To whom it may concern,

May 14, 2025

Company name: ExaWizards Inc.
Name of representative: Makoto Haruta,
Representative Director and President, CEO
(TSE Code No.4259)
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Executive Officer, Corporate Management
Division Manager, CFO

Notice of Differences between Consolidated Financial Forecast and Actual Results for the Full Year and Consolidated Financial Results for the Previous Year due to the Recording of Impairment Losses

ExaWizards Inc. (hereinafter, “the Company”) has recorded an impairment loss in the fourth quarter of the fiscal year ended March 31, 2025. As a result, there is a discrepancy between the full-year consolidated performance forecast for the fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025) announced on May 14, 2024, and the actual results, as well as between the previous fiscal year’s results (April 1, 2023 to March 31, 2024) and the current fiscal year’s results. The Company hereby announce these differences as follows.

1. Details about Impairment Losses

While reviewing its business plan from time to time in response to changes in the technological and market environment surrounding the Company, in the fourth quarter of the fiscal year ended March 31, 2025, the Company reduced the book value of an asset group whose profitability had declined to its recoverable amount, resulting in an impairment loss of 2,372 million yen in total. The main breakdown is as follows.

(1) Impairment of software assets

Since the emergence of generative AI, the rapid technological evolution of our business has made it more efficient to utilize generative AI than to utilize AI algorithms that had been previously capitalized as software assets. In response to these changes in the business environment, the Company carefully examined assets* that were below the expected returns assumed when they were capitalized as software assets and recorded an impairment loss of 792 million yen for software assets.

*Assets include AI algorithms in the AI Platform Business, CareWiz and exaBase Studio which were in conception phase, and exaBase Assessment & Learning (DIA) which was released in the past.

(2) Impairment of goodwill and customer-related assets

In 2023, the Company reviewed the book value of our subsidiary, STADIUM Co., Ltd., which it had acquired, and recorded 1,263 million yen in impairment. This was due to the fact that STADIUM's main business, sales agency services, was significantly affected by its clients' performance, resulting in more limited business growth than anticipated at the time of acquisition.

The remaining impairment loss of 316 million yen after deducting (1) and (2) is depreciation related to buildings and equipment.

2. Difference between consolidated earnings forecast and actual results for the fiscal year ending March 31, 2025

(1) Difference from the forecast of consolidated financial results for the year ended March 31, 2025

	Sales	Operating Profit	Ordinary Profit	Net profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Full year consolidated earnings forecast (A)	10,060	200	-	-
Actual results for the current fiscal year (B)	9,811	23	-	-
Change (B − A)	(249)	(177)	-	-
Percent Change (%)	(2.5%)	-	-	-

(2) Reason for difference

For the fiscal year ended March 31, 2025, despite strong performance in the AI Product Business, our overall sales fell short of expectations due to delays in the AI Platform Business during the third quarter. Operating profit also came in below forecast, affected by upfront investments in the AI Platform Business and temporary external resource costs. Despite improvement efforts in the fourth quarter, the Company was unable to achieve the full-year performance forecast set at the beginning of the fiscal year.

3. Difference between consolidated results for the fiscal year ended March 31, 2025, and actual results for the previous fiscal year

(1) Difference from actual results for the previous year ended March 31, 2024

	Sales	Operating Profit	Ordinary Profit	Net profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Actual results for the previous fiscal year (A) (Fiscal year ended March 31, 2024)	8,384	(305)	(330)	(610)
Actual results for the current fiscal year (B) (Fiscal year ended March 31, 2025)	9,811	23	2	(2,576)
Change (B − A)	1,426	329	332	(1,965)
Percent Change (%)	17.0%	-	-	-

(2) Reasons for differences

For the fiscal year ending March 2025, the Company recorded our highest-ever sales of 9,811 million yen, driven by remarkable growth in the AI Product business. Despite increased expenses, the growth in sales enabled us to achieve our first profitable year since our foundation, with an operating profit of 23 million yen and ordinary profit of 2 million yen.

However, the Company also recorded an extraordinary gain of 71 million yen from the transfer of subsidiary shares, while booking investment securities valuation losses of 140million yen, and impairment losses of 2,434 million yen as for full fiscal year. As a result, net loss attributable to owners of the parent increased from the previous fiscal year to 2,576 million yen.

For more details of the consolidated financial results for the fiscal year ended March 31, 2025, please refer to the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2025” released May 14, 2025.