

Five-Year Summary

MegaChips Corporation and Consolidated Subsidiaries

	Millions of yen				Millions of U.S. dollars*	
	2018	2019	2020	2021	2022	2022
Operating Results:						
Net sales	¥89,029	¥95,145	¥65,764	¥83,814	¥75,256	\$614
Operating income (before amortization of goodwill)	5,520	3,152	3,449	5,608	—	—
Operating income	2,709	573	972	5,025	7,030	57
Profit attributable to owners of parent	1,948	(1,727)	(1,792)	20,920	27,544	225
R&D expenses	6,253	7,843	6,581	3,058	2,537	20
Financial Position						
Total assets	¥94,633	¥91,977	¥72,347	¥74,627	¥89,842	\$734
Net assets	31,184	26,223	31,031	50,043	67,428	550
Other Information						
Employees (Number of people)	883	719	588	379	343	
Stock Information						
Net income per share (Yen / U.S. dollars)	¥90.05	¥(79.40)	¥(82.35)	¥961.28	¥1,349.01	\$11.02
Net assets per share (Yen / U.S. dollars)	1,435.37	1,204.98	1,289.72	2,299.49	3,517.30	28.74
Cash dividends per share (Yen / U.S. dollars)	34	17	17	80	90	0.74
Stock price at March 31 (Yen / U.S. dollars)	3,830	1,699	1,555	3,530	3,780	31
PER (Times)	42.53	(21.40)	(18.88)	3.67	2.80	
Market capitalization	¥88,237	¥39,142	¥35,824	¥81,325	¥83,037	\$678
Indicators						
Operating income to sales (%)	3.0	0.6	1.5	6.0	9.3	
ROE (%)	6.6	(6.0)	(6.6)	53.6	46.9	
ROA (%)	2.2	(1.9)	(2.2)	28.5	33.5	
Equity-to-asset ratio (%)	33.0	28.5	38.8	67.1	75.1	
Sales to total assets ratio (Times)	1.02	1.02	0.80	1.14	0.92	
EBITDA	¥7,100	¥6,138	¥6,334	¥6,022	¥8,181	\$49

*The U.S. dollar amounts are provided solely for the convenience of the readers at the rate of ¥122.39 US\$1, the rate prevailing on March 31, 2022.

Analysis of Sales and Financial Status

MegaChips Corporation and Consolidated Subsidiaries

Analysis of Business Results

Net Sales

MegaChips recorded the net sales of ¥75,256 million for the current consolidated fiscal year (a decrease of 10.2% from the previous consolidated fiscal year), mainly due to the decrease in net sales of SiTime Corporation in connection with it becoming an associated company from the second quarter of the previous fiscal year and the decrease in net sales of timing controller LSI for LCD panels whose orders had ceased in the third quarter of the previous fiscal year, on the other hand, there was a steady demand primarily in the ASIC business for LSI for storing game software (customized memories).

Cost of Sales, SG&A Expenses, and Operating Profit

The cost of sales for the current consolidated fiscal year was ¥61,641 million. The cost of sales ratio for the current consolidated fiscal year was 81.9%, an increase of 2.2 percentage points from the previous consolidated fiscal year, due to changes in the product mix of sales, and the gross profit amounted to ¥13,614 million (an increase of 2.3% from the previous consolidated fiscal year).

Selling, general, and administrative (SG&A) expenses were ¥6,584 million, a decrease of ¥1,700 million from the previous consolidated fiscal year, reflecting a decrease in selling, general and administrative expenses of SiTime Corporation in connection with it becoming an associated company from the second quarter of the previous fiscal year and the progress in improving business efficiency, while making future-oriented research and development investments into growth areas. These expenses mainly consist of personnel expenses, including employees' salaries and provisions for bonuses, of ¥2,450 million (a decrease of 20.3% from the previous consolidated fiscal year), R&D expenses of ¥2,537 million (a decrease of 17.0% from the previous consolidated fiscal year).

As a result, MegaChips saw the operating profit of ¥7,030 million (an increase of 39.9% from the previous consolidated fiscal year).

Profit before Income Taxes

MegaChips had dividend income of ¥112 million, a share of profit of entities accounted for using equity method of ¥420 million, and foreign exchange gain of ¥367 million, resulting

in an income of ¥827 million between non-operating income and non-operating expenses.

While posting ¥29,251 million for a gain on sales of shares of subsidiaries and associates due to the partial sale of SiTime Corporation's shares and its capital increase by issuing new shares as an extraordinary income, MegaChips posted extraordinary losses, consisting of a loss on retirement of non-current assets of ¥690 million, a loss on valuation of other investment securities of ¥205 million, resulting in a profit of ¥28,503 million between extraordinary profits and extraordinary losses.

As a result, a profit before income taxes for the current consolidated fiscal year was ¥36,361 million (an increase of 35.5% from the previous consolidated fiscal year).

Profit (Loss) Attributable to Owners of Parent

As a result of income taxes - current of ¥8,111 million (an increase of 23.6% from the previous consolidated fiscal year) and income taxes - deferred of positive ¥705 million (compared to negative ¥398 million in the previous consolidated fiscal year), a profit attributable to owners of parent was ¥27,544 million (an increase of 31.7% from the previous consolidated fiscal year).

Dividends

MegaChips regards the appropriate distribution of dividends to its shareholders as an important management issue and strives to actively distribute dividends, all the while considering its future financial situation to ensure further growth and sustainable dividend distribution. The basic policies are as follows:

- (1) MegaChips will determine the amount of dividends by taking an amount equivalent to at least 30% of the consolidated net income attributable to owners of parent (with special factors related to accounting, financial settlement, and tax adjustments given due consideration) as the aggregate amount of dividends, while taking the medium-term business outlook into consideration, and dividing this amount by the number of shares that have been issued at the end of the period, less the number of treasury shares held by MegaChips at the end of the period.
- (2) Aiming at sustainable improvements to its corporate value, MegaChips will allocate funds to basic research to

create innovative new technologies, development of unique products, achievement of an appropriate business portfolio, and the securing of skilled personnel to achieve mid- to long-term growth. MegaChips will also consider maintaining a sound financial position capable of withstanding fluctuations in the business environment.

(3) To improve capital efficiency, MegaChips will strive to return profits to shareholders by acquiring treasury shares expeditiously, taking into consideration such factors as market conditions, movements of stock prices, and

High Liquidity and Outstanding Reserves

Cash Flow

Cash and cash equivalents ("Capital") were recorded at ¥25,769 million at the end of the current consolidated fiscal year, an increase of ¥4,361 million from the previous consolidated fiscal year (compared to an increase of ¥4,188 million in the previous consolidated fiscal year). The status of cash flows in the consolidated fiscal year was as follows.

Cash flows from operating activities acquired as capital amounted to ¥195 million (compared to ¥5,513 million used as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥36.361 million, a loss on retirement of non-current assets of ¥690 million, a ¥29,251 million gain on sales of shares of subsidiaries and associates, and a ¥1,384 million decrease in trade payables, and income taxes paid of ¥6,884 million.

Cash flows from investing activities acquired as capital reached ¥20,018 million (compared to ¥17,022 million acquired as capital in the previous consolidated fiscal year). This was mainly due to ¥24,491 million in proceeds from sales of shares of subsidiaries and associates and ¥1,602 million for the purchase of investment securities.

As a result, free cash flow, the sum of cash flow from operating activities and cash flow from investing activities amounted to ¥19,823 million acquired as capital (compared to ¥22,536 million acquired as capital in the previous consolidated fiscal year).

Cash flows from financing activities used as capital amounted to ¥16,534 million (compared to ¥18,807 million used as capital in the previous consolidated fiscal year). This

MegaChips' financial situation.

With respect to the dividends of surplus for the current consolidated fiscal year, MegaChips has decided to pay an annual dividend of ¥90 per share consisting of ¥40 per share as an ordinary dividend and ¥50 per share as a special dividend (compared to an annual dividend of ¥80 per share in the previous consolidated fiscal year) to those who are MegaChips' shareholders as of March 31, 2022 based on the basic policies for profit sharing discussed above.

was mainly due to a net decrease in short-term borrowings of ¥2,000 million, while there were repayments of long-term borrowings of ¥2,790 million, the purchase of treasury shares of ¥10,000 million, and dividends paid of ¥1,737 million.

Capital Requirements and Financial Policy

MegaChips borrows funds from financial institutions to raise ordinary working capital when necessary. Working capital is used for operating expenses, such as research and development expenses for new technology and new products, cost of sales, sales expenses as well as selling, general and administrative expenses, with the contract manufacturing expenses for the LSI products as the major operating cost.

MegaChips strives to maintain its sound asset structure and financial condition and believes it can raise the funds it needs for growth by selling accounts receivable on hand, borrowing from financial institutions, and increasing its capital.

In the current consolidated fiscal year, ¥24,491 million acquired as capital due to the partial sale of shares of SiTime Corporation, an associated company. A portion of these capital are used for dividends of surplus, purchase of treasury shares, and investments for the purpose of launching new businesses.

Interest bearing debt decreased by ¥4,790 million from the end of the previous consolidated fiscal year, and there was no balance at the end of the current consolidated fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥89,842 million (an increase of ¥15,215 million from the end of the previous consolidated fiscal year). Current assets, mainly for cash and deposits, notes, accounts receivable-trade, and contract assets, and accounts receivable - other amounted to ¥57,481 million (an increase of ¥6,615 million from the end of the previous consolidated fiscal year). Comparing major assets with the end of the previous consolidated fiscal year, notes, accounts receivable-trade, and contract assets decreased by ¥15,120 million, and inventories decreased by ¥374 million, while cash and deposits increased by ¥4,361 million and accounts receivable increased by ¥18,697 million. Among non-current assets, investment securities increased by ¥2,078 million and shares of subsidiaries and associates increased by ¥7,147 million respectively.

MegaChips’ asset structure is characterized by its high liquidity and current assets accounted for 64.0% of total assets. The current ratio was 269.0% as a result of current liabilities of ¥21,368 million (a decrease of ¥2,457 million from the end of the previous consolidated fiscal year). The asset amount, obtained by deducting inventories of ¥3,621 million from current assets, was ¥53,860 million, accounted for 59.9% of total assets. This asset structure is due to the fact that MegaChips has been conducting business as a fabless manufacturer who does not have any production facilities or assets that immobilize funds for a long period of time. Going forward, MegaChips will continue

to strive to improve its liquidity and maintain a balance sheet with a sound asset structure.

Total liabilities at the end of the current consolidated fiscal year were ¥22,413 million (a decrease of ¥2,170 million from the end of the previous consolidated fiscal year). They mainly consist of trade payables of ¥8,101 million, primarily comprising outstanding payments to contracted manufacturers of LSI. Comparing major liabilities with the end of the previous consolidated fiscal year, while income taxes payable increased by ¥1,229 million and the “other” in current liabilities increased by ¥1,413 million, respectively, notes and accounts payable - trade decreased by ¥1,384 million, short-term borrowings decreased by ¥2,000 million, and the current portion of long-term borrowings decreased by ¥2,790 million, respectively.

Net assets were ¥67,428 million (an increase of ¥17,385 million from the end of the previous consolidated fiscal year). The profit attributable to owners of parent was ¥27,544 million, dividends of surplus were ¥1,741 million, valuation difference on available-for-sale securities increased by ¥401 million, and foreign currency translation adjustment increased by ¥2,174 million.

As a result, MegaChips’ equity was ¥67,428 million and equity-to-asset ratio was 75.1% (up 8.0 percentage points from the end of the previous consolidated fiscal year) due to MegaChips’ efforts to reduce interest bearing debt. MegaChips will continue to strive to strengthen its financial base to respond flexibly to changes in the business environment.

Research and Development, Patents, and Other Intellectual Property Rights

MegaChips invested a consolidated total of ¥2,537 million in R&D expenses for the current consolidated fiscal year.

MegaChips sets its policy to provide System LSI and solutions based on analog/digital technologies, and actively promotes research and development activities.

MegaChips also emphasizes the protection of intellectual property rights in the form of patents and other industrial property rights as part of its management strategies. As of the end of the fiscal year under review, the details of the industrial property rights MegaChips holds and the details of those patents among the industrial property rights MegaChips holds by country are as follows:

Industrial Property Rights (As of March 31, 2022)

	Patents	Trademarks	Total
Issued	719	36	755
Applied for	49	1	50
Total	768	37	805

Patents by Country (As of March 31, 2022)

	Japan	North America	Asia (excluding Japan)	EU	Other	Total
Issued	361	295	42	21	—	719
Applied for	26	11	3	3	6	49
Total	387	306	45	24	6	768

Business and Other Risks

MegaChips has identified the following risks pertaining to its operations and other matters that may have a material impact on the financial position and the cash flow of the Group.

Forward-looking statements in this section represent the judgment of MegaChips as of March 31, 2022.

Dependence on specific customers

(1) Purchasers

MegaChips principally sells LSI for a game software storage (custom memory) for the amusement field; LSI for game consoles and peripheral devices; LSI for digital cameras and other image processing; and LSI for OA equipment. The percentage of net sales involving LSI for storing game software (custom memory) to Nintendo Co., Ltd. (“Nintendo”) is increasing and accounts for 87.8% of the sales for the current fiscal year.

Therefore, the performance of the Company could fluctuate depending on the sales trend of the game consoles and software that use our LSI products, and the market of LSI.

The risk is not something that can be completely eliminated, we have the good and close relationship with Nintendo and aim to meet customer satisfaction with our products by providing ideal solution and stable supply and minimize the possible risks. Besides, we focus on the development of the new business in the fields including industrial equipment, telecommunications, AI, energy control and robotics as well as improving the business portfolio in the mid- to long-term.

(2) Contract manufacturers (outsourced process)

Since its foundation, MegaChips has adopted a business model in which it operates as an R&D-oriented fabless enterprise, concentrating its management resources on research and development and contracting out the manufacture of its products to third parties. Consequently, we have been able to develop products that best meet customers’ needs based on our proprietary technological capabilities and to expand our business without needing to invest in plant and equipment that require substantial investments. We work with a number of different manufacturers, percentage of outsourced process to Macronix International Co., Ltd. (“Macronix”), which manufactures LSI for storing game software (custom memory) supplied to our major customer, Nintendo, and LSI for game consoles and peripheral devices is becoming higher, and accounts for 67.8% in the current fiscal year.

Therefore, if Macronix becomes unable to manufacture, for whatever reason, MegaChips’ operating results may be impacted.

Currently, there is no sign that the said risk would become apparent. Further, we have entered into manufacturing consignment contracts with Nintendo and Macronix, respectively. We intend to build solid and close ties with these companies to ensure a stable supply of products.

Operations

(1) Risks associated with LSI products

MegaChips has adopted a fabless business model, where we do not have manufacturing capacity, but instead outsource manufacturing to third parties. We established the network with major foundries in Japan and overseas such as Taiwan, and outsource the manufacturing of LSI products depending on the customer demand.

Therefore, the demand and supply balance in the semiconductor market may affect the delivery, quantities, and prices of products that we procure, and we may not be able to procure products in the quantities and at the prices that we desire.

Although our LSI products are used in state-of-the-art digital devices, since the pace of technological innovation is rapid, there is no guarantee that our Group’s products will continue to be used. Moreover, demand fluctuates due to the effect of fierce competition as well as the spread of CSR Procurement Policy to which our end products using our LSI are subject.

To deal with the risks, our Group aims to minimize risks by flexibly providing optimal production technology along with working on optimization of purchase cost, production quantity and production schedule while assuming the competitive price that differentiates with the products of other companies.

(2) Research and development

Based on the management philosophy of building MegaChips’ business through "Innovation", coexisting with customers over the long term through "Trust", and making an ongoing contribution to society through "Creativity", we have expanded our operations with our technological development capabilities as a base. Our competitiveness lies in our uniqueness leveraging analog and digital technology.

Currently MegaChips Group focuses its management resources in the growth areas such as in-vehicle device, industrial equipment, telecommunication infrastructure,

energy control and robotics and working on the research and development to provide state-of-the-art technology and products to the customers. The R&D expenditures totaled ¥2,537 million and accounted for 3.4% of consolidated sales.

However, in our industry, advances in technology occur at remarkable speed and the market may change rapidly, with technologies that were considered new suddenly becoming obsolete and new technologies and services surging in popularity. There is no assurance that we can always respond quickly to these changes, and we may be required to invest a large sum in research and development. This will, in turn, likely affect our operating results. Also, when other companies have an advantage in the competition of the technology development, the share of our Group would drop and causes an impact on the performance.

MegaChips makes every effort to develop cutting-edge technologies based on our unique analog and digital technology and continuously provides attractive products in the market, and to maintain a competitive edge in its technologies and products.

(3) Ensuring skilled personnel

MegaChips is expanding operations based on its technological development capabilities leveraging unique analog and digital technology and its business growth depends heavily on skilled personnel. Therefore, we recognize that it is an extremely major challenge of our personnel policy to secure and retain excellent skilled personnel, as well as to determine how to treat and train these skilled personnel.

If we cannot maintain, hire, develop and globalize skilled personnel in Japan or overseas in the future, it might have an impact on MegaChips' corporate value and competitiveness.

To cope with these issues, MegaChips Group will streamline a personnel treatment system and implement a personnel policy based on the development plan according to investment in human resources for mid- to long-term new business development. We put an effort in measures including language education, new employee training, and diversity promotion to develop human resources that can display personnel abilities in various environment and maximize company's outcome.

Management

(1) Valuation of Goodwill, etc. included in stock of subsidiaries and associates

MegaChips owns shares of SiTime Corporation (listed on the NASDAQ Global Market) (SiTime), which was acquired in

November 2014, and currently is an equity-method associate of the Company. These investments, including intangible assets, primarily goodwill (Goodwill, etc.) are posted in the consolidated balance sheet as "shares of subsidiaries and associates". As of the end of the current consolidated fiscal year, the balance of the shares of subsidiaries and associates was ¥19,105 million, accounting for 21.3% of consolidated total assets.

Although, as a listed company, SiTime operates based on its own policies and strategies, the deterioration of its business performance and financial position may affect MegaChips' business performance.

Goodwill, etc. included in the aforementioned shares of subsidiaries and associates are evaluated based on the net realizable value using the market value of the shares. However, if the net realizable value falls below the carrying amount due to a decline in the share price of SiTime, the MegaChips' business performance may be affected by impairment losses.

At present, the Company has determined that it is not necessary to recognize impairment in the evaluation of Goodwill, etc.

(2) Risks in strategic investment

MegaChips Group may make investments in alliance partners and startups with cutting-edge technologies and ideas, when we determine that it will contribute to the enhancement of our corporate value through business collaboration with other companies and strategic alliances that aim for purposes such as information gathering. The balance of investment securities for the current fiscal year is ¥5,668 million and accounts for 6.3% of consolidated total assets.

In the strategic collaboration including investment to accelerate business growth, it may not be possible to achieve the results expected by the Company in building complementary relationships and expanding business results. It also might have an impact on the Group's performance due to the appraisal loss from the drop in the book value of the investment shares or a sharp decline of the net asset value.

The meeting structure consisting of directors and outside experts decides these strategic investments, comprehensively considering business collaboration, information gathering status and a future revenue, verifying effects and risks and implement it with the approval of the BOD meeting.

(3) Exchange rate fluctuations

MegaChips owns overseas subsidiaries and other entities as the

business bases and a portion of our business transactions are denominated in currencies other than Japanese yen, notably US dollars and Taiwan dollars. The figures in the financial statement of the overseas subsidiaries are converted into Japanese yen for the consolidated financial statement, consequently, exchange rate varies, especially fluctuations in the yen/dollar rate, may affect our operating results. If the foreign exchange rate moves in the direction of the yen's appreciation, it has negative effect on the performance, and the greater the fluctuation range, the greater the possibility of the risk becoming apparent.

MegaChips uses forward currency contracts as needed to reduce foreign exchange risk.

(4) Intellectual property rights

As an R&D-oriented fabless enterprise, MegaChips recognizes that the protection of its intellectual property rights is material to its business development.

However, there exists no assurance that all patents or trademarks for which we file applications will be registered. Additionally, it is impossible to fully investigate the technologies and rights of other companies prior to publication thereof. If lawsuits are filed against us alleging infringements of the intellectual property rights of other companies, our operating results may be affected.

MegaChips' independently developed proprietary technologies may not be fully protected under intellectual property legislation in specific countries and regions. Under such conditions, we may be unable to effectively prevent other companies from using our intellectual property without our permission and from introducing similar products into the market.

MegaChips Group enhances an intellectual property-related internal system and a collaboration with a patent firm and actively files and registers patents and trademark to secure our products and services, while thoroughly investigates right of other companies to minimize risks of the possibility of infringement of a third party's intellectual property rights.

(5) Risk factors associated with an accident or natural disaster

A natural hazard such as a large-scale earthquake, the widespread outbreak of serious infectious disease, acts of terrorism have the potential to become risks for the Group's businesses and could affect the Group's business bases, the foundries and manufacturers, or customers. Also, such an event can cause suspension of business activities of the

Group and might have substantial impact on the fiscal situation of the Group.

The Group has formulated a Business Continuation Plan (BCP) and prepared a Crisis Management Manual to prevent a secondary disaster and minimize damage and losses of the disaster.

(6) In Response to the COVID-19

Our response to the COVID-19 is to ensure the physical and life safety of executives and employees and temporary employees who work at our Group's offices, as well as the safety of related parties of our business partners with the highest priority. We take various measures to prevent the infection, though will continue to take necessary measures promptly according to the information from the government and future infection circumstances and strive to reduce the risk.

Consolidated Balance Sheet

As of March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Assets			
Current assets			
Cash and deposits	¥21,407	¥25,769	\$210
Notes and accounts receivable-trade	23,071	—	—
Notes, accounts receivable-trade, and contract assets	—	7,950	64
Merchandise and finished goods	3,116	2,345	19
Work in progress	650	951	7
Raw materials and supplies	227	324	2
Accounts receivable	4	18,702	152
Other	2,388	1,439	11
Allowance for doubtful accounts	(1)	(1)	(0)
Total current assets	50,866	57,481	469
Non-current assets			
Property, plant and equipment			
Buildings	2,431	1,686	13
Accumulated depreciation	(2,107)	(1,363)	(11)
Buildings (net)	324	323	2
Land	116	116	0
Construction in progress	631	675	5
Other	6,604	6,684	54
Accumulated depreciation	(6,178)	(6,041)	(49)
Other (net)	426	643	5
Total property, plant and equipment	1,498	1,758	14
Intangible assets			
Software	551	416	3
Other	6	6	0
Total intangible assets	558	423	3
Investment and other assets			
Investment securities	3,590	5,668	46
Shares of subsidiaries and associates	11,958	19,105	156
Long-term prepaid expenses	1,247	1,246	10
Deferred tax assets	1,864	1,621	13
Other	3,044	2,537	20
Total investment and other assets	21,704	30,179	246
Total non-current assets	23,761	32,361	264
Total assets	¥74,627	¥89,842	\$734

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Liabilities			
Current liabilities			
Notes and accounts payable-trade	¥9,486	¥8,101	\$66
Short-term loans payable	2,000	—	—
Current portion of long-term loans payable	2,790	—	—
Accounts payable-other	1,572	2,443	19
Income taxes payable	6,762	7,991	65
Provision for bonuses	664	850	6
Provision for loss on construction contracts	16	33	0
Other	533	1,947	15
Total current liabilities	23,825	21,368	174
Non-current liabilities			
Other	758	1,045	8
Total non-current liabilities	758	1,045	8
Total liabilities	24,583	22,413	183
Net equity			
Shareholders' equity			
Capital stock	¥4,840	¥4,840	\$39
Capital surplus	9,362	9,359	76
Earned surplus	34,446	56,013	457
Treasury stock	(1,609)	(8,364)	(68)
Total shareholders' equity	47,039	61,849	505
Other accumulated comprehensive equity			
Valuation difference on available-for-sale securities	3,054	3,455	28
Foreign currency translation adjustment	(50)	2,123	17
Total other accumulated comprehensive equity	3,003	5,579	45
Total net assets	50,043	67,428	550
Total liabilities and net assets	¥74,627	¥89,842	\$734

Consolidated Statement of Income and Comprehensive Income

For the fiscal years ended March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Net sales	¥83,814	¥75,256	\$614
Cost of sales	70,504	61,641	503
Gross profits	13,310	13,614	111
Selling, general and administrative expenses	8,285	6,584	53
Operating income	5,025	7,030	57
Non-operating income			
Interest income	10	6	0
Dividends earned	99	112	0
Receipt of dispatching fees	33	70	0
Share of profit of entities accounted for using equity method	—	420	3
Gain on investment in partnerships	6	13	0
Foreign exchange gains	—	367	3
Miscellaneous income	8	25	0
Total non-operating income	157	1,017	8
Non-operating expenses			
Interest expenses	208	23	0
Commission loan payable	0	—	—
Loss on sales of accounts receivable	43	44	0
Acquisition of treasury stock	—	74	0
Share of loss of entities accounted for using equity method	899	—	—
Foreign exchange losses	53	—	—
Miscellaneous losses	63	47	0
Total non-operating expenses	1,269	190	1
Ordinary income	3,912	7,857	64
Extraordinary income			
Gain on sales of shares of subsidiaries and associates	26,387	29,251	239
Gain on change in equity	117	147	1
Gain on transfer of business	41	—	—
Total extraordinary income	26,546	29,399	240
Extraordinary losses			
Loss on retirement of non-current assets	2,543	690	5
Impairment loss	703	—	—
Loss on liquidation of subsidiaries and associates	26	—	—
Loss on valuation of other investments	—	205	1
Loss on liquidation of business	160	—	—
Loss on transfer of leasehold contracts	191	—	—
Total extraordinary losses	3,625	895	7
Net income (loss) before taxes	26,834	36,361	297
Income taxes - current	6,564	8,111	66
Income taxes deferred	(398)	705	5
Total income taxes	6,166	8,816	72
Profit (loss)	¥20,668	¥27,544	\$225
(Breakdown)			
Profit (loss) attributable to owners of parent	¥20,920	¥27,544	\$225
Profit (loss) attributable to non-controlling members	(252)	—	—
Other comprehensive income			
Valuation difference on available-for-sale securities	¥467	¥401	\$3
Foreign currency translation adjustment	1,004	722	5
Share of other comprehensive income of entities accounted for using equity method	(107)	1,451	11
Total other comprehensive income	1,364	2,575	21
Comprehensive income	¥22,032	¥30,120	\$246
(Breakdown)			
Comprehensive income attributable to owners of parent	¥22,300	¥30,120	\$246
Comprehensive income attributable to non-controlling members	(267)	—	—

Consolidated Statement of Changes in Net Assets

For the fiscal years ended March 31, 2021 and 2022

	Millions of yen										
	2021										
	Shareholders' equity					Other accumulated comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income	Gain on reversal of subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	¥4,840	¥9,318	¥13,896	¥(1,609)	¥26,445	¥2,586	¥(964)	¥1,622	¥118	¥2,844	¥31,031
Cumulative effects of changes in accounting policies											
Restated balance	4,840	9,318	13,896	(1,609)	26,445	2,586	(964)	1,622	118	2,844	31,031
Changes during period											
Dividends of surplus			(369)		(369)						(369)
Profit (loss) attributable to owners of parent			20,920		20,920						20,920
Purchase of treasury shares				(0)	(0)						(0)
Disposal of treasury shares					—						—
Cancellation of treasury shares					—						—
Change in ownership interest of parent due to transactions with non-controlling interests		44			44						44
Net changes of items other than shareholders' equity						467	913	1,381	(118)	(2,844)	(1,581)
Total changes in items during period	—	44	20,550	(0)	20,594	467	913	1,381	(118)	(2,844)	19,012
Balance at the end of the period	¥4,840	¥9,362	¥34,446	¥(1,609)	¥47,039	¥3,054	¥(50)	¥3,003	¥—	¥—	¥50,043

	Millions of yen										
	2022										
	Shareholders' equity					Other accumulated comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income	Gain on reversal of subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	¥4,840	¥9,362	¥34,446	¥(1,609)	¥47,039	¥3,054	¥(50)	¥3,003	—	—	¥50,043
Cumulative effects of changes in accounting policies			(1,063)		(1,063)						(1,063)
Restated balance	4,840	9,362	33,383	(1,609)	45,976	3,054	(50)	3,003	—	—	48,980
Changes during period											
Dividends of surplus			(1,741)		(1,741)						(1,741)
Profit (loss) attributable to owners of parent			27,544		27,544						27,544
Purchase of treasury shares				(10,000)	(10,000)						(10,000)
Disposal of treasury shares		26		42	69						69
Cancellation of treasury shares		(29)	(3,172)	3,201	—						—
Change in ownership interest of parent due to transactions with non-controlling interests					—						—
Net changes of items other than shareholders' equity						401	2,174	2,575	—	—	2,575
Total changes in items during period	—	(2)	22,630	(6,755)	15,872	401	2,174	2,575	—	—	18,448
Balance at the end of the period	¥4,840	¥9,359	¥56,013	¥(8,364)	¥61,849	¥3,455	¥2,123	¥5,579	¥—	¥—	¥67,428

	Millions of U.S. dollars										
	2022										
	Shareholders' equity					Other accumulated comprehensive income					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation differences on available-for-sale securities	Foreign currency translation adjustment	Total other comprehensive income	Gain on reversal of subscription rights to shares	Non-controlling interests	Total net assets
Balance at the beginning of the period	\$39	\$76	\$281	\$(13)	\$384	\$24	\$(0)	\$24	—	—	\$408
Cumulative effects of changes in accounting policies			(8)		(8)						(8)
Restated balance	39	76	272	(13)	375	24	(0)	24	—	—	400
Changes during period											
Dividends of surplus			(14)		(14)						(14)
Profit (loss) attributable to owners of parent			225		225						225
Purchase of treasury shares				(81)	(81)						(81)
Disposal of treasury shares		0		0	0						0
Cancellation of treasury shares		(0)	(25)	26	—						—
Change in ownership interest of parent due to transactions with non-controlling interests					—						—
Net changes of items other than shareholders' equity						3	17	21	—	—	21
Total changes in items during period	—	(0)	184	(55)	129	3	17	21	—	—	150
Balance at the end of the period	\$39	\$76	\$457	\$(68)	\$505	\$28	\$17	\$45	\$—	\$—	\$550

Consolidated Statement of Cash Flows

As of March 31, 2021 and 2022

	Millions of yen		Millions of U.S. dollars
	2021	2022	2022
Cash flows from operating activities			
Profit (loss) before taxes	¥26,834	¥36,361	\$297
Depreciation	1,514	307	2
Amortization of goodwill	396	—	—
Amortization of long-term prepaid expenses	730	689	5
Increase (decrease) in allowance for doubtful accounts	(8)	0	0
Increase (decrease) in reserves for bonus payments	234	185	1
Increase (decrease) in reserves for loss on construction contracts	(34)	17	0
Interest and dividend income	(109)	(119)	(0)
Interest expenses	208	23	0
Share of (profit) loss of entities accounted for using equity method	899	(420)	(3)
Loss (gains) on investments in partnerships	(6)	(13)	(0)
Foreign exchange gain (loss)	(268)	(609)	(4)
Loss on retirement of non-current assets	2,543	690	5
Impairment loss	703	—	—
Loss (gain) on sales of shares of subsidiaries and associates	(26,387)	(29,251)	(239)
Loss (gain) on change in equity	(117)	(147)	(1)
Loss (gain) on liquidation of subsidiaries and associates	18	—	—
Loss on valuation of other investments	—	205	1
Loss on liquidation of business	160	—	—
Decrease (increase) in notes and accounts receivable-trade	(1,151)	(18)	(0)
Decrease (increase) in inventories valuation	(2,141)	411	3
Increase (decrease) in notes and accounts payable - trade	2,581	(1,384)	(11)
Decrease (increase) in other assets	(1,314)	(544)	(4)
Decrease (increase) in other liabilities	114	229	1
Other	269	(15)	(0)
Subtotal	5,669	6,597	53
Interest and dividend income received	109	119	0
Interest expenses paid	(185)	(29)	(0)
Extra retirement payments	(26)	—	—
Corporate and other income tax refunds	173	1	0
Corporate and other income taxes (paid)	(225)	(6,884)	(56)
Cash flows from operating activities	5,513	(195)	(1)
Cash flows from investing activities			
Proceeds from withdrawal of time deposits	38	—	—
Purchase of property, plant and equipment	(649)	(788)	(6)
Purchase of intangible assets	(378)	(492)	(4)
Purchase of investment securities	(55)	(1,602)	(13)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	225	—	—
Proceeds from sales of shares of subsidiaries and associates	19,151	24,491	200
Purchase of shares of subsidiaries and associates	—	(367)	(3)
Purchase of long-term prepaid expenses	(738)	(601)	(4)
Collection of loans receivable	5	1	0
Proceeds from collection of guarantee deposits	10	1	0
Payments for guarantee deposits	(16)	(14)	(0)
Proceeds from transfer of business	—	228	1
Payments for transfer of business	(226)	—	—
Other	(344)	(837)	(6)
Cash flows from investing activities	17,022	20,018	163
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	2,979	(2,000)	(16)
Repayments of long-term loans payable	(21,210)	(2,790)	(22)
Purchase of treasury shares	(347)	(10,000)	(81)
Cash dividends paid	(369)	(1,737)	(14)
Other	(207)	(7)	(0)
Cash flows from financing activities	(18,807)	(16,534)	(135)
Effect of exchange rate change on cash and cash equivalents	459	1,072	8
Net increase (decrease) in cash and cash equivalents	4,188	4,361	35
Balance at the beginning of the period of cash and cash equivalents	17,219	21,407	174
Balance at the end of the period of cash and cash equivalents	¥21,407	¥25,769	\$210