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Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (Japanese GAAP)

April 14, 2023

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) Director, General Manager of Group Administration Division (Name) Taketo Arakawa TEL 03-6685-9570

Scheduled date of annual general shareholders meeting May 26, 2023 Scheduled date of commencement of dividend payment -

Scheduled date of filing of annual securities report May 29, 2023

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, 2023 (March 1, 2022 to February 28, 2023)

(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	%
FY2/23	4,292	3.2	515	460.6	516	-	29	-
FY2/22	4,159	3.9	91	21.3	△45	-	△1,238	-

(Note) Comprehensive income FY2/23 29 Millions of yen (-%) FY2/22 △1,238 Millions 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	%	%	%
FY2/23	2.77	2.73	2.8	11.3	12.0
FY2/22	△116.24	-	△72.4	△0.9	2.2

(Reference) Income on equity method investments FY2/23 △17 Millions of yen FY2/22 △163 Millions of yen

(Note) [Accounting Standard for Revenue Recognition] (ASBJ Statement No. 29, March 31, 2020) and other accounting standards have been applied since the beginning of the fiscal year under review. Figures related to the fiscal year ended February 28, 2023, represent figures after the application of these accounting standards. Year-on-year changes are calculated by comparing figures for the fiscal year ended February 28, 2023, following application of the relevant accounting standards etc., with those for the fiscal year ended February 28, 2022, prior to application of the relevant accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/23	4,220	1,133	25.9	102.19
FY2/22	4,908	1,098	21.5	99.23

(Reference) Shareholders' equity FY2/23 1,092 Millions of yen FY2/22 1,057 Millions of yen

(Note) [Accounting Standard for Revenue Recognition] (ASBJ Statement No. 29, March 31, 2020) and other accounting standards have been applied since the beginning of the fiscal year under review. Figures related to the fiscal year ended February 28, 2023, represent figures after the application of these accounting standards.

(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
FY2/23	507	△155	△217	2,542
FY2/22	523	△351	△49	2,410

2. Dividend payment

	Annual dividend per share					Total amount of dividends (Total)	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	%	%
FY2/22	-	0.00	-	0.00	0.00	-	-	-
FY2/23	-	0.00	-	0.00	0.00	-	-	-
FY2/24 (Forecast)	-	0.00	-	0.00	0.00			

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.)

	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	4,589	6.9	611	18.6	-	-	-	-	-

◆ Consolidated Business Forecasts by Segment

(Percentages indicate year-on-year changes.)

	Net sales		Operating income	
	Millions of yen	%	Millions of yen	%
Full year				
MT business	3,152	8.3	599	△4.9
HT business	1,416	3.4	254	△4.6
Metaverse business	20	95.0	△280	-
Other corporate expenses	-	-	36	△15.2

(Note)1. In the fiscal year ended February 28, 2023, we forecast business results over a range. However, in light of the accumulation of information from the speech AI translation release and the transition of the COVID-19 to Class 5 infectious diseases, we have decided to make a spot business forecast for the fiscal year ending February 29, 2024 instead of a business forecast over a range.

While the impact of Metareal AI (see the March 8, 2023, Disclosure [Notice Regarding the Commencement of New Businesses by Subsidiaries]) on business results is incorporated in the above forecasts, we have recorded expenses in the MT business in the same amount as the increase in net sales (430 million yen) that corresponds to 10% of net sales for the immediately preceding fiscal year.

As for Metareal AI expenses, although special expenditures through May 31, the date of business commencement, are limited, in light of industry trends and growth-curve transformation being very fast and difficult to estimate, we will incur expenses equal to the impact of sales. As a result, we have used a conservative forecast of an increase in sales by Metareal AI of the same amount.

In addition, gains and losses on Metareal AI are recorded in the MT business for the time being, and we plan to change the name of the MT business when the numerical value of the actual Metareal AI increases in importance.

2. With regard to the consolidated business forecasts of [Ordinary income], [Net income attributable to owners of the parent] and [Net income per share] for the fiscal year ending February 29, 2024, due to the uncertainty in financial planning such as funding from both liabilities and equity associated with Metareal AI of new businesses, items below ordinary income (loss) are not disclosed at this time. We plan to disclose specific figures promptly once we are able to make more accurate projections.

※ Notes

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

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

① Changes in accounting policies due to revisions of accounting standards, etc.: Yes

② Changes in accounting policies other than ①: None

③ Changes in accounting estimates: None

④ Restatements: None

(Note) For details, please refer to [3. Consolidated Financial Statements, (5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)] on page 12 of the Appendix.

(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

FY2/23	10,688,460shares	FY2/22	10,657,660shares
FY2/23	468shares	FY2/22	468shares
FY2/23	10,683,847shares	FY2/22	10,657,208shares

(Reference) Summary of Non-consolidated Results of Operation

1. Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2023 (March 1, 2022 to February 28, 2023)

(1) Non-Consolidated Results of Operation

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/23	666	△60.1	326	27.6	△6	-	△245	-
FY2/22	1,671	△39.7	255	525.0	△263	-	△1,881	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY2/23	△23.01	-
FY2/22	△176.54	-

- (Note)1. Following the transition to a holding company structure on September 1, 2021, the MT business segment has been converted to a consolidated subsidiary. As a result, the non-consolidated results of operations for the fiscal year ended February 28, 2022 include the figures for the first half of the MT business. In the non-consolidated results of operations for the fiscal year ended February 28, 2023, when business management of the Group subsidiaries was the main business throughout the fiscal year, there are increases or decreases in [Net sales] [Operating income] [Ordinary income] and [Net income] compared to the results of the previous fiscal year. Revenue (operating revenue) from business operations after the transition date is included in net sales.
2. [Accounting Standard for Revenue Recognition] (ASBJ Statement No. 29, March 31, 2020) and other accounting standards have been applied since the beginning of the fiscal year under review. Figures related to the fiscal year ended February 28, 2023, represent figures after the application of these accounting standards. Year-on-year changes are calculated by comparing figures for the fiscal year ended February 28, 2023, following application of the relevant accounting standards etc., with those for the fiscal year ended February 28, 2022, prior to application of the relevant accounting standards.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/23	2,412	305	11.0	24.73
FY2/22	3,181	546	15.9	47.39

(Reference) Shareholders' equity FY2/23 264Millions of yen FY2/22 505Millions of yen

(Note) [Accounting Standard for Revenue Recognition] (ASBJ Statement No. 29, March 31, 2020) and other accounting standards have been applied since the beginning of the fiscal year under review. Figures related to the fiscal year ended February 28, 2023, represent figures after the application of these accounting standards.

※ 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 regarding future performance in this material 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 does not make promises about the achievements. 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 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.

We also plan to hold a briefing for institutional investors, analysts and long-term individual shareholders on Wednesday, April 19, 2023.

Information on this briefing session is provided on our website.

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1. Overview of Results of Operation 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, profits of the MT business were firm as a result of cost reductions in the MT business, etc., but there were expenses related to upfront investments in the Metaverse business, such as research and development expenses.

As a result, our group posted net sales of 4,292,042 thousand yen (up 3.2% year on year), operating income of 515,424 thousand yen (up 460.6% year on year), ordinary income of 516,803 thousand yen (ordinary loss of 45,752 thousand yen in the previous fiscal year), and profit attributable to owners of parent of 29,631 thousand yen (loss attributable to owners of parent of 1,238,785 thousand yen in the previous fiscal year) for the current fiscal year.

Businesses other than the Metaverse business recorded total sales of 4,281,786 thousand yen (up 3.1% year on year) and operating income of 941,048 thousand yen (up 65.1% year on year).

The performance of each business segment is as follows:

① MT business

As for the MT business, sales were 2,911,781 thousand yen (down 0.8% year on year), and segment income was 630,939 thousand yen (up 65.8% year on year).

② HT business

As for the HT business, sales were 1,370,005 thousand yen (up 12.3% year on year), and segment income was 267,226 thousand yen (up 46.7% year on year).

③ Metaverse business

As for the Metaverse business, sales were 10,256 thousand yen (up 126.8% year on year), and segment loss was 425,624 thousand yen (segment loss of 477,987 thousand yen in the previous fiscal year).

② Overview of Financial Position for the Fiscal Year under Review

(Assets)

Total assets at the end of the fiscal year under review decreased by 687,312 thousand yen from the end of the previous fiscal year to 4,220,709 thousand yen.

Current assets increased by 24,582 thousand yen from the end of the previous fiscal year to 2,973,276 thousand yen. This was due mainly to a decrease of 173,829 thousand yen in notes and accounts receivable, an increase of 126,835 thousand yen in cash and deposits, and a decrease of 43,137 thousand yen in the allowance for doubtful accounts.

Non-current assets decreased by 711,894 thousand yen from the end of the previous fiscal year to 1,247,433 thousand yen. This was mainly due to a decrease of 90,804 thousand yen in property, plant and equipment, a decrease of 322,270 thousand yen in intangible assets, and a decrease of 298,820 thousand yen in investments and other assets.

(Liabilities)

Liabilities at the end of the fiscal year under review decreased by 721,964 thousand yen from the end of the previous fiscal year to 3,087,391 thousand yen.

Current liabilities decreased by 445,178 thousand yen from the end of the previous fiscal year to 1,989,491 thousand yen. This was due mainly to a decrease of 283,090 thousand yen in provision for surcharges, a decrease of 146,820 thousand yen in advances received, and a decrease of 63,027 thousand yen in income taxes payable.

Non-current liabilities decreased by 276,786 thousand yen from the end of the previous fiscal year to 1,097,899 thousand yen. This was mainly due to a decrease of 385,980 thousand yen in long-term debt, an increase of 136,000 thousand yen in bonds, and a decrease of 26,806 thousand yen in lease obligations.

(Net assets)

Net assets at the end of the fiscal year under review increased by 34,652 thousand yen from the end of the previous fiscal year to 1,133,318 thousand yen.

This was mainly due to an increase of 29,631 thousand yen in retained earnings as a result of recording profit attributable to owners of the parent.

③ Overview of cash flows for the fiscal year under review

Net cash provided by operating activities was 507,333 thousand yen, net cash used in investing activities was 155,735 thousand yen, and net cash used in financing activities was 217,877 thousand yen. As a result, cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review increased by 131,883 thousand yen from the end of the previous fiscal year to 2,542,027 thousand yen.

(Cash flows from operating activities)

Net cash provided by operating activities was 507,333 thousand yen. Cash inflow was mainly attributable to income before income taxes of 208,703 thousand yen, depreciation and amortization of 475,735 thousand yen, loss on valuation of investment securities of 233,763 thousand yen, and a decrease in notes and accounts receivable-trade of 174,698 thousand yen. Cash outflow was mainly attributable to a decrease in provision for surcharges of 283,090 thousand yen and income taxes paid of 215,866 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities was 155,735 thousand yen. Cash inflow was mainly attributable to proceeds from loans receivable of 1,659 thousand yen, cash outflow of 139,623 thousand yen from acquisition of intangible assets, loan disbursements of 12,450 thousand yen, and purchase of property, plant and equipment of 6,078 thousand yen.

(Cash flows from financing activities)

Net cash used in financing activities was 217,877 thousand yen. Cash inflow was mainly attributable to proceeds from issuance of bonds of 293,375 thousand yen, and cash outflow was mainly attributable to repayments of long-term debt of 385,980 thousand yen, redemption of bonds of 104,000 thousand yen, and repayments of lease obligations of 26,293 thousand yen.

(2) Consolidated Business Forecasts

Our two management themes for the future are:

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

The Metaverse business will work on the [Metaverser] initiative and the [Metaverse x AI] as a tool as a long-term growth strategy that anticipates blooming in five years or later.

② MT business and [Metareal AI] concept

We will continue to aim for stable growth in the MT business, which provides services such as [T-400] [T-3MT] for AI document translation and [Onyaku] for AI speech translation. The AI-related service unified platform [Metareal AI] which released the β version on April 3 (official version is planned to be released on the end of May) is an integration of not only generative AI such as ChatGPT, but also a number of AI services groups from the perspective of business utilization of companies. In order to provide not only unique applications, but also cutting-edge AI services around the world at high speed, and to provide a bridge with Japanese companies, we have commenced development and provision. We will promote the shift to a one-stop AI business environment in which Japanese companies can respond to the rapid shift in AI on a global scale. We aim to grow by 5% to 20% through the MT business and the [Metareal AI] concept.

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 28, 2022)	Current fiscal year (February 28, 2023)
Assets		
Current assets		
Cash and deposits	2,396,860	2,523,695
Notes and accounts receivable	452,567	278,738
Inventories	18,467	16,075
Other	165,987	196,817
Allowance for doubtful accounts	△85,189	△42,051
Total current assets	2,948,694	2,973,276
Non-current assets		
Property, plant and equipment		
Building and structure	18,896	18,896
Tools, furniture and fixtures	760,324	685,402
Leased assets	86,968	86,968
Accumulated depreciation	△657,449	△673,331
Total property, plant and equipment	208,740	117,936
Intangible assets		
Goodwill	14,496	6,709
Software	893,720	647,051
Software in progress	61,628	572
Leased assets	23,110	16,374
Other	401	378
Total intangible assets	993,356	671,086
Investments and other assets		
Investment securities	319,675	86,071
Shares of subsidiaries and associates	40,796	23,779
Long-term loan	231	10,562
Deferred tax asset	381,173	337,478
Other	114,202	108,497
Allowance for doubtful accounts	△98,848	△107,979
Total investments and other assets	757,230	458,409
Total non-current assets	1,959,327	1,247,433
Total assets	4,908,021	4,220,709
Liabilities		
Current liabilities		
Notes and accounts payable-trade	94,145	74,270
Short-term borrowings	100,000	100,000
Current portion of long-term loans payable	385,980	385,980
Current portion of corporate bonds	74,000	134,000
Accounts payable-other	102,288	96,646
Lease obligations	26,293	26,806
Income taxes payable	91,940	28,913
Provision for bonuses	48,359	44,860
Advances received	1,006,259	859,439
Provision for surcharge	283,090	-
Other	222,313	238,575
Total current liabilities	2,434,670	1,989,491
Non-current liabilities		
Corporate bonds	252,000	388,000
Long-term debt	1,055,530	669,550
Lease obligations	67,155	40,349
Total non-current liabilities	1,374,685	1,097,899
Total liabilities	3,809,355	3,087,391

(Thousands of yen)

	Previous fiscal year (February 28, 2022)	Current fiscal year (February 28, 2023)
Net assets		
Shareholders' equity		
Common stock	783,511	786,021
Capital surplus	1,757,458	1,759,968
Retained earnings	△1,482,498	△1,452,866
Treasury stock	△951	△951
Total shareholders' equity	1,057,519	1,092,171
Share subscription rights	41,146	41,146
Total net assets	1,098,666	1,133,318
Total liabilities and net assets	4,908,021	4,220,709

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

(Thousands of yen)

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Net sales	4,159,109	4,292,042
Cost of sales	1,535,781	1,506,580
Gross profit	2,623,327	2,785,461
Selling, general and administrative expenses		
Remuneration for directors	167,109	160,314
Salaries, allowances and bonuses	851,818	787,237
Research and development expenses	241,929	264,696
Advertising expenses	187,582	210,390
Provision for doubtful receivables	155,974	152
Provision for bonuses	△3,110	8,964
Retirement benefit expenses	8,720	7,221
Other	921,362	831,060
Total selling, general and administrative expenses	2,531,387	2,270,037
Operating income	91,940	515,424
Non-operating income		
Interest income	44	63
Dividends income	9	-
Subsidy income	44,647	15,252
Reversal of allowance for doubtful accounts	-	27,295
Other	11,948	8,302
Total non-operating income	56,650	50,913
Non-operating expenses		
Interest expenses	13,817	12,896
Commissions paid	327	1,895
Share of loss of investments accounted for using equity method	163,038	17,016
Bond issuance expenses	2,863	6,624
Provision for doubtful receivables	11,456	10,000
Other	2,839	1,101
Total non-operating expenses	194,342	49,534
Ordinary income or loss (△)	△45,752	516,803
Special loss		
Expenses related to restatements of prior years	207,056	-
Provision for surcharge	283,090	-
Loss on sales and retirement of noncurrent assets	8,696	5,880
Impairment loss	366,392	68,455
Loss on valuation of investment securities	345,528	233,763
Loss on cancellation of lease agreement	13,907	-
Total special loss	1,224,672	308,099
Income or loss (△) before income taxes	△1,270,424	208,703
Income taxes – current	183,839	135,376
Income taxes - deferred	△215,479	43,695
Total income taxes	△31,639	179,071
Net income or loss (△)	△1,238,785	29,631
Net income or loss (△) attributable to owners of parent	△1,238,785	29,631

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Net income or loss (Δ)	Δ 1,238,785	29,631
Comprehensive income	Δ 1,238,785	29,631
Comprehensive income (loss) attributable to:		
Owners of the parent company	Δ 1,238,785	29,631
Non-controlling interests	-	-

(3) Consolidated Statements of Changes in Shareholders' Equity
 Previous fiscal year (From March 1, 2021 to February 28, 2022)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	783,511	1,761,699	△180,466	△861	2,363,883
Change during the year					
Issuance of new shares					-
Dividend of surplus			△63,943		△63,943
Loss (△) attributable to owners of parent			△1,238,785		△1,238,785
Purchase of treasury stock				△89	△89
Changes in scope of consolidation			695		695
Purchase of investments in consolidated subsidiaries		△4,241			△4,241
Net change in items other than shareholders' equity					-
Total changes of items during the year	-	△4,241	△1,302,032	△89	△1,306,363
Ending balance	783,511	1,757,458	△1,482,498	△951	1,057,519

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	41,146	45,758	2,450,788
Change during the year			
Issuance of new shares			-
Dividend of surplus			△63,943
Loss (△) attributable to owners of parent			△1,238,785
Purchase of treasury stock			△89
Changes in scope of consolidation			695
Purchase of investments in consolidated subsidiaries			△4,241
Net change in items other than shareholders' equity		△45,758	△45,758
Total changes of items during the year	-	△45,758	△1,352,122
Ending balance	41,146	-	1,098,666

Current fiscal year (From March 1, 2022 to February 28, 2023)

(Thousands of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	783,511	1,757,458	△1,482,498	△951	1,057,519
Change during the year					
Issuance of new shares	2,510	2,510			5,020
Dividend of surplus					-
Net income attributable to owners of parent			29,631		29,631
Purchase of treasury stock					-
Changes in scope of consolidation					-
Purchase of investments in consolidated subsidiaries					-
Net change in items other than shareholders' equity					-
Total changes of items during the year	2,510	2,510	29,631	-	34,652
Ending balance	786,021	1,759,968	△1,452,866	△951	1,092,171

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	41,146	-	1,098,666
Change during the year			
Issuance of new shares			5,020
Dividend of surplus			-
Net income attributable to owners of parent			29,631
Purchase of treasury stock			-
Changes in scope of consolidation			-
Purchase of investments in consolidated subsidiaries			-
Net change in items other than shareholders' equity			-
Total changes of items during the year	-	-	34,652
Ending balance	41,146	-	1,133,318

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Cash flows from operating activities		
Income or loss (Δ) before income taxes	Δ 1,270,424	208,703
Depreciation	580,053	475,735
Expenses related to restatements of prior years	207,056	-
Amortization of goodwill	21,262	7,786
Impairment loss	366,392	68,455
Increase or decrease in allowance for doubtful accounts (Δ indicates decrease)	167,106	Δ 34,006
Increase or decrease in accrued bonuses (Δ indicates decrease)	Δ 9,864	Δ 3,498
Increase in provision for surcharges (Δ indicates decrease)	283,090	Δ 283,090
Interest and dividend income	Δ 54	Δ 63
Loss on valuation of investment securities (Δ indicates gain)	345,528	233,763
Loss or gain on equity method investments (Δ indicates gain)	163,038	17,016
Loss on sales and retirement of noncurrent assets (Δ indicates gain)	8,696	5,880
Subsidy income	Δ 44,647	Δ 15,252
Interest expenses	13,817	12,896
Bond issuance expenses	2,863	6,624
Increase or decrease in advances received (Δ indicates decrease)	189,394	Δ 146,886
Increase or decrease in notes and accounts receivable-trade (Δ indicates increase)	Δ 92,126	174,698
Increase or decrease in inventories (Δ indicates increase)	9,718	2,392
Increase or decrease in trade payables (Δ indicates decrease)	0	Δ 19,874
Other	Δ 88,317	Δ 6,528
Sub-total	852,585	704,752
Interest and dividends received	54	63
Subsidy income	44,647	15,252
Interest paid	Δ 13,817	Δ 12,896
Income taxes paid	Δ 156,163	Δ 215,866
Income taxes refund	3,122	16,027
Payments for restatements of prior years	Δ 207,056	-
Cash flows from operating activities	523,371	507,333
Cash flows from investing activities		
Payments for property, plant and equipment	Δ 3,737	Δ 6,078
Proceeds from sale of property, plant and equipment	3,553	757
Payments for intangible assets	Δ 396,339	Δ 139,623
Purchase of investment securities	Δ 2,005	-
Proceeds from sales of investment securities	1,725	-
Purchase of investments in subsidiaries and associates	Δ 3,500	-
Payment for loans receivable	Δ 2,350	Δ 12,450
Proceeds from loans receivable	2,601	1,659
Collection of lease and guarantee deposits	48,810	-
Cash flows from investing activities	Δ351,242	Δ155,735

(Thousands of yen)

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Cash flows from financing activities		
Proceeds from issuance of bonds	147,136	293,375
Redemption of bonds	△44,000	△104,000
Proceeds from long-term debt	450,000	-
Repayment of long-term debt	△460,279	△385,980
Repayment of lease obligations	△27,917	△26,293
Proceeds from issuance of common stock upon exercise of share subscription rights	-	5,020
Dividends paid	△63,943	-
Purchase of investments in subsidiaries that does not result in change in scope of consolidation	△50,000	-
Purchase of treasury stock	△89	-
Cash flows from financing activities	△49,093	△217,877
Effect of exchange rate change on cash and cash equivalents	△907	△1,836
Net increase or decrease in cash and cash equivalents (△ indicates decrease)	122,128	131,883
Cash and cash equivalents at beginning of the year	2,288,014	2,410,143
Cash and cash equivalents at end of the year	2,410,143	2,542,027

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

[Accounting Standard for Revenue Recognition] (ASBJ Statement No. 29, March 31, 2020. Hereinafter "Revenue Recognition Accounting Standard") has been applied since the beginning of the fiscal year under review. Revenue is recognized in the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to customers.

In applying the Accounting Standard for Revenue Recognition in accordance with the transitional handling stipulated in the proviso to Paragraph 84 of that Standard the cumulative impact of applying the new accounting policy retrospectively prior to the beginning of the fiscal year under review is adjusted by retained earnings at the beginning of the fiscal year under review, and the new accounting policy is applied beginning with the starting balance.

As a result, there is no impact on income for the fiscal year under review. It also has had no effect on the starting balance of retained earnings or the per share information.

Because of the application of the Accounting Standard for Revenue Recognition from the previous fiscal year, we decided to include [Notes and accounts receivable] that had been presented under [Current assets] under Contract assets in [Other] from the current fiscal year. In accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassifications have been made using the new presentation method for the previous consolidated fiscal year.

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

(Changes in Scope of Consolidation)

Event DX Corporation, which had been our consolidated subsidiary, has been excluded from the scope of consolidation due to its liquidation.

(Change of Presentation Methods)

(Consolidated Statements of Income)

[Bond issuance expenses], [Provision for doubtful accounts] that had been included in [Other] under [Non-operating 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, 17,158 thousand yen that had been presented under [Other] in [Non-operating expenses] in the previous fiscal year's consolidated statement of income has been reclassified as [Bond issuance costs] of 2,863 thousand yen, [Provision for doubtful accounts] of 11,456 thousand yen, and [Other] of 2,839 thousand yen.

(Consolidated Statements of Cash Flows)

[Bond issuance costs] which had been included in [Other] under [Cash flows from operating activities] 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, $\triangle 85,453$ thousand yen that had been presented under [Other] under [Cash flows from operating activities] in the previous fiscal year's consolidated statement of cash flows has been reclassified as [Bond issuance expenses] of 2,863 thousand yen and [Other] of $\triangle 88,317$ thousand yen.

(Additional Information)

(Application of Accounting Standard for Calculation of Market Value)

[Accounting Standard for Calculation of Market Value] (ASBJ Statement No. 30, July 4, 2019. Hereinafter [Current Value Accounting Standard]) and other standards have been applied since the beginning of the fiscal year under review. In accordance with the transitional handling stipulated in Paragraph 19 of the Accounting Standard for Calculation of Market Value and Paragraph 44-2 of the [Accounting Standard for Financial Instruments] (ASBJ Statement No. 10, July 4, 2019), we have decided to apply the new accounting policies established by the Accounting Standard for Calculation of Market Value in the future. Since we do not hold any financial instruments with fair values on the consolidated balance sheet, this has had no impact on the consolidated financial statements for the fiscal year under review.

(Accounting Estimates Related to the COVID-19 Pandemic)

Because the impact of the COVID-19 pandemic on our group remains uncertain, we have made accounting estimates assuming that the impact of the situation will remain in the following fiscal year.

(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 [Notes on Consolidated Financial Statements (Segment Information)].

(2) Provision for doubtful receivables

Previous fiscal year (From March 1, 2021 to February 28, 2022)

After evaluating the collectability of trade receivables, we record 155,974 thousand yen in selling, general and administrative expenses as a provision for doubtful accounts.

Current fiscal year (From March 1, 2022 to February 28, 2023)

This information is omitted because it is not material.

(3) Share of loss of investments accounted for using equity method

Previous fiscal year (From March 1, 2021 to February 28, 2022)

VoicePing Co., Ltd. (name changed from P2P Corporation on September 7, 2021), an entity accounted for using equity method, has evaluated the recoverable amount in light of the business environment and business performance. As a result, an equivalent amount of goodwill of 162,290 thousand yen has been recorded as investment loss on equity method under non-operating expenses.

Current fiscal year (From March 1, 2022 to February 28, 2023)

This information is omitted because it is not material.

(4) Expenses related to restatements of prior years

Previous fiscal year (From March 1, 2021 to February 28, 2022)

We established the Special Investigation Committee to reflect the facts that were discovered based on the results of the Committee's investigation because it was found that there was a possibility of errors in past accounting treatment.

As a result, a total of 207,056 thousand yen in fees for corrective audit fees, expenses for investigations by the Special Investigation Committee, and expenses to support the preparation of corrective disclosure documents, etc. accrued through February 28, 2022 due to the revision has been recorded as expenses related to corrections of prior fiscal years in extraordinary losses.

Current fiscal year (From March 1, 2022 to February 28, 2023)

Not applicable.

(5) Provision for surcharge

Previous fiscal year (From March 1, 2021 to February 28, 2022)

With regard to the revision of the Securities Report, etc. we filed on November 30, 2021, we announced that the Securities and Exchange Surveillance Commission issued recommendations to the Prime Minister and the Commissioner of the Financial Services Agency on March 18, 2022 to issue an order to pay a surcharge of 283,090 thousand yen to us in accordance with Article 20, Paragraph 1 of the Act on Establishment of the Financial Services Agency.

This amount is recorded as a provision for surcharges under extraordinary losses.

Current fiscal year (From March 1, 2022 to February 28, 2023)

Not applicable.

(6) Impairment loss

Previous fiscal year (From March 1, 2021 to February 28, 2022)

1. Amount of impairment loss

During the year, our group recorded impairment loss on the following assets.

Location	Application	Type	Amount (thousands of yen)
Chioda-ku, Tokyo	Business assets	Tools, furniture and fixtures	24,978
Chioda-ku, Tokyo	Business assets	Software in progress	86,894
Chioda-ku, Tokyo	Business assets	Software	214,145
Chioda-ku, Tokyo	Other	Goodwill	11,229
Bunkyo-ku, Tokyo	Business assets	Tools, furniture and fixtures	14,823
Nagaoka, Niigata	Business assets	Tools, furniture and fixtures	9,477
Nagaoka, Niigata	Business assets	Software	4,843
Total			366,392

2. Method of grouping assets

Business assets are grouped based on the smallest cash-flow-generating unit to be largely independent of the cash flows of other assets or asset groups.

3. Method of calculating the recoverable amount

The recoverable amount of business assets is measured by value in use, and is calculated by discounting future cash flows from operating activities at a constant discount rate. Assets with negative future cash flows from operating activities are evaluated as zero.

In addition, goodwill is fully impaired with the unamortized balance.

4. Background to recording of impairment loss

As a result of reassessment of the profitability of existing development projects and related businesses and consolidation of development and operating resources, the book value was reduced to the minimum recoverable amount and the decrease was recorded as an impairment loss.

In addition, with regard to Xtra Co., Ltd., our consolidated subsidiary, we no longer expect to earn the profits assumed in the business plan originally examined, and therefore we have recorded the unamortized balance of goodwill as an impairment loss.

Current fiscal year (From March 1, 2022 to February 28, 2023)

1. Amount of impairment loss

During the year, our group recorded impairment loss on the following assets.

Location	Application	Type	Amount (thousands of yen)
Chioda-ku, Tokyo	Business assets	Tools, furniture and fixtures	4,587
Chioda-ku, Tokyo	Business assets	Software in progress	1,904
Chioda-ku, Tokyo	Business assets	Software	61,963
Total			68,455

2. Method of grouping assets

Business assets are grouped based on the smallest cash-flow-generating unit to be largely independent of the cash flows of other assets or asset groups.

3. Method of calculating the recoverable amount

The recoverable amount of business assets is measured by value in use, and is calculated by discounting future cash flows from operating activities at a constant discount rate. Assets with negative future cash flows from operating activities are evaluated as zero.

In addition, goodwill is fully impaired with the unamortized balance.

4. Background to recording of impairment loss

As a result of reassessment of the profitability of existing development projects and related businesses and consolidation of development and operating resources, the book value was reduced to the minimum recoverable amount and the decrease was recorded as an impairment loss.

(7) Loss on valuation of investment securities

Previous fiscal year (From March 1, 2021 to February 28, 2022)

We believe that the real value of the following investment securities (unlisted shares) we hold has declined significantly. Accordingly, we have recorded unrealized gains and losses as losses on valuation of investment securities in extraordinary losses.

(Thousands of yen)

Investment securities	Loss on valuation of investment securities
Synamon Inc.	44,267
Donut Robotics Co., Ltd.	301,260

Current fiscal year (From March 1, 2022 to February 28, 2023)

We believe that the real value of the following investment securities we hold (e.g., stocks with no market price) has declined significantly. Accordingly, we have recorded unrealized gains and losses on investment securities as losses on valuation of investment securities in extraordinary losses.

(Thousands of yen)

Investment securities	Loss on valuation of investment securities
Synamon Inc.	7,525
VoiceApp, Inc.	60,116
alt Inc.	166,122

(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 is centered on the machine translation business and the metaverse business, and we operate the translation outsourcing business as a peripheral business.

(1) MT business

The MT (Machine Translation) business provides AI machine-translation services and generating AI services under the corporate missions of [liberate Japan from linguistic impairment] and [liberate humanity from the shackles of manual labor].

(2) HT business

The Human Translation business provides outsourced services, such as traditional human translation, interpretation, and language training.

(3) Metaverse business

The Metaverse business provides various services. By integrating cutting-edge technologies such as AI, AR (Augmented Reality), VR (Virtual Reality: Virtual Reality), 5G/6G/G7 (High-speed, Multiple Connections), 4K/8K/12K (Super-Resolution), video distribution solutions, robotics, and HA (Human Augmentation: Human Extension), we aim to realize a world in which people around the world can interact, work, and enjoy their lives [with anyone anytime, anywhere].

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.

(Change in Method of Allocation of Segment Assets)

Effective September 1, 2021, our group completed a review of the segment asset management system that we were considering in conjunction with the transition to a holding company structure. As a result, we have changed the allocation method of segment assets since the fiscal year under review. Segment information for the previous fiscal year has been prepared based on the classification of reportable segments for the fiscal year under review.

3. Information on net sales, income (loss), assets and other items by reportable segment and breakdown of income
Previous fiscal year (From March 1, 2021 to February 28, 2022)

(Thousands of yen)

	Reportable Segments				Adjustments (Note 1,3,4)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Metaverse business	Total		
Net sales						
Net sales to unaffiliated customers	2,934,632	1,219,954	4,522	4,159,109	-	4,159,109
Intersegment sales or transfer	9,154	34,031	-	43,186	△43,186	-
Total	2,943,786	1,253,986	4,522	4,202,296	△43,186	4,159,109
Segment income or loss (△)	380,433	182,187	△477,987	84,633	7,306	91,940
Segment assets	2,389,234	903,568	552,211	3,845,014	1,063,007	4,908,021
Other						
Depreciation	529,561	35,986	2,626	568,174	11,879	580,053
Amortization of goodwill	-	21,262	-	21,262	-	21,262
Impairment loss	278,156	84,425	3,809	366,392	-	366,392
Increase in property, plant and equipment, and intangible assets	373,111	20,486	1,589	395,187	4,889	400,077

(Note) 1. Adjustments to segment income or loss (△) of 7,306 thousand yen include an elimination of intersegment transactions of 338,799 thousand yen and corporate expenses not attributable to reportable segments of △331,493 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 1,063,007 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of assets related to the parent company and deferred tax assets.

4. Among adjustments to other items, depreciation and amortization adjustments of 11,879 thousand yen are depreciation and amortization related to the assets of the parent company. Adjustments to increase in property, plant and equipment and intangible assets of 4,889 thousand yen are increases related to the assets of the parent company.

Current fiscal year (From March 1, 2022 to February 28, 2023)

(Thousands of yen)

	Reportable Segments				Adjustments (Note 1,3,4)	Amounts on the consolidated financial statements Note 2)
	MT business	HT business	Metaverse business	Total		
By type of goods or services						
Machine translation	2,820,840	32,742	-	2,853,583	-	2,853,583
Human translation	35,922	1,337,262	-	1,373,184	-	1,373,184
Metaverse	-	-	10,256	10,256	-	10,256
Consigned development	55,018	-	-	55,018	-	55,018
Revenue from contracts with customers	2,911,781	1,370,005	10,256	4,292,042	-	4,292,042
Revenue recognition by period						
Goods or services that are transferred at one time	263,425	1,233,162	7,076	1,503,663	-	1,503,663
Goods or services that are transferred over a period of time	2,648,355	136,842	3,180	2,788,378	-	2,788,378
Revenue from contracts with customers	2,911,781	1,370,005	10,256	4,292,042	-	4,292,042
Net sales to unaffiliated customers	2,911,781	1,370,005	10,256	4,292,042	-	4,292,042
Intersegment sales or transfer	6,092	45,620	-	51,712	△51,712	-
Total	2,917,873	1,415,625	10,256	4,343,755	△51,712	4,292,042
Segment income or loss (△)	630,939	267,226	△425,624	472,541	42,882	515,424
Segment assets	2,573,572	829,515	430,825	3,833,914	386,795	4,220,709
Other						
Depreciation	439,212	21,709	2,923	463,845	11,889	475,735
Amortization of goodwill	-	7,786	-	7,786	-	7,786
Impairment loss	72,607	-	-	72,607	△4,152	68,455
Increase in property, plant and equipment, and intangible assets	138,726	3,613	3,056	145,396	306	145,702

(Note) 1. Adjustments to segment income or loss (△) of 42,882 thousand yen include an elimination of intersegment transactions of 353,510 thousand yen and corporate expenses not attributable to reportable segments of △310,627 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 386,795 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of assets related to the parent company and deferred tax assets.

4. Among adjustments to other items, depreciation adjustment of 11,889 thousand yen is depreciation and amortization related to assets of the parent. Adjustments to impairment loss of △4,152 thousand yen are adjustments to unrealized gains or losses. Adjustments to increase in property, plant and equipment and intangible assets of 306 thousand yen are increases related to assets of the parent company.

[Information on impairment loss on noncurrent assets by reportable segment]

Previous fiscal year (From March 1, 2021 to February 28, 2022)

Impairment loss on non-current assets was 278,156 thousand yen in the MT business, 73,196 thousand yen in the HT business, and 3,809 thousand yen in the Metaverse business. In addition, the Group recorded impairment loss on goodwill of 11,229 thousand yen in the HT business.

Current fiscal year (From March 1, 2022 to February 28, 2023)

The MT business recorded impairment loss on noncurrent assets of 72,607 thousand yen. The Company also recorded Δ 4,152 thousand yen as a reconciliation of unrealized gains and losses.

(Per share Information)

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Net assets per share	99.23 yen	102.19 yen
Net income or loss (Δ) per share	Δ 116.24 yen	2.77 yen
Diluted net income per share	- Yen	2.73 yen

(Note) 1. Diluted net income per share for the previous fiscal year is not presented because net loss per share was recorded despite the existence of potential shares.

2. The basis for calculating net income or loss per share and diluted net income per share is as follows.

	Previous fiscal year (From March 1, 2021 to February 28, 2022)	Current fiscal year (From March 1, 2022 to February 28, 2023)
Net income or loss per share		
Net income or loss (Δ) attributable to owners of parent (thousands of yen)	Δ 1,238,785	29,631
Amount not attributable to common shareholders (thousands of yen)	-	-
Net income or loss (Δ) attributable to owners of parent related to common shares (thousands of yen)	Δ 1,238,785	29,631
Average number of shares of common stock outstanding during the period (shares)	10,657,208	10,683,847
Diluted net income per share		
Adjustment to net income attributable to owners of parent (thousands of yen)	-	-
Increase in number of common shares (shares)	-	175,353
(Share subscription rights (shares))	(-)	(175,353)
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.