



Summary of Financial Statements (Non-consolidated) for the First Quarter Ended June 30, 2016 (Japanese GAAP)

July 25, 2016

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Scheduled date of dividend payment: —
Availability of supplementary explanatory materials prepared for quarterly financial results: Available
Briefing session on quarterly financial results to be held: None

(Figures are rounded down to the nearest million yen.)

1. Business Results for the First Quarter of Fiscal Year 2016 (April 1, 2016 to June 30, 2016)

(1) Operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Profit	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Q1 FY 2016	1,696	(40.1)	(33)	—	(25)	—	(18)	—
Q1 FY 2015	2,831	—	589	—	581	—	402	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q1 FY 2016	(1.64)	—
Q1 FY 2015	32.84	—

(Note) As quarterly financial statements were not prepared for Q1 FY 2014, rates of year-on-year increase (decrease) for Q1 FY 2015 are not stated.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q1 FY 2016	11,975	11,193	93.5	1,000.53
FY 2015	12,156	11,256	92.6	1,006.14

(Reference) Equity capital

Q1 FY 2016: 11,193 million yen

FY 2015: 11,256 million yen

2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2015	—	5.00	—	5.00	10.00
FY 2016	—				
FY 2016 (Projection)		0.00	—	10.00	10.00

(Note) Revision of dividend projection from recently announced figures: None

3. Forecast Results for Fiscal Year 2016 (April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
1st Half	3,400	(44.9)	(450)	—	(450)	—	(450)	—	(40.22)
Full Year	10,000	11.3	300	22.8	300	36.0	200	75.6	17.87

(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 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.: Yes
- 2) Changes to accounting policies other than 1) above: None
- 3) Changes to accounting estimates: None
- 4) Restatements: None

(Note) For details, please refer to [Appendix] P. 3 “2. Matters Related to Summary Information (Matters of Note) (2) Changes to accounting policies, changes to accounting estimates, and restatements.”

(3) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury stock)	Q1 FY 2016	11,187,749 shares	FY 2015	11,187,749 shares
2) The number of shares of treasury stock at end of period	Q1 FY 2016	0 shares	FY 2015	0 shares
3) Average number of shares of common shares during period (cumulative)	Q1 FY 2016	11,187,749 shares	Q1 FY 2015	12,261,591 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. For assumed conditions of the earnings forecasts and precautions, etc. in using the earnings forecasts, 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 of briefing session on quarterly financial results)

Supplementary explanatory materials on quarterly financial results are provided on TDnet on the same date.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

During the first quarter of fiscal 2016, a moderate recovery trend continued in the Japanese economy including improvements in the employment and income conditions, along with steady personal consumption. However, in addition to higher uncertainty in overseas economies including emerging markets, the UK exit from the EU caused further issue, and combined with factors such as concerns over a decline in corporate earnings due to the rapid yen appreciation, a sense of uncertainty heightened over the future economic prospects.

In the pachinko and pachislot machine market, which is the primary market for the Company faced a challenging environment, due to the effect of self-imposed regulations implemented in November and December 2015 combined with the effect of restraint on new machine installation posed in tandem with the Ise-Shima Summit (held in May 2016).

Under such circumstances, the Company channeled its energies into promoting the sale of various products targeted at the pachinko and pachislot machine market, and also focused on sales activities for Graphics LSI products (Note 2) for customers in the embedded system market (Note 1) and software IP products such as the H2MD software movie codec that allows for playback in PC and smartphone browsers.

As for various LSI products targeted at the pachinko and pachislot machine market, factors such as a decline in the market environment played a role, resulting in net sales decreasing 1,112 million yen from the previous corresponding period to 1,655 million yen (down 40.2% year-on-year). While our mainstay Graphics LSI products targeted at the pachinko and pachislot machine market made smooth progress transitioning from traditional AG4 products to new AG5 products, sales were approximately 220,000 units, approximately 160,000 units less year-on-year. Sales of other products targeted at the said market (LED driver LSI products (Note 3) and memory-module products, etc.) also decreased from the previous corresponding period. Additionally, of this 1,112 million yen decrease from the previous corresponding period, approximately 85% is due to a decrease in Graphics LSI product sales.

In terms of Graphics LSI products targeted at the embedded system market, net sales decreased 17 million yen from the previous corresponding period (down 36.9% year-on-year) to 29 million yen due to trends in demand of manufacturers which adopt the Company's products. As for other products, including development-support software for customers, evaluation circuit boards, and software IP products such as "H2MD", net sales decreased 5 million yen from the previous corresponding period (down 31.9% year-on-year) to 11 million yen. As a result, for the cumulative first quarter of fiscal 2016, the Company recorded net sales of 1,696 million yen, decreasing 1,135 million yen from the previous corresponding period (down 40.1% year-on-year).

Along with a decrease in net sales, gross profit decreased 556 million yen from the previous corresponding period (down 40.6% year-on-year) to 814 million yen, and gross profit ratio was 48.0%, on par with levels seen during the previous corresponding period. Selling, general and administrative expenses increased 66 million yen from the previous corresponding period (up 8.5% year-on-year) to 848 million yen resulting from continued active investment in research and development activities aimed at future growth. Of selling, general and administrative expenses, research and development expenses increased 77 million yen from the previous corresponding period (up 15.5% year-on-year) to 576 million yen.

Consequently, for the first quarter of fiscal 2016, the Company recorded operating loss of 33 million yen (operating income of 589 million yen for the previous corresponding period) and ordinary loss of 25 million yen (ordinary income of 581 million yen for the previous corresponding period) and loss of 18 million yen (profit of 402 million yen for the previous corresponding period).

(Note 1) "Embedded system market" refers to the market relating to the manufacture of embedded systems, excluding pachinko and pachislot machines. Embedded systems refer to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 2) "Graphics LSI" refers to the Company's LSI products that enable graphics to be shown on LCDs and other display devices.

(Note 3) "LED" is an acronym for "Light Emitting Diode." It refers to semiconductor elements that emit light when electricity is applied. "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

Total assets as of the end of the first quarter of fiscal 2016 decreased 181 million yen from the end of the previous fiscal year to 11,975 million yen (down 1.5% from the end of the previous fiscal year). This was due mainly to factors such as the decrease of 750 million yen in cash and deposits and the decrease of 283 million yen in merchandise and finished goods, offset by the increase of 776 million yen in accounts receivable-trade.

Total liabilities as of the end of the first quarter of fiscal 2016 decreased 118 million yen from the end of the previous fiscal year to 781 million yen (down 13.2% from the end of the previous fiscal year). This was due mainly to factors such as the increase of 153 million yen in other current liabilities, despite the decrease of 255 million yen in accounts payable-trade.

Total net assets as of the end of the first quarter of fiscal 2016 decreased 62 million yen from the end of the previous fiscal year to 11,193 million yen (down 0.6% from the end of the previous fiscal year). This was due mainly to factors such as the decrease of 74 million yen in retained earnings.

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

Forecast results for fiscal 2016 are as stated in the “Summary of Financial Statements for the Year Ended March 31, 2016” disclosed on April 25, 2016. Additionally, results for the first quarter of fiscal 2016 were generally in line with initial plans, and the Company does not revise the forecast results at this point.

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

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

(Calculation of tax expenses)

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 first quarter of fiscal 2016.

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

Changes to accounting policies

(Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In line with revisions to the Corporation Tax Act, the “Practical Solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force (“PITF”) No. 32, June 17, 2016) has been applied from the first quarter of fiscal 2016, and the method of depreciation for facilities attached to buildings acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of the above on profit or loss is insignificant.

(3) Additional information

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

“Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (“ASBJ”) Implementation Guidance No. 26, March 28, 2016) has been applied from the first quarter of fiscal 2016.

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

	(In millions of yen)	
	FY 2015 (As of March 31, 2016)	Q1 FY 2016 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	8,063	7,312
Accounts receivable-trade	465	1,241
Merchandise and finished goods	2,000	1,716
Raw materials and supplies	0	1
Other	531	455
Total current assets	11,061	10,727
Non-current assets		
Property, plant and equipment	336	414
Intangible assets	31	37
Investments and other assets	726	795
Total non-current assets	1,095	1,247
Total assets	12,156	11,975
Liabilities		
Current liabilities		
Accounts payable-trade	681	426
Income taxes payable	—	5
Other	161	315
Total current liabilities	843	747
Non-current liabilities		
Asset retirement obligations	34	34
Other	22	—
Total non-current liabilities	56	34
Total liabilities	900	781
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	9,336	9,262
Total shareholders' equity	11,217	11,142
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	39	51
Total valuation and translation adjustments	39	51
Total net assets	11,256	11,193
Total liabilities and net assets	12,156	11,975

(2) Quarterly Statements of Income

(First quarter)

	(In millions of yen)	
	Q1 FY 2015 (From April 1, 2015 to June 30, 2015)	Q1 FY 2016 (From April 1, 2016 to June 30, 2016)
Net sales	2,831	1,696
Cost of sales	1,460	881
Gross profit	1,371	814
Selling, general and administrative expenses	781	848
Operating income (loss)	589	(33)
Non-operating income		
Dividend income	1	2
Foreign exchange gains	—	4
Other	0	1
Total non-operating income	2	8
Non-operating expenses		
Loss on retirement of non-current assets	3	0
Other	7	—
Total non-operating expenses	10	0
Ordinary income (loss)	581	(25)
Profit (loss) before income taxes	581	(25)
Income taxes	178	(6)
Profit (loss)	402	(18)

(3) 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

4. Supplementary Information

(1) Production, orders and sales status

1) Production

Production results for the first quarter of FY 2016 are as follows:

(In millions of yen)

Classification	Q1 FY 2016 (From April 1, 2016 to June 30, 2016)	Change (%)
LSI products for pachinko and pachislot machines	1,087	(64.7)
LSI products for embedded systems	15	23.9
Other	13	(1.8)
Total	1,117	(64.1)

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

2) Orders

Orders for the first quarter of FY 2016 are as follows:

(In millions of yen)

Classification	Q1 FY 2016 (From April 1, 2016 to June 30, 2016)			
	Orders received	Change (%)	Outstanding orders	Change (%)
LSI products for pachinko and pachislot machines	2,091	(31.8)	2,304	(49.1)
LSI products for embedded systems	37	(42.7)	35	(34.7)
Other	11	(28.2)	0	57.7
Total	2,141	(32.0)	2,341	(48.9)

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

3) Sales

Sales during the first quarter of FY 2016 are as follows:

(In millions of yen)

Classification	Q1 FY 2016 (From April 1, 2016 to June 30, 2016)	Change (%)
LSI products for pachinko and pachislot machines	1,655	(40.2)
LSI products for embedded systems	29	(36.9)
Other	11	(31.9)
Total	1,696	(40.1)

- (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 over the past two fiscal years are as follows:

(In millions of yen)

Sales agent	Q1 FY 2015 (From April 1, 2015 to June 30, 2015)		Q1 FY 2016 (From April 1, 2016 to June 30, 2016)	
	Amount	Percentage (%)	Amount	Percentage (%)
Midoriya Electric Co., Ltd.	1,934	68.3	1,524	89.9

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

(2) Recent trends in quarterly business results**Year ending March 31, 2017**

(Unit: millions of yen)

	Q1 FY 2016 From April 2016 to June 2016	Q2 FY 2016 From July 2016 to September 2016	Q3 FY 2016 From October 2016 to December 2016	Q4 FY 2016 From January 2017 to March 2017
Net sales	1,696	—	—	—
Gross profit	814	—	—	—
Operating income (loss)	(33)	—	—	—
Ordinary income (loss)	(25)	—	—	—
Profit (loss) before income taxes	(25)	—	—	—
Profit (loss)	(18)	—	—	—
Profit (loss) per share	(1.64) yen	—	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	11,975	—	—	—
Net assets	11,193	—	—	—
Net assets per share	1,000.53 yen	—	—	—

Year ended March 31, 2016

(Unit: 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	1,543	1,263
Gross profit	1,371	1,504	683	542
Operating income (loss)	589	182	(160)	(366)
Ordinary income (loss)	581	169	(158)	(370)
Profit (loss) before income taxes	581	169	(158)	(412)
Profit (loss)	402	116	(110)	(295)
Profit (loss) per share	32.84 yen	10.08 yen	(9.87) yen	(26.37) 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	11,999	12,156
Net assets	12,859	11,714	11,558	11,256
Net assets per share	1,076.49 yen	1,047.09 yen	1,033.12 yen	1,006.14 yen