ESOP trust granting stock				(179)	(179)
Increase (decrease) in equity due to capital increase of consolidated subsidiary					
Net changes in items other than shareholders' equity					
Total changes during period	64	68	(610)	(1,169)	(1,647)
Balance at end of period	2,401	4,555	(860)	(1,203)	4,892

	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	75	6,618
Changes during period					
Issuance of new shares - exercise of share acquisition rights					128
Deficit disposition					-
Profit attributable to owners of parent					(610)
Acquisition of treasury stock					(1,165)
Disposal of treasury stock to an ESOP trust granting stock					179-
Repurchase of treasury stock for ESOP trust granting stock					(179)
Increase (decrease) in equity due to capital increase of consolidated subsidiary					-
Net changes in items other than shareholders' equity	-	-	34	(22)	12
Total changes during period	-	-	34	(22)	(1,635)
Balance at end of period	-	-	38	52	4,983

(4) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows

(In millions of yen)	Fiscal Year Ended March 31 2023	2024
Cash flows from operating activities		
Profit (loss) before income taxes	(88)	(692)
Depreciation	394	507
Amortization of goodwill	51	123
Amortization of customer-related assets	-	106
Increase (decrease) in retirement benefit liability	8	5
Interest and dividend income	(0)	(0)
Subsidy income	(1)	(3)
Interest expenses	1	20
Loss (gain) on sale of businesses	(293)	(70)
Loss (gain) on sale of non-current assets	-	(4)
Loss on retirement of non-current assets	1	1
Impairment losses	4	382
Loss on liquidation of subsidiaries and affiliates	-	52
Decrease (increase) in trade receivables	(119)	(652)
Decrease (increase) in other current assets	(9)	19
Increase (decrease) in accounts payable - other, and accrued Expenses	59	331
Increase (decrease) in income taxes payable - factor based tax	(21)	(6)
Increase (decrease) in contract liabilities	42	(143)
Increase (decrease) in other current liabilities	3	(140)
Other, net	(2)	34
Subtotal	32	(128)
Interest and dividends received	0	0
Interest paid	(1)	(27)
Subsidies received	95	3
Income taxes paid	(54)	(45)
Net cash provided by (used in) operating activities	71	(197)
Cash flows from investing activities		
Purchase of property, plant and equipment	(69)	(107)
Proceeds from sale of property, plant and equipment	-	34
Purchase of intangible assets	(845)	(816)
Purchase of shares of subsidiaries and associates	-	(181)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(1,870)
Proceeds from sale of businesses	456	70
Purchase of insurance funds	(6)	(6)
Proceeds from maturity of insurance funds	5	-
Payments of leasehold and guarantee deposits	(25)	(79)
Proceeds from refund of leasehold and guarantee deposits	1	3
Net cash provided by (used in) investing activities	(483)	(2,953)
Cash flows from financing activities		
Proceeds from long-term debt	-	2,700
Repayments of long-term borrowings	(29)	(252)
Redemption of bonds	(6)	-
Payment for acquisition of treasury stock	(34)	(1,165)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	125	128
Proceeds from share issuance to non-controlling shareholders	49	-
Net cash provided by (used in) financing activities	105	1,409
Net increase (decrease) in cash and cash equivalents	(306)	(1,741)
Cash and cash equivalents at beginning of period	5,537	5,231
Cash and cash equivalents at end of period	5,231	3,489

(5) Notes to the consolidated financial statements

Going Concern Assumption

Not applicable.

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 for the purpose of determining the allocation of management resources and evaluating performance.

The Group has business divisions by service, and each division formulates comprehensive strategies for the services it handles and conducts business activities. Accordingly, the Group's reportable segments are composed of service segments based on business divisions.

In the “AI product business”, the Group provides AI software for a wide range of customers that can be used immediately in their business operations with minimal additional adjustments, with the aim of solving social issues.

In the “AI Platform Business,” the Company aims to discover industrial and social issues in various industries and realize innovations through solving customers' business challenges, mainly for large companies.

In addition, following the acquisition of STADIUM as a subsidiary in the first quarter of the current fiscal year, the “Other Service Business” segment has been designated as a new reportable segment. This segment includes the business of providing resources and other services in sales issues such as SaaS products/IT products that are operated by STADIUM.

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

The accounting method for reported business segments is generally the same as that described in “Basis of Presenting Consolidated Financial Statements.

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

3. Information on sales, profit or loss, assets, liabilities and other items by reportable segment and breakdown of income

For the Fiscal Year Ended March 31, 2023

(In millions of yen)	Reporting Segment			Adjustment (Note 1)	Amounts in the consolidated financial statements (Note 2)
	AI Products	AI Platform	Total		
Net sales					
Revenue from contracts with customers	888	4,703	5,591	-	5,591
Net sales to external customers	888	4,703	5,591	-	5,591
Intersegment revenue or transfers	-	-	-	-	-
Total	888	4,703	5,591	-	5,591
Segment profit (loss)	(171)	1,339	1,167	(1,545)	(378)
Others					
Depreciation	254	124	378	16	394
Amortization of goodwill	-	51	51	-	51

(Note) 1. Adjustment of segment income (loss) refers to expenses common to all segments.

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

3. Segment assets are not shown because assets are not allocated to business segments.

For the Fiscal Year Ended March 31, 2024

(In millions of yen)	Reporting Segment				Adjustment (Note 1)	Amounts in the consolidated financial statements (Note 2)
	AI Products	AI Platform	Other Services	Total		
Net sales						
Revenue from contracts with customers	1,639	5,363	1,382	8,384	–	8,384
Net sales to external customers	1,639	5,363	1,382	8,384	-	8,384
Intersegment revenue or Transfers	-	-	-	-	-	-
Total	1,639	5,363	1,382	8,384	-	8,384
Segment profit (loss)	(34)	1,609	48	1,623	(1,929)	(305)
Others						
Depreciation	234	235	7	478	28	507
Amortization of goodwill	-	51	71	123	-	123
Amortization of customer-related assets	-	-	106	106	-	106

(Note) 1. Adjustment of segment income (loss) refers to expenses common to all segments.

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

3. Segment assets are not shown because assets are not allocated to business segments.

Per Share information

(yen)	Fiscal Year Ended March 31 2023	2024
Net assets per share	78.53	59.65
Basic EPS	(1.72)	(7.50)
Diluted EPS	-	-

(Note) 1. Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.
2. The bases for calculating net assets per share are as follows:

(In millions of yen)	Fiscal Year Ended March 31 2023	2024
Total net assets (in millions of yen)	6,618	4,983
Amount deducted from total net assets (in millions of yen)	78	91
(Of which, share acquisition rights (in millions of yen))	(3)	(38)
(Of which, non-controlling interests (in millions of yen))	(75)	(52)
Net assets at the end of the period related to common stock (in millions of yen)	6,540	4,892
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	83,283,500	82,009,900

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

(In millions of yen)	Fiscal Year Ended March 31 2023	2024
Profit attributable to owners of parent (in millions of yen)	(141)	△610
Amount not attributable to common shareholders (in millions of yen)	—	—
Profit attributable to owners of parent related to common stock (in millions of yen)	(141)	△610
Average number of shares of common stock during the period (shares)	81,886,800	81,432,625
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 64,364 units	Share acquisition rights: 23 types 50,254 units

4. The Company's shares remaining in the "Stock Grant ESOP Trust Account," which are recorded as treasury stock in shareholders' equity, are included in the number of treasury stock deducted from the total number of shares issued and outstanding at the end of the period for the calculation of net assets per share, and are also included in the number of treasury stock deducted from the average number of shares during the period for the calculation of net loss per share. The number of such treasury stock deducted in the calculation of net assets per share at the end of the fiscal year was 456,800 shares, and the average number of such treasury stock deducted in the calculation of net loss per share was 266,466 shares for the fiscal year under review.