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April 18, 2025

Company name: MetaReal Corp.
Name of representative: (Name) Junichi Goishi, Representative Director and CEO
(Securities code: 6182; Listing Market TSE)
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(Corrections and Corrections of Numerical Data) Partial Corrections of “Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (Japanese GAAP)”

We hereby announces that there have been corrections made partly to the “Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (Japanese GAAP)” that was disclosed on April 14, 2025. In addition, there were corrections to the numerical data, so we will transmit the revised numerical data.

1. Details of corrections

Regarding the "Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (Japanese GAAP)" which was disclosed on April 14, 2025, we recorded Deferred tax assets in excess of 111,262 thousand yen against a total of 340,160 thousand yen, including a Temporary difference of 283,729 thousand yen for Deduction temporary difference related to impairment of fixed assets and an error of 56,431 thousand yen for Deduction temporary difference related to an excess of depreciation and amortization, which was deemed impossible to schedule as at the end of the previous fiscal year, in determining the recoverability of Deferred tax assets as at the end of the current fiscal year. It was determined that it was necessary to reverse the 111,262 thousand yen Deferred tax asset that was overstated, and this was corrected. In addition, the discovery was delayed due to a lack of collaboration with our stakeholders, and it was revised on the day after the announcement of the financial results on April 14, 2025.

2. Reason for corrections

Corrections appear with an underline. Since there are many corrections, the entire text is presented only for the corrected version. The outline of the corrections and the main corrections are as follows.

Overview of Corrections

- Revisions to Consolidated Financial Results

(Thousands of yen)

Item	Before correction (A)	After correction (B)	Difference (B-A)
Net sales	4,084,762	4,084,762	-
Operating income	117,319	117,319	-
Ordinary income	112,844	112,844	-
Total income taxes	17,200	128,463	111,262
Net income attributable to owners of parent	410,331	299,068	△111,262
Total net assets	2,067,557	1,956,295	△111,262
Total assets	5,030,921	4,919,659	△111,262

* There are no revisions to Non-consolidated financial results.

Major correction points

(Before Correction)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(1) Consolidated Results of Operation

(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	%
FY2/25	4,084	Δ2.2	117	Δ84.3	112	Δ86.0	410	Δ23.2
FY2/24	4,177	Δ2.7	746	44.8	803	55.5	534	-

(Note) Comprehensive income FY2/25 407Millions of yen (Δ23.8%) FY2/24 535Millions of yen (-%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net assets
	Yen	Yen	%	%	%
FY2/25	37.85	37.71	22.1	2.4	2.9
FY2/24	49.79	49.13	39.1	18.5	17.9

(Reference) Income on equity method investments FY2/25 Δ2Millions of yen FY2/24 Δ16Millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/25	5,030	2,067	41.1	189.90
FY2/24	4,458	1,681	36.8	152.33

(Reference) Shareholders' equity FY2/25 2,067Millions of yen FY2/24 1,640Millions of yen

(After Revision)

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(1) Consolidated Results of Operation

(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	%
FY2/25	4,084	Δ2.2	117	Δ84.3	112	Δ86.0	299	Δ44.0
FY2/24	4,177	Δ2.7	746	44.8	803	55.5	534	-

(Note) Comprehensive income FY2/25 296Millions of yen (Δ44.6%) FY2/24 535Millions of yen (-%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net assets
	Yen	Yen	%	%	%
FY2/25	27.59	27.48	16.6	2.4	2.9
FY2/24	49.79	49.13	39.1	18.5	17.9

(Reference) Income on equity method investments FY2/25 Δ2Millions of yen FY2/24 Δ16Millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/25	4,919	1,956	39.8	179.68
FY2/24	4,458	1,681	36.8	152.33


(Reference) Shareholders' equity FY2/25 1,956Millions of yen FY2/24 1,640Millions of yen

The End.

DISCLAIMER: This document was prepared using our machine translation, and no manual modification has been made to the translated contents. This document is to be used solely as a reference and in cases where any differences occur between English version and the original Japanese version, the Japanese version shall prevail. The consolidated financial statements in this document are unaudited.

Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (Japanese GAAP)

April 14, 2025

Company name  MetaReal Corp. Listing Market TSE

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

Representative (Title) Representative Director and CEO (Name) Junichi Goishi

Contact (Title) Executive Officer, General Manager of President's office (Name) Toshiyuki Sakai TEL 03-6685-9570

Scheduled date of annual general shareholders meeting May 28, 2025 Scheduled date of commencement of dividend payment -

Scheduled date of filing of annual securities report May 29, 2025

Preparation of supplementary materials for financial results: Yes

Holding of financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(1) Consolidated Results of Operation

(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	%
FY2/25	4,084	△2.2	117	△84.3	112	△86.0	299	△44.0
FY2/24	4,177	△2.7	746	44.8	803	55.5	534	-

(Note) Comprehensive income FY2/25 296Millions of yen (△44.6%) FY2/24 535Millions of yen (-%)

	Net income per share	Diluted net income per share	Net income to shareholders' equity	Ordinary income to total assets	Operating income to net assets
	Yen	Yen	%	%	%
FY2/25	<u>27.59</u>	<u>27.48</u>	<u>16.6</u>	2.4	2.9
FY2/24	49.79	49.13	39.1	18.5	17.9

(Reference) Income on equity method investments FY2/25 △2Millions of yen FY2/24 △16Millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/25	<u>4,919</u>	<u>1,956</u>	<u>39.8</u>	<u>179.68</u>
FY2/24	4,458	1,681	36.8	152.33

(Reference) Shareholders' equity FY2/25 1,956Millions of yen FY2/24 1,640Millions of yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalent at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2/25	61	△132	△102	2,903
FY2/24	930	△122	△271	3,078

2. Dividend payment

	Annual dividend per share					Total amount of dividends	Payout ratio (Consolidated)	Dividend on equity (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2/24	-	0.00	-	0.00	0.00	-	-	-
FY2/25	-	0.00	-	0.00	0.00	-	-	-
FY2/26 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Consolidated Business Forecasts for the Fiscal Year Ending February 28, 2026 (March 1, 2025 to February 28, 2026)

(Percentages indicate year-on-year changes.)

	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
Full year	6,700	64.0	500	326.2	-	-	-	-	-

(Note) [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 28, 2026 are not disclosed at this time in light of the possibility of raising funds in terms of both liabilities and equity due to new M&As and the forecasting difficulties of other non-operating income (loss) and extraordinary income (loss). 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.)

	Net sales		Operating income	
	Millions of yen	%	Millions of yen	%
Full year				
AI business	3,900	26.4	710	43.8
HT business	800	△9.5	100	12.7
Metaverse business	300	163.0	△100	-
AI/MV Marketing business	1,700	-	△50	-
Other corporate expenses	-	-	△160	-

(Note) 1. Metareal AI related sales projects, which are future growth strategies, include consigned development-type projects, performance-based quasi-delegation, and licensing as usage rights. These recording of sales varies greatly depending on the delivery of products, the timing of acceptance inspections, and the timing of licensing (and various conditions in licensing), and there is a difference in the timing of recording sales each quarter. Our annual business forecasts are based on the quarterly shades of each fiscal year, and there is a possibility that there will be changes in the timing of bookings before and after the quarter due to differences in the timing of acceptance inspections.

2. From the fiscal year ending February 28 2026, we will newly add the AI/MV Marketing business. In the AI/MV Marketing business, we will acquire companies in specialized technology fields that are expected to grow by utilizing AI (Artificial Intelligence) and MV (Metaverse), and expand the AI/MV business by leveraging their customer base and business know-how.

※ Notes

(1) Significant changes in scope of consolidation during the period: Yes

New: 1 company (Company Name) STUDIO55 Co., Ltd., Excluded: - company (Company Name) -

(Note) For details, see Appendix page 13 [3. Please refer to (5) Notes on Consolidated Financial Statements (Changes in Scope of Consolidation or Scope of Equity Method Application)].

(2) 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: None
- ④ Restatements: None

(3) Number of shares outstanding (common stock)

- ① Number of shares outstanding at the end of the period (including treasury stock)
- ② Treasury shares at the end of the year
- ③ Average number of shares outstanding during the period

FY2/25	10,888,060shares	FY2/24	10,768,460shares
FY2/25	490shares	FY2/24	490shares
FY2/25	10,841,367shares	FY2/24	10,728,123shares

(Reference) Summary of Non-consolidated Results of Operation

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2025 (March 1, 2024 to February 28, 2025)

(1) Non-Consolidated Results of Operation

(Percentages indicate year-on-year changes.)

	Operating revenue		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/25	1,482	123.1	911	241.0	760	666.1	1,072	572.5
FY2/24	664	△0.3	267	△18.1	99	-	159	-

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
FY2/25	98.93	98.56		
FY2/24	14.87	14.67		

<Reason for difference from previous fiscal year's actual values for non-consolidated business results>

During the fiscal year under review, dividends received from consolidated subsidiaries increased, and gains on sales of investment securities were recorded. As a result, differences between the actual value for the previous fiscal year and the actual value for the fiscal year under review have occurred.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/25	3,155	1,527	48.4	140.27
FY2/24	2,336	478	18.7	40.66

(Reference) Shareholders' equity FY2/25 1,527Millions of yen FY2/24 437Millions of yen

※ This consolidated financial report is not subject to audit 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. Overview of Results of Operation, (2) Consolidated Business Forecasts] on page 4 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.

We also plan to hold a briefing for institutional investors, analysts and long-term individual shareholders on Tuesday, April 15, 2025.

Information on this briefing session is provided on our website.

○ Table of Contents of the Appendix

1. Results of Operations and Financial Position	2
(1) Overview of Results of Operation and Financial Position	2
(2) Consolidated Business Forecasts	4
2. Basic Approach to Selection of Accounting Standards	4
3. Consolidated Financial Statements and Major Notes	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Income	7
Consolidated Statements of Comprehensive Income	8
(3) Consolidated Statements of Changes in Shareholders' Equity	9
(4) Consolidated Statements of Cash Flows	11
(5) Notes on Consolidated Financial Statements	13
(Notes on Going Concern Assumptions)	13
(Changes in Scope of Consolidation or Scope of Equity Method Application)	13
(Changes in Presentation Methods)	13
(Notes to the Consolidated Statements of Income)	13
(Business Combinations)	14
(Segment Information)	15
(Per share Information)	18
(Significant Subsequent Events)	18

1. Results of Operations and Financial Position

(1) Overview of Results of Operation and Financial Position

① Overview of Results of Operation for the Fiscal Year under Review

During the fiscal year under review, orders received and operating income in the AI business decreased, but net sales hit record highs. In the HT business, income compared to the same period of the previous fiscal year decreased, but the amount of loss arising in the Metaverse business decreased.

As a result, our group posted net sales of 4,084,762 thousand yen (down 2.2% year on year), operating income of 117,319 thousand yen (down 84.3% year on year), ordinary income of 112,844 thousand yen (down 86.0% year on year), and profit attributable to owners of parent of 299,068 thousand yen (down 44.0% year on year) for the current fiscal year.

The performance of each business segment is as follows:

① AI business

As for the AI business, orders received were 3,031,201 thousand yen (down 5.1% year on year). Sales were 3,086,624 thousand yen (up 1.0% year on year) due to the impact of consigned projects etc., and segment income was 493,905 thousand yen (down 47.2% year on year) due to the impact of upfront investment in the new [Metareal AI] business. As for the [Metareal AI] project, which was developed and provided in the fiscal year ended February 29, 2024 as a short- to medium-term growth measure, we have aimed to contribute to results at an early stage. To achieve this, we have started various proposals and sales using generative AI, mainly for large-scale customers, which has led to large-scale orders received.

② HT business

As for the HT business, sales were 884,081 thousand yen (down 20.9% year on year), and segment income was 88,733 thousand yen (down 39.0% year on year).

③ Metaverse business

As for the Metaverse business, sales were 114,057 thousand yen (compared to sales of 2,894 thousand yen in the previous fiscal year), and segment loss was 216,791 thousand yen (segment loss of 229,184 thousand yen in the previous fiscal year), as a result of including STUDIO55 Co., Ltd. in the scope of consolidation and shifting short- to medium-term growth measures to the [Metareal AI] project and reducing the amount of investment from a long-term perspective of 10±5 years.

② Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets at the end of the fiscal year under review increased by 117,522 thousand yen from the end of the previous fiscal year to 3,645,664 thousand yen. This was due mainly to an increase of 219,655 thousand yen in notes, accounts receivable and contract assets and a decrease of 173,351 thousand yen in cash and deposits. Non-current assets increased by 344,094 thousand yen from the end of the previous fiscal year to 1,273,994 thousand yen. This was mainly due to an increase of 326,963 thousand yen in intangible assets, an increase of 151,707 thousand yen in property, plant and equipment, and a decrease of 134,576 thousand yen in investments and other assets.

(Liabilities)

Current liabilities increased by 114,928 thousand yen from the end of the previous fiscal year to 2,120,879 thousand yen at the end of the fiscal year under review. This was due mainly to an increase of 132,610 thousand yen in short-term loans payable, an increase of 72,731 thousand yen in accounts payable-other, and a decrease of 64,602 thousand yen in income taxes payable. Non-current liabilities increased by 71,864 thousand yen from the end of the previous fiscal year to 842,484 thousand yen. This was mainly due to an increase of 143,914 thousand yen in long-term loans payable, a decrease of 59,000 thousand yen in bonds, and a decrease of 13,020 thousand yen in lease obligations under non-current liabilities.

(Net assets)

Net assets at the end of the fiscal year under review increased by 274,824 thousand yen from the end of the previous fiscal year to 1,956,295 thousand yen. This was due mainly to an increase of 299,068 thousand yen in retained earnings as a result of recording profit attributable to owners of the parent.

③ Overview of Cash Flows for the Period under Review

In the current consolidated fiscal year, net cash provided by operating activities was 61,468 thousand yen, net cash used in investing activities was 132,981 thousand yen, and net cash used in financing activities was 102,934 thousand yen. As a result, cash and cash equivalents (hereinafter referred to as "funds") at the end of the current consolidated fiscal year decreased by 174,631 thousand yen compared to the end of the previous consolidated fiscal year, amounting to 2,903,833 thousand yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 61,468 thousand yen. Cash inflow was mainly attributable to income before income taxes of 427,532 thousand yen, depreciation and amortization of 264,292 thousand yen, and cash outflow was mainly attributable to gain on sales of investment securities of 304,275 thousand yen and income taxes paid of 186,598 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 132,981 thousand yen. Cash inflow was mainly attributable to proceeds from sales of investment securities of 390,346 thousand yen, and cash outflow was mainly attributable to purchase of property, plant and equipment of 210,510 thousand yen, purchase of investments in subsidiaries resulting in change in scope of consolidation of 180,798 thousand yen, and purchase of intangible assets of 134,100 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities was 102,934 thousand yen. Cash inflow was mainly attributable to proceeds from long-term debt of 450,000 thousand yen and proceeds from issuance of bonds of 146,536 thousand yen. Cash outflow was mainly attributable to repayments of long-term debt of 445,247 thousand yen, redemption of bonds of 179,000 thousand yen, and net increase or decrease in short-term borrowings of 67,389 thousand yen.

(2) Consolidated Business Forecasts

Our three management themes for the future are:

① Renovation of management team and management integration of MetaReal=Rozetta

We recognize that the fundamental reason for the slump in business results this fiscal year is [the failure of the delegation stage in Rozetta management], and as an urgent measure, we will integrate MetaReal=Rozetta management, including the return of its founder Goishi. In addition, we will focus on the weakness of our headquarters functions, and renew the management team on the part of our headquarters. We will welcome talented management teams and staff from outside the Group to build an elite team at the headquarters, including increasing the number of executive officers such as the CFO (Finance) and CSO (Strategy), as well as marketing, M&A, IR, sales, business execution, and logistics support. Group management is directly involved in Rozetta's management. At the same time, we will establish a split system with multiple superior business managers (COOs), and renew our challenge to the stage of delegation of authority.

Since Rozetta's organizational capabilities, which were its strength in the high-growth age, had ceased to exist, we will once again clarify the values of our business strategies, actions, communication, and personnel systems, and enforce them thoroughly by all employees.

② Expansion of the AI translation business platform targeting specialized industry documents to the generative AI business

By utilizing specialized document data such as [T-400] highly valued by customers and a customer base of more than 6000 companies as AI translation for [industry-specific specialized documents], we will expand the area from the narrow domain of translation to all processes in document preparation and shift to [vertically integrated AI agent] while narrowing the scope to [industry-specific specialized documents].

Solve issues such as the speed and artificial number of issues related to the preparation of specialized documents held by customers in the form of consigned development, joint development, and SaaS products.

As for the field priority, we will focus on [Rakuyaku] of AI products and solutions for the pharmaceutical industry as the most promising field at present.

③ Commenced provision of consigned development solutions utilizing AI technology that automatically generates digital twins in the Metaverse business

As a long-term growth strategy aiming to achieve results in 10 years or longer, the Metaverse business is addressing the task of the [Metaverser] concept and its method [Metaverse×AI]. In particular, from this fiscal year we are focusing on starting to provide consigned development solutions using AI technologies that automatically generate digital twins. While there was [3D Laser Camp] and [Combination of Plane Capture Images] as conventional methods of digital twin construction, there were issues such as trouble and cost in the former and limitations in viewpoints and perspectives in the latter. Accordingly, we will provide consigned AI-development solutions that automatically generate photographic digital twins from videos taken on a smartphone without special equipment or work by using the next-generation 3D spatial configuration technique [Gaussian Splatting]. Use cases are assumed for industries centered on the construction, real estate, and manufacturing industries.

As for the growth platform for the VR/digital twin business, STUDIO55 Inc. will be the core of our new group company in the future. While previously the cutting-edge technological capabilities related to Gaussian Splatting and generative AI were our strengths, their weakness was that they did not have a customer base due to their thin knowledge of the construction industry. STUDIO55 Inc. has a high level of expertise and a broad customer base in the VR, CG, and BIM fields of architectural design, and has established a solid track record and trust in the industry. Through this consolidation, we aim to achieve dramatic growth in the field through the synergy effect of combining our cutting-edge AI technology with the specialized skills and customer base of STUDIO55 Inc.

2. Basic Approach to Selection of Accounting Standards

In light of the comparability of consolidated financial statements between periods and between companies, our group intends to continue to prepare consolidated financial statements under Japanese GAAP.

However, our policy is to appropriately consider the application of the International Financial Reporting Standards (IFRS) as necessary in light of various circumstances and business description in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 29, 2024)	Current fiscal year (February 28, 2025)
Assets		
Current assets		
Cash and deposits	3,077,184	2,903,833
Notes, accounts receivable and contract assets	210,127	429,783
Inventories	18,100	73,519
Other	229,434	247,057
Allowance for doubtful accounts	△6,705	△8,529
Total current assets	3,528,142	3,645,664
Non-current assets		
Property, plant and equipment		
Building and structure	22,027	22,027
Tools, furniture and fixtures	654,447	696,119
Leased assets	86,968	86,968
Other	-	3,634
Accumulated depreciation	△702,446	△596,046
Total property, plant and equipment	60,997	212,704
Intangible assets		
Goodwill	-	408,422
Software	419,465	307,176
Software in progress	2,837	40,419
Leased assets	9,638	2,902
Other	452	438
Total intangible assets	432,393	759,357
Investments and other assets		
Investment securities	142,542	53,030
Shares of subsidiaries and associates	9,601	19,916
Long-term loan	187	20,246
Deferred tax asset	279,256	210,951
Other	38,187	25,482
Allowance for doubtful accounts	△33,266	△27,694
Total investments and other assets	436,508	301,932
Total non-current assets	929,899	1,273,994
Total assets	4,458,042	4,919,659
Liabilities		
Current liabilities		
Notes and accounts payable-trade	65,323	107,109
Short-term borrowings	100,000	232,610
Current portion of long-term loans payable	400,980	402,114
Current portion of corporate bonds	164,000	194,000
Accounts payable-other	117,587	190,318
Lease obligations	27,328	13,020
Income taxes payable	88,954	24,352
Provision for bonuses	45,632	45,795
Advances received	814,062	783,716
Other	182,082	127,841
Total current liabilities	2,005,951	2,120,879
Non-current liabilities		
Corporate bonds	359,000	300,000
Long-term debt	398,570	542,484
Lease obligations	13,020	-
Deferred tax liability	28	-
Total non-current liabilities	770,619	842,484
Total liabilities	2,776,571	2,963,364

(Thousands of yen)

	Previous fiscal year (February 29, 2024)	Current fiscal year (February 28, 2025)
Net assets		
Shareholders' equity		
Common stock	792,541	802,289
Capital surplus	1,766,488	1,776,235
Retained earnings	△918,731	<u>△619,662</u>
Treasury stock	△986	△986
Total shareholders' equity	1,639,312	<u>1,957,876</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,011	△1,581
Total accumulated other comprehensive income	1,011	△1,581
Share subscription rights	41,146	-
Total net assets	1,681,470	<u>1,956,295</u>
Total liabilities and net assets	4,458,042	<u>4,919,659</u>

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

(Thousands of yen)

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Net sales	4,177,759	4,084,762
Cost of sales	1,357,814	1,382,446
Gross profit	2,819,944	2,702,316
Selling, general and administrative expenses		
Remuneration for directors	225,706	269,714
Salaries, allowances and bonuses	741,561	766,410
Research and development expenses	123,759	248,355
Advertising expenses	141,135	228,623
Outsourcing expenses	155,314	301,830
Provision for doubtful receivables	109	△6,059
Provision for bonuses	1,929	2,253
Retirement benefit expenses	6,968	7,497
Other	677,133	766,371
Total selling, general and administrative expenses	2,073,620	2,584,996
Operating income	746,324	117,319
Non-operating income		
Commissions received	11,007	-
Interest income	63	1,757
Subsidy income	3,770	-
Gain on forgiveness of dividends payable	-	203
Reversal of allowance for doubtful accounts	75,044	209
Gain on liquidation of debt accounts	-	18,987
Other	2,903	1,520
Total non-operating income	92,788	22,678
Non-operating expenses		
Interest expenses	10,175	12,708
Commissions paid	2,817	4,412
Share of loss of investments accounted for using equity method	16,323	2,025
Bond issuance expenses	3,088	3,463
Provision for doubtful receivables	-	1,192
Foreign exchange loss	-	1,066
Other	2,920	2,285
Total non-operating expenses	35,324	27,154
Ordinary income	803,788	112,844
Special income		
Income on sales of non-current assets	831	2,466
Gain on sale of investment securities	-	304,275
Gain on liquidation of investment securities	2,812	-
Gain on reversal of share subscription rights	-	41,146
Total special income	3,644	347,888
Special loss		
Loss on sales and retirement of noncurrent assets	32	930
Impairment loss	4,327	10,297
Loss on liquidation of subsidiaries and associates	-	21,972
Total special loss	4,359	33,200
Income before income taxes	803,072	427,532
Income taxes – current	211,017	59,338
Income taxes - deferred	57,919	<u>69,125</u>
Total income taxes	268,937	<u>128,463</u>
Net income	534,135	<u>299,068</u>
Net income attributable to owners of parent	534,135	<u>299,068</u>

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Net income	534,135	<u>299,068</u>
Other comprehensive income		
Valuation difference on available-for-sale securities	1,011	<u>△2,592</u>
Total other comprehensive income	1,011	<u>△2,592</u>
Comprehensive income	535,147	<u>296,476</u>
Comprehensive income (loss) attributable to:		
Owners of the parent company	535,147	<u>296,476</u>
Non-controlling interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity
 Previous fiscal year (From March 1, 2023 to February 29, 2024)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	786,021	1,759,968	△1,452,866	△951	1,092,171
Change during the year					
Issuance of shares (exercise of share subscription rights)	6,520	6,520			13,040
Net income attributable to owners of parent			534,135		534,135
Purchase of treasury stock				△34	△34
Net change in items other than shareholders' equity					
Total changes of items during the year	6,520	6,520	534,135	△34	547,140
Ending balance	792,541	1,766,488	△918,731	△986	1,639,312

	Accumulated other comprehensive income		Share subscription rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Opening balance	-	-	41,146	1,133,318
Change during the year				
Issuance of shares (exercise of share subscription rights)				13,040
Net income attributable to owners of parent				534,135
Purchase of treasury stock				△34
Net change in items other than shareholders' equity	1,011	1,011	-	1,011
Total changes of items during the year	1,011	1,011	-	548,152
Ending balance	1,011	1,011	41,146	1,681,470

Current fiscal year (From March 1, 2024 to February 28, 2025)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	792,541	1,766,488	△918,731	△986	1,639,312
Change during the year					
Issuance of shares (exercise of share subscription rights)	9,747	9,747			19,494
Net income attributable to owners of parent			<u>299,068</u>		<u>299,068</u>
Change in ownership interest of parent arising from transactions with non-controlling interests		△0			△0
Net change in items other than shareholders' equity					
Total changes of items during the year	9,747	9,747	<u>299,068</u>	-	<u>318,563</u>
Ending balance	802,289	1,776,235	<u>△619,662</u>	△986	<u>1,957,876</u>

	Accumulated other comprehensive income		Share subscription rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Opening balance	1,011	1,011	41,146	1,681,470
Change during the year				
Issuance of shares (exercise of share subscription rights)				19,494
Net income attributable to owners of parent				<u>299,068</u>
Change in ownership interest of parent arising from transactions with non-controlling interests				△0
Net change in items other than shareholders' equity	△2,592	△2,592	△41,146	△43,739
Total changes of items during the year	△2,592	△2,592	△41,146	<u>274,824</u>
Ending balance	△1,581	△1,581	-	<u>1,956,295</u>

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Cash flows from operating activities		
Income before income taxes	803,072	427,532
Depreciation	356,497	264,292
Amortization of goodwill	6,709	5,304
Impairment loss	4,327	10,297
Increase or decrease in allowance for doubtful accounts (Δ indicates decrease)	Δ 110,058	Δ 16,802
Increase or decrease in accrued bonuses (Δ indicates decrease)	771	163
Interest and dividend income	Δ 63	Δ 1,757
Subsidy income	Δ 3,770	-
Interest expenses	10,175	12,708
Loss or gain on equity method investments (Δ indicates gain)	16,323	2,025
Loss on sales and retirement of noncurrent assets (Δ indicates gain)	Δ 799	Δ 1,535
Loss or gain on sales of investment securities (Δ indicates gain)	-	Δ 304,275
Gain on reversal of share subscription rights	-	Δ 41,146
Bond issuance expenses	3,088	3,463
Increase or decrease in advances received (Δ indicates decrease)	Δ 45,376	Δ 36,998
Increase or decrease in notes and accounts receivable and contract assets (Δ indicates increase)	134,898	Δ 36,629
Increase or decrease in inventories (Δ indicates increase)	Δ 2,024	Δ 8,252
Increase or decrease in trade payables (Δ indicates decrease)	Δ 8,946	Δ 66,781
Increase or decrease in accounts payable-other (Δ indicates decrease)	20,940	61,975
Increase or decrease in accrued consumption taxes	23,944	Δ 98,058
Other	Δ 22,667	Δ 568
Sub-total	1,187,042	174,955
Interest and dividends received	63	1,757
Subsidy income	3,770	-
Interest paid	Δ 10,175	Δ 14,240
Income taxes paid	Δ 308,726	Δ 186,598
Income taxes refund	58,905	85,594
Cash flows from operating activities	930,880	61,468
Cash flows from investing activities		
Payments for property, plant and equipment	Δ 6,718	Δ 210,510
Proceeds from sale of property, plant and equipment	831	2,454
Payments for intangible assets	Δ 65,556	Δ 134,100
Proceeds from sale of intangible assets	-	400
Purchase of investment securities	Δ 55,128	-
Proceeds from sales of investment securities	-	390,346
Proceeds from liquidation of investment securities	2,812	-
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	Δ 180,798
Proceeds from liquidation of subsidiaries and associates	802	-
Payment for loans receivable	Δ 1,200	Δ 1,648
Proceeds from loans receivable	2,144	875
Cash flows from investing activities	Δ122,012	Δ132,981

(Thousands of yen)

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Cash flows from financing activities		
Net increase or decrease in short-term borrowings (Δ indicates decrease)	-	$\Delta 67,389$
Proceeds from issuance of bonds	146,911	146,536
Redemption of bonds	$\Delta 149,000$	$\Delta 179,000$
Proceeds from long-term debt	150,000	450,000
Repayment of long-term debt	$\Delta 405,980$	$\Delta 445,247$
Repayment of lease obligations	$\Delta 26,806$	$\Delta 27,328$
Proceeds from issuance of common stock upon exercise of share subscription rights	13,040	19,494
Purchase of treasury stock	$\Delta 34$	-
Purchase of investments in subsidiaries that does not result in change in scope of consolidation	-	$\Delta 0$
Cash flows from financing activities	$\Delta 271,869$	$\Delta 102,934$
Effect of exchange rate change on cash and cash equivalents	$\Delta 561$	$\Delta 184$
Net increase or decrease in cash and cash equivalents (Δ indicates decrease)	536,436	$\Delta 174,631$
Cash and cash equivalents at beginning of the year	2,542,027	3,078,464
Cash and cash equivalents at end of the year	3,078,464	2,903,833

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Scope of Consolidation or Scope of Equity Method Application)

(Changes in Scope of Consolidation)

During the fiscal year under review, the company has included STUDIO55 Inc. in the scope of consolidation due to the acquisition of its shares.

(Changes in Scope of Equity Method Application)

Not applicable.

(Change of Presentation Methods)

(Consolidated Statements of Income)

[Consignment expenses] which had been included in [Other] under [Selling, general and administrative expenses] until the previous fiscal year is presented separately from the current fiscal year due to its materiality. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, the amount of 832,448 thousand yen that had been presented under [Other] in [Selling, general and administrative expenses] in the previous fiscal year's consolidated statement of income has been reclassified as [Outsourcing expenses] of 155,314 thousand yen and [Other] of 677,133 thousand yen.

(Consolidated Statements of Cash Flows)

Until the previous consolidated fiscal year, the 'Increase/Decrease in Accounts Payable (Δ indicates decrease)' and the 'Increase/Decrease in Accrued or Uncollected Consumption Taxes, etc.' were included in 'Others' under 'Cash Flows from Operating Activities.' However, due to their increased materiality, they are now separately presented from the current consolidated fiscal year. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been reclassified.

As a result, in the consolidated cash flow statement for the previous fiscal year, the 22,217 thousand yen displayed under "Other" in "Cash Flow from Operating Activities" has been reclassified as "Increase/Decrease in Accounts Payable (Δ indicates decrease)" 20,940 thousand yen, "Increase/Decrease in Unpaid or Accrued Consumption Taxes, etc." 23,944 thousand yen, and "Other" Δ 22,667 thousand yen.

(Notes to the Consolidated Statements of Income)

(1) Revenue from contracts with customers

Revenue from contracts with customers and other revenues are not presented separately. The amount of revenue arising from contracts with customers is as described under [Segment Information].

(2) Gain on sale of investment securities

Previous fiscal year (From March 1, 2023 to February 29, 2024)

Not applicable.

Current fiscal year (From March 1, 2024 to February 28, 2025)

This was due to the sale of shares of alt Inc. and one share subscription right of a domestic unlisted company (VoiceApp Co., Ltd.) out of investment securities we hold.

(3) Gain on reversal of share subscription rights

Previous fiscal year (From March 1, 2023 to February 29, 2024)

Not applicable.

Current fiscal year (From March 1, 2024 to February 28, 2025)

[Gain on reversal of share subscription rights] recorded in extraordinary income is due to the reversal of share subscription rights due to the forfeiture of stock options.

(4) Loss on liquidation of subsidiaries and associates
Previous fiscal year (From March 1, 2023 to February 29, 2024)
Not applicable.

Current fiscal year (From March 1, 2024 to February 28, 2025)
Due to the resolution to liquidate Xtra, Inc., our consolidated subsidiary.

(Business Combinations)

(Business Combination through Acquisition)

At the meeting of the Board of Directors held on December 26, 2024, we resolved to acquire 55.0% of the outstanding shares of STUDIO55 Inc. and make it a subsidiary. In addition, on the same date, the Company concluded a share transfer agreement and acquired shares.

1. Overview of the Business Combination

(1) Company name and business description of the acquired company

Company name: STUDIO55 Inc.

Description of acquired business: Digital solutions business

BIM support business

DX (Digital Transformation) Business

UX design business

Software sales business

BIM platform business

(2) Major reason for the business combination

We have long promoted the commercialization of [innovative solutions in the field of architectural design and design using Gaussian Splatting technology] as a promising field in the Metaverse business. In addition, while we have strengths in cutting-edge technology related to Gaussian Splatting and generative AI, our weakness was that we do not have a customer base and expertise in the construction industry. On the other hand, STUDIO55 Inc. has advanced expertise and an extensive customer base in the field of VR/CG/BIM (Building Information Modeling) for architectural design, and has established a solid track record and reliability in the industry. Through this consolidation, we aim to achieve dramatic growth in the field through the synergy effect of combining our cutting-edge AI technology with the specialized skills and customer base of STUDIO55 Inc.

(3) Effective date of the business combination

December 26, 2024 (deemed acquisition date December 31, 2024)

(4) Legal form of the business combination

Acquisition of shares for cash consideration

(5) Company name following the business combination

No change.

(6) Percentage of voting rights acquired

55.0%

In addition to the total number of shares outstanding, STUDIO55 Inc. issues stock options, the main allottee is employees. This stock option will not be transferred to us through this transaction and is expected to be exercised by each employee or other in the future. However, even if this stock option is exercised, we expect our voting rights to exceed 50% and assume that STUDIO55 Inc. will continue to be a consolidated subsidiary.

(7) Principal basis for determining the acquirer

This was determined based on the fact that we acquired shares in exchange for cash.

2. Period in which the acquired company's business performance is reflected in the consolidated financial statements

From January 1, 2025 to February 28, 2025

3. Breakdown of the acquisition cost

Consideration paid for acquisition	Cash	177,703 thousand yen
Total acquisition cost		177,703 thousand yen

4. Content and amount of major acquisition-related expenses

Remuneration and fees to advisors: 15,385 thousand yen

5. Amount of goodwill recognized, reason thereof, method and period of amortization

(1) Amount of goodwill

413,726 thousand yen

(2) Reason

Excess earning power expected from future business development.

(3) Method and period of amortization

Straight-line method over 13 years

6. Breakdown of assets acquired and liabilities assumed on the date of the business combination

Current assets	459,707 thousand yen
Non-current assets	10,365 thousand yen
Total assets	<u>470,073 thousand yen</u>
Current liabilities	393,595 thousand yen
Non-current liabilities	312,501 thousand yen
Total liabilities	<u>706,096 thousand yen</u>

7. Estimated impact of the business combination on the consolidated statement of income if the business combination had been completed at the beginning of the current fiscal year, and the calculation method thereof.

This information is not presented because the calculation of estimated amounts during the fiscal year under review is difficult.

(Segment Information)

[Segment Information]

1. Overview of Reportable Segments

The target segments of the Company are components of the Company for which separate financial information is available and which are regularly reviewed by the Board of Directors in order to determine the allocation of management resources and evaluate business performance. Our business includes the AI business and the Metaverse business as core business, and the translation outsourcing business as peripheral business.

(1) AI business

The AI (Artificial Intelligence) business, under the corporate mission of "liberating Japan from the constraints of language" and "freeing humanity from the drudgery of monotonous labor," provides AI solutions specialized in various industry sectors, starting with AI translation.

(2) HT business

The HT (Human Translation) business provides services such as translation, interpretation, and language education conducted by humans.

(3) Metaverse business

The metaverse business aims to integrate the latest technologies such as AI, AR (Augmented Reality), VR (Virtual Reality), 5G/6G/7G (high-speed, large-capacity, and multiple simultaneous connections), 4K/8K/12K (ultra-high-resolution video), video distribution solutions, wearable devices, robots, and HA (Human Augmentation) to provide various services that enable people around the world to interact, live, work, and enjoy life "anytime, anywhere, with anyone."

2. Method of calculating net sales, income (loss), assets and other items by reportable segment

The accounting methods used for the reportable segments are based on the accounting policies adopted for the preparation of the consolidated financial statements.

Segment income is based on operating income. Intersegment sales and transfers are based on prevailing market prices.

3. Information on net sales, income (loss), assets and other items by reportable segment and breakdown of income
Previous fiscal year (From March 1, 2023 to February 29, 2024)

(Thousands of yen)

	Reportable Segments				Adjustments (Notes 1, 3, 4)	Amounts on the consolidated financial statements (Note 2)
	AI business (Note 5)	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	2,813,002	30,015	-	2,843,018	-	2,843,018
Human translation	48,196	1,087,560	-	1,135,756	-	1,135,756
Metaverse	-	-	2,894	2,894	-	2,894
Consigned development	196,089	-	-	196,089	-	196,089
Revenue from contracts with customers	3,057,288	1,117,576	2,894	4,177,759	-	4,177,759
Revenue recognition by period						
Goods or services that are transferred at one time	313,843	980,059	1,192	1,295,095	-	1,295,095
Goods or services that are transferred over a period of time	2,743,444	137,517	1,702	2,882,663	-	2,882,663
Revenue from contracts with customers	3,057,288	1,117,576	2,894	4,177,759	-	4,177,759
Net sales to unaffiliated customers	3,057,288	1,117,576	2,894	4,177,759	-	4,177,759
Intersegment sales or transfer	6,129	42,303	13,405	61,839	△61,839	-
Total	3,063,417	1,159,879	16,300	4,239,598	△61,839	4,177,759
Segment income or loss (△)	935,971	145,555	△229,184	852,342	△106,017	746,324
Segment assets	2,852,864	718,257	169,595	3,740,716	717,325	4,458,042
Other						
Depreciation	356,792	18,036	-	374,829	△18,331	356,497
Amortization of goodwill	-	6,709	-	6,709	-	6,709
Impairment loss	-	-	4,327	4,327	-	4,327
Increase in property, plant and equipment, and intangible assets	62,743	8,030	1,500	72,275	-	72,275

(Note) 1. Adjustments to segment income or loss (△) of △106,017 thousand yen include an elimination of intersegment transactions of 244,176 thousand yen and corporate expenses not attributable to reportable segments of △350,194 thousand yen.

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 consolidated statements of income.

3. Adjustments to segment assets of 717,325 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of parent-company assets and deferred tax assets.

4. The adjustment amount of depreciation expenses of △18,331 thousand yen under other items is the adjustment amount for depreciation expenses related to the parent company's assets and unrealized gains and losses.

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

Current fiscal year (From March 1, 2024 to February 28, 2025)

(Thousands of yen)

	Reportable Segments				Adjustments (Notes 1, 3, 4)	Amounts on the consolidated financial statements (Note 2)
	AI business (Note 5)	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	2,631,697	16,173	-	2,647,871	-	2,647,871
Human translation	54,043	867,908	-	921,951	-	921,951
Metaverse	-	-	1,125	1,125	-	1,125
Consigned development	400,883	-	112,931	513,814	-	513,814
Revenue from contracts with customers	3,086,624	884,081	114,057	4,084,762	-	4,084,762
Revenue recognition by period						
Goods or services that are transferred at one time	419,332	771,918	113,046	1,304,297	-	1,304,297
Goods or services that are transferred over a period of time	2,667,291	112,163	1,010	2,780,465	-	2,780,465
Revenue from contracts with customers	3,086,624	884,081	114,057	4,084,762	-	4,084,762
Net sales to unaffiliated customers	3,086,624	884,081	114,057	4,084,762	-	4,084,762
Intersegment sales or transfer	5,248	46,595	25,449	77,293	△77,293	-
Total	3,091,872	930,677	139,506	4,162,056	△77,293	4,084,762
Segment income or loss (△)	493,905	88,733	△216,791	365,847	△248,527	117,319
Segment assets	2,471,139	484,850	401,566	3,357,556	<u>1,562,103</u>	<u>4,919,659</u>
Other						
Depreciation	263,865	5,207	509	269,582	△5,290	264,292
Amortization of goodwill	-	-	5,304	5,304	-	5,304
Impairment loss	-	9,080	1,217	10,297	-	10,297
Increase in property, plant and equipment, and intangible assets	341,363	1,220	1,217	343,802	809	344,611

(Note) 1. Adjustments to segment income or loss (△) of △248,527 thousand yen include an elimination of intersegment transactions of 272,450 thousand yen and corporate expenses not attributable to reportable segments of △520,977 thousand yen.

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 consolidated statements of income.

3. Adjustments to segment assets of 1,562,103 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of parent-company assets and deferred tax assets.

4. Among the adjustments for other items, the adjustment amount of depreciation expenses of △5,290 thousand yen pertains to the depreciation expenses and unrealized profit and loss adjustments related to the parent company's assets. The adjustment amount of 809 thousand yen for the increase in tangible and intangible fixed assets pertains to the increase related to the parent company's assets.

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

(Per share Information)

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Net assets per share	152.33 yen	<u>179.68</u> yen
Net income per share	49.79 yen	<u>27.59</u> yen
Diluted net income per share	49.13 yen	<u>27.48</u> yen

(Note) The basis for calculating net income per share and diluted net income per share is as follows.

	Previous fiscal year (From March 1, 2023 to February 29, 2024)	Current fiscal year (From March 1, 2024 to February 28, 2025)
Net income per share		
Net income attributable to owners of parent (thousands of yen)	534,135	<u>299,068</u>
Amount not attributable to common shareholders (thousands of yen)	-	-
Net income attributable to owners of parent related to common stock (thousands of yen)	534,135	<u>299,068</u>
Average number of shares of common stock outstanding during the period (shares)	10,728,123	10,841,367
Diluted net income per share		
Adjustment to net income attributable to owners of parent (thousands of yen)	-	-
Increase in number of common shares (shares)	143,742	40,698
(Share subscription rights (shares))	(143,742)	(40,698)
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect	14th share subscription rights by resolution of the Board of Directors at the meeting held on July 14, 2020 Number of share subscription rights: 12,188 rights (1,218,800 shares of common stock)	-

(Significant Subsequent Events)

Not applicable.