

**Brief Statement of Accounts (Japanese Accounting Standards)  
for the First Half of the Year Ending March 31, 2016 (Consolidated)**

October 30, 2015

**MegaChips Corporation**

Code number: 6875

Representative: Akira Takata, President and CEO

 Contact: Masayuki Fujii, Senior Managing Director, Officer,  
and General Manager of the Corporate Control Division

Tel: +81-6-6399-2884

Scheduled date for submission of quarterly report: November 11, 2015

Scheduled date of start of payment of dividends: –

Supplementary documents for quarterly results: Yes

Quarterly results briefing: Yes (for institutional investors and analysts)

Listed exchange: TSE

<http://www.megachips.co.jp/>

(Amounts less than one million yen are omitted)

**1. Consolidated operating results for the first half of the year ending March 31, 2016**

(From April 1, 2015 to September 30, 2015)

**(1) Consolidated operating results**

(Figures in % refer to change from the same period a year earlier)

|  | Net sales   |      | Operating income |       | Ordinary income |       | Profit Loss Attributable To Owners Of Parent |       |
|--|-------------|------|------------------|-------|-----------------|-------|--|-------|
|  | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen                                  | %     |
| First half of the year ending March 31, 2016 | 28,781      | -5.6 | 100              | -94.4 | 347             | -75.3 | -367   | –     |
| First half of the year ended March 31, 2015  | 30,492      | -2.7 | 1,786            | -28.1 | 1,406           | -46.3 | 674  | -82.3 |

(Note) Comprehensive income: -274 million yen (–%) for the first half of the year ending March 31, 2016  
1,030 million yen (-75.4%) for the first half of the year ended March 31, 2015

|  | Net income per share | Net income per share (fully diluted) |
|--|----------------------|--------------------------------------|
|  | Yen                  | Yen                                  |
| First half of the year ending March 31, 2016 | -16.42               | –                                    |
| First half of the year ended March 31, 2015  | 29.80                | –                                    |

**(2) Consolidated financial condition**

|  | Total assets | Net assets  | Shareholders' equity ratio | Net assets per share |
|--|--------------|-------------|----------------------------|----------------------|
|  | Million yen  | Million yen | %                          | Yen                  |
| First half of the year ending March 31, 2016 | 73,874       | 31,321      | 42.2                       | 1,393.89             |
| Year ended March 31, 2015                    | 77,830       | 32,355      | 41.3                       | 1,438.09             |

(Reference) Shareholders' equity: As of the first half of the year ending March 31, 2016: ¥31,151 million  
Year ended March 31, 2015: ¥32,139 million

**2. Dividends**

|                                       | Dividend per share |                    |                   |          |        |
|---------------------------------------|--------------------|--------------------|-------------------|----------|--------|
|                                       | First quarter-end  | Second quarter-end | Third quarter-end | Year-end | Annual |
|                                       | Yen                | Yen                | Yen               | Yen      | Yen    |
| Year ended March 31, 2015             | –                  | –                  | –                 | 34.00    | 34.00  |
| Year ending March 31, 2016            | –                  | –                  | –                 | –        | –      |
| Year ending March 31, 2016 (forecast) | –                  | –                  | –                 | –        | –      |

(Note) Revisions made to the forecasts dividend published most recently: No

We pay dividends once per year based on the dividend policy, using the year-end date as the record date. Amount of dividends paid is determined as equivalent to more than 30% of consolidated net income for the year taking medium-term business condition into consideration. Since the concrete dividend forecast is yet to be decided, “–” is shown for the annual dividend forecast.

### 3. Forecast of consolidated operating results (from April 1, 2015 to March 31, 2016)

(Figures in % indicate change from the corresponding period of the year ended March 31, 2015)

|           | Net sales   |      | Operating income |       | Ordinary income |       | Profit Loss<br>Attributable To<br>Owners Of Parent |       | Net income<br>per share |
|-----------|-------------|------|------------------|-------|-----------------|-------|--|-------|-------------------------|
| Full-year | Million yen | %    | Million yen      | %     | Million yen     | %     | Million yen  | %     | Yen                     |
|           | 62,000      | -3.5 | 2,000            | -59.1 | 1,800           | -47.1 | 200  | -84.0 | 8.95                    |

(Note) Revisions to operating results forecasts published most recently: Yes

#### \* Notes

##### (1) Changes in key subsidiaries during the term

(changes in specific subsidiaries resulting in changes in the scope of consolidation): None

New: -

Exception: -

##### (2) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements: Yes

(Note) For details, please refer to the Accompanying Materials, Page 3, 2. Matters Relating to Summary Information (Notes).

##### (3) Changes in accounting policies and changes or restatement of accounting estimates:

1) Changes in accounting policies due to revised accounting standards: Yes

2) Changes in accounting policies other than that described above: Yes

3) Changes in accounting estimates: None

4) Restatement: None

(Note) For details, please refer to the Accompanying Materials, Page 3, 2. Matters Relating to Summary Information (Notes).

##### (4) Number of shares outstanding (common stock)

###### 1) Number of outstanding shares at the end of the period (including treasury stock)

First half of the year ending March 31, 2016 24,038,400 shares

Year ended March 31, 2015 24,038,400 shares

###### 2) Number of shares of treasury stock at the end of the period

First half of the year ending March 31, 2016 1,689,450 shares

Year ended March 31, 2015 1,689,450 shares

###### 3) Average number of shares outstanding during the period (or the cumulative consolidated accounting period as of the end of the term)

First half of the year ending March 31, 2016 22,348,950 shares

First half of the year ended March 31, 2015 22,635,156 shares

#### \* Status of quarterly review

This financial summary does not need to undergo a quarterly review under the Financial Instruments and Exchange Act. The quarterly consolidated financial statements under the Financial Instruments and Exchange Act have not been reviewed at the time of the announcement of this financial summary.

#### \* Note: Request for appropriate use of the business outlook and other remarks

(Note on the description of the future and other matters)

Forward-looking statements, such as the operating results forecast included in this document, are based on information available to the Company and certain assumptions that are considered reasonable as of the date of the publication of this release. The Company does not guarantee the projected results. Actual results could differ materially depending on various factors that may arise in the future.

(Method to acquire supplementary documents for quarterly results)

Supplementary documents for quarterly results will be presented on the Company's website immediately after disclosure of the summary of consolidated quarterly financial results.

## Accompanying Materials – Contents

|  |   |
|--|---|
| 1. Qualitative Information on the Consolidated Operating Results for the First Half of the Year Ending March 31, 2016..... | 2 |
| (1) Explanation of consolidated operating results.....   | 2 |
| (2) Explanation of consolidated financial position.....  | 2 |
| (3) Explanation of information on future forecasts, such as consolidated operating results forecast.....                   | 3 |
| 2. Matters Relating to Summary Information (Notes).....  | 4 |
| (1) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements.....            | 4 |
| (2) Changes in accounting policies and changes or restatement of accounting estimates.....                                 | 4 |
| 3. Consolidated Financial Statements.....  | 5 |
| (1) Consolidated balance sheet.....  | 5 |
| (2) Consolidated statements of income and statements of comprehensive income<br>(Consolidated first half).....             | 7 |
| (3) Consolidated statements of cash flows.....   | 8 |
| (4) Notes relating to quarterly consolidated financial statements.....   | 9 |
| Note on going concern assumptions.....   | 9 |
| Notes to significant changes in shareholders' equity.....  | 9 |

## 1. Qualitative Information on the Consolidated Operating Results for the First Half of the Year Ending March 31, 2016

### (1) Explanation of consolidated operating results

In the electronic machinery and equipment industry in which the MegaChips Group operates, although demand for consumer electronic equipment declined, that for electronic parts and devices increased. Consequently, the entire electronic machinery and equipment market grew on a year-on-year basis.

In the ASIC business, the Group provides optimal solutions for customers' equipment and service applications for major customers both inside and outside of Japan, mainly in the areas of game consoles, digital cameras, office machines, liquid crystal panels and telecommunications equipment. The Group's competitiveness lies in its ability to harness its deep understanding of customers' applications and unique technologies to offer the development and supply of system LSIs incorporating original algorithms and architecture and offering outstanding performance and cost competitiveness through an integrated support system that covers all aspects from upstream logical design to downstream physical design, manufacturing operations and quality assurance.

To respond to changes in the market environment in Japan and overseas and to achieve further growth, taking advantage of the advent of IoT, the Group has launched an ASSP business for major global companies in growing device markets and is working to restructure its business portfolio. The Group is expanding its product lineup, primarily products in the IoT fields, which will constitute platforms. Meanwhile, to expand business relationships with major global companies in growing device markets, the Group is endeavoring to cultivate human resources that can work globally and is promoting changes in its businesses and earnings structure.

During the first half of the fiscal year under review, results benefited from demand for ASSP products, including the Smart Connectivity (DisplayPort) business and MEMS timing devices, which the Group is focusing on as a new growth field in the medium to long terms. In contrast, demand for game software storage LSI (custom memories) and LSIs for liquid crystal panels in the pre-existing field declined. Consolidated net sales stood at ¥28,781 million (down 5.6% year on year). Expenses of ¥16 million arose from the amortization of goodwill and intangible assets associated with aggressive acquisitions of overseas companies, and operating income came to ¥1 million (down 94.4% year-on-year). Ordinary income was ¥347 million (down 75.3%). The loss attributable to owners of parent was ¥367 million (compared with a profit attributable to owners of parent of ¥674 million a year ago).

From the second quarter under review, the Group is applying the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013) etc. Under the accounting standard applied, net loss is presented as "loss attributable to owners of parent."

Because the MegaChips Group operates under the one business segment, no statement related to segment information has been presented.

### (2) Explanation of consolidated financial position

Total assets as of the end of the first half of the fiscal year under review amounted to ¥73,874 million (down ¥3,956 million from the previous fiscal year). Comparing major asset items with the previous consolidated fiscal year, cash and deposits, notes and accounts receivable - trade, and goodwill declined ¥2,838 million, ¥440 million, and ¥723 million, respectively.

Total liabilities were ¥42,552 million (down ¥2,922 million). Comparing major items with the previous consolidated fiscal year, notes and accounts payable - trade and long-term loans payable increased ¥1,047 million and ¥2,000 million respectively, while the current portion of long-term loans payable and other current liabilities declined ¥1,416 million and ¥4,377 million respectively.

Total net assets stood at ¥31,321 million (down ¥1,033 million). As a result, the shareholders' equity ratio rose 0.9 percentage point from the previous fiscal year, to 42.2%.

Cash and cash equivalents ("net cash") at the end of the first half of the fiscal year under review decreased ¥2,793 million from the previous fiscal year, to ¥10,234 million (compared with an increase of ¥1,877 million in the same period of the previous fiscal year). The status of cash flows for the first half of the fiscal year under review is as shown below.

Net cash provided by operating activities amounted to ¥160 million (compared with net cash of ¥3,878 million provided in the same period of the previous fiscal year). This was chiefly attributable to quarterly net income before taxes of ¥374 million (down 73.0% year-on-year), depreciation of ¥1,051 million, the amortization of goodwill of ¥1,006 million, an increase in notes and accounts payable-trade of ¥1,199 million, and a decrease in other liabilities of ¥3,281 million.

Net cash used in investment activities was ¥3,035 million (compared with net cash of ¥2,696 million used in the same period of the previous fiscal year). This was mainly attributable to the purchase of property, plant and equipment of ¥554 million, purchase of intangible assets of ¥886 million, and purchase of long-term prepaid expenses of ¥1,164 million. As a result, free cash flow, which is the sum of net cash provided by or used in operating activities and net cash provided by or used in investment activities, was net cash used of ¥2,874 million (compared with ¥1,181 million in net cash provided in the same period of the previous fiscal year).

Net cash provided by financing activities was ¥26 million (compared with net cash of ¥530 million provided in the same period of the previous fiscal year). This was mostly attributable to proceeds from long-term loans payable of ¥3,000 million, which was partially offset by repayments of long-term loans payable of ¥2,416 million.

(3) Explanation of information on future forecasts, such as consolidated operating results forecasts

Please refer to the “Notice of Difference Between Results Forecasts and Actual Results for the First Half and a Revision to the Full-Year Forecasts,” which was disclosed today, for a revision to the forecast of consolidated results for the fiscal year ending March 2016, which is stated in the Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended March 31, 2015 as announced on May 13, 2015.

## 2. Matters Relating to Summary Information (Notes)

### (1) Adoption of unique accounting method to the preparation of quarterly consolidated financial statements

#### Calculation of tax expenses

Tax expenses are calculated based on a logical estimate of the effective tax rate after applying tax effect accounting to net income before tax for the consolidated fiscal year and then multiplying net income before tax for the quarter by the estimated effective tax rate.

### (2) Changes in accounting policies and accounting estimate and restatement

#### (Changes in accounting policies)

##### (Application of the Accounting Standard for Business Combinations)

Starting the first quarter under review, the Company is applying the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22; September 13, 2013), and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7; September 13, 2013). Under these accounting standards, company recorded the difference by change in equity to subsidiaries that it continuously has full controlling interest as the capital surplus, and changed its counting method to record the acquisition-related cost as the expense of the consolidated financial year. For the business combinations conducted after the beginning of the term of the consolidated accounting period of the current first quarter, the review of the distribution of the acquisition cost by the tentative accounting settlement is reflected on the quarterly consolidated financial statements of the quarterly consolidated accounting period that the business combination date is included. In addition, the company changed the presentation of the quarterly net income as well as the presentation from the minority interests to the non-controlling interests. In order to reflect these changes in presentations, the company implemented the reclassification of the quarterly consolidated financial statements and the consolidated financial statements for previous consolidated six month ended September 30th, 2014 and previous consolidated financial year. The company follows a transitional handlings specified in Article 58-2 (4) of Account Standard for Business Combinations, Article 44-5 (4) of Accounting Standard for Business Divestures and Article 57-4 (4) of Accounting Standard for Consolidated Statements for the application of Accounting Standard for Business Combinations since the beginning of the term of the consolidated accounting period of the current first quarter through the future. The changes have no impact on our profits and losses.

##### (Change in the method for valuating inventories)

The Company applied mainly the cost method using the weighted average method or the first-in first-out method to valuate inventories (excluding work in process). As the Company introduced a new mission-critical system, it reviewed the valuation method to better calculate appraised values and to improve operational efficiency and changed the valuation method. Starting the first quarter under review, the Company is applying mainly the cost method using the moving average method or the first-in first-out method.

Because the effect of the change is minor, the Company does not apply the new method retroactively.

### 3. Consolidated Financial Statements

#### (1) Consolidated balance sheet

(Thousand yen)

|                                       | FY 2014<br>(As of March 31, 2015) | H1 FY 2015<br>(As of September 30, 2015) |
|---------------------------------------|-----------------------------------|--|
| <b>Assets</b>                         |                                   |  |
| Current assets:                       |                                   |  |
| Cash and deposits                     | 13,182,156                        | 10,343,712                               |
| Notes and accounts receivable - trade | 17,046,826                        | 16,606,400                               |
| Merchandise and finished goods        | 2,087,683                         | 2,020,774                                |
| Work in process                       | 2,707,564                         | 2,810,988                                |
| Raw materials and supplies            | 671,070                           | 1,030,596                                |
| Deferred tax assets                   | 2,054,508                         | 2,044,072                                |
| Other                                 | 1,281,288                         | 1,095,730                                |
| Allowance for doubtful accounts       | (132,297)                         | (4,818)                                  |
| Total current assets                  | 38,898,799                        | 35,947,456                               |
| Non-current assets:                   |                                   |  |
| Property, plant and equipment         |                                   |  |
| Buildings                             | 3,942,161                         | 3,937,834                                |
| Accumulated depreciation              | (2,916,510)                       | (2,957,676)                              |
| Buildings, net                        | 1,025,651                         | 980,157                                  |
| Other                                 | 7,794,375                         | 8,170,344                                |
| Accumulated depreciation              | (6,611,714)                       | (6,685,403)                              |
| Other, net                            | 1,182,660                         | 1,484,941                                |
| Total property, plant and equipment   | 2,208,311                         | 2,465,098                                |
| Intangible assets                     |                                   |  |
| Goodwill                              | 19,498,248                        | 18,774,443                               |
| Technical assets                      | 6,979,823                         | 6,647,728                                |
| Other                                 | 1,784,269                         | 2,235,100                                |
| Total intangible assets               | 28,262,342                        | 27,657,272                               |
| Investments and other assets          |                                   |  |
| Investment securities                 | 1,808,949                         | 1,556,495                                |
| Long-term prepaid expenses            | 3,516,785                         | 3,242,739                                |
| Deferred tax assets                   | 1,608,390                         | 1,638,484                                |
| Other                                 | 1,527,201                         | 1,378,096                                |
| Allowance for doubtful accounts       | -                                 | (11,508)                                 |
| Total investment and other assets     | 8,461,326                         | 7,804,308                                |
| Total non-current assets              | 38,931,980                        | 37,926,679                               |
| Total assets                          | 77,830,780                        | 73,874,135                               |

(Thousand yen)

|   | FY 2014<br>(As of March 31, 2015) | H1 FY 2015<br>(As of September 30, 2015) |
|---|-----------------------------------|--|
| <b>Liabilities</b>                                    |                                   |  |
| Current liabilities:                                  |                                   |  |
| Notes and accounts payable - trade                    | 5,201,778                         | 6,249,720                                |
| Short-term loans payable                              | 11,701,700                        | 11,899,600                               |
| Current portion of long-term loans payable            | 3,416,670                         | 2,000,000                                |
| Income taxes payable                                  | 253,972                           | 934,884                                  |
| Provision for bonuses                                 | 691,459                           | 502,423                                  |
| Provision for loss on construction contracts          | 291,442                           | 31,544                                   |
| Other provision                                       | -                                 | 49,498                                   |
| Deferred tax liabilities                              | 304,465                           | 153,712                                  |
| Other   | 7,321,424                         | 2,944,324                                |
| Total current liabilities                             | 29,182,912                        | 24,765,707                               |
| Non-current liabilities:                              |                                   |  |
| Long-term loans payable                               | 12,000,000                        | 14,000,000                               |
| Deferred tax liabilities                              | 2,873,912                         | 2,727,369                                |
| Other   | 1,418,615                         | 1,059,606                                |
| Total non-current liabilities                         | 16,292,527                        | 17,786,976                               |
| Total liabilities                                     | 45,475,440                        | 42,552,683                               |
| <b>Net assets</b>                                     |                                   |  |
| Shareholders' equity:                                 |                                   |  |
| Capital stock   | 4,840,313                         | 4,840,313                                |
| Capital surplus                                       | 6,181,300                         | 6,181,300                                |
| Retained earnings                                     | 21,754,605                        | 20,627,733                               |
| Treasury shares                                       | (2,318,962)                       | (2,318,962)                              |
| Total shareholders' equity                            | 30,457,256                        | 29,330,384                               |
| Other accumulated comprehensive income:               |                                   |  |
| Valuation difference on available-for-sale securities | (75,807)                          | (368,597)                                |
| Foreign currency translation adjustment               | 1,758,447                         | 2,190,093                                |
| Total other accumulated comprehensive income          | 1,682,640                         | 1,821,496                                |
| Minority interests                                    | 215,442                           | 169,570                                  |
| Total net assets                                      | 32,355,339                        | 31,321,451                               |
| Total liabilities and net assets                      | 77,830,780                        | 73,874,135                               |

(2) Consolidated statements of income and statements of comprehensive income  
(Consolidated first half)

(Thousand yen)

|   | H1 FY 2014<br>(From April 1, 2014<br>to September 30, 2014) | H1 FY 2015<br>(From April 1, 2015<br>to September 30, 2015) |
|---|---|---|
| Net sales   | 30,492,135  | 28,781,193  |
| Cost of sales   | 22,290,548  | 20,129,970  |
| Gross profit  | 8,201,587   | 8,651,222   |
| Selling, general and administrative expenses              | 6,414,738   | 8,551,051   |
| Operating income  | 1,786,848   | 100,170   |
| Non-operating income                                      |   |   |
| Interest income   | 3,624   | 4,644   |
| Dividends income  | 475   | —   |
| Gain on investments in partnership                        | 7,424   | 18,160  |
| Gain on forfeiture of unclaimed dividends                 | 4,297   | 3,698   |
| Foreign exchange gains                                    | —   | 315,832   |
| Proceeds from miscellaneous income                        | 14,669  | 5,873   |
| Total non-operating income                                | 30,491  | 348,209   |
| Non-operating expenses                                    |   |   |
| Interest expenses   | 17,243  | 78,462  |
| Borrowing fee   | 327   | —   |
| Foreign exchange losses                                   | 382,889   | —   |
| Miscellaneous loss  | 10,827  | 22,033  |
| Total non-operating expenses                              | 411,288   | 100,495   |
| Ordinary income   | 1,406,052   | 347,884   |
| Extraordinary income                                      |   |   |
| Gain on sales of non-current assets                       | 509   | —   |
| Gain on sales of investment securities                    | —   | 59,647  |
| Total extraordinary income                                | 509   | 59,647  |
| Extraordinary loss  |   |   |
| Loss on retirement of non-current assets                  | 3,231   | 33,294  |
| Loss on valuation of investment securities                | 17,402  | —   |
| Total extraordinary loss                                  | 20,633  | 33,294  |
| Income (loss) before income taxes                         | 1,385,927   | 374,236   |
| Income taxes  | 711,495   | 796,377   |
| Profit (loss)   | 674,432   | (422,140)   |
| (Profit attributable to)                                  |   |   |
| Profit (loss) attributable to owners of parent            | 674,432   | (367,007)   |
| Loss attributable to non-controlling interests            | —   | (55,133)  |
| Other comprehensive income                                |   |   |
| Valuation difference on available-for-sale securities     | 153,612   | (292,789)   |
| Foreign currency translation adjustment                   | 202,663   | 440,907   |
| Total other comprehensive income                          | 356,275   | 148,117   |
| Comprehensive income                                      | 1,030,708   | (274,023)   |
| Comprehensive income attributable to                      |   |   |
| Comprehensive income attributable to owners of the parent | 1,030,708   | (228,151)   |
| Comprehensive income attributable to minority interests   | —   | (45,871)  |

## (3) Consolidated statements of cash flows

(Thousand yen)

|  | H1 FY 2014<br>(From April 1, 2014<br>to September 30, 2014) | H1 FY 2015<br>(From April 1, 2015<br>to September 30, 2015) |
|--|---|---|
| Cash flows from operating activities   |   |   |
| Net income before taxes  | 1,385,927   | 374,236   |
| Depreciation   | 320,529   | 1,051,506   |
| Amortization of goodwill   | 14,410  | 1,006,435   |
| Amortization of long-term prepaid expenses                                       | 529,685   | 562,139   |
| Increase (decrease) in provision for bonuses                                     | (31,773)  | (189,036)   |
| Increase (decrease) in provision for loss on construction contracts              | (153,076)   | (259,897)   |
| Interest and dividend income   | (4,099)   | (4,644)   |
| Interest expenses  | 17,243  | 78,462  |
| Loss (gain) on sales of investment securities                                    | —   | (59,647)  |
| Loss (gain) on valuation of investment securities                                | 17,402  | —   |
| Decrease (increase) in notes and accounts receivable - trade                     | (3,220,574)   | 316,524   |
| Decrease (increase) in inventories   | 452,936   | (399,923)   |
| Increase (decrease) in notes and accounts payable - trade                        | 4,027,180   | 1,199,295   |
| Decrease (increase) in other assets  | 424,666   | 248,395   |
| Increase (decrease) in other liabilities   | (17,237)  | (3,281,262)   |
| Other  | 5,501   | 77,859  |
| Subtotal   | 3,768,724   | 720,444   |
| Interest and dividends income received   | 4,406   | 4,721   |
| Interest expenses paid   | (17,726)  | (71,116)  |
| Income taxes refund  | 285,732   | 703   |
| Income taxes paid  | (162,612)   | (494,480)   |
| Net cash provided by (used in) operating activities                              | 3,878,524   | 160,272   |
| Cash flows from investing activities   |   |   |
| Payments into time deposits  | (108,030)   | —   |
| Proceeds from withdrawal of time deposits  | —   | 36,403  |
| Purchase of property, plant and equipment  | (316,247)   | (554,417)   |
| Purchase of intangible assets  | (206,705)   | (886,228)   |
| Proceeds from sales of investment securities                                     | —   | 65,517  |
| Purchase of long-term prepaid expenses   | (708,806)   | (1,164,555)   |
| Payments of loans receivable   | (11,101)  | (14,926)  |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (106,737)   | —   |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | 86,622  | —   |
| Payments for transfer of business  | (1,039,775)   | —   |
| Other  | (286,043)   | (516,922)   |
| Net cash provided by (used in) investment activities                             | (2,696,824)   | (3,035,130)   |
| Cash flows from financing activities   |   |   |
| Net increase (decrease) in short-term loans payable                              | 4,000,000   | 200,000   |
| Proceeds from long-term loans payable  | —   | 3,000,000   |
| Repayments of long-term loans payable  | (1,416,666)   | (2,416,670)   |
| Purchase of treasury shares  | (1,262,987)   | —   |
| Cash dividends paid  | (789,688)   | (756,811)   |
| Net cash provided by (used in) financing activities                              | 530,657   | 26,518  |
| Effect of exchange rate change on cash and cash equivalents                      | 165,526   | 54,533  |
| Net increase (decrease) in cash and cash equivalents                             | 1,877,884   | (2,793,804)   |
| Cash and cash equivalents at beginning of period                                 | 10,440,669  | 13,028,308  |
| Cash and cash equivalents at end of period                                       | 12,318,553  | 10,234,503  |

(4) Notes relating to quarterly consolidated financial statements

Note on going concern assumptions

None

Notes to significant changes in shareholders' equity

None