29, May 2025

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Names of Representatives:
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Notice Regarding the Recording of Extraordinary Loss and Revision of Full-Year Earnings Forecast

HEROZ, Inc. (the "Company") hereby announces that we will record extraordinary losses in the consolidated financial results for the fourth quarter of the fiscal year ending April 2025, and revise the earnings forecast for the fiscal year ending April 2025, which was disclosed on June 14, 2024, as detailed below.

1. Recording of Extraordinary Loss

With regard to the software recorded by our group company, StrategIT, Inc (our group company: hereinafter referred to as "StrategIT"), indications of impairment were identified. Upon re-examining the business plans and thoroughly reviewing the recoverability of the related software, it was determined that an impairment loss of 96,987 thousand yen will be recorded as an extraordinary loss.

In addition, because of recording the aforementioned impairment loss, an extraordinary loss of 231,892 thousand yen was recorded as a valuation loss on shares of affiliated companies in the non-consolidated financial statements. However, since this valuation loss on shares of affiliated companies is eliminated in the consolidated financial statements, it does not impact the consolidated performance.

Regarding StrategIT, in August 2022, we acquired shares and incorporated it as a group company with the aim of driving business growth and market expansion in the rapidly growing SaaS market. This was achieved by leveraging the "domain knowledge StrategIT possesses regarding SaaS implementation and integration" in combination with "AI development expertise held by our company." Since then, we have pursued business growth and group synergies by engaging in information sharing and communication across areas such as sales, technology, and management. In May 2024, StrategIT released "JOINT iPaaS for SaaS," a product designed for integration between SaaS platforms. During the current fiscal year, the company has transitioned from its traditional SaaS implementation support and development solutions for SaaS integration to a recurring revenue business model centered around JOINT. StrategIT is now in a stage where it is proactively investing in sales personnel and marketing expenses to expand the promotion and adoption of the product.

Specifically, while promoting efforts to expand the reach of JOINT, we also undertook a review of the business structure and cost framework. As a result, certain achievements, such as securing large-scale projects related to JOINT, were observed in the latter half of the fiscal year. However, significant upfront investments associated with the aforementioned product continued to persist. Consequently, at the end of the fiscal year, we conducted an impairment assessment of fixed assets. As a result, indications of impairment were identified in the software owned by the company. After carefully evaluating the necessity of recognizing an impairment loss, it was determined that a software impairment loss would be recorded in the fiscal year ending April 2025.

The impairment loss recorded in the fiscal year ending April 2025 pertains to a portion of the software. Taking into account future business plans and the business environment, the portion deemed recoverable continues to be recognized as software. The SaaS market is expected to continue expanding in the future. As the utilization of generative AI and AI agents rapidly advances, seamless integration among various SaaS platforms is anticipated to remain a critical need and a significant trend.Regarding JOINT, in April 2025, we integrated our AI assistant SaaS, "HEROZ ASK," into the platform, enhancing its functionality through the automation of data integration processes. Moving forward, through initiatives such as expanding the platform's reach via JOINT and further enhancing its features, we aim to drive further business growth as a stock-based business, establish a recurring revenue model, and achieve an increase in ARR.

2. Revised forecasts of consolidated financial results

(1) Revised forecasts of consolidated financial results for the fiscal year ending April 30, 2025

	Net sales	Operating profit	Ordinary profit	Net income attributable to owners of parent	Net income per share
Previously announced forecast (A)	Million yen 6,000	Million yen 500	Million yen 450	Million yen 30	Yen 1.99
Revised forecast(B)	5,929	306	228	−177	−11.75
Change (B - A)	−71	−194	−222	−207	-
Change (%)	−1.2%	−38.8%	−49.3%	-	-
Actual results in previous period (Fiscal year ended April 30, 2024)	4,841	451	368	−1,134	−75.45

(2)Reasons for these revisions

Our group has embraced the vision of "Creating the future through an AI revolution." In our BtoC business, we operate the online shogi match game "Shogi Wars," while in our BtoB business, we offer services such as AI solution development across industries including finance, construction, and entertainment. Additionally, we provide corporate-focused generative AI services, including "HEROZ ASK." The AI market, as well as the AI BPaaS market and the SaaS market—which constitute our group's business domains—continue to exhibit growth trends. In addition to driving growth in our existing businesses, we are actively focusing on the development and cultivation of new business ventures.

Amid a favorable market environment, upfront investments associated with the launch of various new businesses have exceeded initial expectations for the current fiscal year. Additionally, revenue from the BtoB business, which was originally scheduled to be recorded in the second half of the fiscal year, has been deferred to the fiscal year ending April 2026 due to delays in project timing. Furthermore, as noted above in Section 1, the recording of extraordinary losses has impacted performance. As a result, both revenue and various profit metrics are projected to fall below the initial earnings forecasts made at the beginning of the fiscal year. Consequently, we have revised our earnings forecast.

However, for the next fiscal year, we anticipate the steady growth of existing businesses and the gradual realization of outcomes from new ventures. With the expansion of the AI market and SaaS market serving as a tailwind, we expect to further strengthen our business foundation. Moving forward, we will continue to leverage market growth to the fullest extent and strive for sustainable growth.

We deeply apologize for any inconvenience caused to our shareholders and investors. We kindly ask for your continued understanding and support as we move forward.

Please note that, including the aforementioned extraordinary loss in Section 1, we are currently in final discussions with our auditing firm regarding the consolidated financial results for the fiscal year ending April 2025. Should any matters requiring disclosure arise in the future, we will promptly provide an update.