



Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2019 (Japanese GAAP)

November 8, 2019

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 Scheduled date of release of Quarterly Report: November 8, 2019
 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 2019 (April 1, 2019 to September 30, 2019)

(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 2019	3,865	—	85	—	94	—	90	—
Q2 FY 2018	—	—	—	—	—	—	—	—

(Note) Comprehensive income: Q2 FY 2019: ¥ 66 million [-%] Q2 FY 2018: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY 2019	8.04	—
Q2 FY 2018	—	—

(Note) Figures and the rate of year-on-year increase (decrease) for the second quarter of fiscal year 2018 are not presented as the preparation of quarterly consolidated financial statements commenced from the first quarter of fiscal year 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q2 FY 2019	10,288	9,409	91.2	838.68
FY 2018	—	—	—	—

(Reference) Equity capital Q2 FY 2019: 9,382 million yen FY 2018: - million yen

(Note) Figures for fiscal year 2018 are not presented as the preparation of quarterly consolidated financial statements commenced from the first quarter of fiscal year 2019.

2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2018	—	0.00	—	0.00	0.00
FY 2019	—	0.00	—	—	—
FY 2019 (Projection)	—	—	—	5.00	5.00

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

3. Consolidated Forecast Results for Fiscal Year 2019 (April 1, 2019 to March 31, 2020)

(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	8,000	—	170	—	180	—	170	—	15.19

(Notes) 1. Revision of forecast results from recently announced figures: Yes

For information on revision of forecast results, please refer to “Notice on Differences between Non-Consolidated Forecast Results and Actual Results for the First Half of Fiscal 2019, Revision of Non-Consolidated Forecast Results for the Full Year and Consolidated Forecast Results for the Full Year” released today (November 8, 2019).

2. The rate of year-on-year increase (decrease) is not presented as the preparation of quarterly consolidated financial statements commenced from the first quarter of fiscal year 2019.

* Matters of Note

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New inclusion: 1 (company name: ax Inc.)

Exclusion: -

(Note) For details, please refer to [Appendix] P. 10 “2. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in significant subsidiaries during the period).”

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

(Note) For details, please refer to [Appendix] P. 10 “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.: None

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

3) Changes to accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury stock)	Q2 FY 2019	11,187,749 shares	FY 2018	11,187,749 shares
2) The number of shares of treasury stock at end of period	Q2 FY 2019	152 shares	FY 2018	152 shares
3) Average number of shares of common shares during period (cumulative)	Q2 FY 2019	11,187,597 shares	Q2 FY 2018	11,187,597 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 provided on TDnet on the same date.

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1. Qualitative Information on Quarterly Financial Results

Year-on-year comparison of the consolidated business results and financial position is not presented as the preparation of quarterly consolidated financial statements commenced from the first quarter of fiscal 2019.

(1) Explanation of business results

During the six months ended September 30, 2019, a moderate recovery trend continued in the Japanese economy including improvements in the employment and income conditions, along with signs of improvements in personal consumption. However, economic outlook has remained uncertain due mainly to concern over the impact of volatility in the financial and capital markets, in addition to the escalation of uncertainties over the global economy such as trade issues.

The pachinko and pachislot machine market, which is the main market for the Company, has continued to face a challenging market environment, due mainly to the diversification of leisure and the effects of the revised “Ordinance for Enforcement of the Act on Control and Improvement of Amusement and Entertainment Business, etc.” that came into force as preventive measures against addictive gambling, leading to a sluggish demand for new machines at amusement facilities. In addition, the business environment surrounding the Company is becoming increasingly harsh due to increased cost-saving awareness among pachinko and pachislot machine manufacturers against the backdrop of a challenging market environment, leading to a more widespread reuse of device components including the Company’s products.

Under such circumstances, 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. With a view to accelerating new business development, the Group actively considered initiatives including restructuring, alliances and investments. On May 22, 2019, the Group established ax Inc. (investment ratio: 90%), which promotes business in the areas of machine learning (AI) and middleware. In addition, to accelerate the business of the new company, the Group turned bitcraft Co., Ltd. and MotionPortrait, Inc. into sub-subsidiaries through M&As.

As a result, for the six months ended September 30, 2019, the Company recorded net sales of 3,865 million yen and gross profit of 1,218 million yen. Selling, general and administrative expenses amounted to 1,133 million yen, of which research and development expenses accounted for 674 million yen. Consequently, for the six months ended September 30, 2019, the Company recorded an operating profit of 85 million yen, an ordinary profit of 94 million yen and profit attributable to owners of parent of 90 million yen.

Based on the enhancement of the project management system and the circumstances of the management control system resulting from restructuring of the Company’s organization, in addition to the increased quantitative importance of segment information due to progress made in new business, statements by segment are provided from the second quarter under review. The business performance by segment is as follows.

1) LSI Business for Embedded Systems (Including for Japanese Entertainment Machines)

The LSI Business for Embedded Systems (Including for Japanese Entertainment Machines) segment deals with products for pachinko and pachislot machines, the existing businesses of the Company, and for embedded systems. For the six months ended September 30, 2019, the Company recorded net sales of 3,821 million yen and an operating profit of 680 million in this segment. Regarding products for pachinko and pachislot machines, due to the effects of an inventory adjustment, the Company sold approximately 180,000 graphics LSI products, up some 60,000 units from the previous corresponding period. In addition, the Company saw a significant increase in sales of memory-module products (Note 2) as they were supported by new adoptions and favorable trends in sales to customers already adopting them. Sales of products for embedded systems were primarily flat.

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. For the six months ended September 2019, the Company recorded net sales of 43 million yen, mainly from sales in the areas of middleware and machine learning (AI), and an operating loss of 312 million yen in this segment.

(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 image display 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 2019 stood at 10,288 million yen. Current assets amounted to 9,258 million yen, mainly comprising 6,560 million yen in cash and deposits, 1,060 million yen in accounts receivable – trade and 1,534 million yen in merchandise and finished goods. Non-current assets were 1,029 million yen.

Total liabilities as of the end of the second quarter of fiscal 2019 stood at 878 million yen. Current liabilities were 840 million yen, mainly comprising 657 million yen in accounts payable – trade. Non-current liabilities amounted to 38 million yen.

Total net assets as of the end of the second quarter of fiscal 2019 stood at 9,409 million yen, mainly comprising share capital of 1,018 million yen, capital surplus of 861 million yen and retained earnings of 7,431 million yen.

2) Status of cash flows

Cash and cash equivalents (hereinafter “funds”) as of the end of the second quarter of fiscal 2019 amounted to 6,560 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 the second quarter of fiscal 2019 amounted to 40 million yen. This was mainly attributable to factors such as the increase in trade receivables (629 million yen) and the increase in inventories (183 million yen), despite profit before income taxes (89 million yen) and the increase in trade payables (422 million yen) for the second quarter of fiscal 2019.

(Cash flows from investing activities)

Funds used in investing activities for the second quarter of fiscal 2019 amounted to 46 million yen. This was mainly attributable to factors such as proceeds from distributions from investment partnerships (44 million yen), despite the purchase of property, plant and equipment (38 million yen), the purchase of intangible assets (16 million yen) and the purchase of shares of subsidiaries resulting in change in scope of consolidation (35 million yen).

(Cash flows from financing activities)

Funds provided by financing activities for the second quarter of fiscal 2019 amounted to 29 million yen. This was mainly attributable to proceeds from share issuance to non-controlling shareholders (30 million yen).

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

Regarding consolidated forecast results for fiscal 2019, please refer to “Notice on Differences between Non-Consolidated Forecast Results and Actual Results for the First Half of Fiscal 2019, Revision of Non-Consolidated Forecast Results for the Full Year and Consolidated Forecast Results for the Full Year” released today (November 8, 2019).

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

(In millions of yen)

		Q2 FY 2019 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits		6,560
Accounts receivable - trade		1,060
Merchandise and finished goods		1,534
Work in process		4
Raw materials and supplies		0
Allowance for doubtful accounts		(6)
Other		104
Total current assets		9,258
Non-current assets		
Property, plant and equipment		161
Intangible assets		
Goodwill		59
Other		35
Total intangible assets		95
Investments and other assets		772
Total non-current assets		1,029
Total assets		10,288
Liabilities		
Current liabilities		
Accounts payable - trade		657
Income taxes payable		20
Other		162
Total current liabilities		840
Non-current liabilities		
Asset retirement obligations		38
Total non-current liabilities		38
Total liabilities		878
Net assets		
Shareholders' equity		
Share capital		1,018
Capital surplus		861
Retained earnings		7,431
Treasury shares		(0)
Total shareholders' equity		9,311
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		71
Total accumulated other comprehensive income		71
Non-controlling interests		26
Total net assets		9,409
Total liabilities and net assets		10,288

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

(Second Quarter)

	(In millions of yen)
	Q2 FY 2019 (From April 1, 2019 to September 30, 2019)
Net sales	3,865
Cost of sales	2,646
Gross profit	1,218
Selling, general and administrative expenses	1,133
Operating profit	85
Non-operating income	
Interest income	0
Dividend income	2
Foreign exchange gains	1
Gain on investments in investment partnerships	2
Interest on tax refund	1
Other	0
Total non-operating income	9
Non-operating expenses	
Miscellaneous loss	0
Total non-operating expenses	0
Ordinary profit	94
Extraordinary income	
Gain on bargain purchase	0
Total extraordinary income	0
Extraordinary losses	
Loss on valuation of membership	5
Total extraordinary losses	5
Profit before income taxes	89
Income taxes	3
Profit	86
Loss attributable to non-controlling interests	(3)
Profit attributable to owners of parent	90

Quarterly Consolidated Statements of Comprehensive Income
(Second Quarter)

	(In millions of yen)
	Q2 FY 2019 (From April 1, 2019 to September 30, 2019)
Profit	86
Other comprehensive income	
Valuation difference on available-for-sale securities	(20)
Deferred gains or losses on hedges	(0)
Total other comprehensive income	(20)
Comprehensive income	66
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	69
Comprehensive income attributable to non-controlling interests	(3)

(3) Quarterly Statements of Cash Flows

(In millions of yen)

	Q2 FY 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities	
Profit before income taxes	89
Depreciation	46
Gain on bargain purchase	(0)
Interest and dividend income	(2)
Loss (gain) on investments in investment partnerships	(2)
Decrease (increase) in trade receivables	(629)
Decrease (increase) in inventories	(183)
Decrease (increase) in other current assets	38
Increase (decrease) in trade payables	422
Increase (decrease) in other current liabilities	(18)
Other, net	258
Subtotal	18
Interest and dividends received	2
Income taxes (paid) refund	19
Net cash provided by (used in) operating activities	40
Cash flows from investing activities	
Purchase of property, plant and equipment	(38)
Purchase of intangible assets	(16)
Payments of leasehold and guarantee deposits	(1)
Proceeds from distributions from investment partnerships	44
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(35)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1
Net cash provided by (used in) investing activities	(46)
Cash flows from financing activities	
Dividends paid	(0)
Proceeds from share issuance to non-controlling shareholders	30
Net cash provided by (used in) financing activities	29
Effect of exchange rate change on cash and cash equivalents	(0)
Net increase (decrease) in cash and cash equivalents	23
Cash and cash equivalents at beginning of period	6,536
Cash and cash equivalents at end of period	6,560

(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)

ax Inc., which was newly established, has been included in the scope of consolidation from the first quarter of fiscal 2019. ax Inc. falls under a specified subsidiary of the Company.

Although it is not a matter falling under changes in specified subsidiaries, ax Inc. has been included in the scope of consolidation as it acquired shares of bitcraft Co., Ltd. and MotionPortrait, Inc. during the second quarter of fiscal 2019. September 30, 2019 is deemed as the acquisition date of bitcraft Co., Ltd. and MotionPortrait, Inc., and only their balance sheets have been consolidated in the second quarter of fiscal 2019.

(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 2019.

(Segment information)

Second quarter of fiscal 2019 (April 1 to September 30, 2019)

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 Embedded Systems (Including 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 Embedded Systems (Including for Japanese Entertainment Machines) segment consists of development and sales of products for pachinko and pachislot machines as well as embedded systems. The Middleware (AI, Block Chain and Other) and LSI Business for New Business segment consists of 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, and amounts of other items by reportable segment

Methods of accounting used for the reportable business segments are generally the same as those stated in Important Items Regarding the Basis for Preparation of Quarterly Consolidated Financial Statements.

3. 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 Embedded Systems (Including for Japanese Entertainment Machines)	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Net sales					
Net sales to customers	3,821	43	3,865	-	3,865
Inter-segment net sales, and transfers	-	-	-	-	-
Total	3,821	43	3,865	-	3,865
Segment profit (loss)	680	(312)	368	(283)	85

(Notes) 1. The (283) million yen adjustments to segment profit (loss) are company-wide expenses not distributed 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.

4. Matters concerning changes in reportable segments

As the Group's main business is development and sales of semiconductor products, it had omitted financial statements by segment. However, based on the enhancement of the project management control system and the circumstances of the management system resulting from restructuring of the Company's organization, in addition to the increased quantitative importance of segment information due to progress made in new business, the Company began reporting the following two segments in the second quarter of fiscal 2019: the LSI Business for Embedded Systems (Including for Japanese Entertainment Machines) segment, which is the Company's main business, and the Middleware (AI, Block Chain and Other) and LSI Business for New Business segment, which will support the diversification of the Company's business.

5. Information on impairment loss and goodwill on non-current assets

(Significant changes in amount of goodwill)

As the Group acquired all the shares of bitcraft Co., Ltd. during the second quarter under review, goodwill of 59 million yen was recorded in the Middleware (AI, Block Chain and other) and LSI Business for New Business segment. In addition, since only the balance sheets of bitcraft Co., Ltd. have been consolidated in the second quarter of fiscal 2019, amortization of goodwill is not included in segment profit.

(Significant gain on bargain purchase)

As the Group acquired all the shares of MotionPortrait, Inc. during the second quarter under review, gain on bargain purchase of 0 million yen was recorded in the Middleware (AI, Block Chain and other) and LSI Business for New Business segment. In addition, since gain on bargain purchase is extraordinary income, it is not included in segment profit.

(Business combination)

A business combination by a consolidated subsidiary

1. Outline of business combination

1) Company name of acquiree and its business activities

Name of the company acquired: bitcraft Co., Ltd.

Business of the company acquired: Development, sales, etc. of computer software

2) Main reasons for business combination

ax Inc., a consolidated subsidiary of the Company, is promoting business in the areas of machine learning (AI) and middleware, aimed at early expansion of the scale of business. It is crucial to acquire AI engineers and global human resources to accelerate the business of ax Inc., while bitcraft Co., Ltd. has sophisticated technology and global human resources beyond national borders and language barriers. We believe that we can expect to accelerate new business and develop the Group's global business by having ax Inc. turn bitcraft Co., Ltd. into its subsidiary.

3) Date of business combination

July 1, 2019

4) Legal form of business combination

Acquisition of shares

5) Company name after business combination

No change of the company name

6) Ratio of voting rights acquired

100%

7) Basis for reaching decision on acquisition

The decision was reached because ax Inc., a consolidated subsidiary of the Company, acquired the shares of the acquiree using cash as consideration.

2. Inclusion of acquiree's performance in Quarterly Consolidated Statements of Income

The acquiree's performance is not included in the business results for the six months ended September 30, 2019, because the deemed date of acquisition is September 30, 2019.

3. Breakdown of acquisition costs and considerations

The acquisition cost, which is not disclosed pursuant to an agreement between the parties, has been determined at a fair value based on a third-party assessment.

4. Details of conditional consideration for acquisition according to business combination agreement and future accounting policies

(1) Details of conditional consideration

Consideration for the acquisition is to be reduced if main engineers retire within a certain period.

(2) Future accounting policies

Policy of revising the acquisition cost, as well as the amounts of goodwill and amortization of goodwill, if the consideration for the acquisition has decreased.

5. Amount of goodwill, its cause, and method and period of amortization

(1) Amount of goodwill

59 million yen

(2) Cause

The goodwill is mainly due to expectations of enormous future profitability in business development

(3) Method and period of amortization

Even amortization over five years

A business combination by a consolidated subsidiary

1. Outline of business combination

1) Company name of acquiree and its business activities

Name of the company acquired: MotionPortrait, Inc.

Business of the company acquired: Development, sales, etc. of computer software

2) Main reasons for business combination

ax Inc., a consolidated subsidiary of the Company, is promoting business in the areas of machine learning (AI) and middleware, aimed at early expansion of the scale of business. We believe that we will be able to expand business in the areas of machine learning (AI) by enhancing services in the AI area and offering new value to customers through the integration of state-of-the-art technologies related to AI held by the Group with image recognition and image processing technologies held by MotionPortrait, Inc.

3) Date of business combination

August 1, 2019

4) Legal form of business combination

Acquisition of shares

5) Company name of acquiree after merger

No change of the company name

6) Ratio of voting rights acquired

100%

7) Basis for reaching decision on acquisition

The decision was reached because ax Inc., a consolidated subsidiary of the Company, acquired the shares of the acquiree using cash as consideration.

2. Inclusion of acquiree's performance in Quarterly Consolidated Statements of Income

The acquiree's performance is not included in the business results for the six months ended September 30, 2019, because the deemed date of acquisition is September 30, 2019.

3. Breakdown of acquisition costs and considerations

The acquisition cost, which is not disclosed pursuant to an agreement between the parties, has been determined at a fair value based on a third-party assessment.

4. Amount of gain on bargain purchase and its cause

(1) Amount of profit on negative goodwill

0 million yen

(2) Cause

As the market value of the acquiree's net assets at the time of the business combination was greater than the acquisition cost, the Company recognizes the difference as profit on negative goodwill.

(Significant subsequent events)

(Absorption-type merger by a consolidated subsidiary resulting in a sub-sub-subsidiary)

ax Inc., a consolidated subsidiary of the Company, carried out an absorption-type merger of its wholly-owned subsidiary bitcraft Co., Ltd. on October 1, 2019.

1. Outline of transaction

1) Company name of acquiree and its business activities

Name of the company acquired: bitcraft Co., Ltd.

Business of the company acquired: Development, sales, etc. of computer software

2) Date of business combination

October 1, 2019

3) Legal form of merger

An absorption-type merger in which ax. Inc. is the surviving company and bitcraft Co., Ltd. is the dissolving company

4) Company name after business combination

ax Inc.

5) Other matters related to the transactions

The merger is aimed at making the management of the Group more efficient by concentrating management resources.

2. Outline of accounting processes

Treated as a transaction under common control based on the Accounting Standards for Business Combinations and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.

3. (Reference) Non-Consolidated Financial Statements**(1) (Reference) Balance Sheets (Non-consolidated)**

(In millions of yen)

FY 2018
(As of March 31, 2019)

Assets	
Current assets	
Cash and deposits	6,536
Accounts receivable - trade	411
Merchandise and finished goods	1,355
Raw materials and supplies	0
Advance payments - trade	32
Prepaid expenses	99
Income taxes receivable	22
Consumption taxes receivable	209
Other	1
Total current assets	8,669
Non-current assets	
Property, plant and equipment	
Buildings	186
Accumulated depreciation	(111)
Buildings, net	75
Tools, furniture and fixtures	969
Accumulated depreciation	(878)
Tools, furniture and fixtures, net	91
Total property, plant and equipment	166
Intangible assets	
Trademark right	0
Software	28
Total intangible assets	28
Investments and other assets	
Investment securities	677
Shares of subsidiaries and associates	50
Long-term prepaid expenses	19
Leasehold and guarantee deposits	70
Other	19
Total investments and other assets	836
Total non-current assets	1,032
Total assets	9,701

(In millions of yen)

FY 2018 (As of March 31, 2019)	
Liabilities	
Current liabilities	
Accounts payable - trade	234
Accounts payable - other	71
Accrued expenses	18
Deposits received	22
Total current liabilities	347
Non-current liabilities	
Asset retirement obligations	37
Deferred tax liabilities	2
Total non-current liabilities	40
Total liabilities	388
Net assets	
Shareholders' equity	
Capital stock	1,018
Capital surplus	
Legal capital surplus	861
Total capital surpluses	861
Retained earnings	
Legal retained earnings	1
Other retained earnings	
General reserve	8,200
Retained earnings brought forward	(859)
Total retained earnings	7,341
Treasury shares	(0)
Total shareholders' equity	9,221
Valuation and translation adjustments	
Valuation difference on available-for-sale securities	91
Deferred gains or losses on hedges	0
Total valuation and translation adjustments	91
Total net assets	9,313
Total liabilities and net assets	9,701

(2) (Reference) Quarterly Statements of Income (Non-Consolidated)

(Second quarter)

	(In millions of yen)
	Q2 FY 2018 (From April 1, 2018 to September 30, 2018)
Net sales	2,190
Cost of sales	1,455
Gross profit	734
Selling, general and administrative expenses	2,146
Operating loss	(1,411)
Non-operating income	
Interest income	0
Dividend income	2
Foreign exchange gains	9
Other	2
Total non-operating income	15
Non-operating expenses	
Loss on investments in partnership	7
Other	0
Total non-operating expenses	7
Ordinary loss	(1,403)
Extraordinary losses	
Loss on valuation of investment securities	10
Total extraordinary losses	10
Loss before income taxes	(1,413)
Income taxes	(424)
Loss	(988)

(3) (Reference) Quarterly Statements of Cash Flows (Non-Consolidated)

(Second quarter)

	(In millions of yen)
	Q2 FY 2018 (From April 1, 2018 to September 30, 2018)
Cash flows from operating activities	
Loss before income taxes	(1,413)
Depreciation	85
Interest and dividend income	(3)
Loss (gain) on investments in partnership	7
Loss (gain) on valuation of investment securities	10
Decrease (increase) in notes and accounts receivable - trade	2,695
Decrease (increase) in inventories	(741)
Decrease (increase) in other current assets	719
Increase (decrease) in notes and accounts payable - trade	(994)
Increase (decrease) in other current liabilities	(21)
Other, net	(189)
Subtotal	153
Interest and dividend income received	3
Income taxes (paid) refund	(30)
Net cash provided by (used in) operating activities	126
Cash flows from investing activities	
Purchase of property, plant and equipment	(2)
Purchase of intangible assets	(10)
Proceeds from distribution of investment in partnerships	6
Purchase of shares of subsidiaries and associates	(50)
Other, net	(34)
Net cash provided by (used in) investing activities	(90)
Cash flows from financing activities	
Cash dividends paid	(55)
Net cash provided by (used in) financing activities	(55)
Effect of exchange rate change on cash and cash equivalents	10
Net increase (decrease) in cash and cash equivalents	(9)
Cash and cash equivalents at beginning of period	6,868
Cash and cash equivalents at end of period	6,858

4. Others**Recent trends in quarterly business results****Year ending March 31, 2020**

(In millions of yen)

	Q1 FY 2019 From April 2019 to June 2019	Q2 FY 2019 From July 2019 to September 2019	Q3 FY 2019 From October 2019 to December 2019	Q4 FY 2019 From January 2020 to March 2020
Net sales	1,532	2,332	—	—
Gross profit	549	668	—	—
Operating profit	5	79	—	—
Ordinary profit	11	83	—	—
Profit before income taxes	5	83	—	—
Profit	5	80	—	—
Profit attributable to owners of parent	6	83	—	—
Comprehensive income	0	65	—	—
Basic earnings per share	0.62 yen	7.42 yen	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	9,987	10,288	—	—
Net assets	9,343	9,409	—	—
Equity capital	9,314	9,382	—	—
Net assets per share	832.60 yen	838.68 yen	—	—