



Summary of Consolidated Financial Statements for the Year Ended March 31, 2020 (Japanese GAAP)

May 28, 2020

Name of listed company: AXELL CORPORATION Stock Exchange: Tokyo
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 Scheduled date of shareholders' meeting: June 30, 2020
 Scheduled date of release of Securities Report: July 1, 2020
 Scheduled date of dividend payment: July 1, 2020
 Availability of supplementary explanatory materials prepared for financial results: Available
 Briefing session on financial results to be held: None

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

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

(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 2019	9,265	—	393	—	535	—	468	—
FY 2018	—	—	—	—	—	—	—	—

(Note) Comprehensive income: FY 2019: ¥ 489 million [-%] FY 2018: ¥ - million [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit / Total assets	Operating profit / Net sales
	Yen	Yen	%	%	%
FY 2019	41.85	—	4.9	5.1	4.2
FY 2018	—	—	—	—	—

(Reference) Equity in earnings (losses) of non-consolidated subsidiaries and affiliates: — million yen (FY 2019); — million yen (FY 2018)

(Note) Figures and the rate of year-on-year increase (decrease) for fiscal year 2018 are not presented as the preparation of consolidated financial statements commenced from fiscal year 2019. The figures at the beginning of the period used in calculating the rate of return on equity and ordinary profit / total assets for fiscal year 2019 are the non-consolidated equity and non-consolidated total assets, respectively.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
FY 2019	11,146	9,836	88.0	876.72
FY 2018	—	—	—	—

(Reference) Equity capital FY 2019: 9,808 million yen FY 2018: — million yen

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

(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 2019	1,530	(25)	29	8,071
FY 2018	—	—	—	—

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

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 2018	—	0.00	—	0.00	0.00	—	—	—
FY 2019	—	0.00	—	21.00	21.00	234	50.2	2.5
FY 2020 (Projection)	—	—	—	—	—		—	

(Note) The figure at the beginning of the period used in calculating the dividend / net assets is the non-consolidated net assets per share, as the preparation of consolidated financial statements commenced from fiscal year 2019.

The dividend forecast for fiscal year 2020 is undetermined.

3. Consolidated Forecast Results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

With regard to the outlook for fiscal year 2020, the future outlook is expected to remain uncertain due to the spread of COVID-19 and its prolonged impact. As such, the consolidated forecast results for fiscal year 2020 is undetermined as the Company deems it difficult to forecast the impact on business results at this time. Forecast results will be disclosed as soon as it becomes possible to prepare a reasonable forecast.

* Matters of Note

(1) Changes in significant subsidiaries during the year 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. 11 “3. Consolidated Financial Statements and Primary Notes (5) Notes to Consolidated Financial Statements (Changes in significant subsidiaries during the period).”

(2) 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

(3) Number of shares issued (common shares)

1) The number of shares issued at end of year (including treasury stock)	FY 2019	11,187,749 shares	FY 2018	11,187,749 shares
2) The number of shares of treasury stock at end of year	FY 2019	152 shares	FY 2018	152 shares
3) Average number of shares of common shares during year	FY 2019	11,187,597 shares	FY 2018	11,187,597 shares

(Reference) Overview of Non-Consolidated Business Results**1. Non-Consolidated Business Results for Fiscal Year 2019 (April 1, 2019 to March 31, 2020)****(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 2019	9,158	83.0	446	—	588	—	523	—
FY 2018	5,003	(41.0)	(1,672)	—	(1,651)	—	(2,000)	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY 2019	46.82		—	
FY 2018	(178.83)		—	

(2) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	millions of yen		millions of yen		%		Yen	
FY 2019	11,128		9,867		88.6		881.70	
FY 2018	9,701		9,313		96.0		832.45	

(Reference) Equity capital

FY 2019: 9,864 million yen

FY 2018: 9,313 million yen

* **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 on financial results)

Supplementary explanatory materials on financial results are provided on TDnet on the same date.

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.....	4
3. Consolidated Financial Statements and Primary Notes.....	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Comprehensive Income	7
Consolidated Statements of Income.....	7
Consolidated Statements of Comprehensive Income.....	8
(3) Consolidated Statements of Changes in Net Assets.....	9
(4) Consolidated Statements of Cash Flows.....	10
(5) Notes to Consolidated Financial Statements.....	11
(Notes regarding going concern assumption).....	11
(Changes in significant subsidiaries during the period).....	11
(Segment information, etc.).....	11
(Per share information).....	12
(Major subsequent events).....	13

1. Overview of Business Results, etc.

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

During fiscal 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, due to the impact of COVID-19, the current economic situation is rapidly deteriorating and the outlook is expected to remain severe.

The pachinko and pachislot machine market, which is the main market for the Group, 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 Group 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 Group’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. Furthermore, ax Inc. merged bitcraft Co., Ltd. through an absorption-type merger on October 1, 2019, for the purpose of streamlining the management of the Group.

As a result, for fiscal 2019, the Company recorded net sales of 9,265 million yen and gross profit of 2,948 million yen. Selling, general and administrative expenses amounted to 2,555 million yen, of which research and development expenses accounted for 1,549 million yen. Consequently, for fiscal 2019, the Company recorded an operating profit of 393 million yen, an ordinary profit of 535 million yen and profit attributable to owners of parent of 468 million yen.

Comparisons with fiscal 2018 are not made because the preparation of consolidated financial statements commenced in fiscal 2019.

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 fiscal 2019, the Company recorded net sales of 9,068 million yen and a segment profit of 1,615 million yen. Regarding products for pachinko and pachislot machines, due to the effects of an inventory adjustment, the Company sold approximately 390,000 graphics LSI products, up some 100,000 units from the previous fiscal year. 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. However, sales of products for embedded systems fell below the level seen in the previous fiscal year due to trends in customer demand.

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 fiscal 2019, the Company recorded net sales of 196 million yen, mainly from sales in the areas of middleware and machine learning (AI), and a segment loss of 641 million yen.

(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 2019 stood at 11,146 million yen. Current assets amounted to 10,103 million yen, mainly comprising 8,071 million yen in cash and deposits, 862 million yen in accounts receivable – trade and 1,080 million yen in merchandise and finished goods. Non-current assets were 1,043 million yen.

Total liabilities as of the end of fiscal 2019 stood at 1,310 million yen. Current liabilities were 1,272 million yen, mainly comprising 662 million yen in accounts payable – trade, 122 million yen in income taxes payable and 203 million yen in accrued consumption taxes. Non-current liabilities amounted to 38 million yen.

Total net assets as of the end of fiscal 2019 stood at 9,836 million yen, mainly comprising share capital of 1,018 million yen, capital surplus of 861 million yen and retained earnings of 7,809 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 2019 amounted to 8,071 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 2019 amounted to 1,530 million yen. This was mainly attributable to factors such as profit before income taxes (507 million yen), the decrease in inventories (275 million yen), the increase in trade payables (428 million yen) and the decrease/increase in consumption taxes receivable/payable (411 million yen), despite the increase in trade receivables (425 million yen).

(Cash flows from investing activities)

Funds used in investing activities for fiscal 2019 amounted to 25 million yen. This was mainly attributable to factors such as the purchase of property, plant and equipment (52 million yen), the purchase of intangible assets (22 million yen), the purchase of investment securities (40 million yen) and the purchase of shares of subsidiaries resulting in change in scope of consolidation (35 million yen), despite proceeds from distributions from investment partnerships (126 million yen).

(Cash flows from financing activities)

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

(Cash flow-related indicators)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Ratio of shareholders' equity to total assets (%)	92.6	95.3	87.6	96.0	88.0
Ratio of market capitalization to total assets (%)	77.8	75.4	85.1	63.7	63.9
Ratio of interest-bearing liabilities to cash flow (%)	–	–	–	–	–
Interest coverage ratio (%)	–	–	–	–	–

The indicators for fiscal 2019 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 and outstanding, excluding treasury stock.

(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

Regarding the economic situation for fiscal 2020, the outlook is expected to remain harsh, including concerns for the prolonged stagnation of economic activities due to the spread of COVID-19.

The pachinko and pachislot machine market for fiscal 2020 was expected to see demand for the replacement of machines with models meeting new rules in accordance with revision of the “Ordinance for Enforcement of the Act on Control and Improvement of Amusement and Entertainment Business, etc.” However, amusement facilities have adopted measures, such as restricting operations from the perspective of preventing the spread of COVID-19, causing the future outlook to be extremely uncertain, including sluggish demand for new machines due to the uncertain outlook. Under these circumstances, the National Public Safety Commission has revised the supplementary provisions of the revised ordinance, extending the deadline for removing models under the former rules from the market, which had originally been required by January 2021. As such, the timing of the replacement of machines with models meeting the new rules at amusement facilities will be greatly affected by factors including the timing of the containment of COVID-19.

Comprehensively taking into account the above circumstances, the Company has determined that it is difficult to estimate a reasonable forecast results at this time, and the forecast results for fiscal 2020 is undetermined. Forecast results will be disclosed as soon as it becomes possible to reasonably project the outlook.

(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 2019 (As of March 31, 2020)
Assets	
Current assets	
Cash and deposits	8,071
Accounts receivable - trade	862
Merchandise and finished goods	1,080
Work in process	0
Raw materials and supplies	0
Other	88
Allowance for doubtful accounts	(0)
Total current assets	10,103
Non-current assets	
Property, plant and equipment	
Buildings	186
Accumulated depreciation	(117)
Buildings, net	69
Tools, furniture and fixtures	1,004
Accumulated depreciation	(953)
Tools, furniture and fixtures, net	51
Total property, plant and equipment	120
Intangible assets	
Goodwill	53
Other	25
Total intangible assets	79
Investments and other assets	
Investment securities	660
Deferred tax assets	34
Other	147
Total investments and other assets	843
Total non-current assets	1,043
Total assets	11,146

(In millions of yen)

FY 2019 (As of March 31, 2020)	
Liabilities	
Current liabilities	
Accounts payable - trade	662
Income taxes payable	122
Accrued consumption taxes	203
Other	283
Total current liabilities	1,272
Non-current liabilities	
Asset retirement obligations	38
Total non-current liabilities	38
Total liabilities	1,310
Net assets	
Shareholders' equity	
Share capital	1,018
Capital surplus	861
Retained earnings	7,809
Treasury shares	(0)
Total shareholders' equity	9,690
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	118
Total accumulated other comprehensive income	118
Share acquisition rights	3
Non-controlling interests	24
Total net assets	9,836
Total liabilities and net assets	11,146

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

	(In millions of yen)
	FY 2019 (From April 1, 2019 to March 31, 2020)
Net sales	9,265
Cost of sales	6,316
Gross profit	2,948
Selling, general and administrative expenses	2,555
Operating profit	393
Non-operating income	
Interest income	0
Dividend income	5
Subsidy income	102
Gain on investments in investment partnerships	29
Other	4
Total non-operating income	142
Non-operating expenses	
Amortization of share issuance costs	0
Other	0
Total non-operating expenses	0
Ordinary profit	535
Extraordinary income	
Gain on bargain purchase	0
Total extraordinary income	0
Extraordinary losses	
Impairment loss	21
Loss on valuation of membership	5
Other	1
Total extraordinary losses	28
Profit before income taxes	507
Income taxes - current	93
Income taxes - deferred	(48)
Total income taxes	44
Profit	462
Loss attributable to non-controlling interests	(5)
Profit attributable to owners of parent	468

Consolidated Statements of Comprehensive Income

	(In millions of yen)
	FY 2019
	(From April 1, 2019 to March 31, 2020)
Profit	462
Other comprehensive income	
Valuation difference on available-for-sale securities	27
Deferred gains or losses on hedges	(0)
Total other comprehensive income	27
Comprehensive income	489
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	495
Comprehensive income attributable to non-controlling interests	(5)

(3) Consolidated Statements of Changes in Net Assets

FY 2019 (From April 1, 2019 to March 31, 2020)

(In millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,018	861	7,341	(0)	9,221
Changes during period					
Profit attributable to owners of parent			468		468
Net changes in items other than shareholders' equity					
Total changes during period	—	—	468	—	468
Balance at end of period	1,018	861	7,809	(0)	9,690

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income			
Balance at beginning of period	91	0	91	—	—	9,313
Changes during period						
Profit attributable to owners of parent						468
Net changes in items other than shareholders' equity	27	(0)	27	3	24	54
Total changes during period	27	(0)	27	3	24	522
Balance at end of period	118	—	118	3	24	9,836

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	FY 2019 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities	
Profit before income taxes	507
Depreciation	96
Amortization of goodwill	5
Gain on bargain purchase	(0)
Impairment loss	21
Increase (decrease) in allowance for doubtful accounts	(5)
Share-based remuneration expenses	3
Interest and dividend income	(5)
Loss (gain) on investments in investment partnerships	(29)
Decrease (increase) in trade receivables	(425)
Decrease (increase) in inventories	275
Decrease (increase) in other current assets	47
Increase (decrease) in trade payables	428
Increase (decrease) in other current liabilities	157
Decrease/increase in consumption taxes receivable/payable	411
Other, net	19
Subtotal	1,506
Interest and dividends received	5
Income taxes (paid) refund	19
Net cash provided by (used in) operating activities	1,530
Cash flows from investing activities	
Purchase of property, plant and equipment	(52)
Purchase of intangible assets	(22)
Purchase of investment securities	(40)
Proceeds from distributions from investment partnerships	126
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
Other, net	(1)
Net cash provided by (used in) investing activities	(25)
Cash flows from financing activities	
Dividends paid	(0)
Proceeds from share issuance to non-controlling shareholders	30
Other, net	(0)
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	1,535
Cash and cash equivalents at beginning of period	6,536
Cash and cash equivalents at end of period	8,071

(5) Notes to Consolidated Financial Statements

(Notes regarding going concern assumption)

N/A

(Changes in significant subsidiaries during the period)

ax Inc., which was newly established during fiscal 2019, has been included in the scope of consolidation. 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.

As bitcraft Co., Ltd. was dissolved in an absorption-type merger with ax Inc. surviving as of October 1, 2019, it has been excluded from the scope of consolidation.

(Segment information, etc.)

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.

(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.

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 are generally the same as those stated in Important Items Regarding the Basis for Preparation of Consolidated Financial Statements.

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

FY 2019 (April 1, 2019 to March 31, 2020)

(In millions of yen)

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in 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	9,068	196	9,265	-	9,265
Inter-segment net sales, and transfers	-	-	-	-	-
Total	9,068	196	9,265	-	9,265
Segment profit (loss)	1,615	(641)	974	(580)	393
Other items					
Depreciation	55	27	83	14	97
Amortization of goodwill	-	5	5	-	5
Impairment loss	-	21	21	-	21

- (Notes) 1. The (580) 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 Consolidated Statements of Income.
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 2019 (From April 1, 2019 to March 31, 2020)
Net assets per share	876.72 yen
Basic earnings per share	41.85 yen

- (Notes) 1. Diluted earnings per share is omitted because there were no residual shares with dilutive effects.
2. The basis of calculation of the net assets per share is as follows:

	FY 2019 (As of March 31, 2020)
Total amount of net assets (millions of yen)	9,836
Amount to be deducted from the total amount of net assets (millions of yen)	27
(Of which, share acquisition rights (millions of yen))	(3)
(Of which, non-controlling interests (millions of yen))	(24)
Net assets as of the end of the period associated with common stock (millions of yen)	9,808
Number of common stock as of the end of the period used for calculating the net assets per share (shares)	11,187,597

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

	FY 2019 (From April 1, 2019 to March 31, 2020)
Basic earnings per share	
Profit attributable to owners of parent (millions of yen)	468
Amount not attributable to common shareholders (millions of yen)	-
Profit attributable to owners of parent on common stock (millions of yen)	468
Average number of shares of common stock during the period (shares)	11,187,597
Diluted earnings per share	
Adjustments of profit attributable to owners of parent (millions of yen)	-
Increase in number of shares of common stock (shares)	-
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: 85,000 shares Consolidated subsidiaries MotionPortrait, Inc. Share acquisition rights Common stock: 300 shares

(Major subsequent events)

(Introduction of a restricted stock remuneration system)

At the Board of Directors' meeting held on May 28, 2020, the Company made a resolution to partially review the executive remuneration system and decided to introduce a restricted stock remuneration system (the "System").

1. Purpose, etc. of introducing the System

(1) Purpose of the System

The Company will introduce a remuneration system that allots to Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company (hereinafter, "Eligible Directors") restricted stock (hereinafter, "Restricted Stock") to have them share the merits and risks of stock price fluctuations with shareholders, and to further increase their motivation to contribute to the rise in stock prices and improving corporate value.

(2) Conditions for introducing the System

Under the System, monetary remuneration claims will be paid to Eligible Directors as remuneration for granting Restricted Stock. Therefore the introduction of the System is subject to the approval of shareholders at the 25th Ordinary General Meeting of Shareholders to be held on June 30, 2020 regarding the payment of remuneration under the System

2. Overview of the System

(1) Allotment of Restricted Stock and payment

Based on the resolution of the Board of Directors, the Company will provide Eligible Directors with remuneration, etc. for granting Restricted Stock as monetary remuneration claims within the threshold of 30 million yen per year. Each Eligible Director shall pay all monetary remuneration claims as contribution in kind, and shall receive allotment of Restricted Stock.

The amount to be paid in for Restricted Stock shall be based on the closing price of the Company's common stock on the Tokyo Stock Exchange for the business day immediately preceding the resolution by the Board of Directors of the Company for the issuance or disposal (if trading did not occur on that day, then the closing price on the most recent preceding trading day) and ranged in an amount not particularly advantageous to Eligible Directors receiving Restricted Stock, determined by the Board of Directors of the Company.

Additionally, the payment of the above monetary remuneration claims is subject to the Eligible Directors' consent to the above-mentioned in-kind contribution and their signing of a Restricted Stock allotment agreement including the details specified in (3) below.

(2) Total number of Restricted Stock

The maximum number of Restricted Stock to be allotted each fiscal year shall be 37,500 shares in total which are to be allotted to Eligible Directors.

However, in the event that the Company conducts a stock split (including a gratis allotment of common stock of the Company) or reverse stock split of common stock or any other events that require an adjustment to the total number of Restricted Stock to be allotted, on or after the date of the resolution of this proposal, the Company may reasonably adjust the total number of Restricted Stock.

(3) Details of the Restricted Stock allotment agreement

In allotting the Restricted Stock, based on the resolution by the Board of Directors of the Company, the Company and Eligible Directors receiving allotment of Restricted Stock will enter into a Restricted Stock allotment agreement including the following details:

1) Details of transfer restriction

The Eligible Director who received allotment of Restricted Stock, may not transfer to a third party, pledge, establish security rights on, gift inter vivos, bequeath or otherwise dispose of (hereinafter, the "Transfer Restrictions") Restricted Stock allotted to the Eligible Directors (hereinafter, the "Allotted Shares") during the period stipulated by the Board of Directors of the Company ranging from 20 years to 30 years (hereinafter the "Transfer Restriction Period").

2) Acquisition of Restricted Stock without consideration

Excluding cases where there are reasons deemed justified by the Board of Directors of the Company, if Eligible Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries on or after the starting date of the Transfer Restriction Period by the day before the first subsequent Ordinary General Meeting of Shareholders of the Company, the Company shall acquire the Allocated Shares without consideration as a matter of course. Additionally, if there are Allocated Shares with Transfer Restrictions that have not been lifted based on the reason for lifting Transfer Restrictions in 3) below at the expiry of the Transfer Restriction Period in 1) above, the Company shall acquire the Allocated Shares without consideration as a matter of course.

3) Lifting the Transfer Restrictions

The Company shall lift Transfer Restrictions on all Allotted Shares at the time immediately after Eligible Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries provided that they remained in the position of Director, Executive Officer, or employees of the Company and its subsidiaries, continuously from the starting date of the Transfer Restriction Period up to the date of the first subsequent Ordinary General Meeting of Shareholders. However, if the Eligible Director remained in the position of Director, Executive Officer or employee of the Company and its subsidiaries continuously until the expiry of the Transfer Restriction Period, the Transfer Restrictions shall not be lifted for any of the Allotted Shares held at expiry.

In addition, in cases where Eligible Directors retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries before the expiry of the Transfer Restriction Period for reasons deemed justified by the Board of Directors of the Company, the number and timing of lifting Transfer Restrictions shall be reasonably adjusted as necessary.

4) Treatment in the event of organizational restructuring, etc.

If, during the Transfer Restriction Period, a merger agreement where the Company will be the disappearing company, share exchange agreement or share transfer plan where the Company will become a wholly owned subsidiary, or other proposals on organizational restructuring, etc. is approved at a General Meeting of Shareholders of the Company (or at a Board of Directors meeting if the organizational restructuring, etc. does not require approval by the General Meeting of Shareholders of the Company), (provided that the effective date of the organizational restructuring, etc. arrives before the expiry of the Transfer Restriction Period; hereinafter, the "Approval of Organizational Restructuring") and Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries due to the said organizational restructuring, etc., the Company shall lift Transfer Restrictions ahead of the effective date of the organizational restructuring, etc. for a number of Allotted Shares reasonably determined taking into consideration the period from the starting date of the Transfer Restriction Period to the approval date of the organizational restructuring, etc.

Additionally, at the Approval of Organizational Restructuring, the Company shall acquire without consideration as a matter of course all Allotted Shares with Transfer Restrictions that are not lifted on the business day preceding to the effective date of the organizational restructuring, etc.