

February 14, 2023

**ExaWizards Inc. (TSE 4259)**  
**Consolidated Financial Results for the Nine Months Ended December 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)	Nine Months Ended December 31		% Change
	2021	2022	
Revenue	3,287	4,008	121.9
Operating profit	(357)	(425)	-
Ordinary profit	(352)	(423)	-
Net profit attributable to owners of parent	(395)	(413)	-
Comprehensive income	(414)	(429)	-
Basic EPS (yen)	(5.22)	(5.07)	-
Diluted EPS (yen)	-	-	-

(Note) 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 December 31, 2022
Total assets	7,865	7,540
Net assets	6,633	6,305
Equity ratio	83.8%	83.3%
Equity	6,589	6,278

**Dividends**

(In yen, unless otherwise stated)	FY2021	FY2022	FY2022 (Forecast)
At the end of Q1	-	-	
At the end of Q2	0	0	
At the end of Q3	-	-	
At the end of Q4	0		0
<b>Total</b>	0		0

(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	5,570	15.8
Operating profit	(410)	-
Ordinary profit	(410)	-
Net profit attributable to owners of parent	(120)	-
Basic EPS (yen)		

(Note) Revisions to the Consolidated Financial Results Forecasts most recently announced: Yes

### 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 December 31, 2022
Number of issued shares including treasury stock	79,928,400	82,725,100
Number of treasury stock	-	-
	Nine Months Ended December 31, 2021	Nine Months Ended December 31, 2022
Average number of shares during the period	75,813,044	81,434,033

(Note) 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.

### 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 Nine Months ended December 31, 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.

#### Consolidated Results of Operations

##### Revenue:

Net sales for the consolidated fiscal year totaled ¥4,008 million (+21.9% year-on-year). This was mainly due to the number of customers increased in the AI Platform segment.

##### COGS, Gross Profit:

Cost of goods sold for the consolidated fiscal year totaled ¥1,776 million (+42.0% year-on-year). This was mainly due to an increase in personnel and software depreciation.

As a result of the above, gross profit for the consolidated fiscal year was ¥2,231 million (+9.6% year-on-year), and the gross profit margin was 55.7%.

##### SG&A, Operating Profit:

Selling, general and administrative expenses for the consolidated fiscal year totaled ¥2,656 million (+11.0% year-on-year). The main elements were personnel expenses.

As a result of the above, operating loss for the consolidated fiscal year was ¥425 million (operating loss of ¥357 million in the same period of the previous year).

##### Non-Operating Income and Loss, Ordinary Profit:

Non-operating income for the consolidated fiscal year totaled ¥2 million. Non-operating expenses totaled ¥1 million.

As a result of the above, ordinary loss for the consolidated fiscal year was ¥423 million (ordinary loss of ¥352 million in the same period of the previous year).

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

Loss before income taxes and minority interests for the consolidated fiscal year totaled ¥410 million (loss before income taxes and minority interest of ¥398 million in the same period of the previous year). An extraordinary income of ¥13 million was recorded in the first quarter of the current fiscal year 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 ¥413 million (net loss attributable to owners of the parent of ¥395 million in the same period of the previous year) due to the recording of ¥19 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.

#### 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 the number of customers increased.

As a result, net sales totaled ¥3,460 million (+20.8% year-on-year), gross profit totaled ¥2,033 million (+7.5% year-on-year), gross profit margin was 58.8%, operating income totaled ¥221 million (-44.8% year-on-year), and the ratio of revenue from long term clients to net sales was 74.7%. (Note 1)

##### 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 mainly 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 ¥547 million (+29.1% year-on-year), gross profit was ¥197 million (+37.4% year-on-year), gross profit margin was 36.1 %, and operating loss was ¥647 million (operating loss of ¥758 million in the same period of the previous year).

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

## (2) Explanation of Financial Position

### Assets

Total assets at the end of the third quarter ended December 31, 2022, amounted to ¥7,540 million, ¥325 million decrease since the end of the previous consolidated fiscal year. This was mainly due to decreases of ¥652 million and ¥64 million in cash and deposits and other current assets, respectively, while intangible assets increased of ¥336 million mainly due to an increase in software.

### Liabilities

Total liabilities at the end of the third quarter ended December 31, 2022, amounted to ¥1,234 million, ¥2 million increase since the end of the previous consolidated fiscal year. This was mainly due to increase of ¥76 million in accrued expenses due to payroll-related expenses associated with an increase in the number of employees, while decreases of ¥41 million and ¥35 million in income tax payable and other current liabilities, respectively.

### Net assets

Total net assets at the end of the third quarter ended December 31, 2022, amounted to ¥6,305 million, ¥328 million decrease since the end of the previous consolidated fiscal year. This was mainly due to decrease of ¥413 million in net loss attributable to owners of the parent for the current fiscal year.

## (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 changed as follows, taking into consideration the current trends, the forecast for the fourth quarter, and the possibility of extraordinary income.

	Net Sales	Operating Profit	Ordinary Profit	Profit attributable to owners of Parent	EPS(Yen)
	Millions of Yen	Millions of Yen	Millions of Yen	Millions of Yen	Yen
Previous forecast (A) (As of May 11, 2022)	6,500 ~ 7,000	1 ~ 50	1 ~ 50	1 ~ 50	0.01 ~ 0.63
This time forecast (B) (As of Feb 14, 2023)	5,570	(410)	(410)	(120)	-
Change (A-B)	(930) ~ (1,430)	(411) ~ (460)	(411) ~ (460)	(121) ~ (170)	
Percentage Change (%)	(14.3%) ~ (20.4%)	-	-	-	
(Ref) Results for the previous year (Fiscal year ending Mar. 31, 2022)	4,810	(201)	(97)	(137)	(1.79)

For more information on this matter, please refer to the announcement of 14 February 2023, 'Notice Regarding Revision of Earnings Forecast and Record of Extraordinary Income'.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(In millions of yen)	As of March 31, 2022	As of December 31, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	5,537	4,885
Accounts receivable – trade and contract assets	914	896
Other	183	118
Total current assets	6,636	5,900
Non-current assets		
Property, plant and equipment	126	171
Intangible assets		
Goodwill	212	173
Software	594	969
Other	0	0
Total intangible assets	807	1,143
Investments and other assets	295	324
Total non-current assets	1,229	1,639
Total assets	7,865	7,540

(In millions of yen)	As of March 31, 2022	As of December 31, 2022
<b>Liabilities and net assets</b>		
Liabilities		
Current liabilities		
Current portion of bonds payable	6	3
Current portion of long-term borrowings	29	16
Accounts payable - other	212	242
Accrued expenses	254	331
Income tax payables	71	30
Other	250	214
Total current liabilities	824	837
Non-current liabilities		
Long-term borrowings	310	300
Retirement benefit liability	58	57
Asset retirement obligations	39	39
Total non-current liabilities	408	397
Total liabilities	1,232	1,234
Net assets		
Shareholders' equity		
Share capital	2,274	2,325
Capital surplus	5,059	4,474
Retained earnings	(744)	(521)
Total shareholders' equity	6,589	6,278
Share acquisition rights	3	3
Non-controlling interests	40	23
Total net assets	6,633	6,305
Total liabilities and net assets	7,865	7,540

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

### Quarterly Consolidated Statements of Income

(In millions of yen)	Nine Months Ended December 31	
	2021	2022
Net sales	3,287	4,008
Cost of sales	1,251	1,776
Gross profit	2,036	2,231
Selling, general and administrative expenses	2,393	2,656
Operating profit (loss)	(357)	(425)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	58	1
Other	1	1
Total non-operating income	59	2
Non-operating expenses		
Interest expenses	5	1
Foreign exchange losses	3	0
Listing expenses	45	-
Other	0	0
Total non-operating expenses	54	1
Ordinary profit (loss)	(352)	(423)
Extraordinary income		
Gain on sale of businesses	-	13
Total extraordinary income	-	13
Extraordinary losses		
Loss on sales of fixed assets	2	-
Impairment losses	3	-
Loss on liquidation of subsidiaries and associates	39	-
Total extraordinary losses	45	-
Profit (loss) before income taxes	(398)	(410)
Income taxes – current	9	21
Income taxes – deferred	1	(2)
Total income taxes	11	19
Profit (loss)	(410)	(429)
Profit (loss) attributable to non-controlling interests	(14)	(16)
Profit (loss) attributable to owners of parent	(395)	(413)

### Consolidated Statements of Comprehensive Income

(In millions of yen)	Nine Months Ended December 31	
	2021	2022
Profit (loss)	(410)	(429)
Other comprehensive income		
Foreign currency translation adjustment	(4)	-
Total other comprehensive income	(4)	-
Comprehensive income	(414)	(429)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(399)	(413)
Comprehensive income attributable to non-controlling interests	(14)	(16)

### (3) Notes to the consolidated financial statements

#### Going Concern Assumption

Not applicable.

#### Notes on significant changes in the amount of shareholders' equity

At the Ordinary General Meeting of Shareholders held on June 28, 2022, the Company resolved to reduce the amount of capital reserve and to appropriate retained earnings. And the resolution became effective as of July 8, 2022. As a result, capital reserve decreased by ¥1,735 million during the consolidated fiscal year, and the entire amount of the decrease was transferred to other capital surplus. In addition, the Company compensated for the deficit by transferring ¥635 million from other capital surplus to retained earnings, subject to the condition that the reduction in the amount of capital reserve takes effect.

Share capital and capital surplus increased by ¥50 million and ¥50 million, respectively, due to proceed from issuance of shares resulting from exercise of share.

As a result, share capital, capital surplus, and retained earnings at the third quarter ended December 31 amounted to ¥2,325 million, ¥4,474 million, and -¥521 million, respectively.

#### Segment Information

##### I. For the Nine Months Ended December 31, 2021

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

(In millions of yen)	AI Platform	AI Products	Total
Net sales			
Revenue from contracts with customers	2,863	423	3,287
Net sales to external customers	2,863	423	3,287
Intersegment revenue or transfers	-	-	-
Total	2,863	423	3,287
Segment profit (loss)	401	(758)	(357)

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

##### 2. Information on impairment losses on fixed assets or goodwill for each reportable segment

#### Significant Impairment Loss on Fixed Assets

Not applicable.

#### Significant changes in the amount of goodwill

In the AI Platform business segment, goodwill was recognized in the first quarter due to the acquisition of shares of Xware Corporation and its inclusion in the scope of consolidation. The amount of increase in goodwill due to this event was ¥225 million in the same period of the previous year.

#### Significant gain on negative goodwill

Not applicable.



**II. For the Nine Months Ended December 31, 2022**
**1. Information on the amount of sales and profit (loss) for each reportable segment**

(In millions of yen)	AI Platform	AI Products	Total
Net sales			
Revenue from contracts with customers	3,460	547	4,008
Net sales to external customers	3,460	547	4,008
Intersegment revenue or transfers	-	-	-
Total	3,460	547	4,008
Segment profit (loss)	221	(647)	(425)

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

**2. Information on impairment losses on fixed assets or goodwill for each reportable segment**
**Significant Impairment Loss on Fixed Assets**

Not applicable.

**Significant changes in the amount of goodwill**

Not applicable.

**Significant gain on negative goodwill**

Not applicable.

## Significant Subsequent Events

At a meeting of the Board of Directors held on February 14, 2023, ExaWizards Inc. (TSE 4259) resolved to transfer the business related to "CareWiz Hanasuto," a service for nursing care providers operated by the Company, to CARE CONNECT JAPAN, Inc. (hereinafter referred to as "CCJ") as of February 28, 2023, to further strengthen business cooperation between the Company and CCJ.

### I. Business Transfer

Since the release of "CareWiz Hanasuto" in April 2021, we have cooperated with CCJ, which has strength in nursing care recording and billing software, and in May 2022, we started a business alliance to further strengthen this effort and have collaborated in the creation and provision of services for nursing care providers by combining our AI technology with CCJ's nursing care big data. The two companies have been discussing business strategies in the mutual nursing care field and have agreed to further deepen our cooperative relationship, including consideration of an investment from the Company to CCJ. As part of this, we have agreed to transfer our "CareWiz Hanasuto" business to CCJ and to focus on new areas in the nursing care field, and to cooperate in promoting a strategy to support a wide range of operations related to the management of nursing care providers with the services of both companies. CCJ will incorporate "CareWiz Hanasuto," a product for voice input and recording that utilizes AI, into its service lineup in the field of nursing care recording, a field in which their excels, and will realize a flexible development and sales system under its own initiative, thereby further strengthening the services provided by them and improving business competitiveness. In addition, ExaWizards will accelerate the development and deployment of its existing AI Products, "CareWiz Toruto," and focus on the development of AI Products and its services in new areas that will contribute to solving issues related to the management of nursing care facilities.

### II. Outline of business to be transferred

#### 1. Assets to be transferred

Intangible fixed assets related to the business to be transferred  
Book value 114 million yen (as of December 31, 2022)

#### 2. Operating results of this business (April 1, 2021 to March 31, 2022)

Sales : 28 million yen

### III. Transfer price and method of settlement

Transfer price : 400 million yen (excluding tax)  
Settlement method : By cash transaction

### IV. Outline of Accounting Procedures

Accounting procedures are based on the "Accounting Standard for Business Divestitures" and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures". we expect to record an extraordinary gain of approximately 280 million yen in the fourth quarter of the fiscal year ending March 31, 2023, which is the transfer price minus the Book value related to the business.