

To whom it may concern,

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Notice Concerning Recognition of Deferred Tax Assets, Extraordinary Loss (Impairment Loss), and Year-on-Year Differences in Financial Results

ExaWizards Inc. (hereinafter, “the Company”) hereby announces that, in the fourth quarter of the consolidated fiscal year ended March 31, 2026 (January 1, 2026 to March 31, 2026), it resolved to recognize deferred tax assets and an extraordinary loss (impairment loss). In addition, differences have arisen between the Company’s non-consolidated and consolidated results for the fiscal year ended March 31, 2026 (April 1, 2025 to March 31, 2026; hereinafter, the “current fiscal year”) and the actual results for the fiscal year ended March 31, 2025 (April 1, 2024 to March 31, 2025; hereinafter, the “previous fiscal year”), as described below.

1. Details about Recognition of Deferred Tax Assets

The Company has recognized deferred tax assets in line with an increase in deductible temporary differences. As a result, income taxes of -411 million yen were recorded as total in the fourth quarter of the consolidated fiscal year ending March 31, 2026. This reflects the Company’s determination that the recoverability of deferred tax assets has increased, as future taxable income is now expected to be secured based on the Company’s earnings outlook and other factors.

2. Details about Recognition of Extraordinary Loss (Impairment Loss)

In the course of reviewing its business plans as appropriate in response to changes in the surrounding technological and market environment, the Company, in the fourth quarter of the fiscal year ended March 31, 2026, reduced the book value of an asset group with diminished profitability to its recoverable amount, with respect to software assets held by a consolidated subsidiary belonging to the AI Solution Services Business. As a result, an impairment loss of 22 million yen was recorded as an extraordinary loss.

3. Difference between non-consolidated results for the current fiscal year and actual results for the previous fiscal year

(1) Difference from actual results for the previous fiscal year

	Sales	Operating Profit	Ordinary Profit	Net profit
	Million yen	Million yen	Million yen	Million yen
Actual results for the previous fiscal year (A)	5,089	(668)	(330)	(1,482)
Actual results for the current fiscal year (B)	5,462	137	466	928
Change (B – A)	372	329	837	(2,410)
Percent Change	7.3%	-	-	-

(2) Reasons for differences

For the non-consolidated results for the fiscal year ended March 31, 2026, net sales reached 5,462 million yen (up 7.3% year on year), exceeding the previous fiscal year's results. This was driven by the continued strong performance of the AI Products Business, which carried over from the previous fiscal year, as well as the recovery trend of the AI Solution Services Business, which had been undergoing structural reforms toward a more profit-oriented business model.

On the profit side, operating profit recovered as a result of the increase in sales and the effects of structural reforms. In addition, ordinary profit significantly exceeded the previous fiscal year's results, supported by an increase in service fees received from subsidiaries outside of operating transactions. Furthermore, since impairment losses had been recorded in the previous fiscal year in connection with the review of the book value of software assets, the resulting decrease in depreciation expenses in the current fiscal year contributed positively to profit. The non-consolidated results were also affected by a review of the allocation of indirect costs, which contributed to the differences from the previous fiscal year's results.

Net profit significantly exceeded the previous fiscal year's results due to the recognition of deferred tax assets, as described in "1. Details about Recognition of Deferred Tax Assets."

4. Difference between consolidated results for the current fiscal year and actual results for the previous fiscal year

(1) Difference from actual results for the previous year

	Sales	Operating Profit	Ordinary Profit	Net profit attributable to owners of parent
	Million yen	Million yen	Million yen	Million yen
Actual results for the previous fiscal year (A)	9,811	23	2	(2,576)
Actual results for the current fiscal year (B)	11,996	1,594	1,566	1,513

Change (B – A)	2,185	1,571	1,564	4,089
Percent Change	22.3%	-	-	-

(2) Reasons for differences

For the consolidated results for the fiscal year ended March 31, 2026, as with the non-consolidated results, net sales, operating profit, and ordinary profit all exceeded the previous fiscal year's results. This was driven by the continued strong performance of the AI Products Business, which carried over from the previous fiscal year, as well as the recovery trend of the AI Solution Services Business, which had been undergoing structural reforms toward a more profit-oriented business model.

In addition, since impairment losses had been recorded in the previous fiscal year in connection with the review of the book value of software assets and subsidiaries, the resulting decrease in depreciation expenses in the current fiscal year contributed positively to profit.

Net profit attributable to owners of the parent significantly exceeded the previous fiscal year's results. Although an impairment loss was recorded in the current fiscal year in connection with the review of certain assets, as described in "2. Details about Recognition of Extraordinary Loss (Impairment Loss)," the scale of the review was smaller than in the previous fiscal year.

For other details on the non-consolidated and full-year consolidated results for the fiscal year ended March 31, 2026, please refer to the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 [Japanese GAAP]" announced on May 12, 2026.