

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 first half of FY2025 [Japanese GAAP]

November 12, 2024

Company name: ExaWizards Inc.

Listing: Tokyo

Securities code: 4259

URL: <https://exawizards.com/>

Representative: Makoto Haruta

Representative Director & President

Inquiries: Tomoaki Maekawa

Executive Officer Corporate Management Head of Function

Telephone: +81-3-6626-3602

Scheduled date to file interim securities report: November 12, 2024

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 first half of FY2025 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results

(Percentages indicate YoY changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	4,596	35.7	(245)	-	(254)	-	(418)	-
September 30, 2023	3,388	29.2	(534)	-	(542)	-	(768)	-

(Note) Comprehensive income: Six months ended September 30, 2024: ¥ (405) million [-%]
 Six months ended September 30, 2023: ¥ (785) million [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	(5.09)	-
September 30, 2023	(9.46)	-

(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	%
September 30, 2024	9,229	4,632	49.1
March 31, 2024	9,931	4,983	49.3

(Reference) Equity: As of September 30, 2024: ¥ 4,527 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: None

(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):

September 30, 2024: 85,436,400 shares

March 31, 2024: 85,121,600 shares

2) Number of treasury shares at the end of the period:

September 30, 2024: 3,070,163 shares

March 31, 2024: 3,111,700 shares

3) Average number of shares outstanding during the period:

Six months ended September 30, 2024: 82,229,808 shares

Six months ended September 30, 2023: 81,263,017 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 first half of FY2025). 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. (76,133 shares for the six months ended September 30, 2023; 528,421 shares for the first half of FY2025)

* Interim financial results reports are exempt from review conducted by certified public accountants or an audit firm.

* 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 first half of FY2025 (4) Overview of Consolidated Earnings Forecast" on page 4 of the attached document.

Appendix

Table of Contents

1. Overview of Operating Results for the first half of FY2025	4
(1) Overview of Operating Results	4
(2) Overview of Financial Position	6
(3) Overview of Cash Flows	6
(4) Overview of Consolidated Earnings Forecast	6
2. Consolidated Financial Statements and Primary Notes	7
(1) Interim Consolidated Financial Statements of Financial Position	7
(2) Interim Consolidated Statements of Income and Consolidated Statement of Comprehensive Income	9
(Interim Consolidated Statements of Income).....	9
(Interim Consolidated Statements of Comprehensive Income).....	10
(3) Interim Consolidated Statements of Cash Flows	11
(4) Notes for the Interim Consolidated Financial Statements	13
Notes on going concern assumption.....	13
Notes in the event of a significant change in the amount of shareholders' equity.....	13
Change in accounting policies	15
Additional Information.....	15
Segment Information.....	17

(Reference)

As used in this document, “the first half of FY2025” refers to our consolidated accounting period which is from April 1 to September 30, 2024.

1. Overview of Operating Results for the first half 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 subsidiary STADIUM Co.

Consolidated Results of Operations

Net sales

Net sales for the first half of FY2025 were 4,596 million yen (+35.7% YoY). This was due to an increase in the number of users of our services in the AI Products Business and AI Platform Business.

Cost of sales, gross profit

Cost of sales for the first half of FY2025 was 2,069 million yen (+27.6% YoY). Main reason for this was to an increase in personnel expenses and system usage fees, which are included in the cost of sales. As a result, gross profit for the first half of FY2025 was 2,526 million yen (+43.1% YoY), and the gross profit margin was 55.0%.

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

Selling, general and administrative expenses for the first half of FY2025 were 2,772 million yen (+20.5% YoY). This was due to the increase in personnel expenses, depreciation and amortization, and system usage fees, which are included in SG&A expenses. As a result, the operating loss for the first half of FY2025 was 245 million yen (compared to an operating loss of 534 million yen in the same period of the previous year).

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

Non-operating income for the first half of FY2025 was six million yen, and non-operating expenses were 14 million yen. As a result, the ordinary loss for the first half of FY2025 was 254 million yen (ordinary loss of 542 million yen for the same period of the previous year).

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

The interim net loss before taxes for the first half of FY2025 was 398 million yen (interim net loss before taxes of 787 million yen for the same period of the previous year). This was due to the recording of a loss on valuation of investment securities of 140 million yen as an extraordinary loss, as the actual value of some of the investment securities held by the Company fell below their book value.

As a result, the net loss attributable to the parent company for the first half of FY2025 was 418 million yen (compared to a net loss attributable to the parent company of 768 million yen for the same period of the previous year).

Segment Results

AI Products Business

In the first half of FY2025, in addition to expanding sales of existing products, we also worked on developing new 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 and local governments, “exaBase DX Assessment & Learning,” has been performing well, with the number of companies that have introduced the program reaching 1,914 as of September 2024, and the number of users reaching approximately 260,000. “exaBase Generative AI” was also performing well, with 672 companies having adopted it as of September 2024, and the number of users exceeding 60,000.

To respond to this strong demand from our customers, we made upfront investments in the development and sales of new products, and as a result, both the cost of sales and SG&A expenses increased, with personnel expenses, outsourcing expenses, and system usage fees all rising.

Overall, net sales were 1,274 million yen (+154.6% YoY), gross profit was 868 million yen (+276.3% YoY), the gross profit margin was 68.1%, and operating income was 38 million yen (compared to an operating loss of 224 million yen in the same period of the previous year).

AI Platform Business

During the first half of FY2025, we continued to collaborate with many major companies to create innovations through AI projects. The strong needs of companies for AI and DX support also provided a boost, and sales increased with both new customers and long-term continuing customers*. In addition, we strategically reallocated the resources of a part of our consolidated subsidiary, Xware Corporation, from projects for external customers to internal functional development (such as exaBase Studio functional development). As a result, net sales were 2,605 million yen (+8.9% YoY), gross profit was 1,437 million yen (+10.7% YoY), the gross profit margin was 55.2%, operating profit was 688 million yen (+14.8% YoY), and the ratio of sales to long-term, continuing customers* to net sales was 70.0%.

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

Other Services Business

During the first half of FY2025, we launched “Dr.Tel,” which aims to visualize and improve call quality using AI, and accelerated Sales Tech services that are highly compatible with existing sales agency services, while providing comprehensive support in the area of sales activities that start with data. As a result, net sales were 850 million yen (+71.6% YoY), gross profit was 358 million yen (+46.2% YoY), gross profit margin was 42.2%, and operating income was 23 million yen (-10.6% YoY).

(2) Overview of Financial Position

Assets

Total assets at the end of the first half of FY2025 were 9,229 million yen, a decrease of 702 million yen compared to the end of the previous consolidated fiscal year. The reason for this was because of a decrease of 495 million yen in cash and deposits and 287 million yen in accounts receivable and contract assets, respectively.

Liabilities

Total liabilities at the end of the first half of FY2025 were 4,596 million yen, a decrease of 351 million yen compared to the end of the previous consolidated fiscal year. The reason for this was because of a decrease of 210 million yen in accounts payable and a decrease of 150 million yen in loans payable.

Net assets

Total net assets at the end of the first half of FY2025 were 4,632 million yen, a decrease of 351 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 418 million yen.

(3) Overview of Cash Flows

Cash and cash equivalents at the end of the first half of FY2025 were 2,993 million yen, a decrease of 495 million yen compared to the end of the previous consolidated fiscal year.

The status of each cash flow and the factors behind them are as follows.

Cash flow from operating activities

Cash flow from operating activities was a net income of three million yen (compared to a net loss of 96 million yen in the same period of the previous year). Positive factors were depreciation and amortization of 257 million yen and an increase in accounts receivable of 287 million yen. Meanwhile there were also negative factors such as a net loss before taxes of 398 million yen, an increase in other current assets of 296 million yen, and a decrease of 174 million yen in accounts payable and accrued expenses.

Cash flow from investing activities

Cash flow from investing activities resulted in an expenditure of 386 million yen (compared to an expenditure of 2,521 million yen in the same period of the previous year). This was because of the 358 million yen spent on the acquisition of intangible fixed assets and the 70 million yen spent on the acquisition of tangible fixed assets.

Cash flow from financing activities

Cash flow from financing activities was an outflow of 111 million yen (an inflow of 1,480 million yen in the same period of the previous year). This was due to the 150 million yen spent on the repayment of long-term loans.

(4) 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) Interim Consolidated Statements of Financial Position

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	3,489	2,993
Accounts receivable - trade and contract assets	1,851	1,563
Other	178	463
Total current assets	5,518	5,021
Non-current assets		
Property, plant and equipment	320	313
Intangible assets		
Goodwill	894	820
Customer-related assets	1,746	1,674
Software	903	1,035
Other	0	0
Total intangible assets	3,544	3,531
Investments and other assets		
Investment securities	181	40
Other	366	322
Total investments and other assets	548	363
Total non-current assets	4,413	4,208
Total assets	9,931	9,229
Liabilities		
Current liabilities		
Current portion of long-term borrowings	300	300
Accounts payable - other	660	450
Accrued expenses	460	452
Income taxes payable	41	52
Contract liabilities	131	190
Provision for bonuses	20	-
Other	192	184
Total current liabilities	1,806	1,630
Non-current liabilities		
Long-term borrowings	2,550	2,400
Retirement benefit liability	72	72
Asset retirement obligations	75	76
Deferred tax liabilities	443	418
Total non-current liabilities	3,141	2,966
Total liabilities	4,948	4,596

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Net assets		
Shareholders' equity		
Share capital	2,401	2,420
Capital surplus	4,555	4,568
Retained earnings	(860)	(1,279)
Treasury shares	(1,203)	(1,182)
Total shareholders' equity	4,892	4,527
Share acquisition rights	38	38
Non-controlling interests	52	66
Total net assets	4,983	4,632
Total liabilities and net assets	9,931	9,229

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

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	3,388	4,596
Cost of sales	1,622	2,069
Gross profit	1,766	2,526
Selling, general and administrative expenses	2,301	2,772
Operating profit (loss)	(534)	(245)
Non-operating income		
Interest and dividend income	0	0
Foreign exchange gains	-	4
Subsidy income	0	1
Other	1	0
Total non-operating income	2	6
Non-operating expenses		
Interest expenses	5	14
Foreign exchange losses	0	-
Commission expenses	4	-
Miscellaneous losses	-	0
Total non-operating expenses	10	14
Ordinary profit (loss)	(542)	(254)
Extraordinary income		
Gain on sale of non-current assets	0	0
Other	0	-
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	3
Impairment losses	203	-
Loss on valuation of investment securities	-	140
Loss on liquidation of subsidiaries and associates	42	-
Total extraordinary losses	245	144
Income (loss) before income taxes	(787)	(398)
Income taxes - current	17	32
Income taxes - deferred	(19)	(25)
Total income taxes	(1)	6
Profit (loss)	(785)	(405)
Income (loss) attributable to non-controlling interests	(16)	13
Income (loss) attributable to owners of parent	(768)	(418)

(Interim Consolidated Statements of Comprehensive Income)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Interim profit (loss)	(785)	(405)
Interim comprehensive income	(785)	(405)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(768)	(418)
Comprehensive income attributable to non-controlling interests	(16)	13

(3) Interim Consolidated Statements of Cash Flows

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from operating activities		
Loss before income taxes	(787)	(398)
Depreciation	237	257
Amortization of goodwill	43	73
Amortization of customer-related assets	35	71
Loss on retirement of non-current assets	0	3
Impairment losses	203	-
Loss (gain) on sale of property, plant and equipment	(0)	(0)
Loss on liquidation of subsidiaries and associates	42	-
Interest and dividend income	(0)	(0)
Interest expenses	5	14
Subsidy income	(0)	(1)
Decrease (increase) in trade receivables	52	287
Loss (gain) on valuation of investment securities	-	140
Decrease (increase) in other current assets	12	(296)
Increase (decrease) in accounts payable - other, and accrued expenses	196	(174)
Increase (decrease) in income taxes payable - factor based tax	(1)	1
Increase (decrease) in contract liabilities	11	58
Increase (decrease) in other current liabilities	(126)	(12)
Increase (decrease) in retirement benefit liability	(6)	(0)
Other, net	8	0
Subtotal	(74)	24
Interest and dividends received	0	0
Interest paid	(5)	(14)
Subsidies received	0	1
Income taxes paid	(17)	(8)
Net cash provided by (used in) operating activities	(96)	3
Cash flows from investing activities		
Purchase of property, plant and equipment	(31)	(70)
Purchase of intangible assets	(428)	(358)
Purchase of investment securities	(181)	-
Proceeds from liquidation of subsidiaries and associates	-	21
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,870)	-
Purchase of insurance funds	(5)	(5)
Payments of leasehold and guarantee deposits	(6)	(0)
Proceeds from refund of leasehold and guarantee deposits	3	26
Net cash provided by (used in) investing activities	(2,521)	(386)

(Millions of yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Cash flows from financing activities		
Proceeds from long-term borrowings	2,700	-
Repayments of long-term borrowings	(102)	(150)
Purchase of treasury shares	(1,165)	-
Proceeds from issuance of shares resulting from exercise of share acquisition rights	49	38
Net cash provided by (used in) financing activities	1,480	(111)
Net increase (decrease) in cash and cash equivalents	(1,136)	(495)
Cash and cash equivalents at beginning of period	5,231	3,489
Cash and cash equivalents at end of period	4,094	2,993

(4) Notes for the Interim Consolidated Financial Statements

[Notes on going concern assumption]

Not applicable.

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

I. Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)

1. Dividend payments

Not applicable.

2. Dividends for which the record date falls within the first half of FY2024, but for which the effective date falls after the end of the first half of FY2024

Not applicable

3. Significant changes 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 first half of FY2024. As a result, treasury stock increased by 1,165 million yen during the first half 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 first half of FY2025.

(3) Exercise of stock options

Capital stock and capital surplus increased by 24 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 2,361 million yen, capital surplus was 4,515 million yen, and treasury stock was 1,203 million yen.

II. Interim consolidated accounting period (from April 1, 2024 to September 30, 2024)

1. Dividend payment

Not applicable

2. Dividends for which the record date falls within the first half of FY2025, but for which the effective date falls after the end of the first half of FY2025

Not applicable

3. 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 first half 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 19 million yen each.

Overall, at the end of the first half of FY2025, capital stock was 2,420 million yen, capital surplus was 4,568 million yen, and treasury stock was 1,182 million yen.

[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 half 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 interim 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 interim consolidated accounting period. The change in accounting policy is applied retrospectively, so the previous interim consolidated accounting period and previous consolidated accounting year have been applied to interim consolidated financial statements and the consolidated financial statements after the retrospective application. There is no impact on both statements of the previous interim 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 (hereafter, 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 (hereafter, 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 first half of FY2025 were 247 million yen and 645,263 shares.

[Segment Information]
I. Previous interim consolidated accounting period (from April 1, 2023 to September 30, 2023)

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

(Unit: millions of yen)	Reporting Segment				Adjustment* ¹	Amounts in the consolidated financial statement* ²
	AI Products	AI Platform	Other	Total		
Net Sales						
Revenue from contracts with customers	500	2,392	495	3,388	-	3,388
Net sales to external customers	500	2,392	495	3,388	-	3,388
Intersegment revenues or transfer	-	-	-	-	-	-
Total	500	2,392	495	3,388	-	3,388
Segment Profit (Loss)	(224)	599	26	401	(936)	(534)

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 interim 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 “Other (Services Business),” the Company acquired the shares of STADIUM Co. in the first quarter of the fiscal year ended June 30, 2023 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 second quarter of the fiscal year ended September 30, 2023, the allocation of the acquisition cost was completed, and the provisional accounting treatment was finalized, so the amount of goodwill was revised to 804 million yen.

Significant gain on negative goodwill

Not applicable.

II Interim Consolidated Accounting Period (From April 1, 2024 to September 30, 2024)

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

(Unit: millions of yen)	Reporting Segment				Adjustment* ¹	Amounts in the consolidated financial statement* ²
	AI Products	AI Platform	Other	Total		
Net Sales						
Revenue from contracts with customers	1,254	2,527	814	4,596	-	4,596
Net sales to external customers	1,254	2,527	814	4,596	-	4,596
Intersegment revenues or transfer	19	78	35	133	(133)	-
Total	1,274	2,605	850	4,730	(133)	4,596
Segment Profit (Loss)	38	688	23	751	(996)	(245)

Notes: 1. The adjustment amount for segment profit (loss) is the elimination of inter-segment transactions and company-wide profit (loss) not allocated to each reporting segment.

2. Segment profit (loss) is consistent with the operating loss in the interim 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

Not applicable

Significant changes in the amount of goodwill

Not applicable

Significant gain on negative goodwill

Not applicable.