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Financial Section

Five-Year Summary

MegaChips Corporation and Consolidated Subsidiaries
For the five years ended March 31

	Millions of yen					Millions of U.S. dollars*	
	2017	2018	2019	2020	2021	2021	
Operating Results							
Net sales	¥ 67,438	¥ 89,029	¥ 95,145	¥ 65,764	¥ 83,814	\$ 757	
Operating income (before amortization of goodwill)	4,922	5,520	3,152	3,449	5,608	50	
Operating income (after amortization of goodwill)	1,926	2,709	573	972	5,025	45	
Profit attributable to owners of parent	(947)	1,948	(1,727)	(1,792)	20,920	188	
R&D expenses	5,199	6,253	7,843	6,581	3,058	27	
Financial Position							
Total assets	¥ 80,465	¥ 94,633	¥ 91,977	¥ 72,347	¥ 74,627	\$ 674	
Net assets	27,631	31,184	26,223	31,031	50,043	452	
Other Information							
Employees (Person)	851	883	719	588	379		
Stock Information							
Net income per share (Yen / U.S. dollars)	¥ (44.14)	¥ 90.05	¥ (79.40)	¥ (82.35)	¥ 961.28	\$ 8.68	
Net assets per share (Yen / U.S. dollars)	1,280.71	1,435.37	1,204.98	1,289.72	2,299.49	20.77	
Cash dividends per share (Yen / U.S. dollars)	34	34	17	17	80	0.72	
Stock price at March 31 (Yen / U.S. dollars)	3,050	3,830	1,699	1,555	3,530	32	
PER (Times)	(69.10)	42.53	(21.40)	(18.88)	3.67		
Market capitalization	¥ 70,267	¥ 88,237	¥ 39,142	¥ 35,824	¥ 81,325	\$ 734	
Indicators							
Operating income to sales (after amortization of goodwill) (%)	2.9	3.0	0.6	1.5	6.0		
ROE (%)	(3.4)	6.6	(6.0)	(6.6)	53.6		
ROA (%)	(1.3)	2.2	(1.9)	(2.2)	28.5		
Shareholders' equity ratio (%)	34.3	33.0	28.5	38.8	67.1		
Sales to total assets ratio (Times)	0.90	1.02	1.02	0.80	1.14		
EBITDA	¥ 5,394	¥ 7,100	¥ 6,138	¥ 6,334	¥ 6,022	\$ 54	

* The U.S. dollar amounts are provided solely for the convenience of the readers at the rate of ¥110.71 / U.S.\$1, the rate prevailing on March 31, 2021.

Analysis of Sales and Financial Status

MegaChips Corporation and its Consolidated Subsidiaries

■ Analysis of Business Results

● Net Sales

MegaChips recorded the net sales of ¥83,814 million for the current consolidated fiscal year (an increase of 27.4% from the previous consolidated fiscal year), resulted from the steady demand for LSIs for storing game software (customized memories) in the ASIC business, while there was a decrease in sales due to the transfer of our Smart Connectivity LSI business for video interfaces in the third quarter of the previous fiscal year and a decrease in sales from the second quarter onward due to SiTime Corporation's change to an affiliated company in the first quarter.

● Cost of Sales, SG&A Expenses, and Operating Income

The cost of sales for the current consolidated fiscal year was ¥70,504 million. The cost of sales ratio for the current consolidated fiscal year was 84.1%, a decrease of 9.5 points from the previous consolidated fiscal year, due to changes in the product mix of sales, and the gross profit amounted to ¥13,310 million (a decrease of 20.3% from the previous consolidated fiscal year).

Selling, general, and administrative (SG&A) expenses were ¥8,285 million, a decrease of ¥7,438 million from the previous consolidated fiscal year, reflecting a decrease in selling, general and administrative expenses from the second quarter onward due to SiTime Corporation's change to an affiliated company in the first quarter and the progress in reducing fixed costs and improving business efficiency, for which MegaChips has been working on as part of its business restructuring, while making future-oriented research and development investments into growth areas. These expenses mainly consist of personnel expenses, including salaries and provisions for bonuses, of ¥3,075 million (a decrease of 24.1% from the previous consolidated fiscal year), R&D expenses of ¥3,058 million (a decrease of 53.5% from the previous consolidated fiscal year), and the amortization of goodwill and intangible assets of ¥583 million due to the acquisition of the Company in the past consolidated fiscal year.

As a result, MegaChips saw the operating income before amortization of goodwill and other items of ¥5,608 million and the operating income after amortization of goodwill and other items of ¥5,025 million (an increase of 416.7% from the previous consolidated fiscal year).

● Net Income before Income Taxes

MegaChips had dividend income of ¥99 million as non-operating income, posted interest expenses for loans from financial institutions of ¥208 million as non-operating expenses, and had a share of loss of entities accounted for using equity method of

¥899 million as a result of SiTime Corporation's change to an affiliated company, resulting in an expense of ¥1,112 million between non-operating income and non-operating expenses.

While posting ¥26,387 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 at market price as an extraordinary income, MegaChips posted extraordinary losses, consisting of an impairment loss of ¥703 million due to the non-current assets of its Makuhari office and MegaChips LSI USA Corporation's office, a loss on transfer of lease contract of ¥191 million, and a loss on liquidation of business of ¥160 million due to the termination of new development of timing controller LSI for liquid crystal panels and the termination of receiving orders for major products, resulting in a profit of ¥22,921 million between extraordinary profits and extraordinary losses.

As a result, a profit before income taxes for the current consolidated fiscal year was ¥26,834 million (compared to a loss before income taxes of ¥1,965 million in the previous consolidated fiscal year).

● Profit (Loss) Attributable to Owners of Parent

As a result of income taxes - current of ¥6,564 million (an increase of 3,614.0% from the previous consolidated fiscal year) and income taxes - deferred of negative ¥398 million (compared to negative ¥317 million in the previous consolidated fiscal year), a profit attributable to owners of parent was ¥20,920 million (compared to a loss attributable to owners of parent of ¥1,792 million in 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 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 MegaChips' financial situation.

■ High Liquidity and Outstanding Reserves

● Cash Flow

Cash and cash equivalents ("Capital") were recorded at ¥21,407 million at the end of the current consolidated fiscal year, an increase of ¥4,188 million from the previous consolidated fiscal year (compared to an increase of ¥7,037 million in the previous consolidated fiscal year). The status of cash flows at the end of the consolidated fiscal year was as follows.

Cash flows from operating activities acquired as capital amounted to ¥5,513 million (compared to ¥28,256 million acquired as capital in the previous consolidated fiscal year). This was mainly due to a profit before income taxes of ¥26,834 million (compared to a loss before income taxes of ¥1,965 million in the previous consolidated fiscal year), depreciation of ¥1,514 million, a share of loss of entities accounted for using equity method of ¥899 million, a loss on retirement of non-current assets of ¥2,543 million, an increase of ¥2,581 million in notes and accounts payable - trade, a gain on sales of shares of subsidiaries and associates of ¥26,387 million, and an increase of ¥2,141 million in inventory.

Cash flows from investing activities acquired as capital reached ¥17,022 million (compared to ¥2,541 million used as capital in the previous consolidated fiscal year). This was mainly attributable to ¥19,151 million in proceeds from sales of shares of subsidiaries and associates. As a result, free cash flow, the sum of cash flow from operating activities and cash flow from investing activities amounted to ¥22,536 million acquired as capital (compared to ¥25,715 million acquired as capital in the previous consolidated fiscal year).

With respect to the dividends of surplus for the current consolidated fiscal year, MegaChips has decided to pay an annual dividend of ¥80 per share consisting of ¥35 per share as an ordinary dividend and ¥45 per share as a commemorative dividend to express appreciation for the 30th anniversary of MegaChips' founding (compared to an annual dividend of ¥17 per share in the previous consolidated fiscal year) to those who are MegaChips' shareholders as of March 31, 2021 based on the basic policies for profit sharing discussed above.

Cash flows from financing activities used as capital amounted to ¥18,807 million (compared to ¥18,599 million used as capital in the previous consolidated fiscal year). This was mainly due to a net increase in short-term loans payable of ¥2,979 million and repayments of long-term loans payable of ¥21,210 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 goods, sales expenses as well as general management 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, ¥19,377 million acquired as capital due to the partial sale of SiTime Corporation's shares. This was mainly applied to the repayment of interest-bearing debt from financial institutions. Therefore, the balance of interest-bearing debt at the end of the current consolidated fiscal year was ¥4,790 million in total, a decrease of ¥23,701 million from the end of the previous consolidated fiscal year.

Financial Position

Total assets at the end of the current consolidated fiscal year amounted to ¥74,627 million (an increase of ¥2,279 million from the end of the previous consolidated fiscal year). Current assets, mainly for cash and deposits, notes and accounts receivable - trade, inventories, and merchandise and finished goods amounted to ¥50,866 million (an increase of ¥5,237 million from the end of the previous consolidated fiscal year). Comparing major assets with the previous consolidated fiscal year, cash and deposits increased by ¥4,152 million, merchandise and finished goods increased by ¥1,134 million. Among non-current assets, shares of subsidiaries and associates increased by ¥11,958 million, while software decreased by ¥1,985 million due to the retirement of internally developed software, and goodwill and technical assets decreased by ¥7,985 million and ¥2,504 million, respectively, due to SiTime Corporation's change from a consolidated subsidiary to an affiliated company.

MegaChips' asset structure is characterized by its high liquidity. Although investments and other assets, mainly stocks of subsidiaries and affiliates made up a certain percentage, current assets accounted for 68.2% of total assets. Meanwhile, the current ratio was 213.5% (up 87.0 points from the end of the previous consolidated fiscal year), as a result of current liabilities of ¥23,825 million (a decrease of ¥12,247 million from the end of the previous consolidated fiscal year) mainly due to a decrease of interest-bearing debt. The asset amount, obtained by deducting inventories of ¥3,995 million from current assets, was ¥46,870 million, accounted for 62.8% of total assets. This asset structure is attributable 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

Research and Development, Patents, and Other Intellectual Property Rights

MegaChips invested a consolidated total of ¥3,058 million in R&D expenses for the current 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:

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 ¥24,583 million (a decrease of ¥16,732 million from the end of the previous consolidated fiscal year). They mainly consist of trade payables of ¥9,486 million, primarily comprising outstanding payments to contracted manufacturers of LSIs, short-term loans payable of ¥2,000 million, and the current portion of long-term loans payable of ¥2,790 million. Comparing major liabilities with the previous consolidated fiscal year, while notes and accounts payable - trade increased by ¥2,169 million, short-term loans payable decreased by ¥2,491 million and long-term loans payable (including the current portion of long-term loans payable) decreased by ¥21,210 million.

Net assets were ¥50,043 million (an increase of ¥19,012 million from the end of the previous consolidated fiscal year). Non-controlling interests decreased by ¥2,844 million due to SiTime Corporation's change from a consolidated subsidiary to an affiliated company. In addition, a profit attributable to owners of parent was ¥20,920 million, dividends of surplus were ¥369 million, valuation differences on available-for-sale securities increased by ¥467 million, and foreign currency translation adjustment increased by ¥913 million.

As a result, MegaChips' equity was ¥50,043 million and equity ratio was 67.1% (up 28.3 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.

	Patents	Trademarks	Total
Issued	840	34	874
Applied for	81	4	85
Total	921	38	959

	Japan	North America	Asia (excluding Japan)	EU	Other	Total
Issued	433	336	48	23	—	840
Applied for	48	15	6	6	6	81
Total	481	351	54	29	6	921

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, 2021.

Dependence on specific customers

(1) Purchasers

MegaChips principally sells LSIs for a game software storage (custom memory) for the amusement field; LSIs for game consoles and peripheral devices; LSIs for digital cameras and other image processing; LSIs for OA equipment. The percentage of net sales involving LSIs for storing game software (custom memory) to Nintendo Co., Ltd. ("Nintendo") is increasing and accounts for 78.0% 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 in-vehicle device, industrial equipment, telecommunications infrastructure, energy control and robotics as well as improve the business portfolio in the mid- to long-term.

(2) Contract manufacturers (suppliers)

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 purchases from Macronix International Co., Ltd. ("Macronix"), which manufactures LSIs for storing game software (custom memory) supplied to our major customer, Nintendo, and LSIs for game consoles and peripheral devices is becoming higher, and accounts for 62.6% 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 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 LSIs are subject.

To deal with the risks, our Group aim 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 differentiate 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 ¥3,058 billion and accounted for 3.6% 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 provide 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 stocks of subsidiaries and affiliates

The 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 affiliate of the Company. These investments, including intangible assets, primarily goodwill (Goodwill, etc.) are posted in the consolidated balance sheet as "shares of subsidiaries and affiliates." As of the end of the current consolidated fiscal year, the balance of the shares of subsidiaries and affiliates was ¥11,958 million, accounting for 16.0% 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 the MegaChips' business performance.

Goodwill, etc. included in the aforementioned shares of subsidiaries and affiliates 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 an impairment loss.

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 strategic alliances, including investments, when we determine that it will contribute to the enhancement of our corporate value through business collaboration with other companies and information gathering. The balance of investment securities for the current fiscal year is ¥3,590 billion and accounts for 8.0% of consolidated total assets, including shares of Macronix that is our major supplier.

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 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 materiality in 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 financial position 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, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Assets			
Current assets			
Cash and deposits	¥ 17,255	¥ 21,407	\$ 193
Notes and accounts receivable - trade	23,671	23,071	208
Merchandise and finished goods	1,982	3,116	28
Work in process	1,320	650	5
Raw materials and supplies	230	227	2
Other	1,183	2,392	21
Allowance for doubtful accounts	(15)	(1)	(0)
Total current assets	45,628	50,866	459
Non-current assets			
Property, plant and equipment			
Buildings	4,499	2,431	21
Accumulated depreciation	(3,338)	(2,107)	(19)
Buildings, net	1,161	324	2
Land	198	116	1
Construction in progress	378	631	5
Other	9,275	6,604	59
Accumulated depreciation	(7,811)	(6,178)	(55)
Other, net	1,463	426	3
Total property, plant and equipment	3,201	1,498	13
Intangible assets			
Goodwill	7,985	—	—
Technical assets	2,504	—	—
Software	2,536	551	4
Other	4	6	0
Total intangible assets	13,031	558	5
Investments and other assets			
Investment securities	3,059	3,590	32
Shares of subsidiaries and associates	—	11,958	108
Long-term prepaid expenses	1,931	1,247	11
Deferred tax assets	1,515	1,864	16
Other	3,978	3,044	27
Total investments and other assets	10,485	21,704	196
Total non-current assets	26,718	23,761	214
Total assets	¥ 72,347	¥ 74,627	\$ 674

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Liabilities			
Current liabilities			
Notes and accounts payable - trade	¥ 7,317	¥ 9,486	\$ 85
Short-term borrowings	4,491	2,000	18
Current portion of long-term borrowings	21,000	2,790	25
Accounts payable - other	1,467	1,572	14
Income taxes payable	110	6,762	61
Provision for bonuses	429	664	6
Provision for loss on construction contracts	51	16	0
Other	1,205	533	4
Total current liabilities	36,073	23,825	215
Non-current liabilities			
Long-term borrowings	3,000	—	—
Deferred tax liabilities	676	—	—
Other	1,566	758	6
Total non-current liabilities	5,243	758	6
Total liabilities	41,316	24,583	222
Net assets			
Shareholders' equity			
Share capital	4,840	4,840	43
Capital surplus	9,318	9,362	84
Retained earnings	13,896	34,446	311
Treasury shares	(1,609)	(1,609)	(14)
Total shareholders' equity	26,445	47,039	424
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	2,586	3,054	27
Foreign currency translation adjustment	(964)	(50)	(0)
Total accumulated other comprehensive income	1,622	3,003	27
Share acquisition rights	118	—	—
Non-controlling interests	2,844	—	—
Total net assets	31,031	50,043	452
Total liabilities and net assets	¥ 72,347	¥ 74,627	\$ 674

Consolidated Statement of Income and Comprehensive Income

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Net sales	¥65,764	¥83,814	\$ 757
Cost of sales	49,068	70,504	636
Gross profit	16,695	13,310	120
Selling, general and administrative expenses	15,723	8,285	74
Operating profit	972	5,025	45
Non-operating income			
Interest income	13	10	0
Dividend income	98	99	0
Receiving dispatching fee	100	33	0
Gain on investments in investment partnerships	1	6	0
Miscellaneous income	13	8	0
Total non-operating income	228	157	1
Non-operating expenses			
Interest expenses	482	208	1
Borrowing fee	0	0	0
Loss on sale of receivables	39	43	0
Share of loss of entities accounted for using equity method	—	899	8
Foreign exchange losses	28	53	0
Miscellaneous losses	10	63	0
Total non-operating expenses	562	1,269	11
Ordinary profit	639	3,912	35
Extraordinary income			
Gain on sale of shares of subsidiaries and associates	—	26,387	238
Gain on change in equity	—	117	1
Gain on liquidation of subsidiaries and associates	599	—	—
Gain on sale of businesses	—	41	0
Total extraordinary income	599	26,546	239
Extraordinary losses			
Loss on retirement of non-current assets	167	2,543	22
Impairment losses	271	703	6
Loss on valuation of investment securities	546	—	—
Loss on liquidation of subsidiaries and associates	—	26	0
Loss on liquidation of business	—	160	1
Loss on sale of businesses	2,092	—	—
Extra retirement payments	125	—	—
Loss on transfer of lease contracts	—	191	1
Total extraordinary losses	3,203	3,625	32
Profit (loss) before income taxes	(1,965)	26,834	242
Income taxes - current	176	6,564	59
Income taxes - deferred	(317)	(398)	(3)
Total income taxes	(140)	6,166	55
Profit (loss)	¥ (1,824)	¥20,668	\$ 186
Profit (loss) attributable to			
Owners of parent	¥ (1,792)	¥20,920	\$ 188
Non-controlling interests	(32)	(252)	(2)
Other comprehensive income			
Valuation difference on available-for-sale securities	¥ 1,545	¥ 467	\$ 4
Foreign currency translation adjustment	(788)	1,004	9
Share of other comprehensive income of entities accounted for using equity method	—	(107)	(0)
Other comprehensive income	756	1,364	12
Comprehensive income (loss)	¥ (1,067)	¥22,032	\$ 199
Comprehensive income (loss) attributable to			
Owners of parent	¥ (1,072)	¥22,300	\$ 201
Non-controlling interests	4	(267)	(2)

Consolidated Statement of Changes in Net Assets

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen										
	2020					2021					
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥4,840	¥6,183	¥16,058	¥(1,608)	¥25,473	¥1,041	¥(291)	¥ 750	¥ —	¥ —	¥26,223
Changes during period											
Dividends of surplus			(369)		(369)						(369)
Profit (loss) attributable to owners of parent			(1,792)		(1,792)						(1,792)
Purchase of treasury shares				(0)	(0)						(0)
Capital increase of consolidated subsidiaries		3,110			3,110						3,110
Change in ownership interest of parent due to transactions with non-controlling interest			23		23						23
Net changes in items other than shareholders' equity						1,545	(673)	871	118	2,844	3,834
Total changes during period	—	3,134	(2,162)	(0)	972	1,545	(673)	871	118	2,844	4,807
Balance at end of period	¥4,840	¥9,318	¥13,896	¥(1,609)	¥26,445	¥2,586	¥(964)	¥1,622	¥ 118	¥ 2,844	¥31,031

	Millions of yen										
	2021					2021					
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	¥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)
Capital increase of consolidated subsidiaries					—						—
Change in ownership interest of parent due to transactions with non-controlling interest		44			44						44
Net changes in items other than shareholders' equity						467	913	1,381	(118)	(2,844)	(1,581)
Total changes during period	—	44	20,550	(0)	20,594	467	913	1,381	(118)	(2,844)	19,012
Balance at end of period	¥4,840	¥9,362	¥34,446	¥(1,609)	¥47,039	¥3,054	¥ (50)	¥3,003	¥ —	¥ —	¥50,043

	Millions of U.S. dollars										
	2021					2021					
	Shareholders' equity					Accumulated other comprehensive income					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	Share acquisition rights	Non-controlling interests	Total net assets
Balance at beginning of period	\$ 43	\$ 84	\$ 125	\$ (14)	\$ 238	\$ 23	\$ (8)	\$ 14	\$ 1	\$ 25	\$ 280
Changes during period											
Dividends of surplus			(3)		(3)						(3)
Profit (loss) attributable to owners of parent			188		188						188
Purchase of treasury shares				(0)	(0)						(0)
Capital increase of consolidated subsidiaries					—						—
Change in ownership interest of parent due to transactions with non-controlling interest		0			0						0
Net changes in items other than shareholders' equity						4	8	12	(1)	(25)	(14)
Total changes during period	—	0	185	(0)	186	4	8	12	(1)	(25)	171
Balance at end of period	\$ 43	\$ 84	\$ 311	\$ (14)	\$ 424	\$ 27	\$ (0)	\$ 27	\$ —	\$ —	\$ 452

Consolidated Statement of Cash Flows

For the fiscal years ended March 31, 2020 and 2021

	Millions of yen		Millions of U.S. dollars
	2020	2021	2021
Cash flows from operating activities			
Profit (loss) before income taxes	¥ (1,965)	¥ 26,834	\$ 242
Depreciation	3,511	1,514	13
Amortization of goodwill	1,715	396	3
Amortization of long-term prepaid expenses	805	730	6
Increase (decrease) in allowance for doubtful accounts	(5)	(8)	(0)
Increase (decrease) in provision for bonuses	23	234	2
Increase (decrease) in provision for loss on construction contracts	(97)	(34)	(0)
Interest and dividend income	(112)	(109)	(0)
Interest expenses	482	208	1
Share of loss (profit) of entities accounted for using equity method	—	899	8
Loss (gain) on investments in investment partnerships	(1)	(6)	(0)
Foreign exchange losses (gains)	65	(268)	(2)
Loss on retirement of non-current assets	167	2,543	22
Impairment loss	271	703	6
Loss (gain) on valuation of investment securities	546	—	—
Loss (gain) on sale of shares of subsidiaries and associates	—	(26,387)	(238)
Loss (gain) on change in equity	—	(117)	(1)
Loss (gain) on liquidation of subsidiaries and associates	(599)	18	0
Loss on liquidation of business	—	160	1
Loss (gain) on sale of businesses	2,092	—	—
Extra retirement payments	125	—	—
Decrease (increase) in trade receivables	15,896	(1,151)	(10)
Decrease (increase) in inventories	3,593	(2,141)	(19)
Increase (decrease) in trade payables	553	2,581	23
Decrease (increase) in other assets	2,774	(1,314)	(11)
Increase (decrease) in other liabilities	(339)	114	1
Other	168	269	2
Subtotal	29,672	5,669	51
Interest and dividends received	112	109	0
Interest paid	(535)	(185)	(1)
Extra retirement payments	(327)	(26)	(0)
Income taxes refund	8	173	1
Income taxes paid	(673)	(225)	(2)
Net cash provided by (used in) operating activities	28,256	5,513	49
Cash flows from investing activities			
Proceeds from withdrawal of time deposits	—	38	0
Purchase of property, plant and equipment	(844)	(649)	(5)
Purchase of intangible assets	(789)	(378)	(3)
Purchase of investment securities	—	(55)	(0)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	225	2
Proceeds from sale of shares of subsidiaries and associates	—	19,151	172
Purchase of long-term prepaid expenses	(816)	(738)	(6)
Proceeds from collection of loans receivable	7	5	0
Loan advances	(3)	—	—
Proceeds from refund of guarantee deposits	11	10	0
Payments of guarantee deposits	(2)	(16)	(0)
Proceeds from sale of businesses	297	—	—
Payment for transfer of business	—	(226)	(2)
Other	(401)	(344)	(3)
Net cash provided by (used in) investing activities	(2,541)	17,022	153
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	(15,775)	2,979	26
Proceeds from long-term borrowings	1,000	—	—
Repayments of long-term borrowings	(9,500)	(21,210)	(191)
Proceeds from share issuance to non-controlling shareholders	6,081	—	—
Dividends paid	(369)	(369)	(3)
Other	(36)	(207)	(1)
Net cash provided by (used in) financing activities	(18,599)	(18,807)	(169)
Effect of exchange rate change on cash and cash equivalents	(77)	459	4
Net increase (decrease) in cash and cash equivalents	7,037	4,188	37
Cash and cash equivalents at beginning of period	10,182	17,219	155
Cash and cash equivalents at end of period	¥ 17,219	¥ 21,407	\$ 193