



Summary of Consolidated Financial Statements for the Year Ended March 31, 2021 (Japanese GAAP)

May 12, 2021

Name of listed company: AXELL CORPORATION Stock Exchange: Tokyo
 Code #: 6730 URL: <https://www.axell.co.jp/>
 Representative (Post): Kazunori Matsuura (President) Phone: (03) 5298-1670
 Inquiries (Post): Yoshimasa Ueno (Executive Officer, General Manager of Management Department)
 Scheduled date of shareholders' meeting: June 29, 2021
 Scheduled date of release of Securities Report: June 30, 2021
 Scheduled date of dividend payment: June 30, 2021
 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 2020 (April 1, 2020 to March 31, 2021)

(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 2020	8,999	(2.9)	536	36.3	705	31.8	670	43.2
FY 2019	9,265	—	393	—	535	—	468	—

(Note) Comprehensive income: FY 2020: 763 million yen [56.0%] FY 2019: 489 million yen [-%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit / Total assets	Operating profit / Net sales
	Yen	Yen	%	%	%
FY 2020	60.63	—	6.8	6.3	6.0
FY 2019	41.85	—	4.9	5.1	4.2

(Reference) Equity in earnings (losses) of non-consolidated subsidiaries and affiliates: — million yen (FY 2020); — million yen (FY 2019)

(Note) The rates of year-on-year increase (decrease) for fiscal year 2019 are not presented as the preparation of consolidated financial statements commenced from fiscal year 2019.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
FY 2020	11,132	10,071	90.1	929.16
FY 2019	11,146	9,836	88.0	876.72

(Reference) Equity capital FY 2020: 10,032 million yen FY 2019: 9,808 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 2020	379	22	(560)	7,913
FY 2019	1,530	(25)	29	8,071

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 2019	—	0.00	—	21.00	21.00	234	50.2	2.5
FY 2020	—	0.00	—	31.00	31.00	334	51.1	3.4
FY 2021 (Projection)	—	0.00	—	21.00	21.00		51.5	

(Note) The year-end dividend per share for fiscal year 2020 has been changed from 27 yen to 31 yen. For information on dividend payments, please refer to “Notice on Dividends from Surplus (Increase)” released today (May 12, 2021).

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full Year	9,600	6.7	450	(16.1)	560	(20.6)	440	(34.4)	40.75

(Note) The consolidated forecast results for the first half of the fiscal year 2021 are not presented as the future outlook of the pachinko and pachislot machine market, which has been affected by the COVID-19 pandemic, remains uncertain. For information on consolidated forecast results, please refer to [Appendix] P. 4 “1. Overview of Business Results, etc. (4) Future outlook.”

* 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.: 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 shares)	FY 2020	11,211,989 shares	FY 2019	11,187,749 shares
2) The number of treasury shares at end of year	FY 2020	414,552 shares	FY 2019	152 shares
3) Average number of common shares during year	FY 2020	11,058,883 shares	FY 2019	11,187,597 shares

(Reference) Overview of Non-Consolidated Business Results

1. Non-Consolidated Business Results for Fiscal Year 2020 (April 1, 2020 to March 31, 2021)

(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 2020	8,759	(4.4)	555	24.6	725	23.3	695	32.7
FY 2019	9,158	83.0	446	—	588	—	523	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
FY 2020	62.84		—	
FY 2019	46.82		—	

(2) Non-Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	millions of yen		millions of yen		%		Yen	
FY 2020	11,161		10,128		90.6		936.58	
FY 2019	11,128		9,867		88.6		881.70	

(Reference) Equity capital

FY 2020: 10,112 million yen

FY 2019: 9,864 million yen

2. Non-Consolidated Forecast Results for Fiscal Year 2021 (April 1, 2021 to March 31, 2022)

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

	Net sales		Ordinary profit		Profit		Basic earnings per share	
	millions of yen	%	millions of yen	%	millions of yen	%	Yen	
Full Year	9,150	4.5	490	(32.4)	400	(42.4)	37.04	

*** 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.....	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 in significant subsidiaries during the period).....	13
(Segment information, etc.).....	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 2020, the Japanese economy continued to face a challenging situation on account of various factors including restrictions on socioeconomic activities due to the impact of the worldwide spread of COVID-19.

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. Moreover, 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 Company’s products. In addition, due to the impact of the spread of COVID-19, supplementary provisions of the revised ordinance were amended in May 2020 by the National Public Safety Commission, extending the deadline for the retirement from the market of machines subject to the previous ordinance, which was originally required to be completed by the end of January 2021, by around one year, and the future outlook of the market remains extremely uncertain.

Under such circumstances, while continuing measures against the spread of COVID-19 that prioritize the safety of employees and others, the Group worked on sales expansion for Graphics LSI products for customers in the embedded system market (Note 1), in addition to initiatives for securing stable profits in the pachinko and pachislot market, and also focused on activities for early commercialization in the following 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. Moreover, for fiscal 2020, in an attempt to stabilize and expand the memory business in the pachinko and pachislot machine market, the Group established aimRage Inc. (investment ratio: 70%) as its subsidiary through joint investment with Fujitsu Devices Inc. (currently NV DEVICES Co., Ltd.) on November 18, 2020.

As a result, for fiscal 2020, the Company recorded net sales of 8,999 million yen, down 265 million yen from the previous fiscal year (year-on-year decrease of 2.9%), and gross profit of 3,091 million yen, up 143 million yen from the previous fiscal year (year-on-year increase of 4.8%). Gross profit margin improved by 2.5 percentage points year-on-year to 34.4%, driven by a change in the product mix. Accordingly, the Company posted a year-on-year decrease in net sales but a year-on-year increase in gross profit.

Selling, general and administrative expenses amounted to 2,555 million yen, an increase of 0 million yen from the previous fiscal year (year-on-year increase of 0.0%). Of this, research and development expenses accounted for 1,472 million yen, down 77 million yen (year-on-year decrease of 5.0%).

Consequently, for fiscal 2020, the Company recorded an operating profit of 536 million yen, an increase of 142 million yen from the previous fiscal year (year-on-year increase of 36.3%). In addition, as a result of recording 119 million yen as subsidy income from NEDO under non-operating income, ordinary profit rose by 170 million yen (year-on-year increase of 31.8%) to 705 million yen, and profit attributable to owners of parent rose by 202 million yen (year-on-year increase of 43.2%) to 670 million yen.

The business performance by segment is as follows. In addition, besides the following segments, company-wide expenses not distributed to each segment amounted to 623 million yen.

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 2020, the Company recorded net sales of 8,692 million yen, a decrease of 375 million yen from the previous fiscal year (year-on-year decrease of 4.1%), and a segment profit of 1,622 million yen, an increase of 7 million yen from the previous fiscal year (year-on-year increase of 0.5%). Regarding products for pachinko and pachislot machines, while the unit sales of graphics LSI products increased by about 10,000 from the previous fiscal year to about 400,000 units, sales of other products, including memory-module products (Note 2), fell slightly below the level seen in the previous fiscal year partly due to trends in customer demand. Meanwhile, the expected demand in this fiscal year for machines compliant with the revised ordinance was diversified into the current and next fiscal years as the deadline for the retirement of machines subject to the previous ordinance was extended in response to the spread of COVID-19. According to the Company’s analysis, in addition to the impact of the restriction of operations by amusement facilities following the declaration of a state of emergency, the carryover of part of the demand for replacement of machines to the next fiscal year caused the yearly sales volume for pachinko and pachislot machines, which is a measure of the market size of the Company, to fall to around 1,200,000 units. Under these circumstances, sales of products targeting pachinko and pachislot machines had been on a downward trend during the three months ended June 30 and the subsequent

three months ended September 30, 2020. However, trends in sales and orders are showing signs of recovery, with the progress in machine replacements from the middle of the three months ended December 31, 2020 to adjust to the new deadline for the retirement of machines. Net sales figures for the segment were 2,502 million yen in the three months ended June 30, 1,616 million yen in the three months ended September 30, 1,911 million yen in the three months ended December 31, 2020 and 2,661 million yen in the three months ended March 31, 2021, and the balance of orders for the segment as of March 31, 2021 stood at 5,284 million yen.

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 2020, the Company recorded net sales of 306 million yen, up 110 million yen, or 56.3%, from the previous fiscal year, mainly from sales in the areas of middleware and machine learning/AI, and a segment loss of 462 million yen, down 178 million yen from 641 million yen reported in the previous fiscal year. For fiscal 2020, the development support business in the area of machine learning/AI grew significantly.

(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 2020 stood at 11,132 million yen, down 14 million yen, or 0.1%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in cash and deposits (158 million yen), despite an increase in accounts receivable – trade (62 million yen) and an increase in investment securities (122 million yen).

Total liabilities as of the end of fiscal 2020 stood at 1,061 million yen, down 249 million yen, or 19.0%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in income taxes payable (73 million yen) and a decrease in accrued consumption taxes (166 million yen), despite an increase in accounts payable – trade (93 million yen).

Total net assets as of the end of fiscal 2020 stood at 10,071 million yen, up 234 million yen, or 2.4%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in share capital (9 million yen) as a result of the issuance of new shares as restricted stock remuneration, an increase in capital surplus (9 million yen), an increase in retained earnings (435 million yen) and an increase in valuation difference on available-for-sale securities (94 million yen), against a decrease associated with the purchase of treasury shares (326 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 2020 amounted to 7,913 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 2020 amounted to 379 million yen (compared with funds provided of 1,530 million yen in fiscal 2019). This was mainly attributable to factors such as profit before income taxes (699 million yen), the increase in trade payables (93 million yen) and depreciation recorded (48 million yen), despite the increase in trade receivables (62 million yen), the decrease in other current liabilities (123 million yen), the decrease/increase in consumption taxes receivable/payable (165 million yen) and income taxes paid (136 million yen).

(Cash flows from investing activities)

Funds provided by investing activities for fiscal 2020 amounted to 22 million yen (compared with funds used of 25 million yen in fiscal 2019). This was mainly attributable to factors such as proceeds from distributions from investment partnerships (111 million yen), despite the purchase of investment securities (56 million yen) and the purchase of shares of subsidiaries and associates (21 million yen).

(Cash flows from financing activities)

Funds used in financing activities for fiscal 2020 amounted to 560 million yen (compared with funds provided of 29 million yen in fiscal 2019). This was mainly attributable to factors such as the purchase of treasury shares (326 million yen) and dividends paid (234 million yen).

(Cash flow-related indicators)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Ratio of shareholders' equity to total assets (%)	95.3	87.6	96.0	88.0	90.1
Ratio of market capitalization to total assets (%)	75.4	85.1	63.7	63.9	95.6
Ratio of interest-bearing liabilities to cash flow (%)	–	–	–	–	–
Interest coverage ratio (%)	–	–	–	–	–

The indicators for fiscal 2019 and fiscal 2020 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

The pachinko and pachislot machine market for fiscal 2021 is expected to see part of the demand for replacement with machines compliant with the revised ordinance as the deadline for the retirement of machines subject to the previous ordinance was extended. Due in part to this factor, the Company expects the market environment to improve. Taking into consideration this situation and as a result of conducting market analysis including interviews with customers, the Company estimated yearly sales volume for pachinko and pachislot machines during fiscal 2021 to be 1,550,000 units (estimated around 1,200,000 units for fiscal 2020) 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, in light of the above-mentioned replacement demand as well as uncertainty in the market after a slowdown of the replacement demand, the Company has made plans to sell 410,000 units, almost flat year-on-year. Of the sales of these 410,000 units, approximately 60,000 units of LSI-mounted board products are planned to be sold. As for other products targeted at the pachinko and pachislot machine market, while sales of LED driver LSI products will decrease compared with the previous fiscal year, the Company plans greater sales than the previous fiscal year for memory-module products in anticipation of expected demand from customers adopting these products. Meanwhile, as a certain period of time has passed since the launch of existing products both for Graphics LSI and memory-module products, and reusable products remain in the market, the Company factors in a higher reuse rate compared with the previous fiscal year.

As for products targeted at the embedded system market, the Company expects sales of approximately 42,000 units for Graphics LSI products (actual sales in the previous fiscal year of 35,000 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 2021 are forecast to increase by 600 million yen from the previous fiscal year to 9,600 million yen (up 6.7% year-on-year). Gross profit is expected to increase by 58 million yen from the previous fiscal year to 3,150 million yen (up 1.9% year-on-year) along with an increase in net sales. Gross profit margin is forecast to decline by 1.5 percentage points year-on-year to 32.8%, due to the impact of the product mix as well as revision of the unit purchase prices for some products in response to the recent tight supply and demand situation for semiconductors. In addition, selling, general and administrative expenses are projected to increase by 144 million yen from the previous fiscal year to 2,700 million yen (up 5.7% year-on-year).

Based on the above financial projections, the Company's forecasts for fiscal 2021 are for operating profit to decrease by 86 million yen from the previous fiscal year to 450 million yen (down 16.1% year-on-year), ordinary profit to decrease by 145 million yen from the previous fiscal year to 560 million yen (down 20.6% year-on-year), and profit attributable to owners of parent to decrease by 230 million yen from the previous fiscal year to 440 million yen (down 34.4% 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 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
Assets		
Current assets		
Cash and deposits	8,071	7,913
Accounts receivable - trade	862	924
Merchandise and finished goods	1,080	1,076
Work in process	0	7
Raw materials and supplies	0	0
Other	88	73
Allowance for doubtful accounts	(0)	(0)
Total current assets	10,103	9,994
Non-current assets		
Property, plant and equipment		
Buildings	186	188
Accumulated depreciation	(117)	(124)
Buildings, net	69	63
Tools, furniture and fixtures	1,004	937
Accumulated depreciation	(953)	(905)
Tools, furniture and fixtures, net	51	32
Total property, plant and equipment	120	96
Intangible assets		
Goodwill	53	41
Other	25	14
Total intangible assets	79	56
Investments and other assets		
Investment securities	660	783
Deferred tax assets	34	40
Other	147	161
Total investments and other assets	843	985
Total non-current assets	1,043	1,138
Total assets	11,146	11,132

(In millions of yen)

	FY 2019 (As of March 31, 2020)	FY 2020 (As of March 31, 2021)
Liabilities		
Current liabilities		
Accounts payable - trade	662	756
Income taxes payable	122	48
Accrued consumption taxes	203	37
Other	283	179
Total current liabilities	1,272	1,021
Non-current liabilities		
Asset retirement obligations	38	39
Total non-current liabilities	38	39
Total liabilities	1,310	1,061
Net assets		
Shareholders' equity		
Share capital	1,018	1,028
Capital surplus	861	871
Retained earnings	7,809	8,245
Treasury shares	(0)	(326)
Total shareholders' equity	9,690	9,819
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118	213
Total accumulated other comprehensive income	118	213
Share acquisition rights	3	15
Non-controlling interests	24	23
Total net assets	9,836	10,071
Total liabilities and net assets	11,146	11,132

(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)	FY 2020 (From April 1, 2020 to March 31, 2021)
Net sales	9,265	8,999
Cost of sales	6,316	5,907
Gross profit	2,948	3,091
Selling, general and administrative expenses	2,555	2,555
Operating profit	393	536
Non-operating income		
Interest income	0	0
Dividend income	5	5
Subsidy income	102	119
Gain on investments in investment partnerships	29	42
Other	4	3
Total non-operating income	142	170
Non-operating expenses		
Other	0	1
Total non-operating expenses	0	1
Ordinary profit	535	705
Extraordinary income		
Gain on bargain purchase	0	—
Total extraordinary income	0	—
Extraordinary losses		
Impairment losses	21	2
Loss on valuation of membership	5	—
Loss on valuation of shares of subsidiaries	1	1
Loss on liquidation of subsidiaries	—	1
Other	0	0
Total extraordinary losses	28	6
Profit before income taxes	507	699
Income taxes - current	93	77
Income taxes - deferred	(48)	(47)
Total income taxes	44	30
Profit	462	669
Loss attributable to non-controlling interests	(5)	(1)
Profit attributable to owners of parent	468	670

Consolidated Statements of Comprehensive Income

(In millions of yen)

	FY 2019 (From April 1, 2019 to March 31, 2020)	FY 2020 (From April 1, 2020 to March 31, 2021)
Profit	462	669
Other comprehensive income		
Valuation difference on available-for-sale securities	27	94
Deferred gains or losses on hedges	(0)	—
Total other comprehensive income	27	94
Comprehensive income	489	763
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	495	765
Comprehensive income attributable to non-controlling interests	(5)	(1)

(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

FY 2020 (From April 1, 2020 to March 31, 2021)

(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	7,809	(0)	9,690
Changes during period					
Issuance of new shares	9	9			19
Dividends of surplus			(234)		(234)
Profit attributable to owners of parent			670		670
Purchase of treasury shares				(326)	(326)
Net changes in items other than shareholders' equity					
Total changes during period	9	9	435	(326)	129
Balance at end of period	1,028	871	8,245	(326)	9,819

	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	118	118	3	24	9,836
Changes during period					
Issuance of new shares					19
Dividends of surplus					(234)
Profit attributable to owners of parent					670
Purchase of treasury shares					(326)
Net changes in items other than shareholders' equity	94	94	12	(1)	105
Total changes during period	94	94	12	(1)	234
Balance at end of period	213	213	15	23	10,071

(4) Consolidated Statements of Cash Flows

(In millions of yen)

	FY 2019 (From April 1, 2019 to March 31, 2020)	FY 2020 (From April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	507	699
Depreciation	96	48
Amortization of goodwill	5	11
Gain on bargain purchase	(0)	—
Impairment losses	21	2
Increase (decrease) in allowance for doubtful accounts	(5)	0
Share-based payment expenses	3	27
Interest and dividend income	(5)	(5)
Loss (gain) on investments in investment partnerships	(29)	(42)
Decrease (increase) in trade receivables	(425)	(62)
Decrease (increase) in inventories	275	(2)
Decrease (increase) in other current assets	47	20
Increase (decrease) in trade payables	428	93
Increase (decrease) in other current liabilities	157	(123)
Decrease/increase in consumption taxes receivable/payable	411	(165)
Other, net	19	9
Subtotal	1,506	510
Interest and dividends received	5	5
Income taxes refund (paid)	19	(136)
Net cash provided by (used in) operating activities	1,530	379
Cash flows from investing activities		
Purchase of property, plant and equipment	(52)	(10)
Purchase of intangible assets	(22)	(1)
Purchase of investment securities	(40)	(56)
Purchase of shares of subsidiaries and associates	—	(21)
Proceeds from distributions from investment partnerships	126	111
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)	(0)
Net cash provided by (used in) investing activities	(25)	22
Cash flows from financing activities		
Purchase of treasury shares	—	(326)
Dividends paid	(0)	(234)
Proceeds from share issuance to non-controlling shareholders	30	—
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	29	(560)
Effect of exchange rate change on cash and cash equivalents	(0)	(0)
Net increase (decrease) in cash and cash equivalents	1,535	(158)
Cash and cash equivalents at beginning of period	6,536	8,071
Cash and cash equivalents at end of period	8,071	7,913

(5) Notes to Consolidated Financial Statements**(Notes regarding going concern assumption)**

N/A

(Changes in significant subsidiaries during the period)

Although it is not a matter falling under changes in specified subsidiaries, MotionPortrait, Inc. has been excluded from the scope of consolidation, as it was dissolved in an absorption-type merger in which ax Inc. was the surviving company as of December 1, 2020.

(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.

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 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 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 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 2020 (April 1, 2020 to March 31, 2021)

(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	8,692	306	8,999	-	8,999
Inter-segment net sales, and transfers	-	-	-	-	-
Total	8,692	306	8,999	-	8,999
Segment profit (loss)	1,622	(462)	1,159	(623)	536
Other items					
Depreciation	28	9	38	10	49
Amortization of goodwill	-	11	11	-	11
Impairment loss	-	2	2	-	2

- (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.

(Per share information)

	FY 2019 (From April 1, 2019 to March 31, 2020)	FY 2020 (From April 1, 2020 to March 31, 2021)
Net assets per share	876.72 yen	929.16 yen
Basic earnings per share	41.85 yen	60.63 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)	FY 2020 (As of March 31, 2021)
Total amount of net assets (millions of yen)	9,836	10,071
Amount to be deducted from the total amount of net assets (millions of yen)	27	38
(Of which, share acquisition rights (millions of yen))	(3)	(15)
(Of which, non-controlling interests (millions of yen))	(24)	(23)
Net assets as of the end of the period associated with common stock (millions of yen)	9,808	10,032
Number of common stock as of the end of the period used for calculating the net assets per share (shares)	11,187,597	10,797,437

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)	FY 2020 (From April 1, 2020 to March 31, 2021)
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	468	670
Amount not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent on common stock (millions of yen)	468	670
Average number of shares of common stock during the period (shares)	11,187,597	11,058,883
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: 84,000 shares Consolidated subsidiaries MotionPortrait, Inc. Share acquisition rights Common stock: 150 shares	The Company 2019 Share Acquisition Rights Common stock: 83,000 shares

(Major subsequent events)

N/A