



# Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2021 (Japanese GAAP)

November 8, 2021

Name of listed company: AXELL CORPORATION Stock Exchange: Tokyo  
Code #: 6730 URL: <https://www.axell.co.jp/>  
Representative (Post): Kazunori Matsuura (President) Phone: (03) 5298-1670  
Inquiries (Post): Yoshimasa Ueno (Executive Officer, General Manager of Management Department)  
Scheduled date of release of Quarterly Report: November 10, 2021  
Scheduled date of dividend payment: —  
Availability of supplementary explanatory materials prepared for quarterly financial results: Available  
Briefing session on quarterly financial results to be held: None

(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Business Results for the Second Quarter of Fiscal Year 2021 (April 1, 2021 to September 30, 2021)

### (1) Consolidated Operating Results (Cumulative) (Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Q2 FY 2021	5,021	17.8	504	87.1	523	74.9	421	81.6
Q2 FY 2020	4,262	10.3	269	216.2	299	216.6	231	157.6

(Note) Comprehensive income: Q2 FY 2021: 382 million yen [31.2%] Q2 FY 2020: 291 million yen [340.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY 2021	38.98	—
Q2 FY 2020	20.71	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q2 FY 2021	11,062	10,156	91.4	933.95
FY 2020	11,132	10,071	90.1	929.16

(Reference) Equity capital Q2 FY 2021: 10,106 million yen FY 2020: 10,032 million yen

## 2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2020	—	0.00	—	31.00	31.00
FY 2021	—	0.00	—	—	—
FY 2021 (Projection)	—	—	—	21.00	21.00

(Note) Revision of dividend projection from recently announced figures: None

## 3. Consolidated Forecast Results for Fiscal Year 2021 (April 1, 2021 to March 31, 2022)

(Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full Year	9,600	6.7	450	(16.1)	560	(20.6)	440	(34.4)	40.69

(Notes) Revision of forecast results from recently announced figures: None

At the Board of Directors' meeting held on July 26, 2021, the Company resolved to dispose of treasury shares as restricted stock remuneration. "Basic earnings per share" in the consolidated forecast results above reflects the impact of the disposal of treasury shares.

**\* Matters of Note**

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

New inclusion: —

Exclusion: —

**(2) Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements: Yes**

(Note) For details, please refer to [Appendix] P. 9 “2. Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes to Quarterly Consolidated Financial Statements (Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements).”

**(3) Changes to accounting policies, changes to accounting estimates, and restatements:**

1) Changes to accounting policies accompanying the revision of accounting standards, etc.: Yes

2) Changes to accounting policies other than 1) above: None

3) Changes to accounting estimates: None

4) Restatements: None

(Note) For details, please refer to [Appendix] P. 9 “2. Quarterly Consolidated Financial Statements and Primary Notes, (4) Notes to Quarterly Consolidated Financial Statements (Changes to accounting policies).”

**(4) Number of shares issued (common shares)**

1) The number of shares issued at end of period (including treasury shares)	Q2 FY 2021	11,211,989 shares	FY 2020	11,211,989 shares
2) The number of shares of treasury shares at end of period	Q2 FY 2021	391,057 shares	FY 2020	414,552 shares
3) Average number of common shares during period (cumulative)	Q2 FY 2021	10,804,101 shares	Q2 FY 2020	11,194,352 shares

**\* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.**

**\* Explanation of appropriate use of results forecasts, other matters of note:**

**(Note on forward-looking statements, etc.)**

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. Actual results may differ significantly from these forecasts due to various factors.

**(Method of obtaining supplementary explanatory materials for quarterly financial results)**

Supplementary explanatory materials on quarterly financial results are scheduled to be provided on TDnet and the Company website on Wednesday, November 10, 2021.

## Contents of Appendix

1. Qualitative Information on Quarterly Financial Results.....	2
(1) Explanation of business results.....	2
(2) Explanation of financial position.....	3
(3) Explanation of future forecast information such as consolidated results forecasts.....	4
2. Quarterly Consolidated Financial Statements and Primary Notes.....	5
(1) Quarterly Consolidated Balance Sheets.....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income.....	6
Quarterly Consolidated Statements of Income	
Second quarter.....	6
Quarterly Consolidated Statements of Comprehensive Income	
Second quarter.....	7
(3) Quarterly Consolidated Statements of Cash Flows.....	8
(4) Notes to Quarterly Consolidated Financial Statements.....	9
(Notes regarding going concern assumption).....	9
(Notes in cases where there are significant changes in amount of shareholders' equity).....	9
(Changes in significant subsidiaries during the period) .....	9
(Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements).....	9
(Changes to accounting policies).....	9
(Additional information) .....	10
(Segment information).....	10
3. Others.....	11
Recent trends in quarterly business results.....	11

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of business results

During the six months ended September 30, 2021, the Japanese economy encountered a challenging situation on account of restrictions on socioeconomic activities due to the impact of the spread of COVID-19; however, such activities are expected to be normalized as the restrictions on behavior are relaxing with the steady spread of vaccinations. Nevertheless, the future economic outlook continues to be as uncertain as ever due to trends in infectious diseases in Japan and overseas, and the impact of soaring raw material costs through the supply chain.

The pachinko and pachislot machine market, which is the main market for the Group, has continued to face a challenging market environment, due to a sluggish demand for new machines against the backdrop of a harsh business environment at amusement facilities. Meanwhile, for fiscal 2021, the demand for replacement of machines compliant with the revised ordinance is expected toward a new deadline for the retirement of machines subject to the previous ordinance set according to supplementary provisions of the revised ordinance that came effect in May 2020.

Under such circumstances, having undertaken measures against the spread of COVID-19 that prioritize the safety of employees and others, the Group worked on sales expansion for Graphics LSI products for customers in the embedded system market (Note 1), in addition to initiatives for securing stable profits in the pachinko and pachislot market, and also focused on activities for early commercialization in the following new four areas: middleware, machine learning/AI, blockchain and security. Furthermore, with a view to accelerating new business development, the Group actively considered initiatives including restructuring, alliances and investments.

As a result, for the six months ended September 30, 2021, the Company recorded net sales of 5,021 million yen, up 759 million yen from the same period of the previous fiscal year (year-on-year increase of 17.8%). In line with this increase in net sales, gross profit increased by 62 million yen (year-on-year increase of 4.1%) to 1,593 million yen. Gross profit margin declined by 4.2 percentage points year-on-year to 31.7%. The decrease in gross profit margin was mainly attributable to a decrease in the sales composition of Graphics LSI, whose profit margin is relatively high, as well as an increase in cost of sales ratio caused by the revision of the unit purchase prices for some products due to the tight supply and demand of the semiconductor products globally. Selling, general and administrative expenses amounted to 1,088 million yen, a decrease of 172 million yen from the same period of the previous fiscal year (year-on-year decrease of 13.7%). Of this, research and development expenses accounted for 540 million yen, down 197 million yen (year-on-year decrease of 26.8%).

Consequently, for the six months ended September 30, 2021, the Company recorded an operating profit of 504 million yen, an increase of 235 million yen from the same period of the previous fiscal year (year-on-year increase of 87.1%), an ordinary profit of 523 million yen, an increase of 224 million yen (year-on-year increase of 74.9%), and a profit attributable to owners of parent of 421 million yen, an increase of 189 million yen (year-on-year increase of 81.6%).

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) effective from the beginning of the first quarter of fiscal 2021. However, the amount of financial impact is insignificant. For details, please refer to “2. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes to accounting policies).”

The business performance by segment is as follows. Products for embedded systems, which had been included in the “LSI Business for Embedded Systems (Including for Japanese Entertainment Machines)” segment until the previous fiscal year, have been changed to be included in the “Middleware (AI, Block Chain and Other) and LSI Business for New Business” segment effective from the first quarter of fiscal 2021, due to deeper relation to new business. Explanation of comparisons of the same period of the previous fiscal year is made based on the reportable segments reflecting this change.

#### 1) LSI Business for Japanese Entertainment Machines

The LSI Business for Japanese Entertainment Machines segment deals with products for pachinko and pachislot machines, the existing businesses of the Company. For the six months ended September 30, 2021, the Company recorded net sales of 4,789 million yen, an increase of 727 million yen from the same period of the previous fiscal year (year-on-year increase of 17.9%), and a segment profit of 1,014 million yen, an increase of 238 million yen from the same period of the previous fiscal year (year-on-year increase of 30.7%). Regarding the Company’s mainstay products, graphics LSI products for pachinko and pachislot machines, the Company sold approximately 215,000 units, down approximately 11,000 units from the same period of the previous fiscal year. However, sales of memory-module products (Note 2) exceeded that of the same period of the previous fiscal year in terms of new sales, and the sales ratio of products with higher prices rose, thereby increasing sales of the products significantly. The order backlog for the segment on September 30, 2021 stood at 8,799 million yen. Note that the order backlog includes ones to be sold in the next fiscal year and beyond, reflecting the current

situation where many manufacturers are proactively securing materials and components amid the tight supply and demand in the global semiconductor market.

## **2) Middleware (AI, Block Chain and Other) and LSI Business for New Business**

This segment is a start-up business targeting the areas of middleware, machine learning/AI, block chain, and security in addition to products for embedded systems. For the six months ended September 30, 2021, the Company recorded net sales of 231 million yen, up 32 million yen, or 16.1%, from the same period of the previous fiscal year, mainly from sales in the areas of products for embedded systems and machine learning/AI, and a segment loss of 208 million yen, up 6 million yen from 201 million yen reported in the same period of the previous fiscal year.

(Note 1) “Embedded system market” refers to the market relating to the manufacture of embedded systems, excluding pachinko and pachislot machines. Embedded systems refer to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 2) “Memory-module” refers to the mechanism of the part that retains the image data installed in the graphics-rendering circuit boards of pachinko and pachislot machines.

## **(2) Explanation of financial position**

### **1) Status of assets, liabilities and net assets**

Total assets as of the end of the second quarter of fiscal 2021 stood at 11,062 million yen, down 69 million yen, or 0.6%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in merchandise and finished goods (244 million yen), despite an increase in cash and deposits (196 million yen).

Total liabilities as of the end of the second quarter of fiscal 2021 stood at 905 million yen, down 155 million yen, or 14.7%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in accounts payable – trade (209 million yen).

Total net assets as of the end of the second quarter of fiscal 2021 stood at 10,156 million yen, up 85 million yen, or 0.9%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in retained earnings (88 million yen).

### **2) Status of cash flows**

Cash and cash equivalents (hereinafter “funds”) as of the end of the second quarter of fiscal 2021 amounted to 8,109 million yen, up 3.3% from a year earlier. The status of cash flows and their contributing factors are as follows.

#### **(Cash flows from operating activities)**

Funds provided by operating activities for the six months ended September 30, 2021 amounted to 555 million yen, compared to 24 million yen used in the same period of the previous fiscal year. This was attributable mainly to the recording of profit before income taxes (522 million yen) for the six months ended September 30, 2021, a decrease in inventories (250 million yen), partially offset by a decrease in trade payables (209 million yen).

#### **(Cash flows from investing activities)**

Funds used in investing activities for the six months ended September 30, 2021 amounted to 53 million yen, compared to 34 million yen provided in the same period of the previous fiscal year. This was attributable mainly to purchase of investment securities (57 million yen), partially offset by proceeds from distributions from investment partnerships (16 million yen).

#### **(Cash flows from financing activities)**

Funds used in financing activities for the six months ended September 30, 2021 amounted to 334 million yen, compared to 234 million yen used in the same period of the previous fiscal year. This was attributable mainly to dividends paid (334 million yen).

**(3) Explanation of future forecast information such as consolidated results forecasts**

Consolidated forecast results for fiscal 2021 are as described in “Summary of Consolidated Financial Statements for the Year Ended March 31, 2021 (Japanese GAAP)” disclosed on May 12, 2021. Regarding the consolidated results for the six months ended September 30, 2021, profit lines from operating profit and below have already made 94% to 112% progress against those in the full-year consolidated forecast. However, the Company has decided that it is not in a position to positively revise its results forecast at this time for several reasons. These include the impact of the tight supply and demand in the global semiconductor market, the uncertain market environment after the demand for replacement of machines subject to the previous ordinance in the pachinko and pachislot machine market, and expected cost for prototype development of the new generation pachinko and pachislot products. If the full-year results forecast requires any revision due to changes in conditions or other circumstances, the Company will disclose it promptly.

**2. Quarterly Consolidated Financial Statements and Primary Notes****(1) Quarterly Consolidated Balance Sheets**

(In millions of yen)

	FY 2020 (As of March 31, 2021)	Q2 FY 2021 (As of September 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	7,913	8,109
Accounts receivable - trade	924	–
Trade receivables and contract asset	–	869
Merchandise and finished goods	1,076	831
Work in process	7	0
Raw materials and supplies	0	0
Other	73	105
Allowance for doubtful accounts	(0)	(0)
Total current assets	9,994	9,916
Non-current assets		
Property, plant and equipment	96	88
Intangible assets		
Goodwill	41	35
Other	14	10
Total intangible assets	56	46
Investments and other assets	985	1,010
Total non-current assets	1,138	1,145
Total assets	11,132	11,062
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	756	547
Income taxes payable	48	123
Provision for bonuses	–	21
Other	216	173
Total current liabilities	1,021	866
Non-current liabilities		
Asset retirement obligations	39	39
Total non-current liabilities	39	39
Total liabilities	1,061	905
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,028	1,028
Capital surplus	871	873
Retained earnings	8,245	8,333
Treasury shares	(326)	(307)
Total shareholders' equity	9,819	9,927
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	213	178
Total accumulated other comprehensive income	213	178
Share acquisition rights	15	22
Non-controlling interests	23	27
Total net assets	10,071	10,156
Total liabilities and net assets	11,132	11,062

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

(Second Quarter)

	(In millions of yen)	
	Q2 FY 2020 (From April 1, 2020 to September 30, 2020)	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)
Net sales	4,262	5,021
Cost of sales	2,730	3,428
Gross profit	1,531	1,593
Selling, general and administrative expenses	1,261	1,088
Operating profit	269	504
Non-operating income		
Interest income	0	0
Dividend income	2	3
Gain on investments in investment partnerships	27	15
Other	0	0
Total non-operating income	30	19
Non-operating expenses		
Other	0	0
Total non-operating expenses	0	0
Ordinary profit	299	523
Extraordinary losses		
Impairment losses	0	–
Loss on valuation of investment securities	0	–
Loss on valuation of shares of subsidiaries	1	–
Loss on liquidation of subsidiaries	–	0
Total extraordinary losses	2	0
Profit before income taxes	297	522
Income taxes	66	105
Profit	230	417
Loss attributable to non-controlling interests	(1)	(4)
Profit attributable to owners of parent	231	421



# Quarterly Consolidated Statements of Comprehensive Income

(Second Quarter)

	(In millions of yen)	
	Q2 FY 2020 (From April 1, 2020 to September 30, 2020)	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)
Profit	230	417
Other comprehensive income		
Valuation difference on available-for-sale securities	60	(34)
Total other comprehensive income	60	(34)
Comprehensive income	291	382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	292	386
Comprehensive income attributable to non-controlling interests	(1)	(4)

**(3) Quarterly Consolidated Statements of Cash Flows**

(In millions of yen)

	Q2 FY 2020 (From April 1, 2020 to September 30, 2020)	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	297	522
Depreciation	23	16
Amortization of goodwill	5	5
Share-based payment expenses	11	17
Interest and dividend income	(2)	(3)
Loss (gain) on investments in investment partnerships	(27)	(15)
Decrease (increase) in trade receivables	124	55
Decrease (increase) in inventories	(393)	250
Decrease (increase) in other current assets	7	(9)
Increase (decrease) in trade payables	208	(209)
Increase (decrease) in other current liabilities	19	(56)
Other, net	(208)	12
Subtotal	65	585
Interest and dividends received	2	3
Income taxes refund (paid)	(93)	(34)
Net cash provided by (used in) operating activities	(24)	555
Cash flows from investing activities		
Purchase of property, plant and equipment	(1)	(9)
Purchase of intangible assets	(1)	–
Purchase of investment securities	(28)	(57)
Proceeds from distributions from investment partnerships	65	16
Other, net	0	(2)
Net cash provided by (used in) investing activities	34	(53)
Cash flows from financing activities		
Dividends paid	(234)	(334)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(234)	(334)
Effect of exchange rate change on cash and cash equivalents	(0)	0
Net increase (decrease) in cash and cash equivalents	(224)	167
Cash and cash equivalents at beginning of period	8,071	7,913
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	28
Cash and cash equivalents at end of period	7,847	8,109

**(4) Notes to Quarterly Consolidated Financial Statements**

**(Notes regarding going concern assumption)**

N/A

**(Notes in cases where there are significant changes in amount of shareholders' equity)**

N/A

**(Changes in significant subsidiaries during the period)**

Although it is not a matter falling under changes in specified subsidiaries, aimRage Inc., which was a non-consolidated subsidiary during fiscal 2020, has been included in the scope of consolidation effective from the first quarter of fiscal 2021 due to an increase in significance.

**(Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements)**

**(Calculation of tax expenses)**

Tax expenses have been calculated by multiplying profit before income taxes by an effective tax rate reasonably estimated after the application of tax effect accounting to profit before income taxes for the consolidated fiscal year including the second quarter of fiscal 2021.

**(Changes to accounting policies)**

**(Application of Accounting Standard for Revenue Recognition, etc.)**

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, the "Revenue Recognition Accounting Standard"), etc. effective from the beginning of the first quarter of fiscal 2021 and decided to recognize revenue in the amount expected to be received in exchange for promised goods or services at the time when the control of these goods or services has been transferred to a customer.

As a result, regarding term-contract license fees for providing the right to use intellectual property, revenues had previously been recognized over the contract period, but for some of the fees, the revenue recognition method has been changed and thus revenues are now recognized in one lump sum at the time when a customer is allowed to use the intellectual property, based on the service contents to be provided. In addition, revenues of made-to-order software and others had previously been recognized at the time when software and others were delivered to and accepted by a customer. However, the cost recovery method has been applied, and of expenses incurred when a performance obligation is satisfied, the amount expected to be collected is recognized as revenue except for a case where a period until a performance obligation is expected to be completely fulfilled is short.

The application of the Revenue Recognition Accounting Standard, etc. is pursuant to the transitional treatment specified in the proviso of paragraph 84 of the Revenue Recognition Accounting Standard. Under the new accounting policies, the cumulative effect of retroactively applying the new accounting policies before the beginning of the first quarter of fiscal 2021 is added to or deducted from the retained earnings at the beginning of the first quarter of fiscal 2021, and the new accounting policies are applied to the balance at the beginning of the period. However, the method specified in paragraph 86 of the Revenue Recognition Accounting Standard has been applied and the new accounting policies have not been applied retroactively to contracts for which almost all of the revenues had been recognized in accordance with the previous treatment before the beginning of the first quarter of fiscal 2021. In addition, the method stipulated in item (1) of the supplementary provisions of paragraph 86 of the Revenue Recognition Accounting Standard has been applied and contract changes made before the beginning of the first quarter of fiscal 2021 are accounted for based on the contract terms that have reflected all contract changes, and their cumulative effects are added to or deducted from the retained earnings at the beginning of the first quarter of fiscal 2021.

As a result, for the six months ended September 30, 2021, net sales decreased by 5 million yen and cost of sales decreased by 4 million yen, and operating profit, ordinary profit and profit before income taxes decreased by 1 million yen, respectively. In addition, the retained earnings balance at the beginning of the fiscal 2021 increased by 3 million yen.

Due to the application of the Revenue Recognition Accounting Standard, etc., accounts receivable – trade, which were presented under current assets in the consolidated balance sheet for the previous fiscal year, is included in trade receivables and contract asset effective from the first quarter of fiscal 2021.

Pursuant to the transitional treatment stipulated in paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method is not made for the previous fiscal year. Furthermore, pursuant to the transitional treatment stipulated in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the six months ended September 30, 2020 is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter, the “Fair Value Measurement Accounting Standard”), etc. effective from the beginning of the first quarter of fiscal 2021, and decided to adopt new accounting policies prescribed in the Fair Value Measurement Accounting Standard, etc. in the future, pursuant to the transitional treatment specified in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This application has no impact on the quarterly consolidated financial statements.

**(Additional information)**

(Accounting estimate related to the impact of the spread of COVID-19)

There are no significant changes from the tentative estimates including the future spread and ending time of COVID-19 stated under (Significant accounting estimates) in the securities report for the previous fiscal year.

**(Segment information)**

**I Second quarter of fiscal 2020 (April 1, 2020 to September 30, 2020)**

1. Information about amounts of net sales, profit and loss by reportable segment.

(In millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Net sales					
Net sales to customers	4,062	199	4,262	—	4,262
Inter-segment net sales, and transfers	—	—	—	—	—
Total	4,062	199	4,262	—	4,262
Segment profit (loss)	776	(201)	574	(305)	269

(Notes) 1. The (305) million yen adjustments to segment profit (loss) are company-wide expenses not allocated to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted with operating profit in Quarterly Consolidated Statements of Income.

**II Second quarter of fiscal 2021 (April 1, 2021 to September 30, 2021)**

1. Information about amounts of net sales, profit and loss by reportable segment.

(In millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Net sales					
Net sales to customers	4,789	231	5,021	—	5,021
Inter-segment net sales, and transfers	—	—	—	—	—
Total	4,789	231	5,021	—	5,021
Segment profit (loss)	1,014	(208)	806	(301)	504

(Notes) 1. The (301) million yen adjustments to segment profit (loss) are company-wide expenses not allocated to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted with operating profit in Quarterly Consolidated Statements of Income.

## 2. Matters concerning changes in reportable segments and others

Products for embedded systems, which had been included in the “LSI Business for Embedded Systems (Including for Japanese Entertainment Machines)” segment have been changed to be included in the “Middleware (AI, Block Chain and Other) and LSI Business for New Business” segment effective from the first quarter of fiscal 2021, due to deeper relation to new business.

Segment information for the six months ended September 30, 2020 is disclosed based on the reportable segments reflecting this change.

## 3. Others

## Recent trends in quarterly business results

## Fiscal Year ending March 31, 2022

(In millions of yen)

	Q1 FY 2021 From April 2021 to June 2021	Q2 FY 2021 From July 2021 to September 2021	Q3 FY 2021 From October 2021 to December 2021	Q4 FY 2021 From January 2022 to March 2022
Net sales	2,340	2,680	—	—
Gross profit	736	856	—	—
Operating profit	195	309	—	—
Ordinary profit	198	324	—	—
Profit before income taxes	197	324	—	—
Profit	154	262	—	—
Profit attributable to owners of parent	158	263	—	—
Comprehensive income	156	226	—	—
Basic earnings per share	14.63 yen	24.34 yen	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	10,790	11,062	—	—
Net assets	9,906	10,156	—	—
Net assets per share	913.12 yen	933.95 yen	—	—

## Fiscal Year ended March 31, 2021

(In millions of yen)

	Q1 FY 2020 From April 2020 to June 2020	Q2 FY 2020 From July 2020 to September 2020	Q3 FY 2020 From October 2020 to December 2020	Q4 FY 2020 From January 2021 to March 2021
Net sales	2,564	1,697	1,975	2,762
Gross profit	938	592	654	906
Operating profit (loss)	423	(153)	37	228
Ordinary profit (loss)	425	(126)	157	248
Profit (loss) before income taxes	425	(127)	155	246
Profit (loss)	336	(105)	120	318
Profit (loss) attributable to owners of parent	338	(106)	121	317
Comprehensive income	384	(92)	128	343
Basic earnings (loss) per share	30.22 yen	(9.48) yen	10.95 yen	29.41 yen
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	10,675	11,235	10,692	11,132
Net assets	9,988	9,918	9,724	10,071
Net assets per share	890.20 yen	881.78 yen	897.37 yen	929.16 yen