Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

February 12, 2025

Company name: ExaWizards Inc.
Listing: Tokyo
Securities code: 4259
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Scheduled date to commence dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results (Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	7,137	24.7	(238)	-	(252)	-	(508)	-
December 31, 2023	5,722	42.8	(528)	-	(554)	-	(788)	-

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ (487) million [-%]
Nine months ended December 31, 2023: ¥ (813) million [-%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	(6.18)	-
December 31, 2023	(9.71)	-

(Note) Diluted earnings per share are not shown in the above, because earnings per share were negative although there are residual shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	9,238	4,588	48.4
March 31, 2024	9,931	4,983	49.3

(Reference) Equity: As of December 31, 2024: ¥ 4,469 million
As of March 31, 2024: ¥ 4,892 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2025	-	0.00	-		
Fiscal year ending March 31, 2025 (Forecast)				0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(Percentages indicate YoY changes.)

	Net sales		Operating profit	
	Millions of yen	%	Millions of yen	%
Full year	10,060	20.0	200	-

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Excluded: (Company name: VisionWiz Inc.)

For further information, please refer to "2. Consolidated Financial Statements and Primary Notes (3) Notes for the Quarterly Consolidated Financial Statements (Business Combination)."

(2) Adoption of accounting treatment specific to the preparation of the interim consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):
December 31, 2024: 85,750,400 shares
March 31, 2024: 85,121,600 shares
2) Number of treasury shares at the end of the period:
December 31, 2024: 3,070,163 shares
March 31, 2024: 3,111,700 shares
3) Average number of shares outstanding during the period:
Nine months ended December 31, 2024: 82,343,807 shares
Nine months ended December 31, 2023: 81,280,900 shares

(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 ended March 31, 2024: 645,263 shares for the nine months ended December 31, 2024). Also, when calculating the average number of shares during the period, the average numbers of shares of the Company held by the stock-granting ESOP trust during the period is included in the number of treasury shares to be deducted. (203,022 shares for the nine months ended December 31, 2023: 606,316 shares for the nine months ended December 31, 2024)

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Disclaimer)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. In addition, actual results may differ significantly due to various factors. For the assumptions underlying the earnings forecasts and notes on the use of earnings forecasts, please refer to "1. Overview of Operating Results for the third quarter of FY2025 (3) Overview of Consolidated Earnings Forecast" on page 6 of the attached document.

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(Reference)
As used in this document, "the third quarter of FY2025" refers to our consolidated accounting period which is from April 1 to December 31, 2024.

1. Overview of Operating Results for the third quarter of FY2025

(1) Overview of Operating Result

Overall

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

AI Products 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 and/or AI products for sales issues of SaaS products and IT products of consolidated subsidiary STADIUM Co., Ltd.

Consolidated Results of Operations

Net sales

Net sales for the third quarter of FY2025 were 7,137 million yen (+24.7% YoY). Main reason for this was an increase in the number of users of our services in the AI Products Business.

Cost of sales, gross profit

Cost of sales for the third quarter of FY2025 was 3,177 million yen (+21.5% YoY). This was due to an increase in personnel expenses which are included in the cost of sales, and rise in system usage fees. As a result, the gross profit for the third quarter of FY2025 was 3,959 million yen (+27.4% YoY), and the gross profit margin was 55.5%.

Selling, general and administrative expenses, operating profit (loss)

Selling, general and administrative expenses for the third quarter of FY2025 were 4,198 million yen (+15.5% YoY). This was due to the increase in personnel expenses and system usage fees. As a result, the operating loss for the third quarter of FY2025 was 238 million yen (compared to an operating loss of 528 million yen in the same period of the previous year).

Non-operating income and expenses, ordinary profit (loss)

Non-operating income for the third quarter of FY2025 was eight million yen, and non-operating expenses were 21 million yen. As a result, the ordinary loss for the third quarter of FY2025 was 252 million yen (ordinary loss of 554 million yen for the same period of the previous year).

Extraordinary income (loss), net income (loss) attributable to owners of the parent company

The quarterly net loss before taxes for the third quarter of FY2025 was 388 million yen (quarterly net loss before taxes of 808 million yen for the same period of the previous year).

The Company recorded an extraordinary income of 71 million yen, due to the transfer of 100% of the shares of our consolidated subsidiary VisionWiz Inc. to CoDMON, Inc. on December 1, 2024 (refer the "2. Consolidated Financial Statements and Primary Notes (3) Notes for the Quarterly Consolidated Financial Statements (Business Combination)" on page. 17).

Although extraordinary loss was 207 million yen. This was because, in the second quarter of FY2025, the Company recorded a loss on valuation of investment securities of 140 million yen, as the actual value of some of the investment securities held by the Company fell below their book value. In addition, during the third quarter of FY2025, a portion of the software assets held by the Company became idle assets, and an impairment loss of 62 million yen was recorded.

As a result, the net loss attributable to the parent company for the third quarter of FY2025 was 508 million yen (compared to a net loss attributable to the parent company of 788 million yen for the same period of the previous year).

Segment Results

AI Products Business

During the third quarter of FY2025, as well as expanding sales of existing products, the Company worked on developing services, including the use of generative AI, based on the knowledge gained through the AI Platform Business.

In the DX AI products group, the DX human resource development program for companies, “exaBase DX Assessment & Learning,” has shown smooth growth, with the number of companies that have introduced the program reaching 1,988 (282,119 users) as of December 2024. “exaBase Generative AI” was also performing well, with 742 companies (73,294 users) having adopted it by the same month.

In the social AI products group, marketing activities of “CareWiz Toruto” got off to a good start, and the number of business deals steadily increased.

To meet increasing demands, the Company has hired more employees to expand the organization and to provide more products, which has affected both the cost of sales and SG&A expenses due to the increase in personnel expenses and software usage fees. Additionally, in the cost of sales, software depreciation expenses increased due to upfront investments related to product development. In SG&A expenses, advertising and outsourcing expenses also increased.

Overall, net sales were 2,107 million yen (+120.5% YoY), gross profit was 1,489 million yen (+190.1% YoY), gross profit margin was 70.7%, and operating income was 237 million yen (compared to an operating loss of 258 million yen in the same period of the previous year).

AI Platform Business

During the third quarter of FY2025, the Company continued to collaborate with several major companies to create innovation through the AI project. The Company has also begun to transform the business model of the AI platform business, including the development of products such as “exaBase Role Playing” and “exaBase Meeting summary,” which are products from the AI platform business, and making advance investments in the development of products for dementia at ExaMD Inc., a wholly owned subsidiary, and promoting the reorganization of the project portfolio centered on “exaBase Studio.” Furthermore, the Company has temporarily increased resources for system development projects, resulting in higher costs for personnel expenses and system usage fees.

As a result, net sales were 3,929 million yen (+2.8% YoY), gross profit was 2,132 million yen (-0.6% YoY), gross profit margin was 54.3%, operating profit was 1,002 million yen (-9.2% YoY), and the ratio of sales to long-term continuing customers* to net sales was 68.0%.

(Note) In the AI Platform Business, customers with whom the Company has had a contract for four or more consecutive quarters.

Other Services Business

This segment encompasses of services that do not currently fall under the AI Products Business or AI Platform Business models. It includes the business and performance of STADIUM Co., Ltd. (hereinafter, “STADIUM”), which became a subsidiary in the first quarter of the previous fiscal year. The Group consolidated STADIUM from the second quarter of the previous fiscal year, and its performance will contribute to the full year results from this fiscal year onward.

During the third quarter of FY2025, the Company maintained its existing sales agency business while accelerating its Sales Tech services. Notably, the Company received orders from multiple well-known companies for Dr.Tel, a new AI-powered product that visualizes and improves call quality.

As a result, net sales were 1,324 million yen (+40.0% YoY), gross profit was 558 million yen (+20.5% YoY), gross profit margin was 42.2%, and operating income was 60 million yen (+108.3% YoY).

(2) Overview of Financial Position

Assets

Total assets at the end of the third quarter of FY2025 were 9,238 million yen, a decrease of 693 million yen compared to the end of the previous consolidated fiscal year. The reason for this was because of a decrease of 468 million yen in cash and deposits and 197 million yen in accounts receivable and contract assets, respectively.

Liabilities

Total liabilities at the end of the third quarter of FY2025 were 4,650 million yen, a decrease of 297 million yen compared to the end of the previous consolidated fiscal year. The reason for this was because of a decrease of 232 million yen in accounts payable and a decrease of 225 million yen in loans payable.

Net assets

Total net assets at the end of the third quarter of FY2025 were 4,588 million yen, a decrease of 395 million yen compared to the end of the previous consolidated fiscal year. This was due to the recording of an interim net loss attributable to owners of the parent of 508 million yen.

(3) Overview of Consolidated Earnings Forecast

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

2. Consolidated Financial Statements and Primary Notes
(1) Quarterly Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	3,489	3,020
Accounts receivable - trade and contract assets	1,851	1,653
Other	178	415
Total current assets	5,518	5,089
Non-current assets		
Property, plant and equipment	320	305
Intangible assets		
Goodwill	894	783
Customer-related assets	1,746	1,639
Software	903	1,045
Other	0	0
Total intangible assets	3,544	3,468
Investments and other assets		
Investment securities	181	40
Other	366	334
Total investments and other assets	548	374
Total non-current assets	4,413	4,149
Total assets	9,931	9,238
Liabilities		
Current liabilities		
Current portion of long-term borrowings	300	300
Accounts payable - other	660	428
Accrued expenses	460	474
Income taxes payable	41	122
Contract liabilities	131	165
Provision for bonuses	20	28
Other	192	229
Total current liabilities	1,806	1,748
Non-current liabilities		
Long-term borrowings	2,550	2,325
Retirement benefit liability	72	70
Asset retirement obligations	75	76
Deferred tax liabilities	443	429
Total non-current liabilities	3,141	2,901
Total liabilities	4,948	4,650

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Net assets		
Shareholders' equity		
Share capital	2,401	2,436
Capital surplus	4,555	4,584
Retained earnings	(860)	(1,369)
Treasury shares	(1,203)	(1,182)
Total shareholders' equity	4,892	4,469
Share acquisition rights	38	44
Non-controlling interests	52	73
Total net assets	4,983	4,588
Total liabilities and net assets	9,931	9,238

(2) Quarterly Consolidated Statements of Income and Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statements of Income)

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	5,722	7,137
Cost of sales	2,615	3,177
Gross profit	3,106	3,959
Selling, general and administrative expenses	3,635	4,198
Operating profit (loss)	(528)	(238)
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	-	3
Subsidy income	0	1
Other	2	3
Total non-operating income	3	8
Non-operating expenses		
Interest expenses	20	21
Foreign exchange losses	0	-
Commission expenses	8	-
Miscellaneous losses	-	0
Total non-operating expenses	29	21
Ordinary profit (loss)	(554)	(252)
Extraordinary income		
Gain on sale of non-current assets	0	0
Gain on sale of shares of subsidiaries and associates	-	70
Other	0	-
Total extraordinary income	0	71
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Impairment losses	203	62
Loss on valuation of investment securities	-	140
Loss on liquidation of subsidiaries and associates	51	-
Total extraordinary losses	255	207
Income (loss) before income taxes	(808)	(388)
Income taxes - current	37	113
Income taxes - deferred	(33)	(14)
Total income taxes	4	99
Profit (loss)	(813)	(487)
Income (loss) attributable to non-controlling interests	(24)	20
Income (loss) attributable to owners of parent	(788)	(508)

(Quarterly Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit (loss)	(813)	(487)
Comprehensive income	(813)	(487)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(788)	(508)
Comprehensive income attributable to non-controlling interests	(24)	20

(3) Notes for the Quarterly Consolidated Financial Statements

Change in accounting policy

"Accounting Standards for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter referred to as the '2022 Revised Accounting Standards') and other related standards have been applied from the beginning of the first quarter of FY2025.

Regarding the amendments related to the classification of income taxes (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 "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Guidance"). There is no impact on the quarterly consolidated financial statements due to this change in accounting policy.

In addition, the revision related to the review of the treatment in the consolidated financial statements in the case of deferring the gain or loss on the sale of subsidiary shares, etc. between consolidated companies for tax purposes has been applied from the beginning of the first quarter of FY2025. The change in accounting policy is applied retrospectively, so the previous quarterly consolidated accounting period and previous consolidated accounting year have been applied to quarterly consolidated financial statements and the consolidated financial statements after the retrospective application. There is no impact on both statements of the previous quarterly consolidated accounting period and the previous consolidated accounting year due to the change in accounting policy.

Additional Information

(Stock-granting ESOP trust)

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

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 Company's shares were acquired as outlined below.

(1) Overview of the additional contribution to the trust fund and acquisition of the Company's shares

Type of trust	Monetary trust other than a special single-beneficiary monetary trust (third-party trust)
Purpose of the trust	Granting of incentives to eligible employees
Grantor	The Company
Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
Beneficiaries	Eligible employees who meet the beneficiary criteria
Trust administrator	A third party with no conflict of interest with the Company (certified public accountant)
Trust agreement date	September 1, 2023
Trust period	September 1, 2023 to September 30, 2025 (planned)
Start date of the plan	September 5, 2023
Exercise of voting rights	The trustee will exercise the voting rights for the Company's shares in accordance with the instructions of the trust administrator, which reflect the intentions of the potential beneficiaries.
Funds for acquiring additional shares	83 million yen
Number of additional shares acquired	230,000 shares
Date of acquiring additional shares	June 12, 2024
Method of acquiring shares	Acquired through third-party allocation of treasury stock

(2) Shares of the Company remain in the trust

The Company's shares remaining in the trust are recorded as treasury stock in the net assets section at the book value in the trust (excluding the amount of incidental expenses). The book value and number of shares of treasury stock at the end of the previous consolidated fiscal year were 179 million yen and 456,800 shares, and at the end of the third quarter of FY2025 were 247 million yen and 645,263 shares.

Segment Information

[Segment Information]

I. Previous the third quarter consolidated accounting period (from April 1, 2023 to December 31, 2023)

1. Information on sales and profit (loss) amounts by reportable segment, and breakdown of revenue

(Unit: millions of yen)

	Reporting Business Segments				Adjustment[*1]	Amounts in the consolidated financial statement[*2]
	AI Products	AI Platform	Other Services	Total		
Net Sales						
Revenue from contracts with customers	955	3,820	945	5,722	-	5,722
Net sales to external customers	955	3,820	945	5,722	-	5,722
Intersegment revenues or transfer	-	-	-	-	-	-
Total	955	3,820	945	5,722	-	5,722
Segment Profit (Loss)	(258)	1,103	28	873	(1,402)	(528)

Notes: 1. The adjustment amount for segment profit (loss) is a common cost for segments.
2. Segment profit (loss) is consistent with the operating loss in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill, etc. by reportable segment

Significant impairment loss on non-current assets

The amount of impairment loss on non-current assets recorded for each segment was 164 million yen for the AI Products Business segment, and 38 million yen for the AI Platform Business segment.

Significant changes in the amount of goodwill

In the segment of the Other Services Business, the Company acquired the shares of STADIUM in the first quarter of FY2024 and included them in the scope of consolidation, however, the acquisition cost had not been fully allocated, the amount of goodwill was provisionally calculated and recorded as 2,284 million yen. During the third quarter of FY2024, the allocation of the acquisition cost was completed, and the provisional accounting treatment was finalized, so the amount of goodwill was revised to 857 million yen.

Significant gain on negative goodwill

Not applicable.

II The Third Quarter Consolidated Accounting Period (From April 1, 2024 to December 31, 2024)

1. Information on sales and profit (loss) amounts by reportable segment, and breakdown of revenue

(Unit: millions of yen)

	Reporting Business Segments				Adjustment[*1]	Amounts in the consolidated financial statement[*2]
	AI Products	AI Platform	Other Services	Total		
Net Sales						
Revenue from contracts with customers	2,078	3,785	1,272	7,137	-	7,137
Net sales to external customers	2,078	3,785	1,272	7,137	-	7,137
Intersegment revenues or transfer	28	143	51	223	(223)	-
Total	2,107	3,929	1,324	7,360	(223)	7,137
Segment Profit (Loss)	237	1,002	60	1,300	(1,538)	(238)

Notes: 1. The adjustment amount for segment profit (loss) is a common cost for segments.
2. Segment profit (loss) is consistent with the operating loss in the quarterly consolidated statement of income.

2. Information on impairment loss on non-current assets, goodwill, etc. by reportable segment

Significant impairment loss on non-current assets

On the AI Platform Business, impairment loss of 62 million yen was recorded.

Significant changes in the amount of goodwill

Not applicable

Significant gain on negative goodwill

Not applicable.

Notes in the event of a significant change in the amount of shareholders' equity

I. Previous the third quarter consolidated accounting period (from April 1, 2023 to December 31, 2023)

(Significant change in the amount of shareholders' equity)

(1) Acquisition of treasury stock

Based on a resolution passed at a meeting of the Board of Directors held on March 22, 2023, the Company acquired 3,011,400 shares of treasury stock during the third quarter of FY2024. As a result, treasury stock increased by 1,165 million yen during the third quarter of FY2024.

The acquisition of treasury stock based on this resolution was completed on August 17, 2023.

(2) Disposal of treasury stock through third-party allotment

In conjunction with the introduction of the "Stock-granting ESOP Trust" based on a resolution of the Board of Directors meeting held on August 21, 2023, the Company disposed of 456,800 shares of treasury stock through third-party allotment. The Company's shares remaining in the trust are recorded as treasury stock. As a result, capital surplus and treasury stock increased by three million yen each in the third quarter of FY2025.

(3) Exercise of stock options

Capital stock and capital surplus increased by 48 million yen each due to the issuance of new shares through the exercise of stock options.

As a result, at the end of the first half of FY2024, capital stock was 2,385 million yen, capital surplus was 4,539 million yen, and treasury stock was 1,203 million yen.

II. The third quarter consolidated accounting period (from April 1, 2024 to December 31, 2024)

(Significant changes in the amount of shareholders' equity)

(1) Disposal of treasury stock through third-party allotment

At the Board of Directors meeting held on May 27, 2024, a resolution was passed to make an additional contribution to the "Stock-granting ESOP Trust." As a result, an additional contribution of 83 million yen was made to the trust, and 230,000 shares of the Company's stock were acquired. Therefore, during the third quarter of FY2025 capital surplus and treasury stock decreased by five million yen each.

Moreover, by providing treasury stock to employees through the "Stock-granting ESOP Trust," treasury stock decreased by 15 million yen.

(2) Exercise of stock options

As a result of the issuance of new shares through the exercise of stock options, capital stock and capital surplus increased by 35 million yen each.

Overall, at the end of the third quarter of FY2025, capital stock was 2,436 million yen, capital surplus was 4,584 million yen, and treasury stock was 1,182 million yen.

Notes on going concern assumption

Not applicable.

Notes on Cash Flows

No quarterly consolidated cash flow statement was prepared for the third quarter of FY2025. However, for this period, depreciation (including amortization of intangible fixed assets but excluding goodwill and customer-related assets) and amortization of goodwill and customer-related assets for the third quarter of the current consolidated fiscal year are as follows.

	The third quarter of FY2024 (from April 1, 2023 to December 31, 2023)		The third quarter of FY2025 (from April 1, 2024 to December 31, 2024)	
Depreciation	363	Million yen	417	Million yen
Amortization of Goodwill	86		110	
Amortization of Customer-related assets	71		106	

Business Combination

(Share Transfer of the Consolidated Subsidiaries)

The Company made a resolution on transfer of all shares of VisionWiz Inc. (hereinafter, "VisionWiz") to CoDMON, Inc. (hereinafter, "CoDMON") at the Board of Directors meeting held on November 20, 2024. On December 1, the share transfer agreement was concluded, and the share transfer was completed on the same day.

1. Details of Share Transfer
   (1) Name and description of business

Name	VisionWiz Inc.
Description of Business	Content distribution using image recognition AI

   (2) Name of counterparty

   CoDMON, Inc.

   (3) Reason for the share transfer

   To promote productivity improvements for customers, the Company has also been working to improve its own productivity and has been pursuing structural reforms since the fiscal year ending March 2024. While the VisionWiz business has the potential for further growth in the future, the Company believes that it is necessary to develop it with a better understanding of the childcare and education industries and to expand its sales channels, and it has therefore decided to transfer the shares of VisionWiz.

   The company to which the shares will be transferred, CoDMON, is a company that is contributing to society by developing ICT services for childcare and educational facilities, such as "CoDMON," and working on projects to improve the environment surrounding children. CoDMON has been introduced to approximately 20,000 childcare facilities in 47 prefectures, and has the No. 1 track record in terms of the number of facilities that have introduced the service (as of October 1, 2024).

   They believe that their deep understanding of the childcare and education industries and the knowledge they have gained through the introduction of their services will enable us to further accelerate the growth of VisionWiz's business, and the Company therefore decided to transfer the business to CoDMON. In addition, both companies will consider further strengthening their collaboration in the future, based on the idea that by mutually complementing each other's strengths, they will be able to further streamline the work of childcare and education facility staff in terms of photography and sharing, and improve convenience for parents, while also further strengthening their contribution to the childcare and education industry. Lastly, we will continue to promote structural reforms to improve our productivity.

   (4) Implementation date of the business transfer

   December 1, 2024

   (5) Matters concerning the outline of other transactions, including the legal form

   Share transfer with cash as payment

2. Summary of Accounting Procedures

(1) Amount of gain (loss) on transfer

Gain on sales of shares of subsidiaries and associates (Extraordinary income): 70 million yen

(2) The appropriate book value of assets and liabilities related to the transferred subsidiary, and their main components

Current assets:	64 million yen
Total assets:	64 million yen
Current liabilities:	34 million yen
Total liabilities:	34 million yen

(3) Investment accounted

The difference between the consolidated book value of the transferred shares and the share sale price has been recorded as “Gain on sales of shares of subsidiaries and associates” under extraordinary income.

3. The name of the segment to which the subsidiary belonged in the segment information disclosure

AI Product Business

4. Estimated profit (loss) of the divested subsidiary included in the consolidated income statement for the third quarter of FY2025

Net sales:	19 million yen
Operating loss:	116 million yen