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Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2024 (Japanese GAAP)

January 12, 2024

Company name  MetaReal Corp. Listing Market TSE

Stock Code 6182 URL <https://www.metareal.jp>

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Scheduled date of filing of quarterly report: January 12, 2024 Scheduled date of commencement of dividend payment -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefings: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2024 (March 1, 2023 to November 30, 2023)

(1) Consolidated Results of Operation (Cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Q3 FY2/24	3,178	△2.3	590	59.9	620	56.1	367	135.9
Q3 FY2/23	3,254	5.9	369	154.0	397	137.0	155	-

(Note) Comprehensive income Q3 FY2/24 367Millions of yen (135.9%) Q3 FY2/23 155Millions of yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Q3 FY2/24	34.34	33.84
Q3 FY2/23	14.60	14.37

(2) Consolidated Financial Position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
Q3 FY2/24	4,476		1,514		32.9	
FY2/23	4,220		1,133		25.9	

(Reference) Shareholders' equity Q3 FY2/24 1,473Millions of yen FY2/23 1,092Millions of yen

2. Dividend payment

	Annual dividend per share				
	End of Q1	End of Q2	End of Q3	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2/23	-	0.00	-	0.00	0.00
FY2/24	-	0.00	-	-	-
FY2/24 (Forecast)	-	-	-	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Business Forecasts for the Fiscal Year Ending February 29, 2024 (March 1, 2023 to February 29, 2024)

(Percentages indicate year-on-year changes.)

Full year	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	4,307	0.3	737	43.1	-	-	-	-	-

- (Note) 1. Revisions to the most recently announced business forecasts: Yes
2. For details on revisions to the consolidated business forecasts, please refer to the [Notice Regarding Revisions to the Consolidated Business Forecasts] announced on January 12, 2024.
3. Regarding [Ordinary income], [Net income attributable to owners of the parent] and [Net income per share] in the consolidated business forecasts for the fiscal year ending February 29, 2024, although uncertainties in financial plans such as fund-raising in terms of both liabilities and equity due to Metareal AI of new businesses have been mitigated, they include items with high forecasting difficulties such as non-operating income (loss) and extraordinary income (loss), and therefore they are not disclosed at this time. We plan to disclose specific figures promptly once we are able to make more accurate projections.

◆ Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

Full year	Net sales		Operating income	
	Millions of yen	%	Millions of yen	%
AI business	3,152	8.3	823	30.5
HT business	1,151	△16.0	160	△39.8
Metaverse business	3	△66.7	△231	-
Other corporate expenses	-	-	△14	-

- (Note) 1. Since the second quarter of the fiscal year ending February 29, 2024, the name of the reportable segment that had been the [MT business] has changed to the [AI business].
- Previously, the segment centered on AI translation was called the [MT business]. However, as for our future corporate strategy and current situation, we are looking at a broader range of AI services, including [generative AI], and we have changed the name to the [AI business] to represent the actual situation more appropriately.
- This is only a name change, and we have not revised the numerical classification. [Metareal AI], which had been included in the MT business until the first quarter of the consolidated fiscal year under review, is also included in the [AI business].
2. For details of revisions to the consolidated business forecasts by segment, please refer to the [Notice Regarding Revisions to Consolidated Business Forecasts] announced on January 12, 2024.

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Adoption of special accounting methods for presenting quarterly consolidated financial statements: Yes

(Note) For details, please refer to [2.Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Application of Accounting Procedures Specific to Preparation of Quarterly Consolidated Financial Statements)] on page 7 of the Appendix.

(3) Changes in accounting policies, changes in accounting estimates and restatements

① Changes in accounting policies due to revisions of accounting standards, etc.: None

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: Yes

④ Restatements: None

(Note) For details, please refer to [2.Quarterly Consolidated Financial Statements, (3) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Estimates)] on page 7 of the Appendix.

(4) Number of shares outstanding (common stock)

① Number of shares outstanding at the end of the period (including treasury stock)

Q3 FY2/24	10,768,460shares	FY2/23	10,688,460shares
Q3 FY2/24	468shares	FY2/23	468shares
Q3 FY2/24	10,714,930shares	Q3 FY2/23	10,682,490shares

② Treasury shares at the end of the year

③ Average number of shares outstanding during the period (cumulative)

※ This quarterly financial report is not subject to the quarterly review by a certified public accountant or an auditing firm.

※ Explanations and other special notes concerning the appropriate use of business forecasts

(Cautionary Statement with Respect to Forward-Looking Statements)

Forecasts of future performance and other forward-looking statements in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable at the time this report was prepared. The Company makes no promises concerning their achievement. Actual results may differ significantly from the forecasts due to various factors. Please refer to [1. Qualitative Information on Consolidated Financial Results (3) Consolidated Business Forecasts] on page 3 of the Appendix for the assumptions underlying the forecasts and cautions concerning the use thereof.

(Method of Obtaining Financial Results Briefing Materials)

Supplementary materials for financial results were disclosed on the TDnet on the same date.

○ Table of Contents of the Appendix

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Results of Operations	2
(2) Financial Position	2
(3) Consolidated Business Forecasts	3
2. Quarterly Consolidated Financial Statements and Major Notes	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	5
Quarterly Consolidated Statements of Income	
For the Nine-month Period	5
Quarterly Consolidated Statements of Comprehensive Income	
For the Nine-month Period	6
(3) Notes on Quarterly Consolidated Financial Statements	7
(Notes on Going Concern Assumptions)	7
(Notes on Significant Changes in Shareholders' Equity)	7
(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)	7
(Changes in Accounting Estimates)	7
(Additional Information)	7
(Notes to the Quarterly Consolidated Statements of Income)	7
(Segment Information)	8
(Per share Information)	10
(Significant Subsequent Events)	11

1. Qualitative Information on Quarterly Financial Results

(1) Results of Operations

During the third quarter of the consolidated fiscal year under review (March 1 to November 30, 2023), orders received, sales, and operating income in the AI business hit record highs. In the HT business segment, income compared to the same period of the previous fiscal year decreased, but the amount of loss incurred in the Metaverse business decreased.

As a result, our group posted net sales of 3,178,585 thousand yen (down 2.3% year on year), operating income of 590,631 thousand yen (up 59.9% year on year), ordinary income of 620,941 thousand yen (up 56.1% year on year), and profit attributable to owners of parent of 367,922 thousand yen (up 135.9% year on year) for the cumulative third quarter of the current fiscal year.

Excluding the Metaverse business, sales were 3,176,020 thousand yen (down 2.1% year on year) and operating income was 777,469 thousand yen (up 9.8% year on year).

The performance of each business segment is as follows:

Since the second quarter of the consolidated fiscal year under review, the name of the reportable segment that had been the [MT business] has changed to the [AI business]. This change had no impact on segment information.

① AI business

As for the AI business, activities for orders received were firm, at 2,389,780 thousand yen (up 14.2% year on year). Sales were 2,322,698 thousand yen (up 6.0% year on year) due to the impact of consigned projects etc., and segment income was 669,667 thousand yen (up 40.9% year on year), including the impact of upfront investment for the new business [Metareal AI]. As for the [Metareal AI] project, which was developed and provided in this fiscal year as a growth measure in the short to medium term, we have begun proposing and operating various solutions using generative AI, mainly for major customers, with the aim of contributing to results at an early stage.

② HT business

As for the HT business, sales were 853,322 thousand yen (down 19.1% year on year), and segment income was 117,627 thousand yen (down 45.2% year on year).

③ Metaverse business

Medium-to-short-term growth measures were shifted to the [Metareal AI] project. The Metaverse business reduced investment from a long-term perspective by 10±5 years. As a result, sales were 2,564 thousand yen (down 72.4% year on year), and segment loss was 186,837 thousand yen (segment loss of 338,856 thousand yen in the same period of the previous fiscal year).

(2) Financial Position

(Assets)

Current assets increased by 448,190 thousand yen from the end of the previous consolidated fiscal year to 3,421,467 thousand yen at the end of the third quarter of the consolidated fiscal year under review. This was due mainly to an increase of 403,142 thousand yen in cash and deposits, a decrease of 27,233 thousand yen in notes, accounts receivable and contract assets, and a decrease of 26,634 thousand yen in the allowance for doubtful accounts. Non-current assets decreased by 192,883 thousand yen from the end of the previous fiscal year to 1,054,549 thousand yen. This was due mainly to a decrease of 183,015 thousand yen in intangible assets and a decrease of 42,886 thousand yen in property, plant and equipment.

(Liabilities)

Current liabilities increased by 68,718 thousand yen from the end of the previous consolidated fiscal year to 2,058,210 thousand yen at the end of the third quarter of the consolidated fiscal year under review. This was due mainly to a decrease of 100,000 thousand yen in short-term loans payable, an increase of 99,144 thousand yen in income taxes payable, and an increase of 37,800 thousand yen in provision for bonuses. Non-current liabilities decreased by 194,431 thousand yen from the end of the previous fiscal year to 903,467 thousand yen. This was due mainly to a decrease of 181,985 thousand yen in long-term debt and an increase of 8,000 thousand yen in bonds.

(Net assets)

Net assets increased by 381,020 thousand yen from the end of the previous consolidated fiscal year to 1,514,339 thousand yen at the end of the third quarter of the consolidated fiscal year under review. This was due mainly to an increase of 367,922 thousand yen in retained earnings as a result of recording profit attributable to owners of the parent.

(3) Consolidated Business Forecasts

Our two management themes for the future are:

① [Metaverser] concept in the Metaverse business and its method [Metaverse × AI]

As a long-term growth strategy aiming to achieve results in five years or longer, the Metaverse business will focus on the Metaverser initiative and Metaverse × AI as a means of implementing it.

② AI-related business including [Metareal AI] project

We will continue to aim for stable growth in the AI business, which provides services such as [T-4OO] [T-3MT] for AI technical document translation and [Onyaku] for speech AI translation.

The [Metareal AI] project, which was launched in this fiscal year, will expand the target market from translation to document generation in general by utilizing various generative AI technologies, including GPTs, in the field of specialized documents, which is our strength. We will contribute to customer growth by providing mainly specialized document AI specializing in problem-solving specific to individual industries, government agencies, and individual companies, and by providing overwhelming work efficiency and support for the creation of new services.

We aim to grow by 5% to 20% through the AI business, including the [Metareal AI] project.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2023)	Current third quarter (November 30, 2023)
Assets		
Current assets		
Cash and deposits	2,523,695	2,926,838
Notes, accounts receivable and contract assets	280,313	253,080
Inventories	16,075	14,973
Other	195,242	241,991
Allowance for doubtful accounts	△42,051	△15,416
Total current assets	2,973,276	3,421,467
Non-current assets		
Property, plant and equipment	117,936	75,049
Intangible assets		
Goodwill	6,709	1,677
Software	647,051	467,329
Software in progress	572	7,281
Other	16,752	11,782
Total intangible assets	671,086	488,071
Investments and other assets		
Investment securities	86,071	141,277
Other	372,338	350,151
Total investments and other assets	458,409	491,429
Total non-current assets	1,247,433	1,054,549
Total assets	4,220,709	4,476,017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	74,270	77,579
Short-term borrowings	100,000	-
Current portion of long-term loans payable	385,980	415,980
Current portion of corporate bonds	134,000	164,000
Income taxes payable	28,913	128,057
Provision for bonuses	44,860	82,661
Advances received	859,439	882,640
Other	362,028	307,291
Total current liabilities	1,989,491	2,058,210
Non-current liabilities		
Corporate bonds	388,000	396,000
Long-term debt	669,550	487,565
Other	40,349	19,902
Total non-current liabilities	1,097,899	903,467
Total liabilities	3,087,391	2,961,677
Net assets		
Shareholders' equity		
Common stock	786,021	792,541
Capital surplus	1,759,968	1,766,488
Retained earnings	△1,452,866	△1,084,944
Treasury stock	△951	△951
Total shareholders' equity	1,092,171	1,473,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	-	58
Total accumulated other comprehensive income	-	58
Share subscription rights	41,146	41,146
Total net assets	1,133,318	1,514,339
Total liabilities and net assets	4,220,709	4,476,017

(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income
(Quarterly Consolidated Statements of Income)
(For the Nine-month Period)

(Thousands of yen)

	Previous third quarter (From March 1, 2022 to November 30, 2022)	Current third quarter (From March 1, 2023 to November 30, 2023)
Net sales	3,254,879	3,178,585
Cost of sales	1,153,946	1,020,829
Gross profit	2,100,932	2,157,755
Selling, general and administrative expenses		
Salaries, allowances and bonuses	560,851	530,909
Research and development expenses	220,388	103,173
Provision for bonuses	34,490	30,069
Retirement benefit expenses	5,281	5,298
Other	910,467	897,673
Total selling, general and administrative expenses	1,731,480	1,567,123
Operating income	369,452	590,631
Non-operating income		
Interest income	40	43
Foreign exchange gain	693	624
Subsidy income	15,181	3,770
Reversal of allowance for doubtful accounts	44,191	50,848
Other	1,447	2,036
Total non-operating income	61,554	57,323
Non-operating expenses		
Interest expenses	10,042	7,866
Share of loss of investments accounted for using equity method	14,109	14,549
Bond issuance expenses	6,624	3,088
Other	2,393	1,509
Total non-operating expenses	33,169	27,013
Ordinary income	397,836	620,941
Special income		
Income on sales of non-current assets	-	831
Total special income	-	831
Special loss		
Loss on sales and retirement of noncurrent assets	2,435	-
Impairment loss	-	2,826
Loss on valuation of investment securities	67,641	-
Total special loss	70,076	2,826
Income before income taxes	327,759	618,947
Income taxes	171,779	251,024
Net income	155,980	367,922
Net income attributable to owners of parent	155,980	367,922

(Quarterly Consolidated Statement of Comprehensive Income)

(For the Nine-month Period)

(Thousands of yen)

	Previous third quarter (From March 1, 2022 to November 30, 2022)	Current third quarter (From March 1, 2023 to November 30, 2023)
Net income	155,980	367,922
Other comprehensive income		
Valuation difference on available-for-sale securities	-	58
Total other comprehensive income	-	58
Comprehensive income	155,980	367,980
Comprehensive income (loss) attributable to:		
Owners of parent	155,980	367,980
Non-controlling interests	-	-

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Notes on Significant Changes in Shareholders' Equity)

Not applicable.

(Application of Accounting Procedures Specific to Preparation of the Quarterly Consolidated Financial Statements)

Income taxes are calculated by estimating a reasonable effective tax rate after tax-effect accounting for the consolidated fiscal year including the third quarter under review and multiplying it by the quarterly income before taxes.

However, if the calculation of tax expenses using the estimated effective tax rate yields a highly unreasonable result, then the statutory tax rate is used.

(Changes in Accounting Estimates)

(Changes in Estimates to Record Consigned Development Revenue)

We record revenue for consigned development based on the nature of each consigned development. If the entire consigned project is long-term and although the progress made in satisfying performance obligations cannot be reasonably estimated, recovering the costs incurred in satisfying the performance obligations is expected under [ASBJ Statement No. 29, Paragraph 45 of the Accounting Standard for Revenue Recognition] on the project with complex contractual relationship, we conduct treatment based on the cost recovery standard.

The application of the same paragraph is only under circumstances where it is difficult to reasonably estimate the degree of progress made in satisfaction of the performance obligations, and during the third quarter of the consolidated fiscal year under review, we have changed estimates for cases where the degree of progress has been able to be reasonably estimated in accordance with the progress of the project itself and the establishment of various contract terms, and have changed from treatment under the cost recovery method to the input method based on total cost. The difference between the cost and the previous estimate is recorded in net sales.

As a result, gross profit, operating income, ordinary income, and income before income taxes for the third quarter of the consolidated fiscal year under review have each increased by 120,735 thousand yen compared to the previous method.

The impact of this change on segment information is described under [Segment Information].

(Additional Information)

(Handling of Accounting and Disclosure for Application of the Group Comprehensive Accounting System)

We, and some of our domestic consolidated subsidiaries, have shifted from the consolidated tax payment system to the group-wide system since the first quarter of the consolidated fiscal year under review. Accordingly, accounting and disclosure of income taxes, local income taxes, and tax-effect accounting are handled in accordance with [Accounting and Disclosure for Application of the Group Comprehensive Accounting System] (PITF No. 42, August 12, 2021. Hereinafter [Practical Issues Task Force No. 42]). In addition, in accordance with Paragraph 32(1) of the Practical Issues Task Force No. 42, we do not deem the impact of changes in accounting policies due to the application of Practical Issues Task Force No. 42.

(Notes to the Quarterly Consolidated Statements of Income)

(1) Impairment loss

Previous third quarter (from March 1, 2022 to November 30, 2022)

Not applicable.

Current third quarter (from March 1, 2023 to November 30, 2023)

This information is omitted because it is not material.

(2) Loss on valuation of investment securities

Previous third quarter (from March 1, 2022 to November 30, 2022)

We have determined that the real value of the following holdings of investment securities (stocks with no market prices etc.) has declined significantly. Accordingly, we have recorded the difference in valuation under extraordinary losses, as losses on valuation of investment securities.

(Thousands of yen)

Investment securities	Loss on valuation of investment securities
Synamon Inc.	7,525
VoiceApp, Inc.	60,116

Current third quarter (from March 1, 2023 to November 30, 2023)

Not applicable.

(Segment Information)

[Segment Information]

I Previous third quarter (from March 1, 2022 to November 30, 2022)

Information on net sales and income or loss by reportable segment and breakdown of income

(Thousands of yen)

	Reportable Segments				Adjustment Note 1:	Amounts on the consolidated financial statements Note 2
	AI business	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	2,140,904	24,145	-	2,165,049	-	2,165,049
Human translation	25,038	1,030,033	-	1,055,071	-	1,055,071
Metaverse	-	-	9,285	9,285	-	9,285
Consigned development	25,473	-	-	25,473	-	25,473
Revenue from contracts with customers	2,191,416	1,054,178	9,285	3,254,879	-	3,254,879
Revenue recognition by period						
Goods or services that are transferred at one time	184,004	950,858	6,533	1,141,396	-	1,141,396
Goods or services that are transferred over a period of time	2,007,411	103,319	2,751	2,113,482	-	2,113,482
Revenue from contracts with customers	2,191,416	1,054,178	9,285	3,254,879	-	3,254,879
Net sales to unaffiliated customers	2,191,416	1,054,178	9,285	3,254,879	-	3,254,879
Intersegment sales or transfer	4,550	34,775	-	39,326	△39,326	-
Total	2,195,966	1,088,953	9,285	3,294,205	△39,326	3,254,879
Segment income or loss (△)	475,150	214,803	△338,856	351,098	18,353	369,452

(Note) 1. Adjustments to segment income or loss (△) of 18,353 thousand yen include elimination of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income or loss (△) is adjusted with operating income in the quarterly consolidated statements of income.

II Current third quarter (from March 1, 2023 to November 30, 2023)

1. Information on net sales and income or loss by reportable segment and breakdown of income

(Thousands of yen)

	Reportable Segments				Adjustment Note 1:	Amounts on the consolidated financial statements Note 2
	AI business (Note 3,4)	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	2,110,601	23,585	-	2,134,187	-	2,134,187
Human translation	38,126	829,736	-	867,863	-	867,863
Metaverse	-	-	2,564	2,564	-	2,564
Consigned development	173,970	-	-	173,970	-	173,970
Revenue from contracts with customers	2,322,698	853,322	2,564	3,178,585	-	3,178,585
Revenue recognition by period						
Goods or services that are transferred at one time	237,344	747,584	1,183	986,112	-	986,112
Goods or services that are transferred over a period of time	2,085,354	105,737	1,380	2,192,472	-	2,192,472
Revenue from contracts with customers	2,322,698	853,322	2,564	3,178,585	-	3,178,585
Net sales to unaffiliated customers	2,322,698	853,322	2,564	3,178,585	-	3,178,585
Intersegment sales or transfer	4,346	35,556	9,224	49,127	△49,127	-
Total	2,327,045	888,878	11,788	3,227,712	△49,127	3,178,585
Segment income or loss (△)	669,667	117,627	△186,837	600,457	△9,825	590,631

(Note) 1. Adjustments to segment income or loss (△) of △9,825 thousand yen include elimination of intersegment transactions and corporate expenses. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.

2. Segment income or loss (△) is adjusted with operating income in the quarterly consolidated statements of income.

3. Sales related to generative AI are included in [Machine translation] for platform-type sales, and sales related to consigned development are included in [Consigned development].

4. As described under [Changes in Accounting Estimates], we record revenue in the recording of consigned development based on the nature of each consigned development. If the entire consigned project is long-term and although the progress made in satisfying performance obligations cannot be reasonably estimated, recovering the costs incurred in satisfying the performance obligations is expected under [ASBJ Statement No. 29, Paragraph 45 of the Accounting Standard for Revenue Recognition] on the project with complex contractual relationship, we conduct treatment based on the cost recovery standard.

The application of the same paragraph is only under circumstances where it is difficult to reasonably estimate the degree of progress made in satisfaction of the performance obligations, and during the third quarter of the consolidated fiscal year under review, we have changed estimates for cases where the degree of progress has been able to be reasonably estimated in accordance with the progress of the project itself and the establishment of various contract terms, and have changed from treatment under the cost recovery method to the input method based on total cost. The difference between the cost and the previous estimate is recorded in net sales.

As a result, gross profit, operating income, ordinary income, and income before income taxes for the third quarter of the consolidated fiscal year under review have each increased by 120,735 thousand yen compared to the previous method.

2. Information on impairment loss on noncurrent assets or goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

This information is omitted because it is not material.

3. Changes in reportable segments

(Change of Segment Name)

Since the second quarter of the consolidated fiscal year under review, the name of the reportable segment that had been the [MT business] has changed to the [AI business]. This change was made to the segment name only. There was no impact on segment information. Segment information for the third quarter of the previous consolidated fiscal year also is presented under the new name.

(Per share Information)

Net income per share and the basis for calculating it, and diluted net income per share and the basis for calculating it are as follows.

	Previous third quarter (From March 1, 2022 to November 30, 2022)	Current third quarter (From March 1, 2023 to November 30, 2023)
(1) Net income per share	14.60 yen	34.34 yen
(Basis of calculation)		
Net income attributable to owners of parent (thousands of yen)	155,980	367,922
Amount not attributable to common shareholders (thousands of yen)	-	-
Net income attributable to owners of parent related to common stock (thousands of yen)	155,980	367,922
Average number of shares of common stock outstanding during the period (shares)	10,682,490	10,714,930
(2) Diluted net income per share	14.37 yen	33.84 yen
(Basis of calculation)		
Adjustment to net income attributable to owners of parent (thousands of yen)	-	-
Increase in number of common shares (shares)	175,751	155,997
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect, and that had changed significantly since the end of the previous fiscal year	-	-

(Significant Subsequent Events)

(Merger of Consolidated Subsidiaries)

At the meeting of the Board of Directors held on October 23, 2023, we resolved to conduct an absorption-type merger of Travel DX Corporation by MATRIX Corporation, our consolidated subsidiary, and conducted an absorption-type merger on December 1, 2023.

1. Summary of transactions

(1) Name and business of the companies subject to business combination

① Surviving company

Company name: MATRIX Corporation

Business description: VR business

② Absorbed company

Company name: Travel DX Corporation

Business description: Virtual travel business

(2) Effective date of the business combination

December 1, 2023

(3) Legal form of the business combination

Absorption-type merger in which MATRIX Corporation is the surviving company and Travel DX Corporation is the absorbed company

(4) Company name following the business combination

MATRIX Corporation

(5) Other matters related to the outline of the transaction

Aim of the business combination is to further improve management efficiency.

2. Outline of accounting treatment implemented

[Accounting Standard for Business Combinations] (ASBJ Statement No. 21, January 16, 2019) and [Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures] (ASBJ Guidance No. 10, January 16, 2019) have been accounted for as transactions under common control.