

3. Forecast Results for Fiscal Year 2015 (April 1, 2015 to March 31, 2016)

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

	Net sales		Operating income		Ordinary income		Profit		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full Year	11,000	(0.7)	240	(85.4)	240	(85.5)	165	(85.2)	13.30

(Note) Revision of forecast results from recently announced figures: None

* Matters of Note

(1) Application of special accounting processes for the preparation of Financial Statements: Yes

(Note) For details, please refer to [Appendix] P. 3 “2. Matters Related to Summary Information (Matters of Note) (1) Application of special accounting processes for the preparation of quarterly financial statements.”

(2) Changes to accounting policies, changes to accounting estimates, and restatements:

- 1) Changes to accounting policies accompanying the revision of accounting standards, etc.: None
- 2) Changes to accounting policies other than 1) above: None
- 3) Changes to accounting estimates: None
- 4) Restatements: None

(3) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury shares)	Q2 FY 2015	12,402,252 shares	FY 2014	12,402,252 shares
2) The number of shares of treasury shares at end of period	Q2 FY 2015	1,214,503 shares	FY 2014	54 shares
3) Average number of shares of common shares during period (cumulative)	Q2 FY 2015	11,924,518 shares	Q2 FY 2014	12,402,198 shares

* Presentation regarding execution status of quarterly review procedures

These quarterly financial statements are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act. As at the time of disclosure of these quarterly financial statements, review procedures for the financial statements under the Financial Instruments and Exchange Act have not been completed.

* Explanation of appropriate use of results forecasts, other matters of note:

(Note on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. Actual results may differ significantly from these forecasts due to various factors. Please refer to [Appendix] P. 3 “1. Qualitative Information on Quarterly Financial Results (3) Explanation of future forecast information such as results forecasts.”

(Method of obtaining supplementary explanatory materials for quarterly financial results and contents of the quarterly briefing session)

Supplementary explanatory materials for quarterly financial results are provided on TDnet on the same date. The Company is planning to hold a briefing session for analysts and institutional investors on Monday, October 26, 2015. The video of the briefing session is scheduled to be posted on the Company’s website immediately after the session.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

The Company has transitioned to non-consolidated accounting from the full-year financial statements for fiscal 2014. Since quarterly non-consolidated financial statements had not been prepared for the second quarter of fiscal 2014, year-on-year comparisons with the second quarter of fiscal 2014 have not been made with regard to business results.

During the second quarter of fiscal 2015, a moderate recovery trend continued in the Japanese economy including improvements in corporate earnings and the employment situation due to the effect of various policies, along with steady personal consumption. However, the economic outlook remains uncertain, due to the rising import prices caused by yen depreciation, and the impact of the consumption tax hike.

In the pachinko and pachislot machine market, which is the primary market for the Company, we acknowledge that while sales of the few popular models from which stable operations could be expected remained strong, the condition continued to hover at low levels overall due to the harsh profit environment for amusement facilities. Additionally, in line with changes to testing procedures for pachislot machines by the Security Communications Association in September 2014, the decline in the sales of pachislot machines are a cause for concern.

Under such circumstances, the Company channeled its energies into expanding business scale in the pachinko and pachislot machine market by concentrating its efforts on promoting the sale of various products, focusing on Graphics LSI products (Note 1) for pachinko and pachislot machines, which are the Company's mainstay products (including an integrated product that fulfills multiple functions such as sound-generating and LED (Note 2) driver functions). Furthermore, the Company has been striving to expand the adoption of Graphics LSI products for customers in the embedded system market (Note 3), and also focused on sales activities for various products intended for the digital convenience radio market.

As for Graphics LSI products, which are the Company's mainstay products for pachinko and pachislot machines, due to such factors as the effect of a surge in demand before the self-imposed regulations toward "Addiction Countermeasures" formulated by an industry group for pachinko machine manufacturers (to be implemented in November 2015), sales volume amounted to approximately 760,000 units, approximately 140,000 units more year-on-year. Regarding other products targeted at the pachinko and pachislot machine market, sales of LED driver LSI products (Note 4) increased from the previous corresponding period while sales of memory-module products decreased from the previous corresponding period, reflecting trends in the demand of particular customers. As a result, net sales of LSI products for pachinko and pachislot machines amounted to 6,059 million yen. In terms of other Graphics LSI products for embedded systems, net sales were 87 million yen. As for other products, including development-support software for customers, evaluation circuit boards, and digital convenience radio products, net sales amounted to 28 million yen. As a result, for the second quarter of fiscal 2015, the Company recorded net sales of 6,175 million yen.

Gross profit and gross profit ratio came to 2,875 million yen and 46.6%, respectively. Selling, general and administrative expenses amounted to 2,103 million yen due to the recording of research and development expenses of 1,581 million yen, primarily due to factors such as the recording of prototype development expenses for next-generation Graphics LSI products and peripheral LSIs for the presentation of pachinko and pachislot machines, and Graphics LSI products for embedded systems.

Consequently, for the second quarter of fiscal 2015, the Company recorded operating income of 771 million yen, ordinary income of 750 million yen and profit of 519 million yen.

(Note 1) "Graphics LSI" refers to the Company's LSI products that enable graphics to be shown on LCDs and other display devices.

(Note 2) "LED" is an acronym for "Light Emitting Diode." It refers to semiconductor elements that emit light when electricity is applied.

(Note 3) "Embedded system market" refers to the market relating to the manufacture of embedded systems, excluding pachinko and pachislot machines. Embedded systems refer to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 4) "LED driver LSI product" refers to the Company's LSI products designed to efficiently control LED equipped in pachinko and pachislot machines.

(2) Explanation of financial position

1) Status of assets, liabilities, and net assets

Total assets as of the end of the second quarter of fiscal 2015 decreased 2,023 million yen from the end of the previous fiscal year to 12,538 million yen (down 13.9% year-on-year). This was due mainly to factors such as the increase of 156 million yen in cash and deposits, and the increase of 696 million yen in merchandise and finished goods, offset by the decrease of 2,999 million yen in securities.

Total liabilities as of the end of the second quarter of fiscal 2015 decreased 181 million yen from the end of the previous fiscal year to 824 million yen (down 18.0% year-on-year). This was due mainly to factors such as the increase of 91 million yen in accounts payable-trade, and the increase of 103 million yen in income taxes payable, offset by the decrease of 399 million yen in other current liabilities.

Total net assets as of the end of the second quarter of fiscal 2015 decreased 1,842 million yen from the end of the previous fiscal year to 11,714 million yen (down 13.6% year-on-year). This was due mainly to factors such as the increase of 2,000 million yen in treasury shares.

2) Status of cash flows

Cash and cash equivalents (hereinafter “funds”) as of the end of the second quarter of fiscal 2015 amounted to 8,657 million yen. The status of cash flows and their contributing factors were as follows.

(Cash flows from operating activities)

Funds used in operating activities for the second quarter of fiscal 2015 amounted to 338 million yen. This was mainly attributable to factors such as the increase in inventories (696 million yen), the decrease in other current liabilities (240 million yen), and income taxes paid (129 million yen) while income before income taxes for the second quarter of fiscal 2015 (750 million yen) was recorded.

(Cash flows from investing activities)

Funds used in investing activities for the second quarter of fiscal 2015 amounted to 131 million yen. This was mainly attributable to the purchase of property, plant and equipment (74 million yen).

(Cash flows from financing activities)

Funds used in financing activities for the second quarter of fiscal 2015 amounted to 2,372 million yen. This was mainly attributable to the purchase of treasury shares (2,000 million yen) and cash dividends paid (371 million yen).

(3) Explanation of future forecast information such as results forecasts

Full-year forecast results for fiscal 2015 are as stated in the “Summary of Financial Statements for the Year Ended March 31, 2015” disclosed on April 24, 2015.

Results for the second quarter of fiscal 2015 compared to the full-year forecast results indicate progress as follows: net sales 56.1%, operating income 321.6%, ordinary income 312.6%, and profit of 314.9%. Thus, all profit types from operating income onwards marked progress exceeding the full-year forecast results. However, as market trends in the second half of fiscal 2015 remain unclear, and active investment in research and development is expected in the second half, the Company has not made any revisions to the forecast results at the time of this announcement.

2. Matters Related to Summary Information (Matters of Note)

(1) Application of special accounting processes for the preparation of quarterly financial statements

Tax expenses have been calculated by multiplying income before income taxes by an effective tax rate reasonably estimated after the application of tax effect accounting to income before income taxes for the fiscal year including the second quarter of fiscal 2015.

3. Quarterly Financial Statements**(1) Quarterly Balance Sheets**

(In millions of yen)

	FY 2014 (As of March 31, 2015)	Q2 FY 2015 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	8,500	8,657
Accounts receivable - trade	550	521
Securities	2,999	—
Merchandise and finished goods	1,483	2,179
Raw materials and supplies	0	0
Other	153	260
Total current assets	13,689	11,620
Non-current assets		
Property, plant and equipment	297	302
Intangible assets	38	35
Investments and other assets	536	581
Total non-current assets	872	918
Total assets	14,562	12,538
Liabilities		
Current liabilities		
Accounts payable - trade	170	262
Income taxes payable	137	240
Other	662	262
Total current liabilities	969	765
Non-current liabilities		
Asset retirement obligations	33	33
Other	1	25
Total non-current liabilities	35	58
Total liabilities	1,005	824
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	11,650	11,798
Treasury shares	(0)	(2,000)
Total shareholders' equity	13,531	11,678
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	25	35
Total valuation and translation adjustments	25	35
Total net assets	13,556	11,714
Total liabilities and net assets	14,562	12,538

(2) Quarterly Statements of Income

(Second quarter)

(In millions of yen)

	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)
Net sales	6,175
Cost of sales	3,300
Gross profit	2,875
Selling, general and administrative expenses	2,103
Operating income	771
Non-operating income	
Interest income	0
Dividend income	1
Other	0
Total non-operating income	2
Non-operating expenses	
Commission for purchase of treasury shares	10
Loss on investments in partnership	7
Other	5
Total non-operating expenses	23
Ordinary income	750
Income before income taxes	750
Income taxes	230
Profit	519

(3) Quarterly Statements of Cash Flows

(In millions of yen)

	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities	
Income before income taxes	750
Depreciation	68
Interest and dividend income	(1)
Loss (gain) on investments in partnership	7
Decrease (increase) in notes and accounts receivable - trade	29
Decrease (increase) in inventories	(696)
Decrease (increase) in other current assets	(107)
Increase (decrease) in notes and accounts payable - trade	91
Increase (decrease) in other current liabilities	(240)
Other, net	(113)
Subtotal	(210)
Interest and dividend income received	1
Income taxes paid	(129)
Net cash provided by (used in) operating activities	(338)
Cash flows from investing activities	
Purchase of property, plant and equipment	(74)
Purchase of intangible assets	(8)
Other, net	(48)
Net cash provided by (used in) investing activities	(131)
Cash flows from financing activities	
Purchase of treasury shares	(2,000)
Repayments of lease obligations	(0)
Cash dividends paid	(371)
Net cash provided by (used in) financing activities	(2,372)
Net increase (decrease) in cash and cash equivalents	(2,843)
Cash and cash equivalents at beginning of period	11,500
Cash and cash equivalents at end of period	8,657

(4) Notes to Quarterly Financial Statements

(Notes regarding going concern assumption)

N/A

(Notes in cases where there are significant changes in amount of shareholders' equity)

N/A

(Major subsequent events)

Cancellation of treasury shares

At the Board of Directors Meeting held on October 15, 2015, the Company resolved to cancel its treasury shares pursuant to provisions of Article 178 of the Companies Act.

- (1) Type of shares to be canceled: Common shares of the Company
- (2) Number of shares to be canceled: 1,214,503 shares (ratio to the total number of issued shares prior to the cancellation: 9.79%)
- (3) Scheduled date of cancellation: November 2, 2015
- (4) Total number of issued shares after the cancellation: 11,187,749 shares

4. Supplementary Information**(1) Production, order and sales status**

As quarterly financial statements were not prepared for the second quarter of fiscal 2014, comparisons with the second quarter of fiscal 2014 are not stated.

1) Production

Production results for the second quarter of FY 2015 are as follows:

(In millions of yen)

Classification	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)		Change (%)
LSI products for pachinko and pachislot machines		7,193	—
LSI products for embedded systems		55	—
Other		22	—
Total		7,272	—

- (Notes) 1. Amounts are according to sales price.
2. Above figures are stated net of consumption taxes.

2) Orders

Orders for the second quarter of FY 2015 are as follows:

(In millions of yen)

Classification	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)			
	Orders received	Change (%)	Outstanding orders	Change (%)
LSI products for pachinko and pachislot machines	4,332	—	2,502	—
LSI products for embedded systems	107	—	55	—
Other	38	—	11	—
Total	4,478	—	2,569	—

- (Notes) 1. Amounts are according to sales price.
2. Above figures are stated net of consumption taxes.

3) Sales

Sales during the second quarter of FY 2015 are as follows:

(In millions of yen)

Classification	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)		Change (%)
LSI products for pachinko and pachislot machines		6,059	—
LSI products for embedded systems		87	—
Other		28	—
Total		6,175	—

- (Notes) 1. Above figures are stated net of consumption taxes.
2. Sales to the Company's main sales agent and the proportion of such sales to total sales in the second quarter of fiscal 2015 are as follows:

(In millions of yen)

Sales agent	Q2 FY 2015 (From April 1, 2015 to September 30, 2015)	
	Amount	Percentage (%)
Midoriya Electric Co., Ltd.	4,454	72.1

(Note) Above figures are stated net of consumption taxes.

(2) Recent trends in quarterly business results**Year ending March 31, 2016**

(In millions of yen)

	Q1 FY 2015 From April 2015 to June 2015	Q2 FY 2015 From July 2015 to September 2015	Q3 FY 2015 From October 2015 to December 2015	Q4 FY 2015 From January 2016 to March 2016
Net sales	2,831	3,343	—	—
Gross profit	1,371	1,504	—	—
Operating income	589	182	—	—
Ordinary income	581	169	—	—
Income before income taxes	581	169	—	—
Profit	402	116	—	—
Profit per share	32.84 yen	10.08 yen	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	14,829	12,538	—	—
Net assets	12,859	11,714	—	—
Net assets per share	1,076.49 yen	1,047.09 yen	—	—

(Reference)

From the first quarter to the third quarter of FY 2014, consolidated quarterly financial statements had been prepared. Therefore, consolidated information is stated for recent trends in quarterly business results for the same period.

Year ended March 31, 2015 (consolidated)

(In millions of yen)

	Q1 FY 2014 From April 2014 to June 2014	Q2 FY 2014 From July 2014 to September 2014	Q3 FY 2014 From October 2014 to December 2014
Net sales	3,326	2,610	3,380
Gross profit	1,569	894	1,491
Operating income	888	208	770
Ordinary income	890	212	773
Income before income taxes and minority interests	890	212	771
Net income	634	147	552
Comprehensive income	637	132	549
Net income per share	51.13 yen	11.86 yen	44.54 yen
	As of end of Q1	As of end of Q2	As of end of Q3
Total assets	14,013	14,470	14,875
Net assets	13,242	13,374	13,614
Net assets per share	1,067.72 yen	1,078.43 yen	1,097.72 yen