Aug 13, 2024

ExaWizards Inc. (TSE 4259)
Consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (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 June 30		% Change
	2024	2025	
Net Sales	1,302	2,110	62.0
Operating profit	(348)	(289)	-
Ordinary profit	(352)	(295)	-
Net profit attributable to owners of parent	(400)	(303)	-
Comprehensive income	(408)	(297)	-
Basic EPS (yen)	(4.90)	(3.69)	-
Diluted EPS (yen)	-	-	-

(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, 2024	As of June 30, 2024
Total assets	9,931	9,521
Net assets	4,983	4,701
Equity ratio	49.3%	48.4%

Dividends

(In yen, unless otherwise stated)	FY2024	FY2025	FY2025 (Forecast)
At the end of Q1	-	-	-
At the end of Q2	0.00		0.00
At the end of Q3	-		-
At the end of Q4	0.00		0.00
Total	0.00		0.00

Consolidated Financial Results Forecasts for FY2025

(In millions of yen, unless otherwise stated)	FY2025 (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：No

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: Yes
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, 2024	As of June 30, 2024
Number of issued shares including treasury stock	85,121,600	85,305,400
Number of treasury stock	3,111,700	3,096,563

	Fiscal Year Ended June 30, 2024	Fiscal Year Ended June 30, 2025
Average number of shares during the period	81,640,300	82,147,479

(Note) The number of treasury shares at the end of the period includes the shares of the Company held by the stock-granting ESOP trust (456,800 shares for the fiscal year ending March 2024; 671,663 shares for the first quarter of the fiscal year ending March 2025). Additionally, when calculating the average number of shares during the period, the average number of shares of the Company held by the stock-granting ESOP trust during the period (528,421 shares for the first quarter of the fiscal year ending March 2025) is included in the number of treasury shares to be deducted.

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
  - 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 4
(2) Explanation of Financial Position 5
(3) Explanation of Consolidated Earnings Forecast and Other Forward-looking Statement 5

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets 6
(2) Consolidated Statements of Income and Comprehensive Income 7
Consolidated Statements of Income 7
Consolidated Statements of Comprehensive Income 7
(3) Notes to the consolidated financial statements 8
Going Concern Assumption 8
Note on Significant Changes in the Amount of Shareholders' Equity 8
Change in Accounting Policies 8
Segment Information 9
Statement of Cash Flows 10
Significant Subsequent Events 10

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 Co., Ltd.

Consolidated Results of Operations

Net Sales:

Net sales for the consolidated fiscal year totaled ¥2,110 million (+62.0% year-on-year). This was mainly due to the inclusion of the performance of STADIUM, which became a subsidiary starting from the second quarter of the previous consolidated accounting period, and the increase in the usage of our services in the AI Product Business and AI Platform Business.

COGS, Gross Profit:

Cost of goods sold for the consolidated fiscal year totaled ¥1,019 million (+54.1% year-on-year). This was mainly due to an increase in personnel costs and system usage fees, which constitute the cost of sales. As a result of the above, gross profit for the consolidated fiscal year was ¥1,091 million (+70.2% year-on-year), and the gross profit margin was 51.7%.

SG&A, Operating Profit:

Selling, general and administrative expenses for the consolidated fiscal year totaled ¥1,380 million (+39.5% year-on-year). This was mainly due to an increase in personnel expenses, depreciation expenses, and system usage fees, which constitute selling, general and administrative expenses.

As a result of the above, operating loss for the consolidated fiscal year was ¥289 million (operating loss of ¥348 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 ¥1 million. Non-operating expenses totaled ¥7 million.

As a result of the above, ordinary loss for the consolidated fiscal year was ¥295 million (ordinary loss of ¥352 million in the same period of the previous year).

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

The loss before income taxes for the first quarter of the consolidated fiscal year was ¥296 million (loss before income taxes of ¥394 million in the same period of the previous year).

As a result, the net loss attributable to owners of the parent for the first quarter of the consolidated fiscal year was ¥303 million (net loss attributable to owners of the parent of ¥400 million in the same period of the previous year).

Results of Operations by Segment

AI Products:

During the first quarter of the consolidated cumulative period, in addition to expanding sales of existing products, the Group have also been working on developing services such as utilizing generative AI, based on the insights gained from the AI Platform Business.

In the DX AI Product Group, "exaBase DX Assessment & Learning," which focuses on DX human resource development for companies and local governments, saw the number of companies adopting the service reach 1,590 as of June 2024, with the number of users reached approximately 230,000, demonstrating strong performance. "exaBase Generative AI" also showed strong performance, with the number of companies adopting the service reaching 538 as of June 2024.

To meet this strong demand, personnel expenses, outsourcing costs, and system usage fees increased in both cost of sales and selling, general, and administrative expenses due to upfront investments in the development and marketing of new products. Additionally, we strategically reallocated some resources from our consolidated subsidiary, Xware Inc., from external customer projects to internal function development (such as the development of exaBase Studio functions).

As a result, net sales were ¥520 million (+184.3% year-on-year), gross profit was ¥326 million (+507.7% year-on-year), the gross profit margin was 62.7%, and operating loss was ¥102 million (operating loss of ¥159 million in the same period of the previous year).

AI Platform:

During the first quarter of the consolidated cumulative period, ExaWizards Group continued to work with numerous large companies to create innovations through AI projects. The strong demand from companies for AI and DX support also contributed to an increase in sales from both new customers and long-term ongoing customers. On the other hand, personnel expenses and system usage fees related to project operations increased.

As a result, net sales were ¥1,273 million (+13.8% year-on-year), gross profit was ¥685 million (+15.4% year-on-year), the gross profit margin was 53.8%, and operating profit was ¥296 million (+34.5% year-on-year). The ratio of sales from long-term ongoing customers to total net sales was 76.8%.

(Note) In the AI Platform Business, customers with whom ExaWizards have maintained contracts for four or more consecutive quarters.

Other Services:

This segment consists of services that do not currently fall under the models of the AI Product Business and AI Platform Business. It includes the business and performance of STADIUM which became a subsidiary during the first quarter of the previous consolidated accounting period.

During the first quarter of the consolidated cumulative period, the Group made significant progress in structural reforms as part of PMI (Post-Merger Integration), establishing a business foundation and organizational structure geared toward further growth. Based on this, we will continue to accelerate Sales Tech services that are highly compatible with our existing sales outsourcing.

As a result, net sales were ¥394 million, gross profit was ¥159 million, the gross profit margin was 40.4%, and operating profit was ¥3 million.

(2) Explanation of Financial Position

Assets

As of the end of the first quarter of the current consolidated accounting period, total assets amounted to ¥9,521 million, a decrease of ¥410 million compared to the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥577 million in accounts receivable and contract assets.

Liabilities

As of the end of the first quarter of the current consolidated accounting period, total liabilities amounted to ¥4,819 million, a decrease of ¥128 million compared to the end of the previous consolidated fiscal year. This was mainly due to a ¥90 million increase in contract liabilities, offset by a ¥204 million decrease in accounts payable and a ¥75 million decrease in long-term borrowings.

Net assets

As of the end of the first quarter of the current consolidated accounting period, total net assets amounted to ¥4,701 million, a decrease of ¥281 million compared to the end of the previous consolidated fiscal year. This was mainly due to the recording of a quarterly net loss attributable to owners of the parent of ¥303 million.

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

There are no changes to the consolidated earnings forecast for the fiscal year ending March 2025, as disclosed on May 14, 2024.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	3,489	3,647
Accounts receivable – trade and contract assets	1,851	1,273
Other	178	222
Total current assets	5,518	5,144
Non-current assets		
Property, plant and equipment	320	310
Intangible assets		
Goodwill	894	857
Customer-related assets	1,746	1,710
Software	903	960
Other	0	0
Total intangible assets	3,544	3,528
Investments and other assets		
Investment securities	181	181
Other	366	356
Total investments and other assets	548	537
Total non-current assets	4,413	4,377
Total assets	9,931	9,521

(In millions of yen)	As of March 31, 2024	As of June 30, 2024
Liabilities and net assets		
Liabilities		
Current liabilities		
Current portion of long-term borrowings	300	300
Accounts payable - other	660	455
Accrued expenses	460	468
Income tax payables	41	17
Contract liabilities	131	222
Provision for bonuses	20	43
Other	192	244
Total current liabilities	1,806	1,750
Non-current liabilities		
Long-term borrowings	2,550	2,475
Retirement benefit liability	72	72
Asset retirement obligations	75	75
Deferred tax liabilities	443	446
Total non-current liabilities	3,141	3,069
Total liabilities	4,948	4,819
Net assets		
Shareholders' equity		
Share capital	2,401	2,409
Capital surplus	4,555	4,557
Retained earnings	(860)	(1,163)
Treasury stock	(1,203)	(1,192)
Total shareholders' equity	4,892	4,611
Share acquisition rights	38	31
Non-controlling interests	52	58
Total net assets	4,983	4,701
Total liabilities and net assets	9,931	9,521

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(In millions of yen)	Fiscal Year Ended June 30 2024	2025
Net sales	1,302	2,110
Cost of sales	661	1,019
Gross profit	641	1,091
Selling, general and administrative expenses	989	1,380
Operating profit (loss)	(348)	(289)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	0	1
Other	0	0
Total non-operating income	0	1
Non-operating expenses		
Interest expenses	1	7
Foreign exchange losses	0	0
Commission expenses	3	―
Other	―	0
Total non-operating expenses	4	7
Ordinary profit (loss)	(352)	(295)
Extraordinary income		
Gain on sales of fixed assets	―	0
Total extraordinary income	―	0
Extraordinary losses		
Loss on disposal of fixed assets	―	1
Loss on liquidation of subsidiaries and associates	42	―
Total extraordinary losses	42	1
Profit (loss) before income taxes	(394)	(296)
Income taxes – current	13	13
Income taxes – deferred	(0)	(12)
Total income taxes	13	0
Profit (loss)	(408)	(297)
Profit (loss) attributable to non-controlling interests	(7)	5
Profit (loss) attributable to owners of parent	(400)	(303)

Consolidated Statements of Comprehensive Income

(In millions of yen)	Fiscal Year Ended June 30 2023	2024
Profit (loss)	(408)	(297)
Comprehensive income	(408)	(297)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(400)	(303)
Comprehensive income attributable to non-controlling interests	(7)	5

(3) Notes to the consolidated financial statements

Going Concern Assumption

Not applicable.

Significant Changes in the Amount of Shareholders' Equity

I. For the Three Months Ended June 30, 2023

Significant fluctuations in the amount of shareholders' equity

Based on the resolution of the Board of Directors held on March 22, 2023, we acquired 2,485,900 shares of treasury stock during the first quarter of the consolidated cumulative period. As a result, treasury stock increased by 924 million yen during the first quarter of the consolidated cumulative period, and as of the end of the first quarter of the consolidated accounting period, treasury stock amounted to 959 million yen.

Ⅱ. For the Three Months Ended June 30, 2024

Significant fluctuations in the amount of shareholders' equity

Not applicable.

Change in accounting policies

(Application of "Accounting Standards for Income Taxes, Inhabitant Taxes, and Enterprise Taxes" etc.)

The "Accounting Standard for Income Taxes, Inhabitant Taxes, and Enterprise Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022, hereinafter referred to as the "2022 Revised Accounting Standard") and other related standards have been applied from the beginning of the first quarter of the current consolidated accounting period.

Regarding the amendments related to the classification of income taxes, etc. (taxation on other comprehensive income), we comply with the transitional measures stipulated in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of Paragraph 65-2 (2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022, hereinafter referred to as the "2022 Revised Implementation Guidance"). Note that the change in accounting policies has no impact on the quarterly consolidated financial statements.

Additionally, concerning the amendments related to the treatment in the consolidated financial statements of gains and losses on the sale of subsidiary shares within the consolidated group, which are deferred for tax purposes, we have applied the 2022 Revised Implementation Guidance from the beginning of the first quarter of the current consolidated accounting period. The change in accounting policies has been applied retrospectively, and the quarterly consolidated financial statements and consolidated financial statements for the previous quarter and the previous consolidated fiscal year have been restated accordingly. However, the change in accounting policies has no impact on the quarterly consolidated financial statements for the previous quarter or the consolidated financial statements for the previous consolidated fiscal year.

Additional Information

Stock Grant ESOP Trust

ExaWizards has introduced a Stock Grant ESOP Trust (hereinafter referred to as "the Plan") as an incentive plan aimed at fostering a sense of belonging to ExaWizards Group and a sense of participation in management among the employees of ExaWizards and its subsidiaries (hereinafter referred to as "the Eligible Employees"). The Plan is intended to enhance the motivation and morale of the Eligible Employees towards long-term performance improvement and stock price appreciation, as well as to improve ExaWizards’s corporate value.

Furthermore, at the Board of Directors meeting held on May 27, 2024, a resolution was passed regarding the additional contribution to the Plan. Accordingly, trust money was additionally contributed, and the ExaWizards 's shares were acquired as outlined below.

(1) Outline of Additional Contribution to Trust Money and Acquisition of the Company’s Shares

①Type of Trust: Monetary trust other than a special single-beneficiary monetary trust (third-party beneficiary trust)

②Purpose of Trust: Granting incentives to the Eligible Employees

③Settlor: ExaWizards

④Trustee: Mitsubishi UFJ Trust and Banking Corporation (Joint Trustee: The Master Trust Bank of Japan, Ltd.)

⑤Beneficiaries: Those among the Eligible Employees who meet the beneficiary criteria

⑥Trust Administrator: A third party with no conflict of interest with ExaWizards (Certified Public Accountant)

⑦Trust Agreement Date: September 1, 2023

⑧Trust Period: September 1, 2023 to September 30, 2025 (planned)

⑨Plan Start Date: September 5, 2023

⑩Exercise of Voting Rights: The trustee will exercise the voting rights of ExaWizards's shares according to the instructions of the trust administrator, reflecting the intentions of the beneficiary candidates.

⑪Type of Shares Acquired: Common shares of ExaWizards

⑫Additional Funds for Share Acquisition: 83 million yen

⑬Number of Additional Shares Acquired: 230,000 shares

⑭Date of Additional Share Acquisition: June 12, 2024

⑮Method of Share Acquisition: Acquisition through a third-party allotment of the Company's treasury shares

(2) Shares of the Company Remaining in the Trust

The shares of ExaWizards remaining in the trust are recorded as treasury stock under net assets at the book value (excluding incidental costs) in the trust. The book value and number of such treasury stock as of the end of the previous consolidated fiscal year were 179 million yen and 456,800 shares, respectively. As of the end of the first quarter of the current consolidated accounting period, the book value and number of such treasury stock were 257 million yen and 671,663 shares, respectively.

Segment Information

I. For the Three Months Ended June 30, 2023

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

(In millions of yen)	Reporting Segment				Adjustment (Note 1)	Amounts in the consolidated financial statements (Note 2)
	AI Products	AI Platform	Other Service	Total		
Net sales						
Revenue from contracts with customers	183	1,119	—	1,302	—	1,302
Net sales to external customers	183	1,119	—	1,302	—	1,302
Intersegment revenue or transfers	—	—	—	—	—	—
Total	183	1,119	—	1,302	—	1,302
Segment profit (loss)	(159)	220	—	60	△409	△348

(Note) 1. Adjustment of segment income (loss) refers to corporate income (loss) not allocated to each reporting segment.

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

2. Matters related to changes in reportable segments, etc

Change in classification of segment common expenses

Indirect expenses previously included in reporting segments are now included in adjustment. The segment information for the first quarter of the previous fiscal year has been prepared in accordance with the new segmentation method.

3. Information on impairment losses on fixed assets or goodwill for each reportable segment

Significant Impairment Loss on Fixed Assets

Not applicable.

Significant changes in the amount of goodwill

During the first quarter of the current consolidated accounting period, we acquired shares of STADIUM and included it in the scope of consolidation, resulting in the recognition of goodwill amounting to 2,284 million yen. Note that this amount of goodwill is calculated based on provisional accounting as the allocation of the acquisition cost has not been completed as of the end of the first quarter of the current consolidated accounting period. Additionally, we will be reviewing the reportable segments in light of the consolidation of this company as a subsidiary.

Significant gain on negative goodwill

Not applicable.

Ⅱ. For the Three Months Ended June 30, 2024

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

(In millions of yen)	Reporting Segment				Adjustment (Note 1)	Amounts in the consolidated financial statements (Note 2)
	AI Products	AI Platform	Other Service	Total		
Net sales						
Revenue from contracts with customers	520	1,273	394	2,188	(78)	2,110
Net sales to external customers	511	1,223	375	2,110	—	2,110
Intersegment revenue or transfers	9	50	18	78	(78)	—
Total	520	1,273	394	2,188	(78)	2,110
Segment profit (loss)	(102)	296	3	197	(486)	(289)

(Note) 1. Adjustment of segment income (loss) refers to Inter-segment eliminations and corporate income (loss) not allocated to each reporting segment.

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

2. Information on impairment losses on fixed assets or goodwill for each reportable segment

Significant Impairment Loss on Fixed Assets

Not applicable.

Significant changes in the amount of goodwill

Not applicable.

Significant gain on negative goodwill

Not applicable.

Note on the Statement of Cash Flows

The quarterly consolidated statement of cash flows for the first quarter of the current consolidated cumulative period has not been prepared. However, depreciation expenses (including amortization of intangible fixed assets excluding goodwill and customer-related assets), amortization of goodwill, and amortization of customer-related assets for the first quarter of the current consolidated cumulative period are as follows.

(In millions of yen)	For the Three Months Ended June 30, 2023	For the Three Months Ended June 30, 2024
Depreciation expenses	109	121
Amortization of goodwill	12	36
Amortization of customer-related assets	—	35

Significant Subsequent Events

Not applicable.