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ExaWizards Inc. (TSE 4259)
Consolidated Financial Results for the Fiscal Year Ended March 31, 2022(Unaudited)

Stock exchange listing: Tokyo Stock Exchange

Code number: 4259

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Consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31		% Change
	2021	2022	
Revenue	2,612	4,810	84.1
Operating profit	(508)	(201)	-
Ordinary profit	(451)	(97)	-
Net profit attributable to owners of parent	(592)	(137)	-
Comprehensive income	(589)	(179)	-
Basic EPS (yen)	(8.04)	(1.79)	-
Diluted EPS (yen)	-	-	-
Return on equity (%)	(27.1)	(3.1)	-
Ordinary profit to total assets (%)	(14.6)	(1.7)	-
Operating profit to net sales (%)	(19.5)	(4.2)	-
Equity in earnings of affiliated companies	-	-	-

(Notes 1) Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.

(Notes 2) On August 28, 2021, the Company conducted a 100-for-1 stock split. Basic EPS was calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2021.

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2021	As of March 31, 2022
Total assets	3,686	7,865
Net assets	2,383	6,633
Equity ratio	64.6%	83.8%
Net assets per share	31.64	82.44
Equity	2,382	6,589

Consolidated Results of Cash Flows

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31	
	2021	2022
Cash flows from operating activities	(528)	24
Cash flows from investing activities	(572)	(701)
Cash flows from financing activities	1,800	3,878
Cash and cash equivalents at the end of periods	2,337	5,537

Dividends

(In yen, unless otherwise stated)	FY2020	FY2021	FY2022 (Forecast)
At the end of Q1	-	-	-
At the end of Q2	-	-	-
At the end of Q3	-	-	-
At the end of Q4	-	-	-
Total	-	-	-

(Notes)Revisions to the forecasts of cash dividends most recently announced: No

Consolidated Financial Results Forecasts for FY2022

(In millions of yen, unless otherwise stated)	FY2022 (Forecast)	year over year % change
Revenue	7,000	45.5
	~6,500	~35.1
Operating profit	50	-
	~1	
Ordinary profit	50	-
	~1	
Net profit attributable to owners of parent	50	-
	~1	
Basic EPS (yen)	0.63	
	~0.01	

(Note) Revisions to the Consolidated Financial Results Forecasts most recently announced: No

Changes in Significant Subsidiaries Resulting from Change in Scope of Consolidation

Increase: Xware Corporation, VisionWiz Inc. and Exa Homecare Inc.

Decrease: QINGDAO EXAWIZARDS ELDERLY CARE&TECHNOLOGY CO., LTD

Application of special accounting treatments for preparing the quarterly consolidated financial statements

There has been no change.

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

(Note) For details, please refer to "2. Consolidated Financial Statements and Primary Notes (3) Notes to the consolidated financial statements (Change in Accounting Policy)".

Number of Issued Shares - Common Stock

	As of March 31, 2021	As of March 31, 2022
Number of issued shares including treasury stock	75,308,000	79,928,400
Number of treasury stock	-	-

	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022
Average number of shares during the period	73,754,250	76,831,883

(Note 1) On August 28, 2021, the Company conducted a 100-for-1 stock split. "Number of issued shares" and "Average number of shares during the period" were calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2021.

(Reference) Summary of non-consolidated business results

Non-consolidated Operating Results

(Amounts are rounded down to the nearest million yen)

(In millions of yen, unless otherwise stated)	Fiscal Year Ended March 31		% Change
	2021	2022	
Revenue	2,612	4,016	53.7
Operating profit	(412)	(110)	-
Ordinary profit	(348)	50	-
Net profit	(585)	(49)	-
Basic EPS (yen)	(7.94)	(0.65)	-
Diluted EPS (yen)	-	-	-

(Note 1) Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.

(Note 2) On August 28, 2021, the Company conducted a 100-for-1 stock split. Basic EPS was calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2021.

Non-consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2021	As of March 31, 2022
Total assets	3,670	7,696
Net assets	2,400	6,701
Equity ratio	65.4%	87.0%
Net assets per share	31.86	83.80
Equity	2,399	6,698

Supplementary Information

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

(1) Explanation of Operating Results

Overall

In the AI Platform segment, we aim to discover industrial and social issues in various industries and to innovate them through the continuous resolution of client's issues, based on our mission of "Solving social issues through Artificial Intelligence for future generations". In the AI Products segment, we provide a wide range of customers with AI software that can be immediately used in business with minimal additional adjustments, with the aim of solving social issues.

In the field of Digital Transformation (DX) and adoption of AI applications, where our group is developing the business, there is a growing appetite for corporate investment to promote DX, and the business environment continues to be favorable for both the AI Platform segment and the AI Products segment, with strong expectations for new orders from client companies.

Consolidated Results of Operations

Revenue:

Net sales for the consolidated fiscal year totaled ¥4,810,893 thousand (+84.1% year-on-year). As a result of working with several major clients on DX support with AI utilization and innovation through AI projects, the unit price per customer increased, especially for long term clients (Note 1). In addition, sales of Xware Corporation ("Xware"), which became a subsidiary of the Company, is consolidated from May 2021.

COGS, Gross Profit:

Cost of sales for the consolidated fiscal year totaled ¥1,761,412 thousand (+85.2% year-on-year). The main elements were personnel expenses, etc. In addition, due to the acquisition of Xware as a subsidiary, the personnel expenses of this company were included. As a result of the above, gross profit for the consolidated fiscal year was ¥3,049,481 thousand (+83.5% year-on-year), and the gross profit margin was 63.4%.

SG&A, Operating Profit:

Selling, general and administrative expenses for the consolidated fiscal year totaled ¥1,761,412 thousand (+85.2% year-on-year). The main elements are personnel expenses, recruiting expenses, and research and development expenses. As a result of the above, operating loss for the consolidated fiscal year was ¥201,419 thousand (-60.4% year-on-year).

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥159,231 thousand (+133.5% year-on-year). The main component is subsidy income from projects with the New Energy and Industrial Technology Development Organization (NEDO) and other organizations. Non-operating expenses totaled ¥55,283 thousand (+393.3% year-on-year). The main component was listing-related expenses.

As a result of the above, ordinary loss for the consolidated fiscal year was ¥97,470 thousand (-78.4% year-on-year).

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

Loss before income taxes and minority interests for the consolidated fiscal year totaled ¥194,353 thousand (-67.0% year-on-year). The main component of extraordinary income/loss was an impairment loss of ¥53,493 thousand posted for a portion of software with declining profitability among business assets held by the AI Products business and idle assets, and as expenses of ¥40,672 thousand related to the transfer of equity interests in a Chinese subsidiary and the termination of operations.

Net loss attributable to owners of the parent for the current fiscal year was ¥137,443 thousand yen (-76.8% year-on-year) due to the recording of ¥19,192 thousand in total income taxes in the profit direction in recognition of deferred tax assets described below.

(Note 1) Continuous revenue from the clients that ExaWizards maintains its contract for consecutive 4 quarters and more (excluding its revenue from exaBase Community)

Recognition of income taxes-deferred

In the fourth quarter of the fiscal year ending March 31, 2022, the Company decided to record a deferred tax asset and income taxes-deferred (gain) of 58,619 thousand yen as a result of careful consideration of the recoverability of deferred tax assets in light of recent business performance trends and other factors.

The impact of this matter on business results is described in the above "Extraordinary Income and Loss, Profit attributable to owners of Parent" within Consolidated Results of Operations.

Results of Operations by Segment

AI Platform:

In the consolidated fiscal year, we worked with several major clients on creating innovations through AI projects that utilize image and data analysis technologies utilizing machine learning, deep learning, and statistics. Strong corporate demand for AI-based DX support also provided a boost, and unit prices per customer increased, especially among long-term clients.

As a result, net sales totaled ¥4,180,233 thousand (+ 85.2% year-on-year), gross profit totaled ¥2,789,770 thousand (+ 63.6% year-on-year), gross profit margin was 66.7%, operating income totaled ¥713,554 thousand (+ 17.1% year-on-year), and the ratio of revenue from long term clients to net sales was 65.6%.

AI Products:

In the consolidated fiscal year, in addition to expanding sales of existing products, we also worked to develop new services based on the knowledge gained through the AI Platform segment.

In the DX AI Products group, the number of companies introducing "exaBase DX Assessment & Learning" for assessing and training corporate DX personnel and "exaBase Prediction & Analysis" for data utilization and analysis increased.

In the Social AI Products group, sales of "CareWiz Toruto" and "CareWiz Hanasuto" expanded through collaboration with their respective partner companies.

On the other hand, personnel costs and other expenses increased due to an increase in the number of employees in line with organizational expansion and upfront investments in product development.

As a result, net sales were ¥630,660 thousand (+ 77.4% year-on-year), gross profit was ¥259,710 thousand (a loss was recorded in the previous year), gross profit margin was 41.2%, and operating loss was ¥914,973 thousand (-15.5% year-on-year).

(2) Explanation of Financial Position

Assets

Total assets at the end of the current consolidated fiscal year amounted to ¥7,865,921 thousand, ¥4,179,740 thousand increase since the end of the previous consolidated fiscal year. This was primarily due to ¥3,200,177 thousand increase in cash and deposits due to activities including the issuance of new shares associated with listing on the Tokyo Stock Exchange Mothers (now Growth), ¥212,217 thousand increase in goodwill due to inclusion of Xware in consolidation, and ¥311,373 thousand increase in accounts receivable and contract assets due to expansion of business scale.

Liabilities

Total liabilities at the end of the current consolidated fiscal year amounted to ¥1,232,275 thousand, ¥70,611 thousand decrease since the end of the previous consolidated fiscal year. This was primarily due to ¥500,000 thousand decrease in short-term borrowings due to repayments, ¥76,544 thousand increase in accrued expenses, ¥65,686 thousand increase in income tax payable, ¥135,715 thousand increase in other current liabilities and ¥58,182 thousand increase in retirement benefit liability due to inclusion of Xware in consolidation and business expansion.

Net assets

Total net assets at the end of the current consolidated fiscal year amounted to ¥6,633,645 thousand, ¥4,250,351 thousand increase since the end of the previous consolidated fiscal year. This was primarily due to increases of ¥2,174,086 thousand in share capital and capital surplus respectively due to activities including the issuance of new shares associated with listing on the Tokyo Stock Exchange Mothers and others. As a result, equity ratio increased to 83.8% from 64.6% at the end of the previous fiscal year.

(3) Explanation of Cash Flow Statement

Cash and cash equivalents at the end of the current consolidated fiscal year amounted to ¥5,537,876 thousand, a ¥3,200,177 thousand increase since the end of the previous consolidated fiscal year. The status of each cash flow and its factors are as follows

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥24,212 thousand (net cash used in operating activities amounted to ¥528,129 thousand in the previous consolidated fiscal year). This was primarily due to negative factors such as loss before income taxes of ¥194,353 thousand and an increase in trade receivables of ¥281,930 thousand, and positive factors such as depreciation of ¥232,580 thousand, amortization of goodwill of ¥47,640 thousand, impairment losses of ¥53,493 thousand and an increase in other current liabilities of ¥116,370 thousand.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥701,151 thousand (previous fiscal year: ¥572,566 thousand). This was primarily due to ¥397,216 thousand for the purchase of intangible fixed assets and ¥230,444 thousand for the purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥3,878,007 thousand, up 115.4% since the previous consolidated fiscal year. This was primarily due to proceeds of ¥4,329,800 thousand from issuance of shares and a decrease of ¥500,000 thousand in short-term borrowings.

(4) Explanation of Consolidated Financial Results Forecasts and Other Forward-looking Statements

The consolidated financial forecast for the fiscal year ending March 31, 2023 is expected to be as follows.

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of Parent	EPS(Yen)
	Thousand Yen	Thousand Yen	Thousand Yen	Thousand Yen	Yen
Actual results for the year ended March 31, 2022 (A)	4,810,893	(201,419)	(97,470)	(137,443)	(1.79)
Forecast for the year ending March 31, 2023 (B)	7,000,000 ~ 6,500,000	50,000 ~ 1,000	50,000 ~ 1,000	50,000 ~ 1,000	0.63 ~ 0.01
Change (A-B)	2,189,107 ~ 1,689,107	251,419 ~ 202,419	147,470 ~ 98,470	187,443 ~ 138,443	2.42 ~ 1.80
Percentage Change (%)	45.5% ~	—	—	—	—

	35.1%				
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For the fiscal year ending March 31, 2023, we expect net sales of 6,500-7,000 million yen (growth of around 40% from the fiscal year ended March 31, 2022), and operating income/(loss) in the AI Platform and AI Products segments combined to be profitable.

The AI-related market continues to expand rapidly due to the expansion of the supply side, such as the development of technologies applicable to real industries and the expansion of human resources capable of implementing such technologies, and the demand side, such as the increase in the ratio of job offers due to the decline in the working population and the rapid need for digitization due to the new coronavirus and other factors. In this environment, the AI platform business will continue to strengthen its investment in business infrastructure and personnel structure centering on "exaBase," increase the number of projects that create impact on clients' businesses and large-scale projects, improve unit prices for existing clients, and acquire new clients.

In the AI Products business, we will continue to strengthen our partnerships and marketing sales expansion system, centering on "exaBase DX Assessment & Learning" in the DX AI Products domain and "CareWiz Toruto" and "CareWiz Hanasuto" in the social AI Products domain, to increase the number of installations and accelerate the accumulation of data and knowledge as well as business growth.

2. Basic Approach to the Selection of Accounting Standards

For the time being, the Group intends to prepare consolidated financial statements under Japanese GAAP, taking into consideration the comparability of consolidated financial statements from period to period and inter-company comparability.

In the future, the Group intends to consider the application of International Financial Reporting Standards (IFRS), taking into consideration the trends in the ratio of foreign shareholders and other factors.

3. Consolidated Financial Statements and Primary Notes

(1) Consolidated Balance Sheets

(In thousands of yen)	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	2,337,698	5,537,876
Accounts receivable - trade	603,525	-
Accounts receivable – trade and contract assets	-	914,899
Other	140,579	183,434
Total current assets	3,081,804	6,636,210
Non-current assets		
Property, plant and equipment		
Buildings	36,978	99,445
Accumulated depreciation	(19,373)	(15,730)
Buildings, net	17,605	83,715
Tools, furniture and fixtures	173,188	111,833
Accumulated depreciation	(119,599)	(68,928)
Tools, furniture and fixtures, net	53,589	42,904
Total property, plant and equipment	71,194	126,620
Intangible assets		
Goodwill	-	212,217
Software	392,050	594,848
Other	-	151
Total intangible assets	392,050	807,217
Investments and other assets		
Investment securities	485	-
Leasehold and guarantee deposits	129,855	100,912
Insurance funds	-	95,641
Deferred tax assets	-	55,896
Other	10,789	43,423
Total investments and other assets	141,131	295,873
Total non-current assets	604,376	1,229,711
Total assets	3,686,180	7,865,921

(In thousands of yen)	As of March 31, 2021	As of March 31, 2022
Liabilities and net assets		
Liabilities		
Current liabilities		
Short-term borrowings	500,000	-
Current portion of bonds payable	-	6,000
Current portion of long-term borrowings	15,000	29,086
Accounts payable - other	185,279	212,820
Accrued expenses	177,896	254,440
Income tax payables	6,187	71,874
Other	114,317	250,033
Total current liabilities	998,681	824,254
Non-current liabilities		
Long-term borrowings	300,000	310,132
Retirement benefit liability	-	58,182
Asset retirement obligations	-	39,707
Deferred tax liabilities	4,204	-
Total non-current liabilities	304,204	408,021
Total liabilities	1,302,886	1,232,275
Net assets		
Shareholders' equity		
Share capital	100,000	2,274,086
Capital surplus	2,885,349	5,059,436
Retained earnings	(606,716)	(744,159)
Total shareholders' equity	2,378,633	6,589,363
Accumulated other comprehensive income		
Foreign currency translation adjustment	4,061	-
Total accumulated other comprehensive income	4,061	-
Share acquisition rights	599	3,791
Non-controlling interests	-	40,490
Total net assets	2,383,294	6,633,645
Total liabilities and net assets	3,686,180	7,865,921

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(In thousands of yen)	Fiscal Year Ended March 31	
	2021	2022
Net sales	2,612,944	4,810,893
Cost of sales	951,343	1,761,412
Gross profit	1,661,600	3,049,481
Selling, general and administrative expenses	2,169,940	3,250,900
Operating profit (loss)	(508,339)	(201,419)
Non-operating income		
Interest and dividend income	90	44
Subsidy income	68,109	157,952
Other	3	1,235
Total non-operating income	68,202	159,231
Non-operating expenses		
Interest expenses	3,892	5,505
Foreign exchange losses	7,315	4,039
Listing expenses	-	45,347
Other	-	392
Total non-operating expenses	11,207	55,283
Ordinary profit (loss)	(451,345)	(97,470)
Extraordinary losses		
Loss on retirement of non-current assets	1,026	2,717
Impairment losses	136,750	53,493
Loss on liquidation of subsidiaries and associates	-	40,672
Total extraordinary losses	137,776	96,882
Profit (loss) before income taxes	(589,122)	(194,353)
Income taxes – current	6,187	32,438
Income taxes – deferred	(2,620)	(51,631)
Total income taxes	3,566	(19,192)
Profit (loss)	(592,688)	(175,160)
Profit (loss) attributable to non-controlling interests	-	(37,717)
Profit (loss) attributable to owners of parent	(592,688)	(137,443)

Consolidated Statements of Comprehensive Income

(In thousands of yen)	Fiscal Year Ended March 31	
	2021	2022
Profit (loss)	(592,688)	(175,160)
Other comprehensive income		
Foreign currency translation adjustment	3,515	(4,061)
Total other comprehensive income	3,515	(4,061)
Comprehensive income	(589,173)	(179,222)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(589,173)	(141,505)
Comprehensive income attributable to non-controlling interests	-	(37,717)

(3) Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2021

(in thousands of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	1,312,007	1,704,387	(1,045,123)	1,971,271
Changes during period				
Issuance of new shares	500,025	500,025	50,000	1,000,050
Issuance of new shares - exercise of share acquisition rights				
Increase (decrease) by share transfers	(1,712,032)	1,712,032		-
Deficit disposition		(1,031,095)	1,031,095	-
Profit attributable to owners of parent			(592,688)	(592,688)
Increase in consolidated subsidiaries - non-controlling interests				
Net changes in items other than shareholders' equity				
Total changes during period	(1,212,007)	1,180,961	438,407	407,361
Balance at end of period	100,000	2,885,349	(606,716)	2,378,633

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	546	546	389	-	1,972,207
Changes during period					
Issuance of new shares					1,000,050
Issuance of new shares - exercise of share acquisition rights					-
Increase (decrease) by share transfers					-
Deficit disposition					-
Profit attributable to owners of parent					(592,688)
Increase in consolidated subsidiaries - non-controlling interests					-
Net changes in items other than shareholders' equity	3,515	3,515	210	-	3,725
Total changes during period	3,515	3,515	210	-	411,086
Balance at end of period	4,061	4,061	599	-	2,383,294

For the fiscal year ended March 31, 2022

(in thousands of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	100,000	2,885,349	(606,716)	2,378,633
Changes during period				
Issuance of new shares	2,164,900	2,164,900		4,329,800
Issuance of new shares - exercise of share acquisition rights	9,186	9,186		18,373
Increase (decrease) by share transfers				
Deficit disposition				
Profit attributable to owners of parent			(137,443)	(137,443)
Increase in consolidated subsidiaries - non-controlling interests				
Net changes in items other than shareholders' equity				
Total changes during period	2,174,086	2,174,086	(137,443)	4,210,730
Balance at end of period	2,274,086	5,059,436	(744,159)	6,589,363

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	4,061	4,061	599	-	2,383,294
Changes during period					
Issuance of new shares					4,329,800
Issuance of new shares - exercise of share acquisition rights					18,373
Increase (decrease) by share transfers					-
Deficit disposition					-
Profit attributable to owners of parent					(137,443)
Increase in consolidated subsidiaries - non-controlling interests				78,207	78,207
Net changes in items other than shareholders' equity	(4,061)	(4,061)	3,192	(37,717)	(38,586)
Total changes during period	(4,061)	(4,061)	3,192	40,490	4,250,351
Balance at end of period	-	-	3,791	40,490	6,633,645

(4) Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows

(In thousands of yen)	Fiscal Year Ended March 31	
	2021	2022
Cash flows from operating activities		
Profit (loss) before income taxes	(589,122)	(194,353)
Depreciation	144,101	232,580
Amortization of goodwill	-	47,640
Loss on retirement of property, plant and equipment	1,026	2,717
Impairment losses	136,750	53,493
Interest and dividend income	(90)	(44)
Interest expenses	3,892	5,505
Foreign exchange losses (gains)	6,811	3,669
Subsidy income	(68,109)	(157,952)
Decrease (increase) in trade receivables	(226,174)	(281,930)
Decrease (increase) in other current assets	(11,708)	(23,654)
Increase (decrease) in accounts payable - other, and accrued expenses	59,902	64,108
Increase (decrease) in income taxes payable - factor based tax	(18,700)	58,498
Increase (decrease) in other current liabilities	(1,001)	116,370
Increase (decrease) in retirement benefit liability	-	711
Other, net	-	931
Subtotal	(562,420)	(71,707)
Interest and dividends received	90	44
Interest paid	(4,315)	(5,082)
Subsidies received	45,744	131,886
Income taxes paid	(7,227)	(30,928)
Net cash provided by (used in) operating activities	(528,129)	24,212
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,336)	(72,545)
Proceeds from sale of property, plant and equipment	-	3,046
Purchase of intangible assets	(495,073)	(397,216)
Purchase of shares of subsidiaries and associates	(485)	(32,634)
Payments for investments in capital of subsidiaries and associates	(10,779)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(230,444)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	-	(23,595)
Purchase of insurance funds	-	(13,277)
Proceeds from cancellation of insurance funds	-	5,402
Payments of leasehold and guarantee deposits	-	(67,620)
Proceeds from refund of leasehold and guarantee deposits	110	127,733
Net cash provided by (used in) investing activities	(572,566)	(701,151)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	500,000	(500,000)
Proceeds from long-term borrowings	300,000	-
Repayments of long-term borrowings	-	(45,566)
Redemption of bonds	-	(6,000)
Proceeds from issuance of shares	1,000,050	4,329,800
Proceeds from issuance of share acquisition rights	-	18,373
Proceeds from issuance of shares resulting from exercise of share acquisition rights	-	78,207
Proceeds from share issuance to non-controlling shareholders	210	3,192
Net cash provided by (used in) financing activities	1,800,260	3,878,007
Effect of exchange rate change on cash and cash equivalents	(1,487)	(890)
Net increase (decrease) in cash and cash equivalents	698,076	3,200,177
Cash and cash equivalents at beginning of period	1,552,252	2,337,698
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	87,370	-
Cash and cash equivalents at end of period	2,337,698	5,537,876

(5) Notes to the consolidated financial statements**Going Concern Assumption**

Not applicable.

Change in accounting policy

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and relevant revised ASBJ regulations effective from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result of this application, for some contracts where revenue was previously recognized at the time completion of acceptance inspection as stipulated in the contract, revenue has been recognized as a performance obligation is satisfied over a certain period of time. The Group selects input method to measure progress toward complete satisfaction of a performance obligation.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year ended March 31, 2022, was added to, or deducted from the opening balance of retained earnings of the fiscal year ended March 31, 2022, and thus the new accounting policy was applied from such opening balance. However, in accordance with the methods stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition, the new accounting standard is not retrospectively applied to the contracts if almost all revenue arising from them was recognized prior to the beginning of the fiscal year ended March 31, 2022, under the previous accounting methods. In addition, the Group has applied a method stipulated as the alternate (1) in Paragraph 86 of the Accounting Standard for Revenue Recognition, thereby modifications to the contracts that had been made prior to the beginning of the fiscal year ended March 31, 2022 were accounted for based on terms and conditions that reflect all the modifications, and the resulting cumulative effect is added to or subtracted from retained earnings at the beginning of the fiscal year ended March 31, 2022.

In addition, "Accounts receivable - trade," which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, is included in "Accounts receivable -trade and contract assets" for the current fiscal year. However, in accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made for the previous consolidated fiscal year using the new presentation.

This change has no effect on retained earnings at the beginning of the fiscal year ended March 31, 2022, and a minimal effect on the consolidated statement of income for the fiscal year ended March 31, 2022.

Segment Information

1. Overview of reportable segments

The Group's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Group has established business divisions by service, each of which formulates comprehensive strategies for the services it handles and develops business activities.

Accordingly, the Group's reportable segments consist of service segments based on business divisions and are classified as follows: the "AI platform business," which supports client companies in formulating their digital and AI strategies and systems, and provides DX support through the development and provision of algorithms and services accumulated by the Company and the "AI Products business" provides software based on those algorithms that can be provided as a general-purpose service.

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

The accounting method of the reportable segments is in accordance with the accounting policies adopted to prepare the consolidated financial statements.

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

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

For the Fiscal Year Ended March 31, 2021

(In thousands of yen)	AI Platform	AI Products	Total	Amounts in the consolidated financial statements
Net sales				
Net sales to external customers	2,257,499	355,444	2,612,944	2,612,944
Intersegment revenue or transfers	-	-	-	-
Total	2,257,499	355,444	2,612,944	2,612,944
Segment profit (loss)	566,773	(1,075,113)	(508,339)	(508,339)
Others				
Depreciation	52,009	92,091	144,101	144,101

(Note) 1. Total segment profit (loss) agrees with operating profit (loss) of consolidated statements of income.

2. The Group does not allocate assets to business segments for internal management purposes.

For the Fiscal Year Ended March 31, 2022

(In thousands of yen)	AI Platform	AI Products	Total	Amounts in the consolidated financial statements
Net sales				
Revenue from contracts with customers	4,180,233	630,660	4,810,893	4,810,893
Net sales to external customers	4,180,233	630,660	4,810,893	4,810,893
Intersegment revenue or transfers	-	-	-	-
Total	4,180,233	630,660	4,810,893	4,810,893
Segment profit (loss)	713,554	(914,973)	(201,419)	(201,419)
Others				
Depreciation	136,618	143,602	280,221	280,221

(Note) 1. Total segment profit (loss) agrees with operating profit (loss) of consolidated statements of income.

2. The Group does not allocate assets to business segments for internal management purposes.

Per Share information

(yen)	Fiscal Year Ended March 31	
	2021	2022
Net assets per share	31.64	82.44
Basic EPS	(8.04)	(1.79)
Diluted EPS	-	-

- (Note) 1. On August 28, 2021, the Company conducted a 100-for-1 stock split. Basic EPS was calculated assuming that the stock split was conducted at the beginning of the fiscal year ending March 31, 2021.
2. Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.
3. The bases for calculating net assets per share are as follows:

(In thousands of yen)	Fiscal Year Ended March 31	
	2021	2022
Total net assets (in thousands of yen)	2,383,294	6,633,645
Amount deducted from total net assets (in millions of yen)	599	44,282
(Of which, share acquisition rights (in millions of yen))	(599)	(3,791)
(Of which, non-controlling interests (in millions of yen))	-	(40,490)
Net assets at the end of the period related to common stock (in millions of yen)	2,382,694	6,589,363
Number of shares of common stock at the end of the period used to calculate net assets per share (shares)	75,308,000	79,928,400

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

(In thousands of yen)	Fiscal Year Ended March 31	
	2021	2022
Basic earnings per share		
Profit attributable to owners of parent (in millions of yen)	(592,688)	(137,443)
Amount not attributable to common shareholders (in millions of yen)	-	-
Profit attributable to owners of parent related to common stock (in millions of yen)	(592,688)	(137,443)
Average number of shares of common stock during the period (shares)	73,754,250	76,831,883
Overview of potential shares not included in the calculation of diluted earnings per share as they have no dilutive effect	Share acquisition rights: 18 types 98,400 units	Share acquisition rights: 22 types 103,821 units

Significant subsequent events

Nothing Applicable.