

Financial Results for the Third Quarter FY2024/3

ExaWizards Inc. (4259.T)

February 13, 2024

- 1 Executive Summary of the Third Quarter of Fiscal Year Ending March 31, 2024**
- 2 Summary of Financial Results for the Third Quarter of Fiscal Year Ending March 31, 2024**
- 3 Overview and Progress of the Business Segments**
- 4 Business Update**
- 5 Appendix**

01.

**Executive Summary
of the Third Quarter
of Fiscal Year Ending March 31, 2024**

Executive Summary of the Third Quarter of Fiscal Year Ending March 31, 2024

Result of Q3 of FY2024/3

- Sales reached 2,334 million yen (+68.4% year-on-year), the highest quarterly sales ever
- Operating income was 6 million yen (+144 million yen year-on-year), the first time in Q3 that the company returned to profitability

AI Products Segment

- exaBase DX Assessment & Learning/exaBase Generative AI continues to drive growth, with Q3 sales doubling to 455 million yen (+100.7% year-on-year)
- Q3 segment loss narrowed to -34 million yen (+30 million yen from Q2)

AI Platform Segment

- Q3 sales recovered growth to 1,428 million yen (+23.2% year-on-year)
- Q3 segment income grew to 504 million yen (+65.6% year-on-year). Profitability improved with a profit margin of 35.3% (+5.5 pt improvement from Q2)
- Q3 cumulative sales were 2,610 million yen (68.3% of sales) from long-term clients, maintaining a high level. At the same time, new clients with annual sales of 100 million yen or more were steadily developed

Other Services Segment

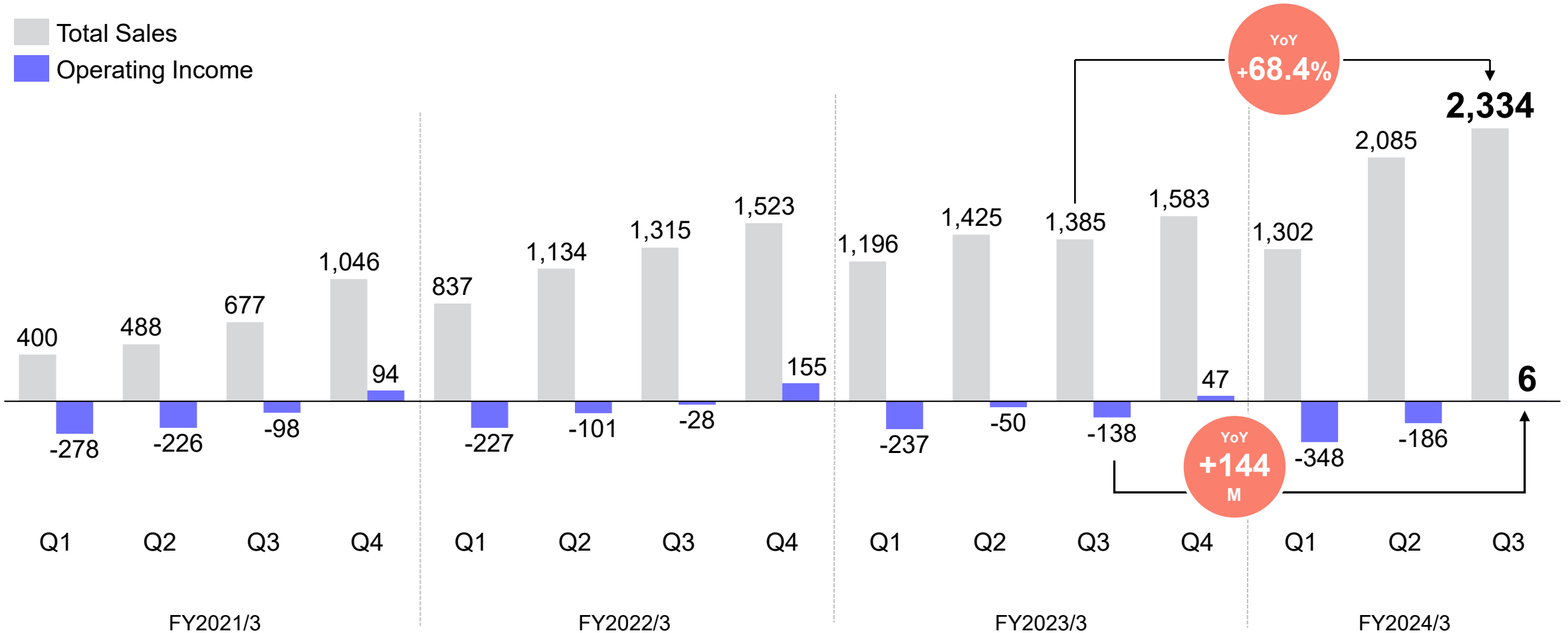
- STADIUM is developing its business with less seasonal fluctuation factors, with Q3 sales of 450 million yen and segment profit of 2 million yen, slightly down from Q2
- Structural reforms underway as part of PMI

**Summary of Financial Results
for the Third Quarter of
Fiscal Year Ending March 31, 2024**

Quarterly Trend of Financial Results

Sales reached a record high of 2,334 million yen (year-on-year +68.4%), and operating income of 6 million yen was the first time the company returned to profitability in Q3

(Quarterly) Consolidated Net Sales and Operating Income (Millions of yen)



Consolidated Statements of Income for the Q3 of the Fiscal Year Ending March 31, 2024

(JPY in Million)	FY2023/3 Q3	FY2024/3 Q3	FY2023/3 Cumulative Q3	FY2024/3 Cumulative Q3
Net Sales	1,385	2,334	4,008	5,722
Growth Rate (%)	+5.3%	+68.4%	+21.9%	+42.8%
Cost of Sales	644	993	1,776	2,615
Gross Profit	740	1,340	2,231	3,106
Gross Profit Margin (%)	53.5%	57.4%	55.7%	54.3%
Selling, General, and Administrative Expense	879	1,334	2,656	3,635
Operating Profit (Loss)	-138	6	-425	-528
Operating Profit (Loss) Margin (%)	-10.0%	0.3%	-10.6%	-9.2%
Non-operating Income	0	0	2	3
Non-operating Expenses	0	18	1	29
Ordinary Profit (Loss)	-137	-12	-423	-554
Extraordinary Profit	-	-	13	0
Extraordinary Losses	-	9	-	255
Profit (Loss) before Income Taxes	-137	-21	-410	-808
Total income taxes	7	5	19	4
Profit (Loss)	-145	-27	-429	-813
Profit (Loss) attributable to owners of Parent	-140	-20	-413	-788

Sales / Cost of goods sold

- Steady growth in both AI Products segment and AI Platform segment
- Stable sales of STADIUM, which is now part of our group
- Cost of goods sold includes the STADIUM cost of goods sold.

Selling, General, and Administrative Expense

- Increase in personnel and other expenses at STADIUM

Extraordinary Losses

- Impairment loss on software assets and expenses related to the closure of India/U.S. offices

Consolidated Balance Sheets for the Third Quarter FY2024/3

(JPY in Million)	March 2022	March 2023	FY2024/3 Q3
Current Assets	6,636	6,372	5,189
Cash and Deposits	5,537	5,231	3,614
Account Receivable – Trade and Contract Assets	914	1,032	1,421
Other	182	108	152
Non-Current Assets	1,229	1,567	4,424
Property, Plant and Equipment	126	165	207
Intangible Assets	807	1,114	3,740
Goodwill	212	160	931
customer-related assets	-	-	1,781
Software	594	954	1,027
Investments and Other Assets	295	287	476
Total Assets	7,865	7,939	9,613

- Goodwill and customer-related assets: Increase/recorded due to acquisition of STADIUM as a subsidiary

(JPY in Million)	March 2022	March 2023	FY2024/3 Q3
Current Liabilities	824	914	1,643
Short-term Borrowings	29	10	300
Account Payable – Other	212	225	448
Accrued Expenses	254	304	429
Other	327	374	465
Non-Current Liabilities	408	406	3,210
Long-term Borrowings	310	300	2,625
Other	97	106	585
Net Assets	6,633	6,618	4,759
Share Capital	2,274	2,337	2,385
Capital Surplus	5,059	4,487	4,539
Retained Earnings	-744	-249	-1,038
Other	-	-34	-1,203
Liabilities and Net Assets	44	78	77
Current Liabilities	7,865	7,939	9,613

- Other non-current liabilities: Deferred tax liabilities (505 million yen) due to the finalized acquisition cost allocation for the conversion of STADIUM into a subsidiary

Overview and Progress of the Business Segments

Summary of Business Results by Segment for the Q3 FY2024/3

AI Products segment grew by 100.7% in sales, and AI Platform segment grew by 23.2%, both growing steadily. Other Services Business posted sales of ¥450 million

(JPY in Million)	FY2023/3 Q3	FY2024/3 Q3	FY2023/3 Cumulative Q3	FY2024/3 Cumulative Q3
AI Products Segment				
Net Sales	226	455	547	955
Growth Rate (%)	20.5%	100.7%	29.1%	74.6%
Cost of Sales	139	172	355	442
Gross Profit	87	282	191	513
Gross Profit Margin (%)	38.7%	62.1%	35.0%	53.7%
Selling, General, and Administrative Expense	128	316	420	772
Operating Profit (Loss)	▲41	▲34	▲228	▲258
Operating Profit (Loss) Margin (%)	▲18.1%	▲7.5%	▲41.7%	▲27.1%
AI Platform Segment				
Net Sales	1,159	1,428	3,460	3,820
Growth Rate (%)	2.8%	23.2%	20.8%	10.4%
Cost of Sales	505	581	1,421	1,675
Gross Profit	653	846	2,039	2,145
Gross Profit Margin (%)	56.4%	59.3%	58.9%	56.2%
Selling, General, and Administrative Expense	348	342	1,066	1,041
Operating Profit (Loss)	304	504	973	1,103
Operating Profit (Loss) Margin (%)	26.3%	35.3%	28.1%	28.9%
Other Services Business				
Net Sales	-	450	-	945
Growth Rate (%)	-	-	-	-
Cost of Sales	-	232	-	481
Gross Profit	-	218	-	463
Gross Profit Margin (%)	-	48.5%	-	49.0%
Selling, General, and Administrative Expense	-	216	-	435
Operating Profit (Loss)	-	2	-	28
Operating Profit (Loss) Margin (%)	-	0.5%	-	3.1%

Sales

- exaBase DX Assessment & Learning/exaBase Generative AI sales continue to be strong

SG&A

- Although SG&A expenses increased due to upfront (personnel expenses) investment in generative AI-related products, the operating loss is narrowing.

Cost of sales / Gross profit

- Gross profit from long-term clients improved in Q3 compared to the previous year due to higher unit prices for large orders and additional projects, as well as productivity gains from the start of project orders using exaBase studio.

Sales/cost of Sales

- Business revenues of grouped STADIUMs

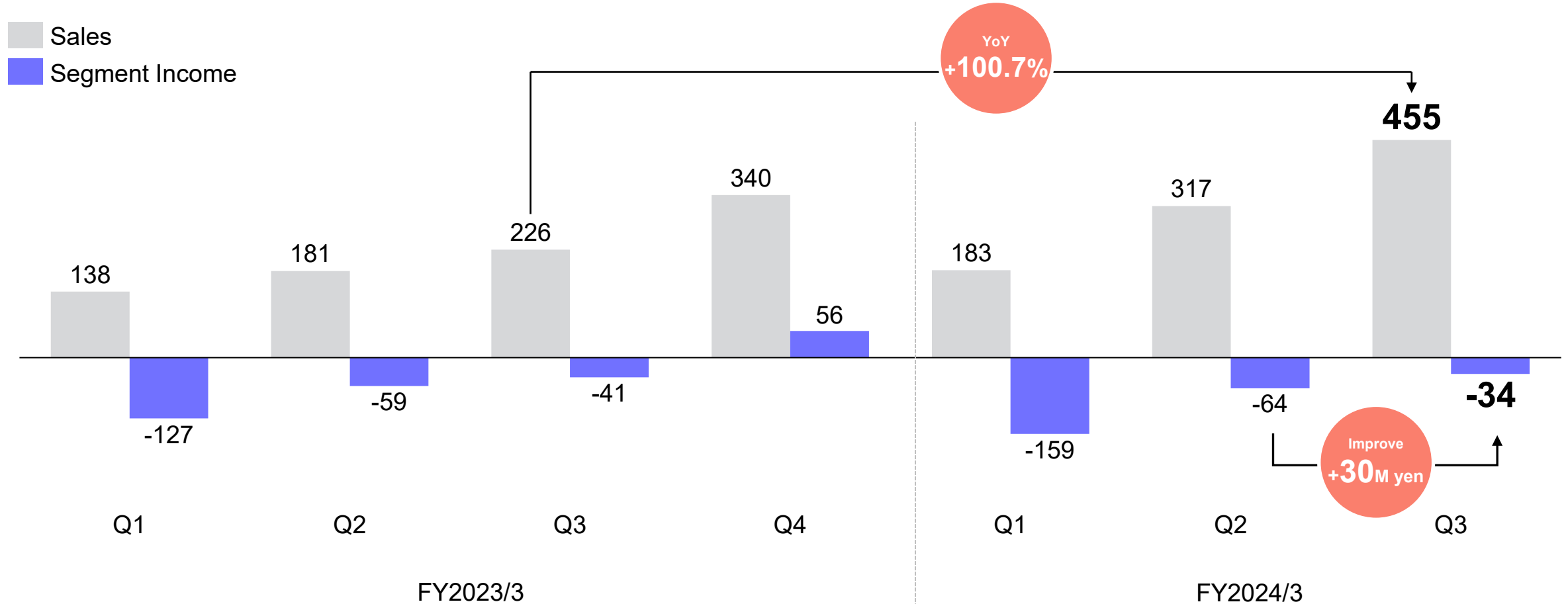
SG&A

- Amortization of goodwill of STADIUM, etc.

AI Products: Quarterly trend of Financial Results

Sales grew at double the year-on-year pace to 455 million yen (+100.7% year-on-year)
Segment loss also improved by 30 million yen from Q2

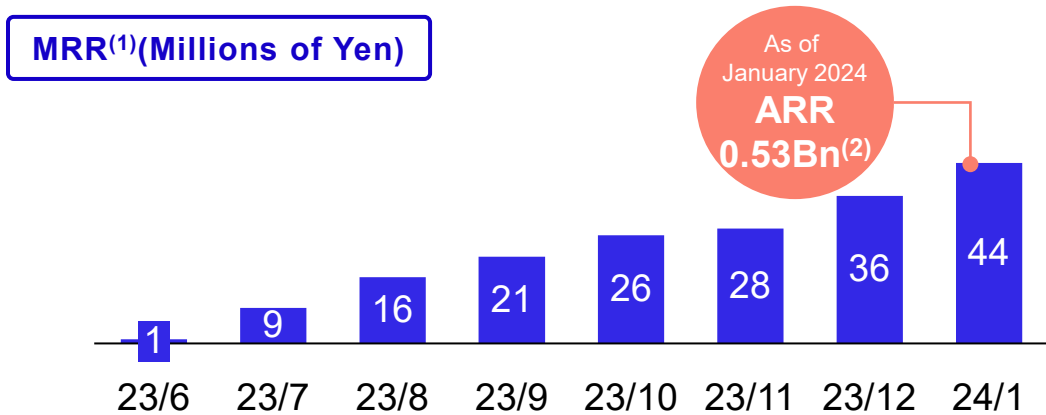
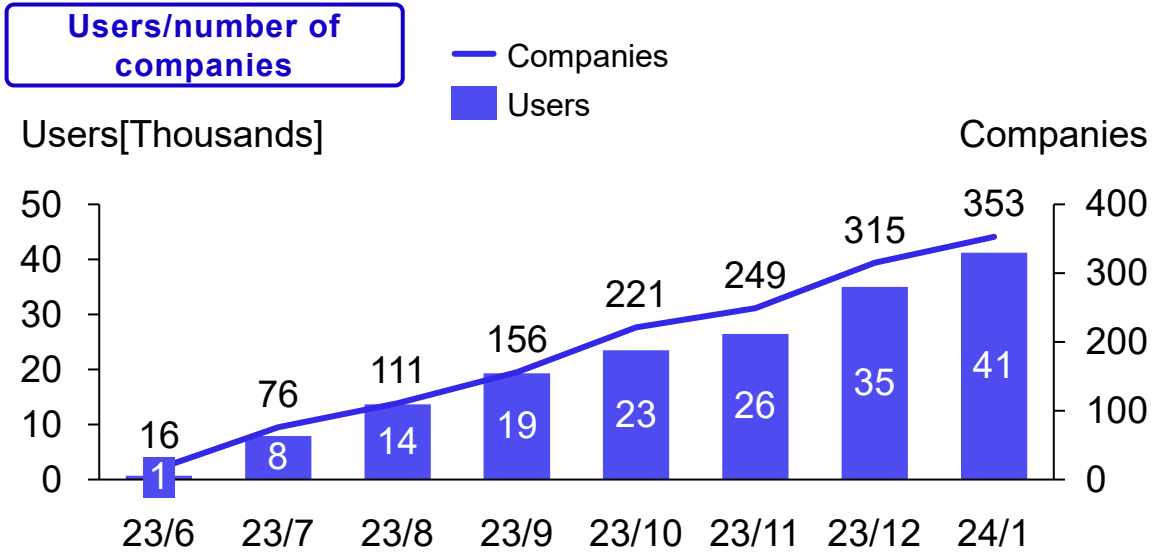
(Quarter) AI Products Business Net Sales and Segment Income (Millions of Yen)



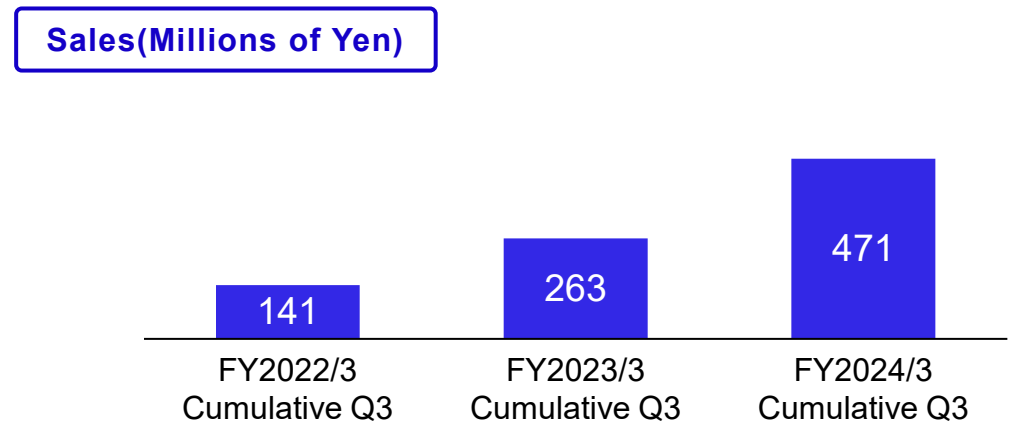
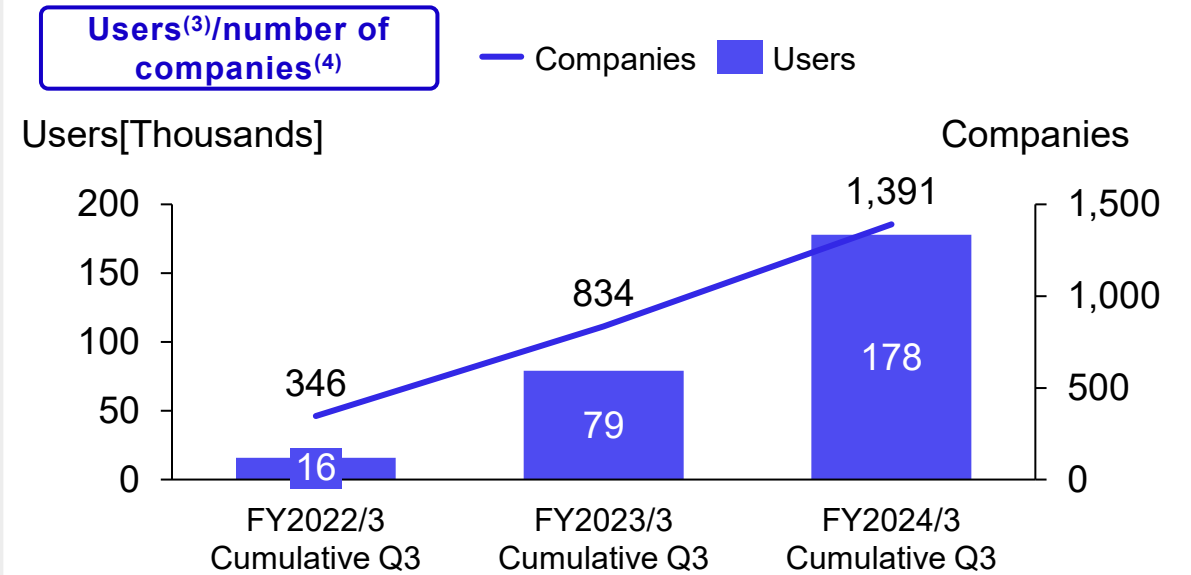
AI Products segment: Growth drivers for DX AI Products

exaBase Generative AI and exaBase DX Assessment & Learning drive growth

exaBase Generative AI powered by GPT-4



exaBase DX Assessment & Learning



Notes: (1) Sales excluding project and consulting sales, initial expenses, etc.
(2) Assumed annual sales at 12 times MRR as of Jan 2024.

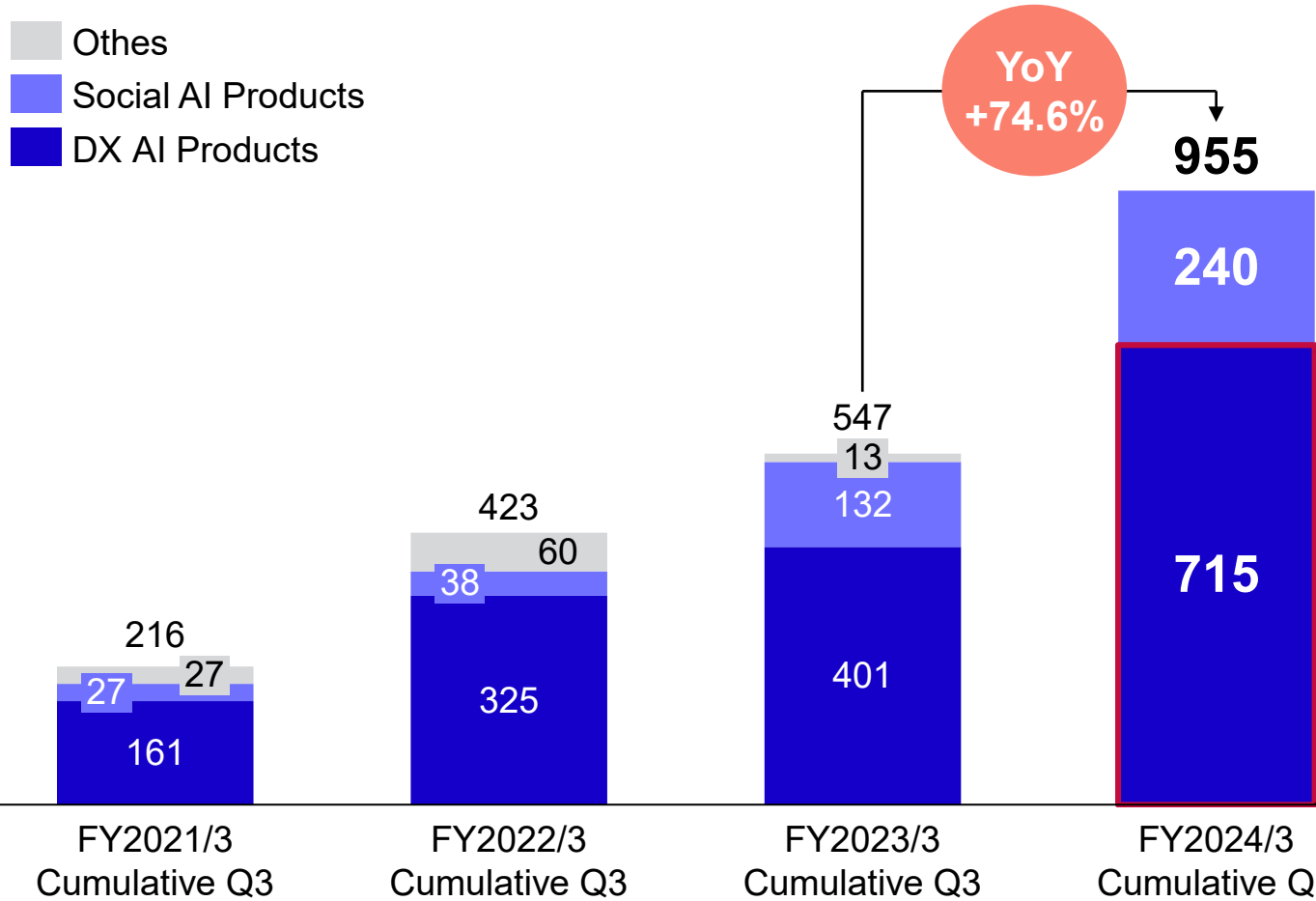
Notes: (3) Users: Total number of users including those who took the assessment and those who took the training content.

(4) Number of companies: Cumulative number of companies, government offices, organizations, etc. that have already introduced the system.

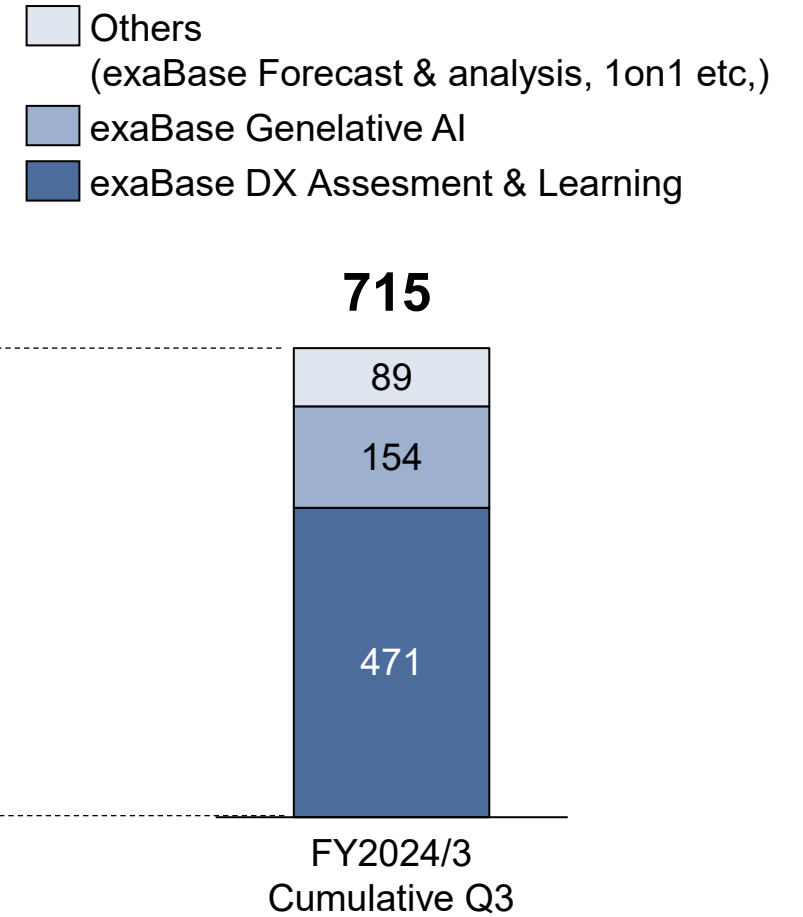
AI Products segment: FY2024/3 Q3 results by product type

DX AI products⁽¹⁾ driving growth, social AI products⁽²⁾ also growing steadily

AI Products Segment Sales by Businesses Q3 (Millions of Yen)



Breakdown of sales of DX AI products (Millions of yen)

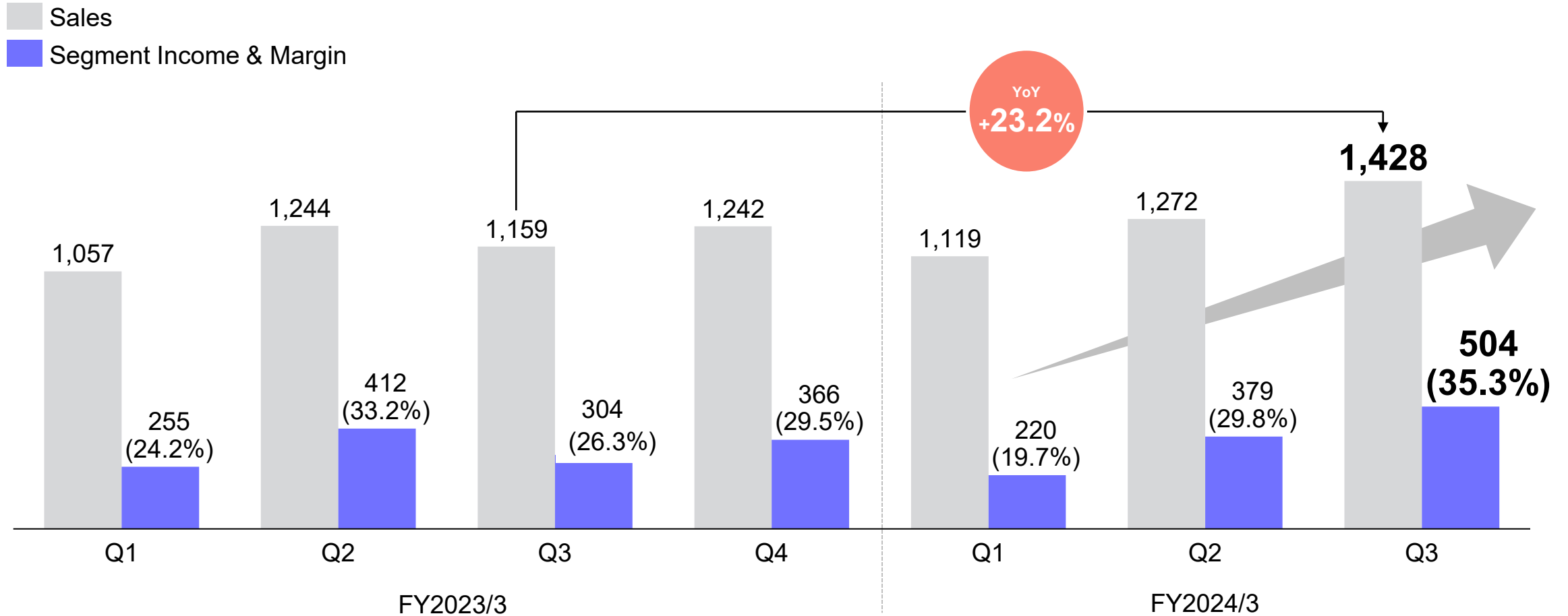


Notes:
 (1) DX Products include: exaBase DX Assesment & Learning, exaBase Generative AI, exaBase Forecast & Analysis, exaBase 1on1, exaBase FAQ, exaBase Company Search, and exaBase Well-Being
 (2) Social AI products include CareWiz Toruto, CareWiz Hanast (through FY2023Q2) and Torinku, .

AI Platform: Quarterly trend of Financial Results

Growth recovered with sales of 1,428 million yen (+23.2% year-on-year). Both segment profit amount and profit margin reached record highs

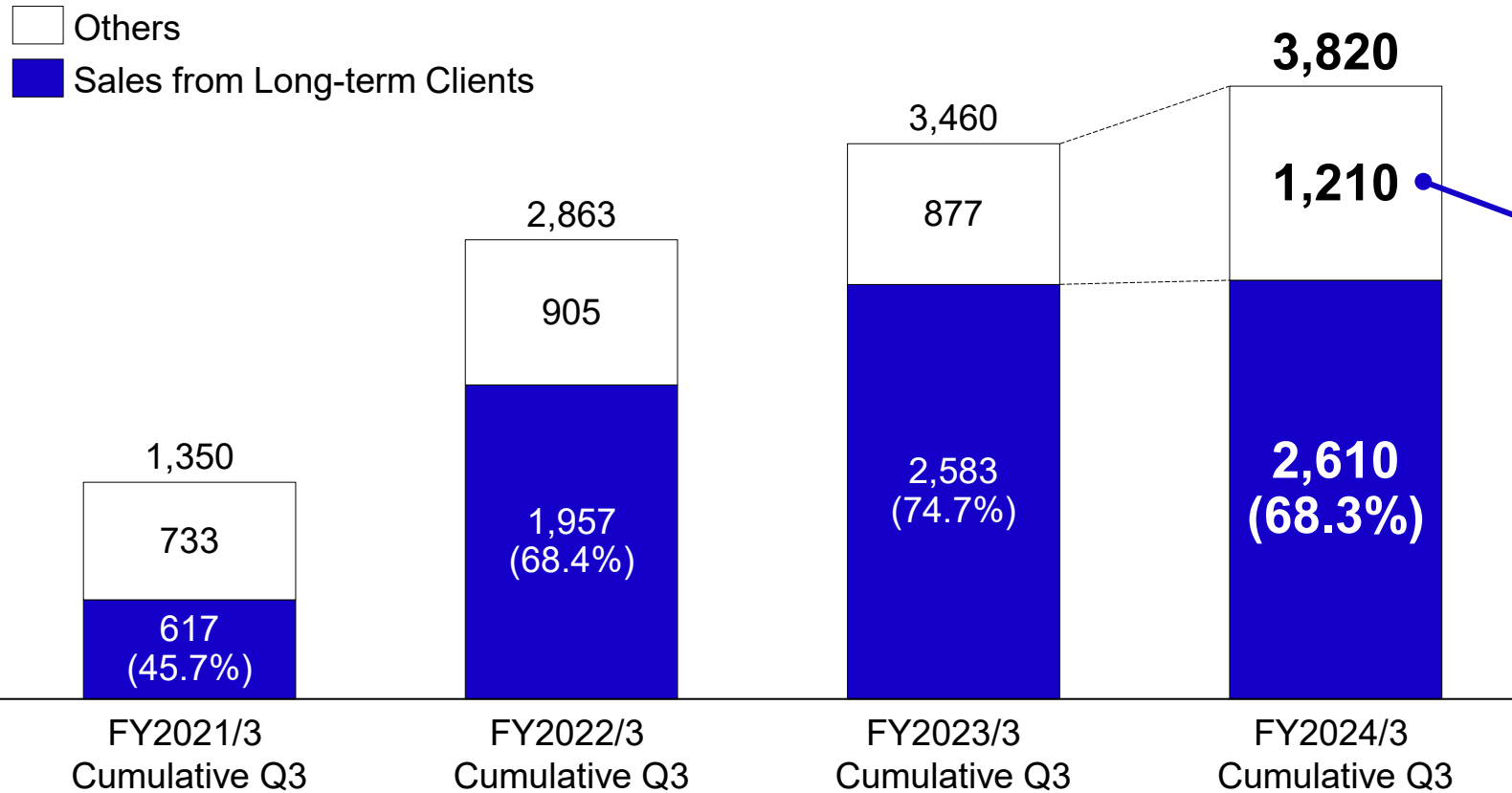
(Quarter) AI Platform Business Net Sales and Segment Income (Millions of Yen)



AI Platform: Sales from Long-term Clients

Although the percentage of long-term clients relatively decreased due to an increase in inquiries from new clients, sales from long-term clients(1) remained high at approximately 70% of the total sales of 2,610 million yen in the current term

Sales Trends in the AI Platform Business (Millions of Yen)

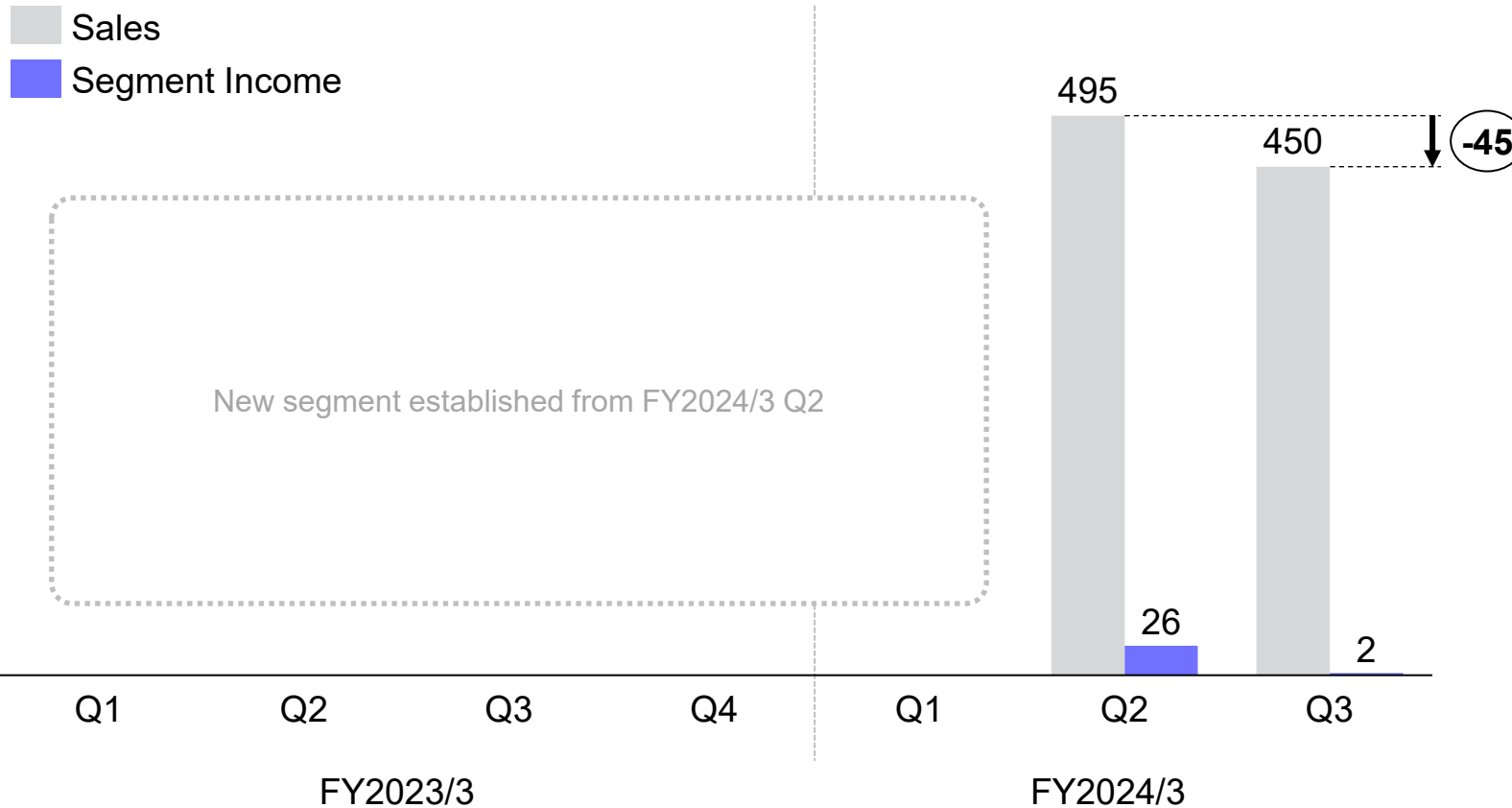


- Increased number of new clients with an expected annual value of 100 million yen
- Increased number of clients who started new transactions in the current fiscal year for the utilization of generative AI.

Other Services Segment: Overview

The business is operating with less seasonal fluctuation factors, and both sales and profits declined slightly from Q2. We have begun structural reforms as part of the PMI

(Quarter) Other Services Segment Sales and Segment Income (Millions of Yen)



PMI Status

Started reviewing service portfolio to accelerate sales tech services that have high affinity with existing sales representative services.



Business Update

Generative AI is driving tailwind for The Company

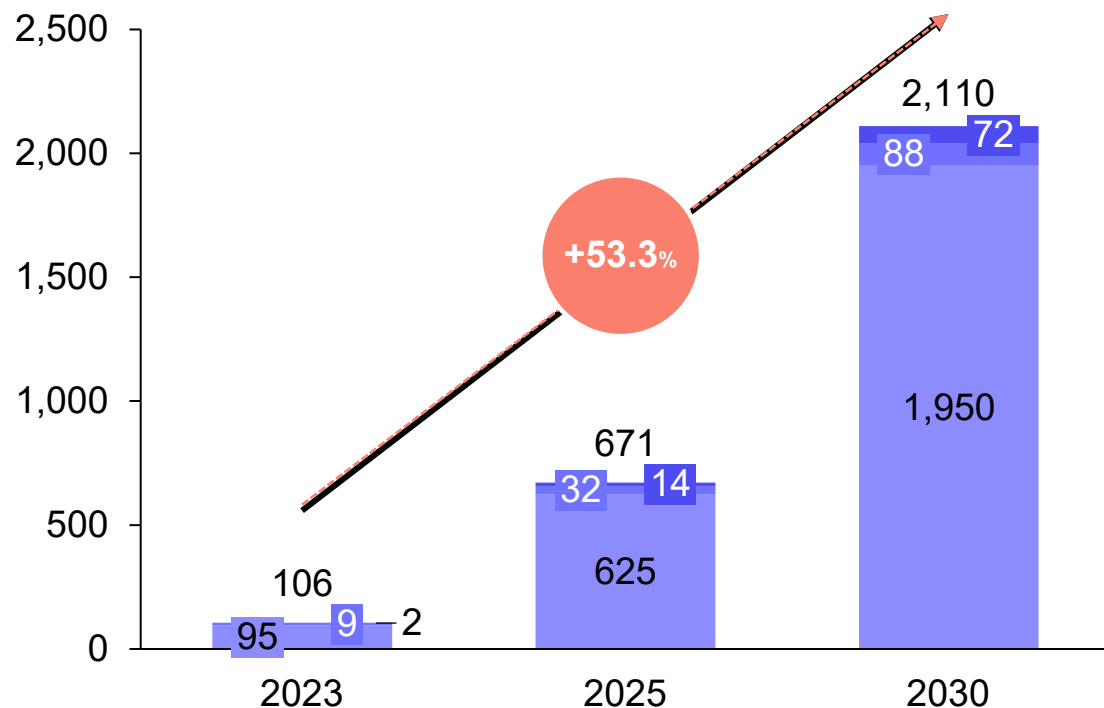
The generative AI market is expected to grow at an annual rate of about 50% both domestically and internationally, reaching 1.7 trillion yen in Japan by 2030

Generative AI Market Demand Forecast

■ Generative AI infrastructure model ¹
■ Generative AI-related applications ³
■ Generative AI-related solution services ²

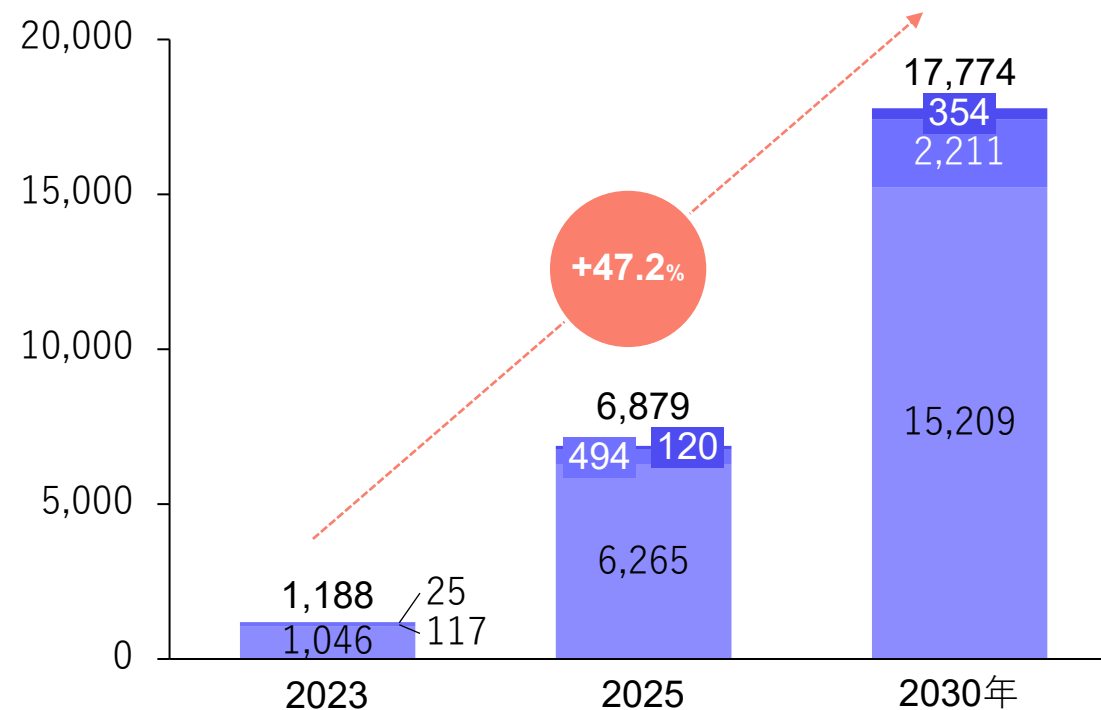
Global Markets

Hundred Million Yen



domestic market

Hundred Million Yen



1. Generative AI infrastructure model: Provision of the infrastructure model itself

2. Generative AI-related solution services: SI/upstream services to support the use of generative AI (risk countermeasures, customized development, system building, human resource development, etc.)

3. Generative AI-related applications: Platforms to enable the development of applications that utilize the generative AI infrastructure model

Trends in Generative AI Products in Q3

exaBase Generative AI is being implemented by major companies and municipalities, and alliances are progressing for IR Assistant as well

Steady installation of exaBase Generative AI in major companies/municipalities

Introduction case for large enterprises

EXAWIZARDS × **SAPPORO**

Sapporo Holdings Adopts "exaBase Generative AI"

700 Planning and Administrative Staff will Use on a Trial Basis
Expect to Save 10,000 Hours per Year by Using The Original Prompts

For Local Governments

EXA ENTERPRISE AI

"exaBase Generative AI" Surpasses 40,000 Users Starts Providing New Services for Local Governments

New LGWAN-Compliant License that Charges by Concurrent Access
Supporting Generative AI Services for Local Governments through a Partnership with IMACREA Ltd.

AEON DIGITAL ACADEMY × **EXA ENTERPRISE AI**

AEON DIGITAL ACADEMY Adopts "exaBase Generative AI"

Now Used by 1,000 People at 90 Companies in the AEON Group
Considering Applications such as Store Operations, Product Development, Marketing, Market Research, Human Resources, and Customer Service

EXA ENTERPRISE AI

Tokyo Metropolitan Board of Education Adopts "exaBase Generative AI"

Issued IDs to each Student and Teacher at 9 Metropolitan Schools
Use for AI Literacy Instruction, School Work, etc

exaBase IR Assistant

EXA ENTERPRISE AI × **logmi Finance**

Exa Enterprise AI and Sansan Group's Logmi Partner to Support IR Operations with Generative AI

Agreement On Sales And Service Collaboration with "exaBase IR Assistant"
Links Text Information from Earnings Announcements and Investor Information via Generative AI

EXA ENTERPRISE AI × **JR東日本**

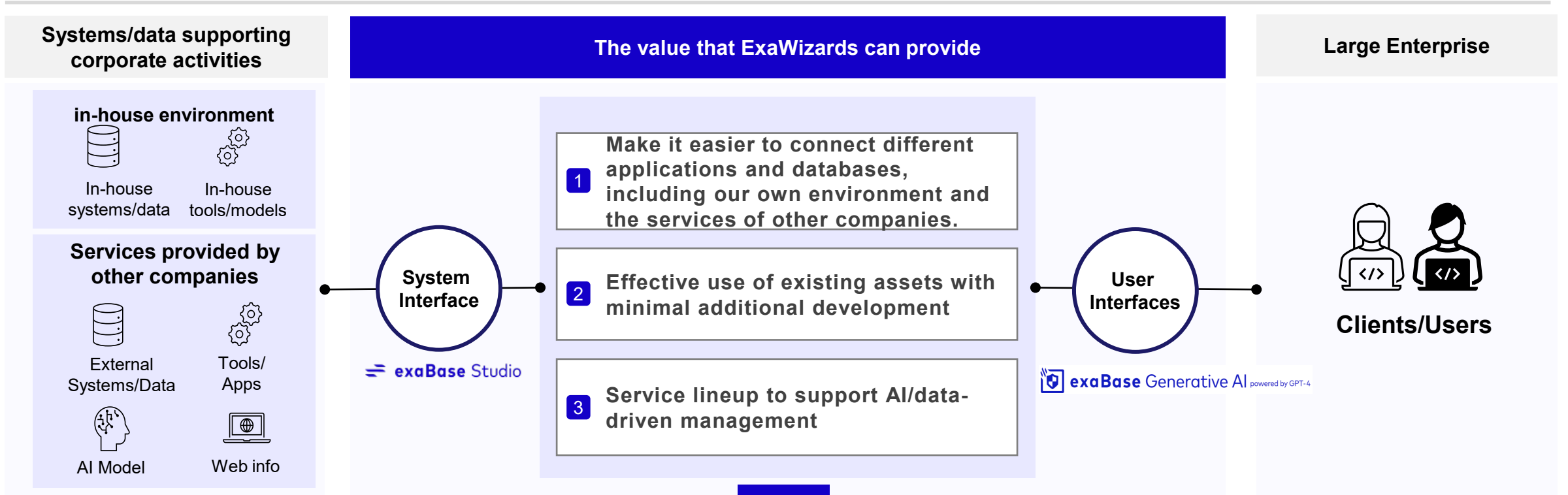
JR East Begins Trial Implementation of "exaBase IR Assistant"

Trial Use of Generative AI Technology to Transform Business Operations, Including Documentation

ExaWizards Positioning: Corporate Transformation

The Company's strength is in combining generative AI and exaBase Studio to improve corporate productivity while maximizing the use of systems/data within the company

ExaWizards position



Take charge of activities to increase productivity while also working with in-house systems and applications from other companies.

1 Connecting different apps and databases: Box collaboration

Accelerate exaBase Generative AI/exaBase Studio offerings with Box, which is used by approximately 16,000 Japanese companies

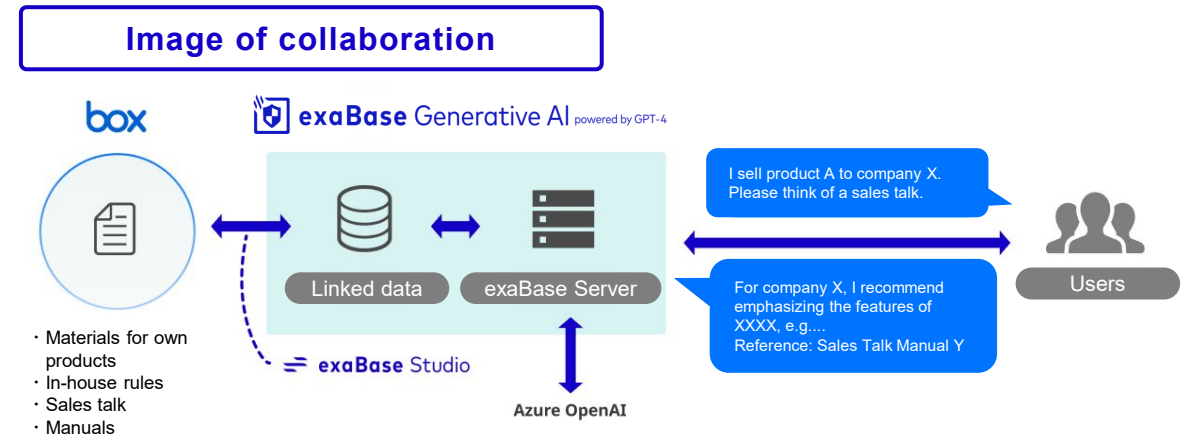
Linking exaBase Generative AI and Box



This is Box's official initiative as an Ecosystem Solution⁽¹⁾ and the first Japanese Generative AI provider by the company.

Notes: 1. Solution with API integration function that contributes to solving issues/adding value for users of content cloud "Box".

What is possible with Box collaboration



Menu items that can be offered

- **Support from implementation of generative AI to data integration with Box**
Support for building an environment to utilize data in Box, from the introduction of exaBase Generative AI to the use of Box in the enterprise, utilizing the functions of exaBase Studio as well
- **Files on Box to be generated by data linkage**
exaBase Generative AI can import data stored in Box's cloud from exaBase to generate dialogue and information
- **Access rights to information are also linked**
Generation corresponding to the access settings in the Box is possible

1 2 Connecting different apps and databases/effective use of existing assets exaBase Generative AI x exaBase Studio collaboration initiative launched among various industry giants

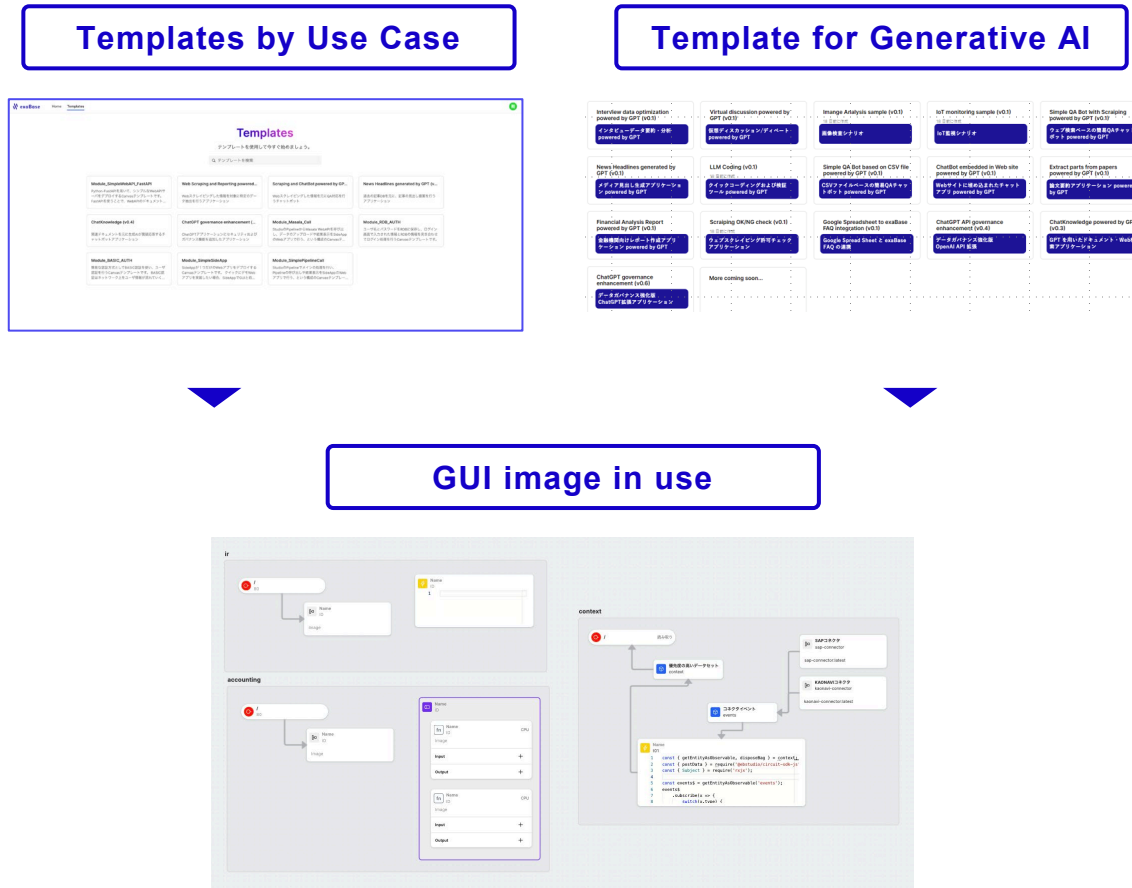
Applications of exaBase Generative AI using exaBase Studio

Business Transformation Trends

Increase in business transformation projects with RAG⁽¹⁾

- Reads internal documents, regulations, legal and institutional documents, product information, etc., and provides highly accurate summaries, outputs, etc.

Extensive templates for each use case accelerate practical application



User ⁽²⁾ (partial)



By your side, for life

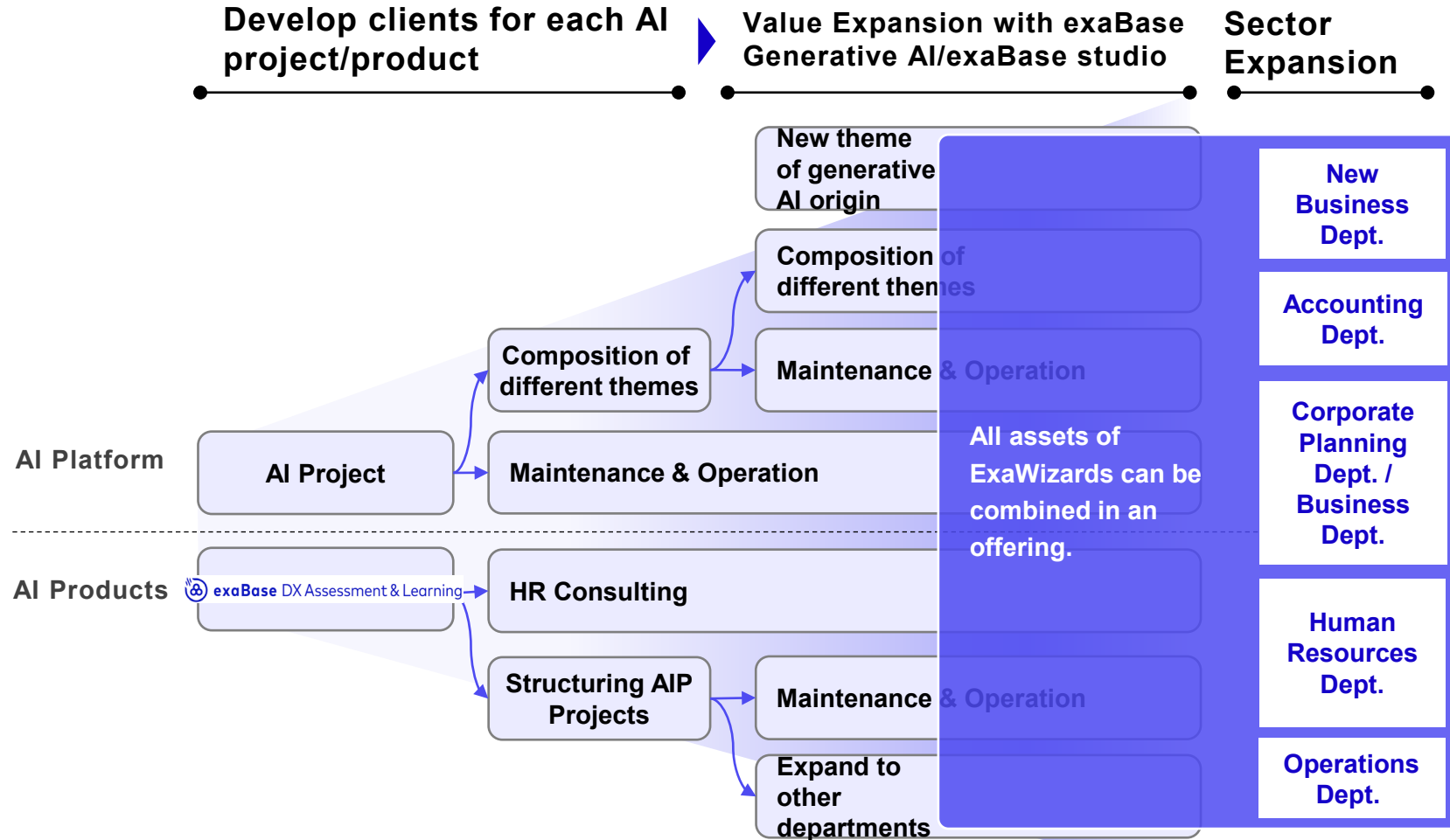


Note: (2) In Japanese alphabetical order, including clients who plan to implement in production or use trial-PoC for a fee.

3 Service lineup to support AI-driven management

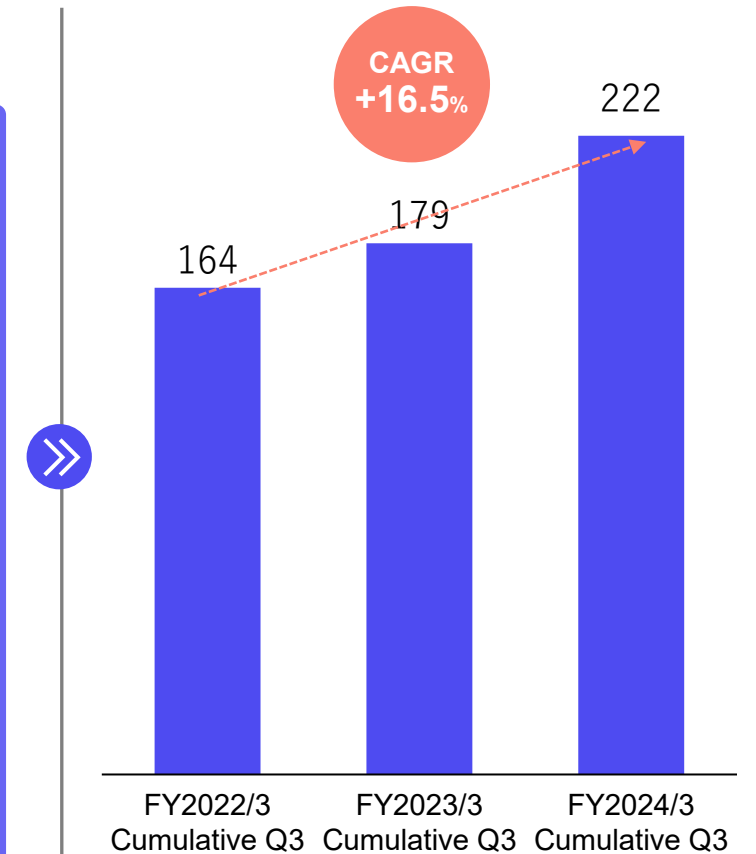
The Company's comprehensive combination of products/services will enable transformation to be deployed company-wide

Expanding the Value of ExaWizards' Offerings



As a result of value expansion, the average unit price(1) of the top 10 selling clients also increased

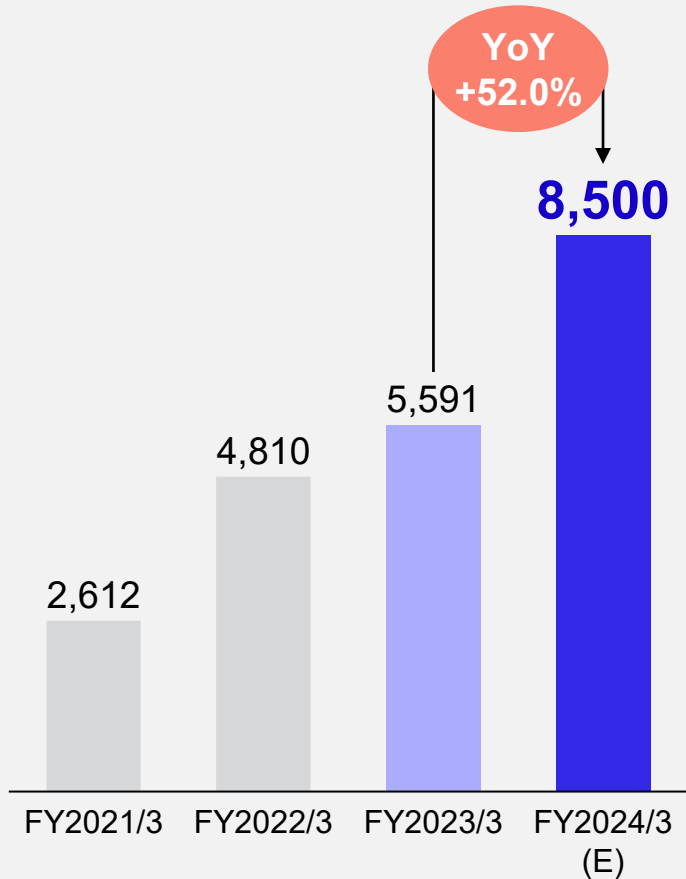
(Millions of yen)



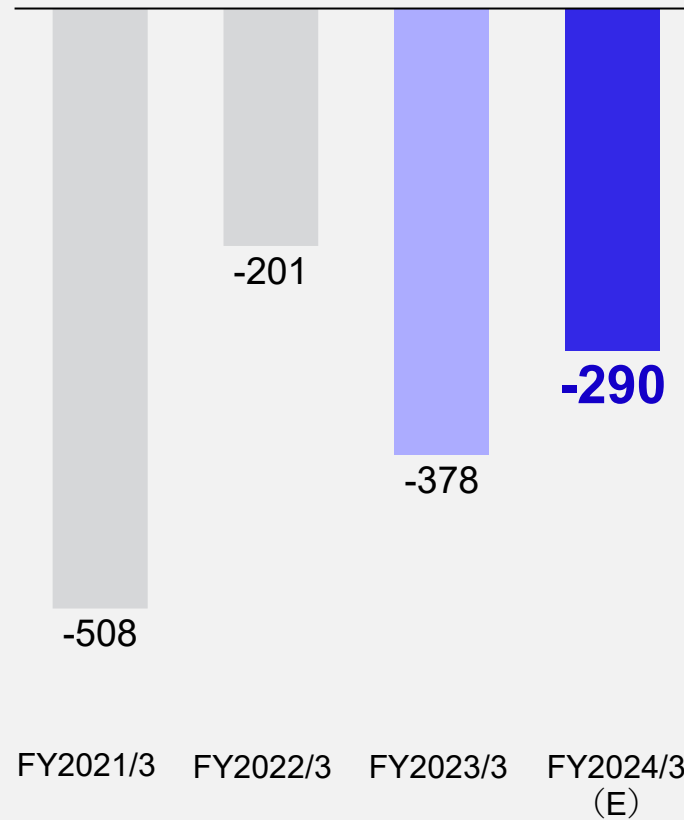
Earnings forecast for the fiscal year ending March 31, 2024

Performance is currently within expectations for sales of 8,500 million yen (+52.0% year-on-year), operating income of -290 million yen, and EBITDA of 600 million yen

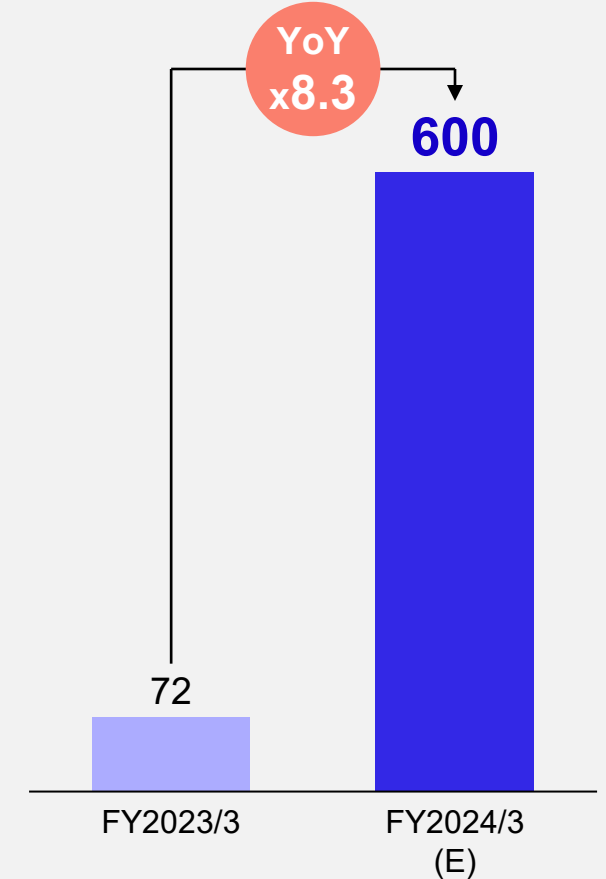
Total Sales: Fiscal Year (millions of yen)



Operating income: Fiscal Year (millions of yen)



EBITDA : Fiscal Year (millions of yen)

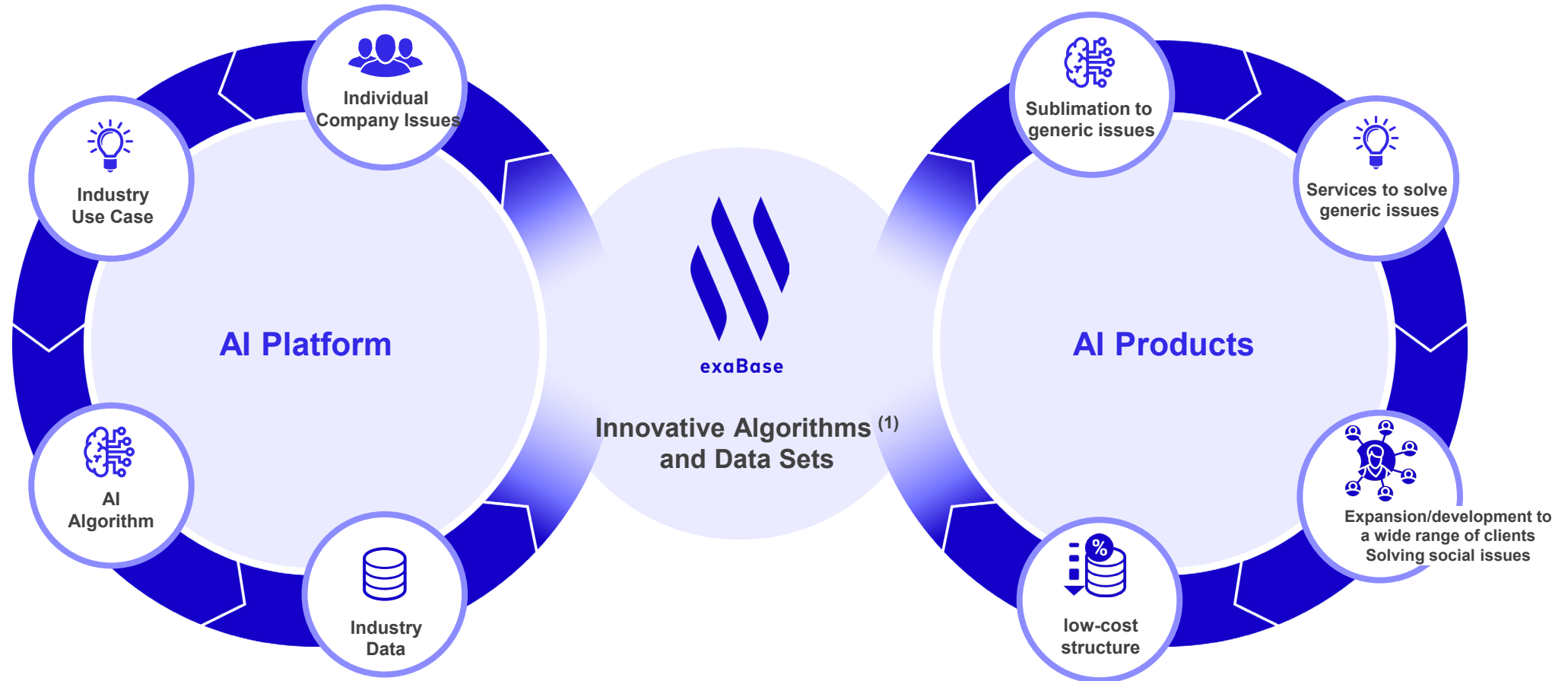


(Note) EBITDA = Ordinary income + Interest expense + Amortization of goodwill + Depreciation (software, etc.)

Appendix

ExaWizards Business Model

To solve social issues with general-purpose services by accumulating algorithms and data through the "Improving model revolving around AI" which rotates both the AI Platform and AI Products segments.



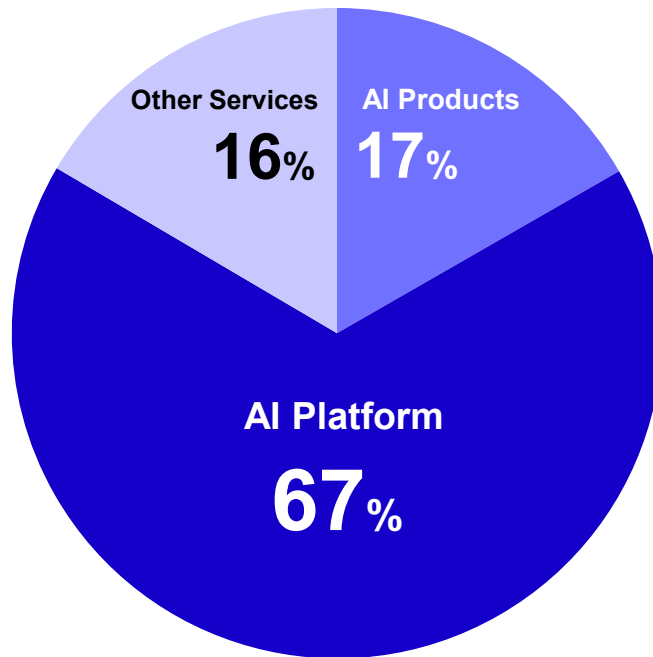
Notes: (1) Procedures and methods for solving problems on the computer.

Business Segment

Developing three businesses to “Solving social issues through Artificial Intelligence for future generations”

Sales for the year of Q2 FY2024/3

5,722 Million Yen



AI Products

- ✓ SaaS Model
- ✓ Products for specific domains that utilize generative AI and other technologies to help improve business productivity.
- ✓ Expansion through vertical development of services in specific areas and horizontal expansion into new areas

AI Platform

- ✓ Project-based Recurring FTEs⁽¹⁾ & PaaS⁽²⁾ Model
- ✓ Providing All-in-One AI Platform to Major Enterprises
- ✓ Rolls Out the Same Use Case Repeatedly within Each Industry

Other Services

- ✓ Providing human resources for SaaS and IT products and other sales issues

Notes: (1) FTE: Our professional services based on Full Time Equivalent charges

(2) Abbreviation for Platform as a Service. A service that enables customers to use platform functions (in our case, "exaBase") in the cloud environment.

Approach to Corporate Value Enhancement

Maintain a healthy balance sheet and prioritize business investments for sustainable value enhancement

Investment targets and approach to shareholder returns

- At this time, the Company's priority is to increase its corporate value by focusing on further business expansion and achieving sales growth.
- For this reason, we are looking to invest our funds in hiring human resources that will contribute to business growth, strengthening existing products, developing new products, M&A and alliances with partners, etc.

Consideration on Growth Investments

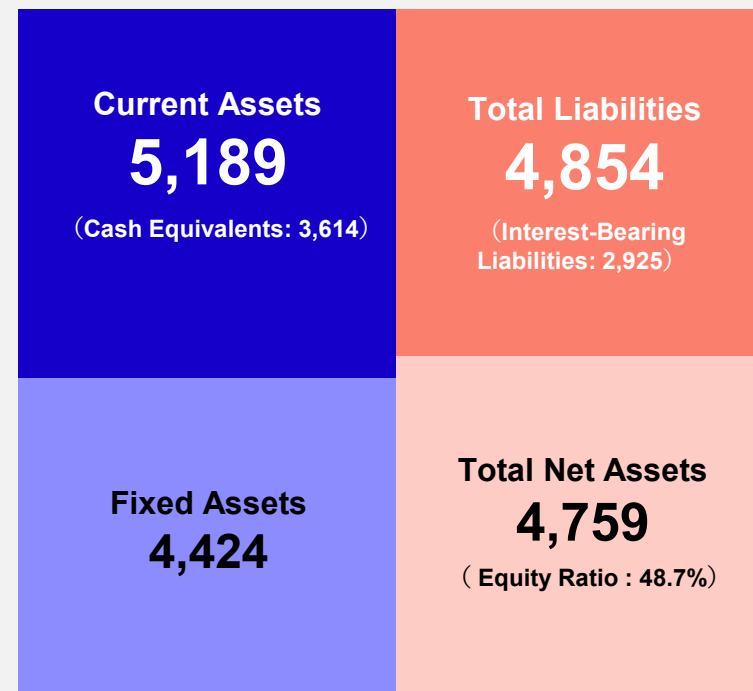
- For an investment to achieve disruptive growth (e.g., M&A, business model development), Company is considering strategic and flexible procurement methods, including cash on hand, borrowing from lenders, bonds and equity financing, and others, based on a strong financial base
- While exploring various possibilities, the Company will carefully examine each project in light of its profitability, financial stability, and the Company's management policy

Strong cash position

- Cash and deposits at the end of 2023 amounted to approximately 3.6 billion yen
- Unused overdraft facility with banks of 1.5 billion yen
- Ample cash position, taking into account investment funds for business expansion and working capital

Consolidated Balance Sheet Summary (Dec. 2023)

(Unit: Millions of Yen)



Company Overview



Company Name	ExaWizards Inc.
Address	21F, Shiodome Sumitomo Bldg., Higashi Shimbashi 1-9-2, Minato-ku, Tokyo, 105-0021 ※Scheduled to move to Sumitomo Fudosan Mita Twin Building East Tower 5F, 2-8, Shibaura 4-chome, Minato-ku, Tokyo, as of March 18, 2024.
Other Offices	Hamamatsu, Nagoya, Kyoto, Osaka, Fukuoka
Founded	February 2016
Capital	2.3 billion yen (As of December 31, 2023)
Number of Employees	548 (Consolidated basis, full-time employee, As of December 31, 2023)
Business	Development of AI-enabled services for industrial innovation and social problems solutions
Board Members	Representative Director & President : Makoto Haruta Managing Director : Takuma Oue Director : Yutaka Sakane Outside Director : Yasushi Shingai Outside Director : Toshihiko Hiura Outside Director : Naoko Munakata Full-time Outside Company Auditor : Shigeru Tsuru Outside Company Auditor : Masaru Iida Outside Company Auditor : Manabu Sato

Leadership Team

Leadership with Deep Industry Knowledge and Proven Track Records

Board of Directors



Makoto Haruta

Representative Director & President

- Ex Director & Chairman, DeNA
- Ex Owner, Yokohama DeNA BayStars
- Ex Sumitomo Bank (Currently known as Sumitomo Mitsui Banking Corporation)
- Curt Outside director of
 - TBS Holdings
 - Panasonic Corporation



Takuma Oue

Managing Director, Executive Officer
Business Management
Representative Director of Exa Enterprise AI

- Ex Boston Consulting Group
- Curt Visiting Associate Professor, University of Hyogo
- Curt Advisor, Generative AI Utilization Study Project Team of Hyogo prefecture



Yutaka Sakane

Director
Technology Management

- Ex Assistant, Shizuoka University
- Curt Digital Sensation



Yasushi Shingai

Outside Director

- Ex Executive VP of JT
- Curt Outside Director of
 - Dai-ichi Life Holdings
 - NTT West
 - Olympus



Toshihiko Hiura

Outside Director

- Ex Chairman, Bain & Company
- Curt Visiting Professor, St. Marianna University



Naoko Munakata

Outside Director

- Ex Commissioner, Japan Patent Office
- Ex MITI (Currently known as METI)
- Curt Professor at the Graduate School of Public Policy, The University of Tokyo
- Curt Board Member Audit and Supervisory Committee Member, Murata Manufacturing

Executive Officers

Ko Ishiyama

Chief AI Innovator

- Director, Recruit HD Media Technology Lab
- Director, Recruit Institute of Technology
- Ex Promotion Office
- Visiting Associate Professor, Tokyo University
- Member of Labor Policy Council, MLHW

Koji Hazama

Representative Director and
President Of ExaMD

- Ex A.T. Kearney

Tomoya Maekawa

- Ex Boston Consulting Group

Naofumi Ohtani

- Ex IBM Japan
- Ex Accenture

Taishin Demura

- Corporate Directions
- SAP
- Ex Recruit HD
- GREE

Satoshi Ishino

Representative Director &
President of Exa Homecare
Representative Director of
Stadium Co., Ltd.

- Ex P&G
- Ex McKinsey & Company

Kazutoshi Takimoto

President & Representative
Director of Xware

Tomoaki Maekawa

Representative Director
of VisionWiz

- SONY
- Ex Boston Consulting Group

Koichi Kawai

- Ex Goldman Sachs

Yoritaka Handa

- Ex Benesse Corporation
- Ex Recruit HD

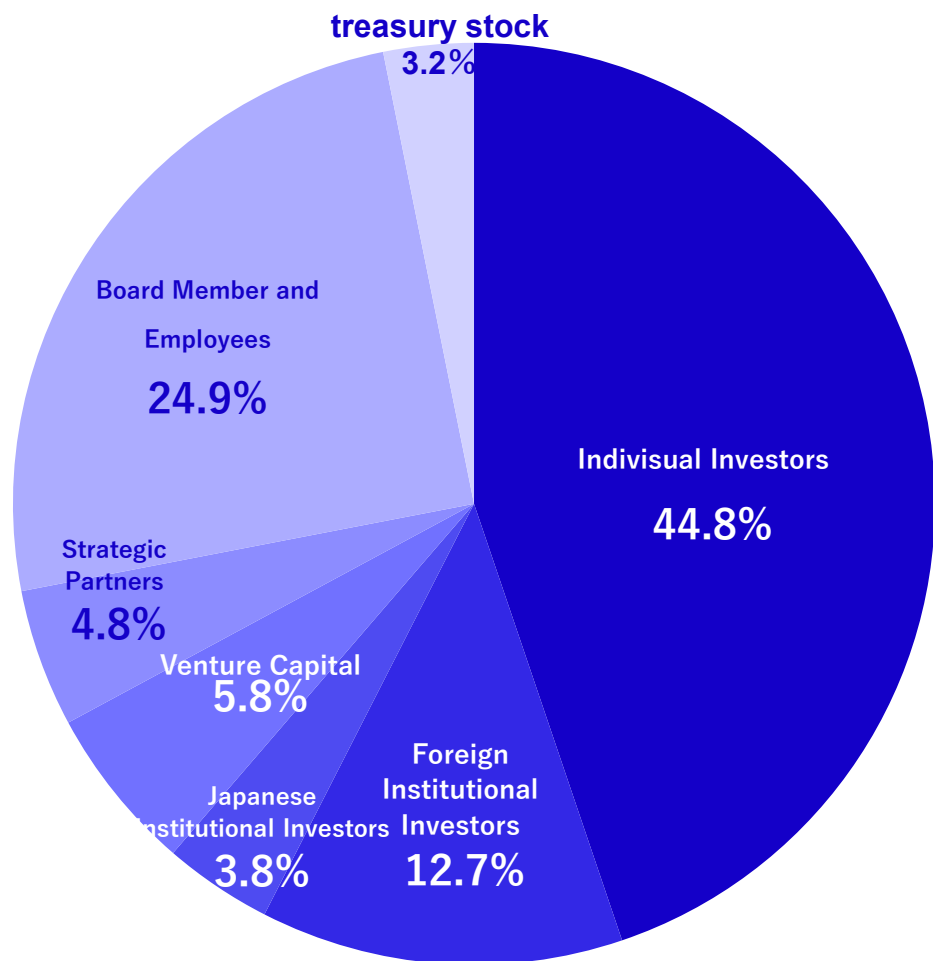
Masanori Sato

- Ex Canon
- Ex ALPS ALPINE

Masato Saito

- Ex Keio University
- Ex AIST

Shareholder Composition (As of September 30, 2023)



Total Number of Shares Authorized to be Issued by the Company	301,232,000
Total Number of Shares Issued	83,977,900
Number of Shareholders	20,378

Shareholder	Number of shares held (thousand)	Shareholding ratio (%)
betaCatalyst Inc.	8,185	10.07
Makoto Haruta	7,412	9.11
GIC PRIVATE LIMITED – C	3,823	4.70
Yutaka Sakane	3,776	4.64
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY – PB	3,479	4.28
Toshikazu Furuya	3,454	4.25
Ko Narukama (Ishiyama)	3,020	3.71
iSGS Fund I Investment Limited Partnership	2,293	2.82
D4V Fund I Investment Limited Partnership	2,166	2.66
Sumitomo Life Insurance Company	1,620	1.99

Notes : (1) For reference: The Company held 2,654 thousand shares of treasury stock as of September 30, 2023 (2) Number of shares issued (excluding treasury stock) (2) Percentage of shares held to total number of shares issued (excluding treasury stock)

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