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ExaWizards Inc. (TSE 4259)
Consolidated Financial Results for the Three Months Ended June 30, 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)	Three Months Ended June 30		% Change
	2021	2022	
Revenue	-	1,196	-
Operating profit	-	(237)	-
Ordinary profit	-	(236)	-
Net profit attributable to owners of parent	-	(223)	-
Comprehensive income	-	(227)	-
Basic EPS (yen)	-	(2.77)	-
Diluted EPS (yen)	-	-	-

(Note 1) The figures for the three months ended June 30, 2021 and the year-on-year rates of changes for the three months ended June 30, 2022 are not disclosed, as the Company did not prepare consolidated financial statements for the three months ended June 30, 2021.

(Note 2) Diluted EPS is not stated because, although potential shares exist, basic loss per share was recorded.

Consolidated Financial Position

(In millions of yen, unless otherwise stated)	As of March 31, 2022	As of June 30, 2022
Total assets	7,865	7,633
Net assets	6,633	6,441
Equity ratio	83.8%	83.9%
Equity	6,589	6,401

Dividends

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

(Note)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

None.

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: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

Number of Issued Shares - Common Stock

	As of March 31, 2022	As of June 30, 2022
Number of issued shares including treasury stock	79,928,400	80,956,300
Number of treasury stock	-	-
	Three Months Ended June 30, 2021	Three Months Ended June 30, 2022
Average number of shares during the period	-	80,838,800

(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.

(Note 2) "Average number of shares during the period" for the three months ended June 30, 2021 is not disclosed, as the Company did not prepare consolidated financial statements for the three months ended June 30, 2021.

Supplementary Information

- Consolidated Financial Results are exempt from audit conducted by certified public accountants or audit firms.
- Previously, the amounts of accounts and other items presented in the Company's quarterly consolidated financial statements were stated in thousands of yen, but effective from the first quarter of the current consolidated fiscal year, the Company has changed to stating such amounts in millions of yen. In order to facilitate comparison, the figures for the previous consolidated fiscal year and the three months ended June 30, 2021 are also presented in millions of yen.
- A full set of materials is posted on <https://exawizards.com/en/ir>
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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 ¥1,196 million. 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).

COGS, Gross Profit:

cost of goods sold for the consolidated fiscal year totaled ¥535 million. The main elements were personnel expenses, etc. As a result of the above, gross profit for the consolidated fiscal year was ¥660 million, and the gross profit margin was 55.2%.

SG&A, Operating Profit:

Selling, general and administrative expenses for the consolidated fiscal year totaled ¥897 million. The main elements are personnel expenses and recruiting expenses.

As a result of the above, operating loss for the consolidated fiscal year was ¥237 million.

Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥1 million. Non-operating expenses totaled ¥0 million. As a result of the above, ordinary loss for the consolidated fiscal year was ¥236 million.

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

Loss before income taxes and minority interests for the consolidated fiscal year totaled ¥222 million. An extraordinary income of ¥13 million was recorded as a gain on the transfer of a part of the business belonging to the AI Products segment.

Net loss attributable to owners of the parent for the current fiscal year was ¥223 million yen due to the recording of ¥4 million in total income taxes. Effective from the current fiscal year, Japanese Group Relief System was introduced, and taxable income and losses among subsidiaries are aggregated for national tax calculations.

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

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 ¥1,057 million, gross profit totaled ¥620 million, gross profit margin was 58.7%, operating income totaled ¥41 million, and the ratio of revenue from long term clients to net sales was 71.6%.

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 ¥138 million, gross profit was ¥40 million, gross profit margin was 28.9%, and operating loss was ¥278 million.

(2) Explanation of Financial Position

Assets

Total assets at the end of the the first quarter ended June 30, 2022, amounted to ¥7,633 million, ¥232 million decrease since the end of the previous consolidated fiscal year. This was mainly due to decreases of ¥209 million and ¥64 million in accounts receivable and contract assets and cash and deposits, respectively, while intangible assets increased by ¥115 million mainly due to an increase in software.

Liabilities

Total liabilities at the end of the the first quarter ended June 30, 2022, amounted to ¥1,191 million, ¥40 million decrease since the end of the previous consolidated fiscal year. This was mainly due to a decrease of ¥50 million in income taxes payable as a result of tax payments.

Net assets

Total net assets at the end of the the first quarter ended June 30, 2022, amounted to ¥6,441 million, ¥191 million decrease since the end of the previous consolidated fiscal year. This was mainly due to a ¥223 million decrease in retained earnings.

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

The forecasts of consolidated financial results for the fiscal year ending March 31, 2023, have not changed from the forecast announced on May 11, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(In millions of yen)	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	5,537	5,473
Accounts receivable – trade and contract assets	914	705
Other	183	88
Total current assets	6,636	6,268
Non-current assets		
Property, plant and equipment	126	147
Intangible assets		
Goodwill	212	199
Software	594	723
Other	0	0
Total intangible assets	807	922
Investments and other assets	295	295
Total non-current assets	1,229	1,365
Total assets	7,865	7,633

(In millions of yen)	As of March 31, 2022	As of June 30, 2022
Liabilities and net assets		
Liabilities		
Current liabilities		
Current portion of bonds payable	6	6
Current portion of long-term borrowings	29	26
Accounts payable - other	212	227
Accrued expenses	254	292
Income tax payables	71	20
Other	250	215
Total current liabilities	824	789
Non-current liabilities		
Long-term borrowings	310	304
Retirement benefit liability	58	58
Asset retirement obligations	39	39
Total non-current liabilities	408	402
Total liabilities	1,232	1,191
Net assets		
Shareholders' equity		
Share capital	2,274	2,292
Capital surplus	5,059	5,077
Retained earnings	(744)	(967)
Total shareholders' equity	6,589	6,401
Share acquisition rights	3	3
Non-controlling interests	40	36
Total net assets	6,633	6,441
Total liabilities and net assets	7,865	7,633

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(In millions of yen)	Three Months Ended June 30	
	2022	
Net sales		1,196
Cost of sales		535
Gross profit		660
Selling, general and administrative expenses		897
Operating profit (loss)		(237)
Non-operating income		
Interest and dividend income		0
Subsidy income		0
Other		0
Total non-operating income		1
Non-operating expenses		
Interest expenses		0
Foreign exchange losses		0
Total non-operating expenses		0
Ordinary profit (loss)		(236)
Extraordinary income		
Gain on sale of businesses		13
Total extraordinary income		13
Profit (loss) before income taxes		(222)
Income taxes – current		5
Income taxes – deferred		(0)
Total income taxes		4
Profit (loss)		(227)
Profit (loss) attributable to non-controlling interests		(4)
Profit (loss) attributable to owners of parent		(223)

Consolidated Statements of Comprehensive Income

(In millions of yen)	Three Months Ended June 30	
	2022	
Profit (loss)		(227)
Comprehensive income		(227)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent		(223)
Comprehensive income attributable to non-controlling interests		(4)

(3) Notes to the consolidated financial statements

Going Concern Assumption

Not applicable.

Notes on significant changes in the amount of shareholders' equity

Not applicable.

Segment Information

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

For the Three Months Ended June 30, 2022

(In millions of yen)	AI Platform	AI Products	Total
Net sales			
Revenue from contracts with customers	1,057	138	1,196
Net sales to external customers	1,057	138	1,196
Intersegment revenue or transfers	-	-	-
Total	1,057	138	1,196
Segment profit (loss)	41	(278)	(237)

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