



# Summary of Consolidated Financial Statements for the Year Ended March 31, 2023 (Japanese GAAP)

May 9, 2023

Name of listed company: AXELL CORPORATION Stock Exchange: Tokyo  
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 Scheduled date of shareholders' meeting: June 22, 2023  
 Scheduled date of release of Securities Report: June 23, 2023  
 Scheduled date of dividend payment: June 23, 2023  
 Availability of supplementary explanatory materials prepared for financial results: Available  
 Briefing session on financial results to be held: Yes

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

## 1. Consolidated Business Results for Fiscal Year 2022 (April 1, 2022 to March 31, 2023)

### (1) Consolidated Operating Results

(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	%
FY 2022	14,474	35.7	1,614	92.4	1,813	81.0	1,353	56.4
FY 2021	10,666	18.5	839	56.4	1,001	42.0	865	29.1

(Note) Comprehensive income: FY 2022: 1,438 million yen [75.0%]

FY 2021: 822 million yen [7.7%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit / Total assets	Operating profit / Net sales
	Yen	Yen	%	%	%
FY 2022	124.75	124.41	12.2	13.9	11.2
FY 2021	80.05	–	8.4	8.6	7.9

(Reference) Equity in earnings (losses) of non-consolidated subsidiaries and affiliates: – million yen (FY 2022); – million yen (FY 2021)

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
FY 2022	13,883	11,695	83.5	1,064.72
FY 2021	12,274	10,629	86.0	974.54

(Reference) Equity capital

FY 2022: 11,587 million yen

FY 2021: 10,552 million yen

### (3) Status of Consolidated Cash Flows

	Operating cash flow	Investment cash flow	Financing cash flow	Cash and cash equivalent at end of year
	millions of yen	millions of yen	millions of yen	millions of yen
FY 2022	1,885	135	(408)	10,709
FY 2021	1,622	(157)	(308)	9,097

## 2. Dividend Payments

	Annual Dividend					Total dividend cost (Annual)	Dividend payout ratio (consolidated)	Dividend / Net assets (consolidated)
	1Q	2Q	3Q	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
FY 2021	—	0.00	—	40.00	40.00	433	50.0	4.2
FY 2022	—	0.00	—	78.00	78.00	848	62.5	7.7
FY 2023 (Projection)	—	0.00	—	51.00	51.00		50.5	

(Note) Breakdown of the dividends for fiscal year 2022: Ordinary dividend of 62 yen and commemorative dividend of 16 yen (for the 20th anniversary of public listing).

The year-end dividend per share for fiscal year 2022 has been changed from 76 yen to 78 yen. For information on dividend payments, please refer to “Notice on Dividends from Surplus (Increase)” released today (May 9, 2023).

## 3. Consolidated Forecast Results for Fiscal Year 2023 (April 1, 2023 to March 31, 2024)

(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
First half	8,410	19.1	980	13.3	990	10.8	720	2.7	66.15
Full year	15,440	6.7	1,510	(6.5)	1,530	(15.6)	1,100	(18.8)	101.07

### \* Matters of Note

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

New inclusion: —

Exclusion: —

#### (2) 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

#### (3) Number of shares issued (common shares)

1) The number of shares issued at end of year (including treasury shares)	FY 2022	11,211,989 shares	FY 2021	11,211,989 shares
2) The number of treasury shares at end of year	FY 2022	328,917 shares	FY 2021	383,597 shares
3) Average number of common shares during year	FY 2022	10,853,009 shares	FY 2021	10,813,935 shares

## (Reference) Overview of Non-Consolidated Business Results

### 1. Non-Consolidated Business Results for Fiscal Year 2022 (April 1, 2022 to March 31, 2023)

#### (1) Non-Consolidated Operating Results

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

	Net sales		Operating profit		Ordinary profit		Profit	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2022	14,033	35.6	1,359	60.1	1,557	53.8	1,203	33.2
FY 2021	10,350	18.2	849	52.8	1,013	39.7	903	30.0

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY 2022	110.87		110.57	
FY 2021	83.52		—	

#### (2) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	millions of yen		millions of yen		%		Yen	
FY 2022	13,157		11,579		87.8		1,061.16	
FY 2021	11,726		10,691		90.9		984.87	

(Reference) Equity capital

FY 2022: 11,548 million yen

FY 2021: 10,664 million yen

### 2. Non-Consolidated Forecast Results for Fiscal Year 2023 (April 1, 2023 to March 31, 2024)

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

	Net sales		Ordinary profit		Profit		Basic earnings per share	
	millions of yen	%	millions of yen	%	millions of yen	%	Yen	
First half	8,150	19.3	920	20.1	680	8.5	62.48	
Full year	14,900	6.2	1,410	(9.5)	1,030	(14.4)	94.64	

\* These financial results are outside the scope of audit 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. For assumed conditions of the earnings forecasts and precautions, etc. in using the earnings forecasts, please refer to [Appendix] P. 4 “1. Overview of Business Results, etc. (4) Future outlook.”

**(Method of obtaining supplementary explanatory materials and details of the briefing session on financial results)**

The Company’s financial results briefing session for analysts and institutional investors is scheduled on Thursday May 11, 2023. A video of the briefing as well as the explanatory materials on financial results will be posted on the Company’s website promptly after the session.

## Contents of Appendix

1. Overview of Business Results, etc.....	2
(1) Overview of business results for the fiscal year under review.....	2
(2) Overview of financial position for the fiscal year under review.....	3
(3) Overview of cash flows for the fiscal year under review.....	3
(4) Future outlook.....	4
2. Basic Policy on Selection of Accounting Standards.....	5
3. Consolidated Financial Statements and Primary Notes.....	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Comprehensive Income .....	8
Consolidated Statements of Income.....	8
Consolidated Statements of Comprehensive Income.....	9
(3) Consolidated Statements of Changes in Net Assets.....	10
(4) Consolidated Statements of Cash Flows.....	12
(5) Notes to Consolidated Financial Statements.....	13
(Notes regarding going concern assumption).....	13
(Changes to accounting policies) .....	13
(Segment information).....	13
(Per share information).....	15
(Major subsequent events).....	15

## 1. Overview of Business Results, etc.

### (1) Overview of business results for the fiscal year under review

During fiscal 2022, the Japanese economy showed normalization in socioeconomic activities and signs of economic recovery as the strict restrictions on behavior were gradually relaxing with the steady spread of vaccinations against COVID-19. Nevertheless, the future economic outlook remains uncertain due to concerns about supply-chain disruptions caused by China's zero-COVID policy, soaring resource and raw material prices, and significant fluctuations in exchange rates resulting from the interest rate policies of major countries.

The pachinko and pachislot machine market, which is the main market for the Group, has remained solid with the introduction of next-generation amusement machines including smart slot. However, our analysis is that the market size has contracted slightly compared to the previous fiscal year, in which there was the special demand for replacement of machines compliant with the revised ordinance along with the market removal of machines subject to the previous ordinance. The yearly sales volume for pachinko and pachislot machines, which is a measure of the market size of the Company, is estimated to have been around 1.58 million units compared with 1.74 million units sold in the previous fiscal year.

Under such circumstances, while continuing measures against the spread of COVID-19 that consider the safety of all concerned, including employees and business partners, 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 four areas: middleware, machine learning/AI, blockchain and security, all of which are positioned as new businesses. Furthermore, with a view to accelerating new business development, the Group actively considered initiatives including restructuring, alliances and investments.

As a result, for fiscal 2022, the Company recorded net sales of 14,474 million yen, up 3,807 million yen from the previous fiscal year (year-on-year increase of 35.7%), and gross profit of 4,546 million yen, up 1,029 million yen from the previous fiscal year (year-on-year increase of 29.3%). Gross profit margin declined by 1.6 percentage points year-on-year to 31.4%, driven by factors including a change in the product mix and higher unit purchase prices for some products.

Selling, general and administrative expenses amounted to 2,931 million yen, an increase of 253 million yen from the previous fiscal year (year-on-year increase of 9.5%), of which research and development expenses accounted for 1,552 million yen, up 32 million yen (year-on-year increase of 2.1%).

Consequently, for fiscal 2022, the Company recorded an operating profit of 1,614 million yen, an increase of 775 million yen from the previous fiscal year (year-on-year increase of 92.4%). In addition, as a result of recording income, such as subsidy income from NEDO, under non-operating income, ordinary profit rose by 811 million yen (year-on-year increase of 81.0%) to 1,813 million yen, and profit attributable to owners of parent rose by 488 million yen (year-on-year increase of 56.4%) to 1,353 million yen.

The business performance by segment is as follows. In addition, besides the following segments, company-wide expenses not allocated to each segment amounted to 765 million yen.

#### 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 fiscal 2022, the Company recorded net sales of 13,852 million yen, an increase of 3,707 million yen from the previous fiscal year (year-on-year increase of 36.5%), and a segment profit of 2,785 million yen, an increase of 777 million yen from the previous fiscal year (year-on-year increase of 38.7%). By product, for graphics LSI products for pachinko and pachislot machines, the Company's mainstay products, the Company sold approximately 510,000 units, up approximately 66,000 units from the same period of the previous fiscal year. In addition, sales of products including memory-module products (Note 2) exceeded that of the same period of the previous fiscal year in terms of new sales.

The order backlog for the segment on March 31, 2023 stood at 24,184 million yen. Note that the order backlog includes ones to be sold in fiscal 2024, reflecting the current situation where many manufacturers are proactively securing materials and components amid the supply chain disruptions.

#### 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 graphics LSI products for embedded systems. For fiscal 2022, the Company recorded net sales of 622 million yen, up 99 million yen, or 19.1%, from the previous fiscal year, mainly from sales in the areas of machine learning/AI, and a segment loss of 405 million yen, down 139 million yen from a loss of 545

million yen reported in the previous fiscal year. For fiscal 2022, the development support business in the area of machine learning/AI grew.

(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) Overview of financial position for the fiscal year under review**

Total assets as of the end of fiscal 2022 stood at 13,883 million yen, up 1,608 million yen, or 13.1%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in cash and deposits (412 million yen), an increase in trade receivables and contract asset (203 million yen) and an increase in securities (1,200 million yen), despite a decrease in investment securities (71 million yen).

Total liabilities as of the end of fiscal 2022 stood at 2,187 million yen, up 542 million yen, or 33.0%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in accounts payable - trade (278 million yen) and an increase in income taxes payable (139 million yen).

Total net assets as of the end of fiscal 2022 stood at 11,695 million yen, up 1,066 million yen, or 10.0%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in retained earnings (920 million yen).

## **(3) Overview of cash flows for the fiscal year under review**

Cash and cash equivalents (hereinafter “funds”) as of the end of fiscal 2022 amounted to 10,709 million yen. The status of cash flows and their contributing factors are as follows.

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

Funds provided by operating activities for fiscal 2022 amounted to 1,885 million yen (compared with funds provided of 1,622 million yen in fiscal 2021). This was mainly attributable to factors such as profit before income taxes (1,741 million yen), the increase in trade payables (278 million yen) and the increase in other current liabilities (140 million yen), despite the increase in trade receivables (203 million yen) and income taxes paid (194 million yen).

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

Funds provided by investing activities for fiscal 2022 amounted to 135 million yen (compared with funds used of 157 million yen in fiscal 2021). This was mainly attributable to factors such as proceeds from distributions from investment partnerships (217 million yen) and proceeds from liquidation of subsidiaries (35 million yen), despite the purchase of property, plant and equipment (86 million yen) and the purchase of investment securities (32 million yen).

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

Funds used in financing activities for fiscal 2022 amounted to 408 million yen (compared with funds used of 308 million yen in fiscal 2021). This was mainly attributable to factors such as dividends paid (432 million yen).

**(Cash flow-related indicators)**

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Ratio of shareholders' equity to total assets (%)	96.0	88.0	90.1	86.0	83.5
Ratio of market capitalization to total assets (%)	63.7	63.9	95.6	93.9	140.4
Ratio of interest-bearing liabilities to cash flow (%)	–	–	–	–	–
Interest coverage ratio (%)	–	–	–	–	–

The indicators for fiscal 2019, fiscal 2020, fiscal 2021 and fiscal 2022 were calculated using financial figures on a consolidated basis.

Ratio of shareholders' equity to total assets: Shareholders' equity / total assets

Ratio of market capitalization to total assets: Market capitalization of stock / total assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities / cash flow

Interest coverage ratio: Cash flow / interest expense

(Note 1) The market capitalization of stock was calculated based on the number of shares issued, excluding treasury shares.

(Note 2) Operating cash flow is used for "cash flow" in the above calculations.

(Note 3) "Interest-bearing liabilities" in the above calculation refers to all liabilities recorded on the balance sheets for which the Company pays interests.

**(4) Future outlook**

As for the pachinko and pachislot machine market for fiscal 2023, the Company forecasts yearly sales volume of new machines to remain solid, given the sales of next-generation amusement machines including smart pachinko. Taking into consideration this outlook of the market and as a result of conducting detail market analysis including interviews with customers, the Company has estimated yearly sales volume for pachinko and pachislot machines during fiscal 2023 to be 1,500,000 units (estimated around 1,580,000 units for fiscal 2022) as the basis for calculating its earnings forecasts.

As for the Company's mainstay graphics LSI products targeted at the pachinko and pachislot machine market, the Company has made plans to sell 530,000 units, an increase of approximately 20,000 units year-on-year, based on its assumptions on the market size as well as analysis including interviews with customers. As for other products targeted at the pachinko and pachislot machine market, the Company expects the sales of memory-module products to decrease year-on-year in anticipation of expected increase in reuse ratio, and the sales of LED driver product to exceed that of the previous fiscal year in anticipation of expected demand from customers adopting these products. As for products targeted at the embedded system market, the Company expects sales of approximately 52,000 units for graphics LSI products (actual sales in the previous fiscal year of 38,000 units) in light of trends in customer demand. In addition, the Company plans substantially greater sales than the previous fiscal year in the four areas positioned as new businesses in anticipation of a growth in business mainly in the area of machine learning/AI.

Based on the foregoing analysis, the Company's net sales for fiscal 2023 are forecast to increase by 965 million yen from the previous fiscal year to 15,440 million yen (up 6.7% year-on-year). Gross profit is expected to decrease by 6 million yen from the previous fiscal year to 4,540 million yen (down 0.1% year-on-year). Gross profit margin is forecast to decline by 0.2 percentage points year-on-year to 29.4%, due to the impact of the product mix and foreign exchange as well as revision of the unit purchase prices for some products in response to the recent soaring raw material prices. Although selling prices were revised for some products along with the revision of the unit purchase prices, gross profit margin is forecast to drop, as the higher unit purchase prices will not be fully absorbed by the revised selling prices. In addition, selling, general and administrative expenses are projected to increase by 98 million yen from the previous fiscal year to 3,030 million yen (up 3.4% year-on-year), in anticipation of a rise in fixed expenses mainly attributable to Group companies, due to scale expansion of Group companies

Based on the above financial projections, the Company's forecasts for fiscal 2023 are for operating profit to decrease by 104 million yen from the previous fiscal year to 1,510 million yen (down 6.5% year-on-year), ordinary profit to decrease by 283 million yen from the previous fiscal year to 1,530 million yen (down 15.6% year-on-year), and profit attributable to owners of parent to decrease by 253 million yen from the previous fiscal year to 1,100 million yen (down 18.8% year-on-year).

(Note) All forward-looking statements contained herein are based on information currently available to the Company and certain assumptions deemed to be reasonable by the Company, and are subject to a

number of uncertainties. The Company does not give assurances that these statements will come to fruition. Please be aware that actual results may differ significantly from these forecasts due to various factors.

## **2. Basic Policy on Selection of Accounting Standards**

In view of the Company's financial statements being utilized for calculation of possible dividend amounts under the Companies Act and calculation of taxation amounts for income taxes, concerning accounting standards, the Group applies Japanese accounting standards.

### 3. Consolidated Financial Statements and Primary Notes

#### (1) Consolidated Balance Sheets

(In millions of yen)

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Assets		
Current assets		
Cash and deposits	9,097	9,509
Trade receivables and contract asset	1,039	1,243
Securities	–	1,200
Merchandise and finished goods	771	736
Work in process	0	0
Raw materials and supplies	0	0
Other	101	108
Allowance for doubtful accounts	(0)	(0)
Total current assets	11,010	12,798
Non-current assets		
Property, plant and equipment		
Buildings	200	206
Accumulated depreciation	(130)	(136)
Buildings, net	70	69
Tools, furniture and fixtures	959	662
Accumulated depreciation	(924)	(598)
Tools, furniture and fixtures, net	34	64
Total property, plant and equipment	105	133
Intangible assets		
Goodwill	29	17
Other	24	25
Total intangible assets	53	43
Investments and other assets		
Investment securities	834	763
Deferred tax assets	85	28
Other	184	116
Total investments and other assets	1,104	908
Total non-current assets	1,264	1,084
Total assets	12,274	13,883

(In millions of yen)

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,094	1,372
Income taxes payable	136	276
Accrued consumption taxes	109	111
Other	265	385
Total current liabilities	1,605	2,145
Non-current liabilities		
Asset retirement obligations	39	40
Other	-	1
Total non-current liabilities	39	42
Total liabilities	1,645	2,187
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,028	1,028
Capital surplus	882	896
Retained earnings	8,777	9,698
Treasury shares	(301)	(258)
Total shareholders' equity	10,386	11,364
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	222
Total accumulated other comprehensive income	166	222
Share acquisition rights	27	30
Non-controlling interests	49	77
Total net assets	10,629	11,695
Total liabilities and net assets	12,274	13,883

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

(In millions of yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Net sales	10,666	14,474
Cost of sales	7,150	9,928
Gross profit	3,516	4,546
Selling, general and administrative expenses	2,677	2,931
Operating profit	839	1,614
Non-operating income		
Interest income	0	0
Dividend income	7	8
Subsidy income	138	114
Gain on investments in investment partnerships	16	77
Other	1	2
Total non-operating income	164	202
Non-operating expenses		
Foreign exchange losses	0	3
Other	1	0
Total non-operating expenses	1	4
Ordinary profit	1,001	1,813
Extraordinary income		
Gain on sale of membership	-	2
Other	-	0
Total extraordinary income	-	2
Extraordinary losses		
Impairment losses	0	4
Loss on valuation of investment securities	-	45
Loss on valuation of membership	-	5
Loss on liquidation of subsidiaries	0	17
Other	-	1
Total extraordinary losses	1	74
Profit before income taxes	1,000	1,741
Income taxes - current	155	327
Income taxes - deferred	(24)	31
Total income taxes	130	359
Profit	869	1,381
Profit attributable to non-controlling interests	3	28
Profit attributable to owners of parent	865	1,353

**Consolidated Statements of Comprehensive Income**

(In millions of yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Profit	869	1,381
Other comprehensive income		
Valuation difference on available-for-sale securities	(47)	56
Total other comprehensive income	(47)	56
Comprehensive income	822	1,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	818	1,410
Comprehensive income attributable to non-controlling interests	3	28

**(3) Consolidated Statements of Changes in Net Assets**

FY 2021 (From April 1, 2021 to March 31, 2022)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,028	871	8,245	(326)	9,819
Cumulative effects of changes in accounting policies			3		3
Restated balance	1,028	871	8,248	(326)	9,822
Changes during period					
Dividends of surplus			(334)		(334)
Profit attributable to owners of parent			865		865
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		4		24	29
Change in scope of consolidation			(1)		(1)
Capital increase of consolidated subsidiaries		5			5
Net changes in items other than shareholders' equity					
Total changes during period	—	10	529	24	564
Balance at end of period	1,028	882	8,777	(301)	10,386

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	213	213	15	23	10,071
Cumulative effects of changes in accounting policies				0	3
Restated balance	213	213	15	23	10,074
Changes during period					
Dividends of surplus					(334)
Profit attributable to owners of parent					865
Purchase of treasury shares					(0)
Disposal of treasury shares					29
Change in scope of consolidation					(1)
Capital increase of consolidated subsidiaries					5
Net changes in items other than shareholders' equity	(47)	(47)	11	26	(9)
Total changes during period	(47)	(47)	11	26	554
Balance at end of period	166	166	27	49	10,629

FY 2022 (From April 1, 2022 to March 31, 2023)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,028	882	8,777	(301)	10,386
Changes during period					
Dividends of surplus			(433)		(433)
Profit attributable to owners of parent			1,353		1,353
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		13		43	57
Net changes in items other than shareholders' equity					
Total changes during period	—	13	920	42	977
Balance at end of period	1,028	896	9,698	(258)	11,364

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	166	166	27	49	10,629
Changes during period					
Dividends of surplus					(433)
Profit attributable to owners of parent					1,353
Purchase of treasury shares					(0)
Disposal of treasury shares					57
Net changes in items other than shareholders' equity	56	56	3	28	88
Total changes during period	56	56	3	28	1,066
Balance at end of period	222	222	30	77	11,695

**(4) Consolidated Statements of Cash Flows**

(In millions of yen)

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Profit before income taxes	1,000	1,741
Depreciation	33	42
Amortization of goodwill	11	11
Impairment losses	0	4
Increase (decrease) in allowance for doubtful accounts	0	(0)
Share-based payment expenses	33	35
Interest and dividend income	(7)	(8)
Loss (gain) on valuation of investment securities	-	45
Loss (gain) on liquidation of subsidiaries	0	17
Loss (gain) on investments in investment partnerships	(16)	(77)
Decrease (increase) in trade receivables	(114)	(203)
Decrease (increase) in inventories	311	34
Decrease (increase) in other current assets	(15)	(2)
Increase (decrease) in trade payables	337	278
Increase (decrease) in other current liabilities	72	140
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	75	2
Other, net	(36)	8
Subtotal	1,687	2,071
Interest and dividends received	7	8
Income taxes refund (paid)	(72)	(194)
Net cash provided by (used in) operating activities	1,622	1,885
Cash flows from investing activities		
Purchase of property, plant and equipment	(14)	(86)
Purchase of intangible assets	(17)	(3)
Purchase of investment securities	(137)	(32)
Proceeds from distributions from investment partnerships	34	217
Payments of leasehold and guarantee deposits	(19)	-
Purchase of membership	-	(6)
Proceeds from sale of membership	-	10
Proceeds from liquidation of subsidiaries	-	35
Other, net	(3)	-
Net cash provided by (used in) investing activities	(157)	135
Cash flows from financing activities		
Dividends paid	(334)	(432)
Proceeds from exercise of employee share options	7	24
Proceeds from share issuance to non-controlling shareholders	19	-
Other, net	(1)	(0)
Net cash provided by (used in) financing activities	(308)	(408)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	1,155	1,612
Cash and cash equivalents at beginning of period	7,913	9,097
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	28	-
Cash and cash equivalents at end of period	9,097	10,709

## (5) Notes to Consolidated Financial Statements

### (Notes regarding going concern assumption)

N/A

### (Changes to accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the “Fair Value Measurement Accounting Standard Implementation Guidance”), etc. effective from the beginning of fiscal 2022, and decided to adopt new accounting policies prescribed in the Fair Value Measurement Accounting Standard Implementation Guidance in the future, pursuant to the transitional treatment specified in paragraph 27-2 of the Fair Value Measurement Accounting Standard Implementation Guidance. This application has no impact on the consolidated financial statements.

### (Segment information)

#### 1. Outline of reportable segments

The Group’s reportable segments are the components of the Group’s organization for which separate financial information is available and for which the Board of Directors regularly conducts a review for the purpose of making decisions about resources to be allocated to the segments and assess the segments’ performance.

The Group’s main business is the LSI Business for Japanese Entertainment Machines segment, an existing business. However, the Middleware (AI, Block Chain and Other) and LSI Business for New Business segment, which will support the growth of the Company from now on, is now also recognized as a reportable segment. The LSI Business for Japanese Entertainment Machines segment consists of development and sales of products for pachinko and pachislot machines. The Middleware (AI, Block Chain and Other) and LSI Business for New Business segment consists of development and sales of products for embedded systems, and product development and sales, as well as solution provision, in the areas of middleware, machine learning/AI, blockchain, and security.

#### 2. Methods for calculating net sales, profit and loss, assets, liabilities, and amounts of other items by reportable segment

Methods of accounting used for the reportable business segments comply with the accounting policies adopted to prepare the consolidated financial statements.

Profit or loss figures for the reportable segments are on an operating profit basis.

#### 3. Information about amounts of net sales, profit and loss, assets, liabilities, and other items by reportable segment

FY 2021 (April 1, 2021 to March 31, 2022)

(In millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in 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	10,144	522	10,666	-	10,666
Inter-segment net sales, and transfers	-	-	-	-	-
Total	10,144	522	10,666	-	10,666
Segment profit (loss)	2,007	(545)	1,462	(623)	839
Other items					
Depreciation	18	6	25	8	33
Amortization of goodwill	-	11	11	-	11
Impairment loss	-	0	0	-	0

(Notes) 1. The (623) million yen adjustments to segment profit (loss) are company-wide expenses not distributed to each reportable segment, mainly general expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted with operating profit in Consolidated Financial Statements.
3. Assets and liabilities are not presented as they are not distributed to business segments, while depreciation is distributed to each segment based on reasonable standards.

FY 2022 (April 1, 2022 to March 31, 2023)

(In millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in 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	13,852	622	14,474	-	14,474
Inter-segment net sales, and transfers	-	-	-	-	-
Total	13,852	622	14,474	-	14,474
Segment profit (loss)	2,785	(405)	2,379	(765)	1,614
Other items					
Depreciation	29	5	34	8	43
Amortization of goodwill	-	11	11	-	11
Impairment loss	-	4	4	-	4

- (Notes)
1. The (765) million yen adjustments to segment profit (loss) are company-wide expenses not distributed to each reportable segment, mainly general expenses not attributable to reportable segments.
  2. Segment profit (loss) is adjusted with operating profit in Consolidated Financial Statements.
  3. Assets and liabilities are not presented as they are not distributed to business segments, while depreciation is distributed to each segment based on reasonable standards.

**(Per share information)**

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Net assets per share	974.54 yen	1,064.72 yen
Basic earnings per share	80.05 yen	124.75 yen
Diluted earnings per share	–	124.41 yen

(Note) 1. The basis of calculation of the net assets per share is as follows:

	FY 2021 (As of March 31, 2022)	FY 2022 (As of March 31, 2023)
Total amount of net assets (millions of yen)	10,629	11,695
Amount to be deducted from the total amount of net assets (millions of yen)	76	108
(Of which, share acquisition rights (millions of yen))	(27)	(30)
(Of which, non-controlling interests (millions of yen))	(49)	(77)
Net assets as of the end of the period associated with common stock (millions of yen)	10,552	10,587
Number of common stocks as of the end of the period used for calculating the net assets per share (shares)	10,828,392	10,883,072

2. The basis of calculation of the basic earnings per share and diluted earnings per share is as follows:

	FY 2021 (From April 1, 2021 to March 31, 2022)	FY 2022 (From April 1, 2022 to March 31, 2023)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	865	1,353
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent on common stock (millions of yen)	865	1,353
Average number of shares of common stock during the period (shares)	10,813,935	10,853,009
Diluted earnings per share		
Adjustments of profit attributable to owners of parent (millions of yen)	–	–
Increase in number of shares of common stock (shares)	–	29,688
(Of which, share acquisition rights (millions of yen))	–	(29,688)
Outline of residual shares not included in the calculation of diluted earnings per share due to not having dilutive effects	The Company 2019 Share Acquisition Rights Common stock: 75,500 shares 2021 Share Acquisition Rights Common stock: 52,900 shares	–

**(Major subsequent events)**

N/A