

Summary of Non-consolidated Financial Statements for the Year Ended March 31, 2010

April 26, 2010

Name of listed company:	Axell Corporation	Stock Exchange: Tokyo
Code #: 6730		URL: http://www.axell.co.jp/
Representative (Post):	Yuzuru Sasaki (President)	
Inquiries (Post):	Nobuhiro Sendai (Director)	Phone: (03) 5298-1670
Scheduled date of shareholders' meeting:	June 20, 2010	
Scheduled date of release of Securities Report:	June 21, 2010	
Scheduled date of dividend payment:	June 21, 2010	

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

1. Business Results for Fiscal Year 2009 (April 1, 2009 to March 31, 2010)

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

	Net sales		Operating income		Ordinary income		Net income	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
FY 2009	15,495	0.5	6,211	1.0	6,224	0.9	3,840	1.1
FY 2008	15,417	11.8	6,147	3.0	6,168	2.8	3,800	4.7

	Basic net income per share	Diluted net income per share	Net income / Shareholders' equity	Ordinary income / Total assets	Operating Income / Net sales
	Yen	Yen	%	%	%
FY 2009	309.72	309.69	30.4	41.8	40.1
FY 2008	30,387.47	30,326.41	33.8	44.1	39.9

(Reference) Equity in earnings (losses) of non-consolidated subsidiaries and affiliates: --- million yen (FY 2009); --- million yen (FY 2008)

Net income per share for FY 2009 takes into account the stock split executed effective July 1, 2009. For details, please refer to (Reference) *Retroactive adjustments associated with stock split* on page 3.

(2) Financial Position

	Total assets	Net assets	Shareholders' equity / Total assets	Net assets per share
	millions of yen	millions of yen	%	Yen
FY 2009	15,850	13,562	85.6	1,093.51
FY 2008	13,960	11,734	84.1	94,663.15

(Reference) Equity capital 13,562 million yen (FY 2009); 11,734 million yen (FY 2008)

Net assets per share for FY 2009 takes into account the stock split executed effective July 1, 2009. For details, please refer to (Reference) *Retroactive adjustments associated with stock split* on page 3.

(3) Status of Cash Flows

	Operating cash flow	Investment cash flow	Financing cash flow	Cash and cash equivalent at end of year
	millions of yen	millions of yen	millions of yen	millions of yen
FY 2009	3,825	(276)	(2,036)	13,309
FY 2008	4,168	(306)	(2,791)	11,796

2. Dividend payments

	Dividend per share					Total dividend cost (Annual)	Dividend payout ratio	Dividend/Net assets
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	millions of yen	%	%
FY 2008	—	7,500.00	—	8,500.00	16,000.00	1,996	52.7	17.7
FY 2009	—	80.00	—	90.00	170.00	2,108	54.9	16.7
FY2010 (Projection)	—	80.00	—	80.00	160.00		68.6	

(Note) Year-end dividend for FY 2008 consists of 7,500 yen of ordinary dividend and 1,000 yen of commemorative dividend.

Year-end dividend for FY 2009 consists of 80 yen of ordinary dividend and 10 yen of commemorative dividend.

The amount of dividend per share for FY 2009 takes into account the stock split executed effective July 1, 2009. For details, please refer to (Reference) *Retroactive adjustments associated with stock split* on page 3.

3. Forecast Results for FY 2010 (April 1, 2010 to March 31, 2011)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
1st Half	6,000	(22.6)	1,550	(52.3)	1,555	(52.3)	980	(51.2)	77.96
Full Year	15,000	(3.2)	4,740	(23.7)	4,750	(23.7)	2,930	(23.7)	233.09

4. Others

(1) Changes to significant accounting policies

- 1) Changes accompanying the revision of accounting standards, etc.: None
- 2) Changes other than 1) above: None

(2) Number of shares issued (common shares)

- 1) The number of shares issued at end of year (including treasury stock)
12,570,000 shares (FY 2009); 125,700 shares (FY 2008)
- 2) The number of shares of treasury stock at end of year
167,748 shares (FY 2009); 1,740 shares (FY 2008)

(Note) The number of shares issued at end of year and the number of shares of treasury stock at end of year for FY 2009 takes into account the stock split executed effective July 1, 2009. For details, please refer to *(Reference) Retroactive Adjustments associated with Stock Split* on page 3.

For the number of shares used as the basis for the calculation of net income per share, please refer to *Per Share Information* on page 37.

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

1. The above forecasts are based on information available as at the date of publication of this document and contain a number of uncertainties. Actual results may differ significantly from these forecasts due to a wide range of factors.
For matters regarding the above forecasts, please refer to page 4 of the Attached Materials.
2. Effective July 1, 2009, the Company split one common stock into 100 shares and adopted a unit stock system in which one hundred (100) shares constitute one unit of stock.

(Reference) Retroactive adjustments associated with stock split

Effective July 1, 2009, the Company split one common stock into 100 shares and adopted a unit stock system in which one hundred (100) shares constitute one unit of stock pursuant to the resolution at the meeting of the Board of Directors convened on May 19, 2009 and the approval of the amendment to the Articles of Incorporation at the 14th ordinary general meeting of shareholders held on June 21, 2009. Per share information and dividend per share hypothetically assuming that the stock split had been executed on the first day of the previous fiscal year are as follows.

	Basic net income per share	Diluted net income per share	Net assets per share
FY 2008	303.87	303.26	946.63

(Record date)	Dividend per share		
	2Q-end	Year-end	Annual
FY 2008	Yen 75.00	Yen 85.00	Yen 160.00

1. Business Results

(1) Analysis of business results

1) Business results for fiscal year 2009

During fiscal 2009, the Japanese economy experienced gradual recovery coupled with the economic recovery of other countries, especially in Asia. According to our analysis, however, the circumstances had been tough amid the deflationary trend and the slow pace of improvements in employment conditions in the domestic economy.

Our analysis of the electrical machinery industry, to which the Company belongs, shows that the circumstances had also been tough for the industry as a whole, as the effective income of employed persons remained at low levels, despite the signs of recovery in consumer spending, especially driven by the demand for eco cars.

The amusement device market (Note 1), the primary market for the Company's business, performed relatively solidly even after the worldwide recession stemming from the global financial turmoil that triggered the slowdown of the Japanese economy. However, manufacturing trends of amusement devices on the whole stagnated into the end of the fiscal year, due to such factors as the continued sluggishness of the pachislot machines market and the pronounced tendency among customers to be discerning upon introducing pachinko machines, in addition to the impact of the ongoing harsh conditions in the domestic economy, which has started to become evident.

Under such circumstances, the Company concentrated its efforts on promoting the sale of various products, focusing on "AG301", a high-resolution graphics LSI product (Note 2) for larger LCDs installed in amusement devices (primarily pachinko machines), followed by "AG333", a strategic product with integrated graphics-rendering, sound-generating and LED (Note 3) driver functions for which mass production was launched in fiscal 2009, as well as sound LSI products (Note 4), LED driver LSI products and memory-module (Note 5) products. During fiscal 2009, the Company posted record-high annual sales volume for its graphics LSI products, totaling more than 2.6 million units, driven by such factors as the launch of mass production of "AG333", a product with integrated functions, and the increase in demand for "AG-2" series in pachislot machines, in addition to the solid demand trend for "AG301". On the other hand, the sales volume of sound LSI products targeted at the amusement device market has been falling, due to the commencement of sale of products with integrated functions and the impact of customers' demand trends. The sales volume of LED driver LSI products targeted at the amusement device market was more or less at the same level as in the previous fiscal year, but the sales volume of memory-module products struggled at approx. 70% of the level in the previous fiscal year due to the impact of customers' demand trends.

Other than the amusement device market, the embedded system market (Note 6) started the fiscal year under tough conditions due to such factors as the stagnation of capital investments since the worldwide recession. According to our analysis, however, the market has been recovering gradually since the second half of fiscal 2009, due in part to the completion of the inventory adjustment cycle for various embedded systems, especially industrial equipment. During fiscal 2009, the Company completed "AG10", a graphics LSI product supporting various devices based on the configuration of personal computers (hereinafter referred to as "PCs") targeted at the embedded system market, and focused its efforts in sales activities for "AG10", together with its existing "AG-9" series. Despite such efforts, the volume of products sold decreased approx. 27% year-on-year to just under 50,000 units, especially due to the huge impact of the stagnant demand up until the first half of the fiscal year.

As a result, for fiscal 2009, the Company recorded net sales of 15,495 million yen, up 0.5 % year-on-year, primarily due to the increase in the sales volume of its mainstay graphics LSI products.

The gross margin ratio decreased by 0.9 percentage points compared to the previous fiscal year, due to such factors as the increase in purchasing costs stemming from the launch of mass production and sale of "AG333", an LSI product designed based on cutting-edge processes, and the strategic pricing aimed at expanding future sales of LED driver LSI products.

Selling, general and administrative expenses on the whole decreased 5.1% year-on-year, while R&D expenditures decreased 7.1% year-on-year due in part to the change in the timing of accounting for prototype

development expenses for various LSI products. Consequently, for fiscal 2009, the Company posted operating income of 6,211 million yen (up 1.0% year-on-year), ordinary income of 6,224 million yen (up 0.9% year-on-year), and net income of 3,840 million yen (up 1.1% year-on-year).

- (Note 1) The term “amusement device market” refers to the market relating to the manufacture of pachinko and pachislot machines, etc.
- (Note 2) “Graphics LSI” refers to LSIs 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.
- (Note 4) “Sound LSI” refers to LSIs designed to reproduce digital sound data.
- (Note 5) “Memory-module” refers to the portion of the graphics-rendering circuit board of amusement devices that stores visual data.
- (Note 6) “Embedded system market” refers to “the market relating to the manufacture of embedded systems as broadly defined, excluding amusement devices.”

2) Forecast for fiscal year 2010

As to the outlook for the Japanese economy in fiscal 2010, developments are expected to be patchy in that domestic corporate earnings are likely to improve on the back of improvements in overseas economic trends especially in Asia and other such factors, while there are concerns over downside risks to the economy due to the impact of deflation and the continuation of tough employment conditions.

In the electrical machinery industry, to which the Company belongs, uncertainty is likely to prevail, notwithstanding the uptrend in consumer spending, given that it is expected to take more time for the domestic economy to recover as a whole, according to our analysis.

Meanwhile, in the amusement device market, which is positioned as the main market for the Company’s business, conditions might become harsh especially in the first half of the fiscal year according to our analysis, due to such concerns as: (i) pronounced tendency among customers to be discerning upon introducing pachinko machines (concentration of demand on specific amusement devices) as well as stockpiling of various components (LSI products), etc. already delivered to customers; (ii) continuing low demand for pachislot machines, which decreased as a result of the revision of amusement device regulations in previous years; and (iii) the impact of the commencement of a new implementation scheme for the distribution of second-hand amusement devices scheduled in June 2010 on the demand for new units. In consideration of such market environment, the Company predicts that its annual production of amusement devices for fiscal 2010 might be around 3.8 million units, a decrease of 200,000 from the previous fiscal year.

Based on the above analysis, the Company will strive to promote the sale of high-resolution graphics LSI products, including products with integrated functions targeted at the amusement devices market. It will also focus its efforts on sales activities to sell about 2.45 million units of graphics LSI products as a whole (actual sales in fiscal 2009: 2.62 million units) by releasing next-generation mainstay LSI products as soon as possible. For other products targeted at the amusement devices market, sales volume is expected to decrease on the whole due to the anticipated impact of customers’ plans to adopt products with integrated functions, customers’ demand trends and other such factors. In particular, the Company will engage in sales activities to increase the number of companies adopting LED driver LSI products in the future.

Other than the amusement device market, the embedded system market is expected to continue undergoing phased recovery following the completion of the inventory adjustment cycle in the second half of last year. The Company plans to sell around 80,000 units per year, which is more than roughly 30,000 units sold in fiscal 2009.

The Company plans to disburse record-high selling, general and administrative expenses in the amount of 3,240 million yen (up 21.7% year-on-year). The increase in selling, general and administrative expenses in fiscal 2010 is primarily attributable to the accounting of R&D expenditures for “AG4” (next-generation product targeted at the amusement device market) and “AG11” (next-generation graphics LSI product for embedded systems).

Based on the foregoing analysis, the Company's forecasts for fiscal 2010 are: net sales of 15,000 million yen (down 3.2% year-on-year), operating income of 4,740 million yen (down 23.7% year-on-year), ordinary income of 4,750 million yen (down 23.7% year-on-year), and net income of 2,930 million yen (down 23.7% year-on-year).

Of note, the Company is currently being sued by Yamaha Corporation for compensatory damages, etc. for alleged patent infringement (Note 1).

While some matters remain unclear at this point in time, the Company believes there is no such fact of patent infringement and there will be no impact of the lawsuit on fiscal 2010.

(Note 1) For information on the lawsuit filed by Yamaha Corporation against the Company, please refer to "4. Financial Statements, Notes (Major subsequent events)".

(Note 2) All forward-looking statements contained herein are based on information available as of the date of publication of this document and subject to a number of risk factors and uncertainties as described herein. Please be aware that actual results may differ significantly from these forecasts due to a wide range of factors.

3) Achievement status of targeted management indicators

The Company has set its management benchmarks of achieving an increase in revenue on the scale of 1 billion yen per year and the promotion of business activities that will enable the attainment of 30% or more in the ratio of ordinary income to net sales on an ongoing basis.

In terms of achieving an increase in revenue of 1 billion yen per year, instead of aiming for this target on a yearly basis, the Company intends to achieve this increase based on the average net sales taken from a number of consecutive years.

The following table represents the Company's growth since fiscal year 2005.

	(Unit: million yen)				
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Net sales	7,611	7,911	13,794	15,417	15,495
Amount of year-on-year increase	265	300	5,882	1,623	77

The total of amount of increase in net sales from the previous fiscal year for the past five years is, as the table indicates, 8,000 million yen. Net sales for fiscal 2009 increased by more than 77 million yen compared to the previous year for reasons mentioned in "1. Business Results (1) Analysis of Business Results 1) Business results for fiscal year 2009" above.

As for the promotion of business activities that will enable the attainment of 30% or more in the ratio of ordinary income to net sales, the Company intends to attain this goal each fiscal year. The Company bases its management on the fundamental policy of building a sound profit structure through an efficiency-oriented organization and the continuous expansion of operations. And the Company believes that its commitment to this fundamental policy has resulted in the current ordinary income ratio.

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Ratio of ordinary income to net sales	49.6%	49.8%	43.5%	40.0%	40.2%

This management indicator of achieving 30% or more in ordinary income ratio also serves as a major indicator when selecting the appropriate markets for the Company's new product development. On the other hand, there may be cases in which the Company will be required to determine the future potential of the new business, establish a competitive edge against rival companies, etc., giving rise to the possibility of the ordinary income ratio temporarily falling below 30%. The Company has continually upheld this management indicator in order to become a highly profitable LSI manufacturer that attains stable growth and is structurally resilient to changes in its surrounding business environment.

(2) Analysis of financial position**1) Status of assets, liabilities and net assets**

Total assets as of the end of fiscal 2009 stood at 15,850 million yen, up 1,890 million yen (13.5%) compared to the end of the previous fiscal year. The difference mainly consists of the increase in cash and deposits (1,511 million yen), the increase in accounts receivable-trade (656 million yen) and the decrease in finished goods (137 million yen).

Total liabilities as of the end of fiscal 2009 stood at 2,288 million yen, up 62 million yen (2.8%) compared to the end of the previous fiscal year. The difference mainly consists of the increase in accounts payable-trade (464 million yen) and the decrease in accounts payable-other (452 million yen).

Net assets as of the end of fiscal 2009 stood at 13,562 million yen, up 1,827 million yen (15.6%) compared to the end of the previous fiscal year. The difference mainly consists of the increase in general reserve (1,500 million yen) and the increase in retained earnings brought forward thanks to business activities in fiscal 2009 (279 million yen).

2) Status of cash flows

Cash and cash equivalents (hereinafter, "Funds") as of the end of fiscal 2009 stood at 13,309 million yen, up 1,512 million yen compared to the end of the previous fiscal year with the slight increase in income before income taxes to 6,224 million yen (up 0.9% year-on-year) more than offsetting the increase in notes and accounts receivable-trade, the increase in notes and accounts payable-trade, payment of income taxes, payment of cash dividends, etc.

(Cash flows from operating activities)

Funds provided by operating activities as of the end of fiscal 2009 amounted to 3,825 million yen.

This was mainly attributable to the increase in notes and accounts receivable-trade (656 million yen), the increase in notes and accounts payable-trade (464 million yen) and the payment of income taxes (2,324 million yen), while income before income taxes of this fiscal year was 6,224 million yen.

(Cash flows from investing activities)

Funds used in investing activities as of the end of fiscal 2009 amounted to 276 million yen.

This was mainly attributable to the purchase of property, plant and equipment (196 million yen) and the purchase of intangible assets (78 million yen).

(Cash flows from financing activities)

Funds used in financing activities as of the end of fiscal 2009 amounted to 2,036 million yen.

This was mainly attributable to the cash dividends paid (2,044 million yen).

(Cash flow-related indicators)

	FY 2006	FY 2007	FY 2008	FY 2009
Ratio of shareholders' equity to total assets (%)	88.0	76.7	84.1	85.6
Ratio of market capitalization to total assets (%)	436.2	321.6	294.8	262.5
Ratio of interest-bearing liabilities to cash flow (%)	—	—	—	—
Interest coverage ratio (%)	—	—	—	—

Ratio of shareholders' equity to total assets: Shareholders' equity / total assets

Ratio of market capitalization to total assets: Market capitalization of stock / total assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities / cash flow

Interest coverage ratio: Cash flow / interest expense

(Note 1) The market capitalization of stock was calculated based on the number of shares issued and outstanding, excluding treasury stock.

(Note 2) Operating cash flow is used for "cash flow" in the above calculations.

(Note 3) "Interest-bearing liabilities" in the above calculation refers to all liabilities recorded on the balance sheet for which the Company pays interests.

3) Outlook on the financial position for the FY2010

Significant matters that may impact the financial position of the Company in the FY 2010 are as follows:

- (i) The Company intends to record a net income of 2,930 million yen (Note) during the FY 2010.
- (ii) 2,121 million yen in dividend payment is scheduled for the FY 2010, which includes year-end dividend payout for the FY 2009 and the interim dividend payout for the FY 2010.

(Note) For the business results for fiscal year 2010, please refer to “1. Business Results (1) Analysis of business results 2) Forecast for fiscal year 2010” on page 5.

(3) Basic policy for profit sharing and dividends for Fiscal Year 2009 and Fiscal Year 2010

1) Basic policy for profit sharing and dividends for fiscal year 2009

The Company recognizes that returning profits to shareholders is an important management task. The Company’s basic policy is to use the amount of dividends according to financial performance based on dividend payout ratio as a general rule (target dividend payout ratio: 50%) as the basis of calculation, analyze and examine the amount of internal reserves deemed necessary in consideration of future business plans, and pay dividends as stably as possible with reference to actual dividends paid in the past, especially in the previous fiscal year.

For fiscal 2009, a dividend for commemorating the listing on the Tokyo Stock Exchange, First Section (commemorative dividend of 10 yen per share) is added. The amount of annual dividend per share for fiscal 2009 is 170 yen (consisting of 80 yen of interim dividend and 90 yen of year-end dividend, resulting in a dividend payout ratio of 54.9%).

2) Dividend projection for fiscal year 2010

For fiscal 2010, the Company is expected to post lower sales and profits compared to fiscal 2009, based on the outlook for the market environment and other such factors described above. According to the current profit plan, the Company expects to record net income in the amount of 2,930 million yen (Note), and examined the dividend payment in consideration of the current status of internal reserves, projected medium-term demand for funds and other such factors.

As a result of the aforementioned examination, the Company determined its plan to pay an annual dividend of 160 yen per share for fiscal 2010 (of which 80 yen will be paid as interim dividend), which is the same amount on an ordinary dividend basis as in fiscal 2009. The dividend payout ratio relative to the income projected at present is 68.6%.

(Note) For the business results for fiscal 2010, please refer to “1. Business Results (1) Analysis of business results 2) Forecast for fiscal year 2010” on page 5.

(4) Risk factors

Matters relating to business results, financial position, etc. stated herein that might significantly affect an investor’s decision-making include the following.

Forward-looking statements hereunder are based on the Company’s judgment as at the end of fiscal 2009.

(a) The Company’s dividend policy

For the Company’s dividend policy, please refer to “1. Business Results (3) Basic policy for profit sharing and dividends for Fiscal Year 2009 and Fiscal Year 2010 1) Basic policy for profit sharing and dividends for fiscal year 2009”. From the maiden dividend related to the financial results for the fiscal year ended March 31, 2001 to the dividend related to fiscal 2009, the Company has continually increased the amount of ordinary dividend per share after split adjustment. As the Company determines the amount of dividend based on the aforementioned policy, there is a possibility of the amount of dividend being affected by the business results in each fiscal year, the demand for funds in the medium term and the state of internal reserves.

(b) Changes in business results, financial position, etc.

1) Nature of the Company’s business

The Company's business is centered on the development and sales of ASSPs (Note). Particularly noteworthy is the fact that up until fiscal 2009, it has posted record-high sales and ordinary income continuously since the fiscal year ended March 31, 2000. However, if ASSPs fail to meet the needs of the Company's customers and markets due to such reasons as the loss of competitiveness in the market where they are supplied, the Company's business results might be severely affected.

(Note) "ASSP" is the acronym of Application Specific Standard Product. An LSI designed and manufactured for specific applications and uses, and sold to multiple customers.

2) Size of amusement device market

The size of the amusement device market, which is currently the Company's main market, is around 4 million units manufactured and sold per year, according to the Company's analysis based on various data disclosed to the public, in addition to other data available in the market. As the amusement device market is regarded as a mature industry in Japan, the number of amusement devices manufactured might fluctuate from time to time in the future, but it is generally expected to remain stable at the same level.

However, if the amusement device market shows any tendency to contract in size due to various factors such as the amendment of regulations on amusement devices, which is unforeseeable at this point in time, the Company's business results might be severely affected.

3) State of competition of products

In fiscal 2009, the Company sold approximately 2.6 million units in the field of graphics LSI products in the amusement device market. The Company is seeking to further expand its business scale by enhancing the functions of products and promoting the development of proprietary technologies targeted at the market. However, if, for example, other LSI manufacturers, etc. enter the market with products that are superior to those of the Company in terms of performance, or the Company is dragged into price competition, its business results might be severely affected.

4) Change in generation of ASSPs

The Company engages in business activities based on its policy to boost added value and expand its business scale by enhancing and diversifying the functions of various LSI products. The Company aims to realize higher added value by such means as enhancing the graphics-rendering functions of LSI products used in the amusement device market, and further expand its business scale by increasing the sales volume of LSI products as a whole.

However, if the demand for advanced functionality shows any tendency of stagnation or reversal in the amusement device market, the Company's business results might be severely affected.

5) Recycling of reusable parts of disposed amusement devices

In the amusement device market, amusement devices are designated as products subject to conservation of resources and promotion of recycling under the Act on the Promotion of Effective Resource Utilization, which came into force in April 1991. To date, as measures to minimize the generation of waste, studies on the recycling of amusement devices (at the components level) have been conducted in the market. Measures taken in the market so far include the sale of liquid crystal and other such parts, the crushing of non-reusable parts, etc. and recycling of reusable components into raw materials. While such re-use activities are currently limited to making amusement device manufacturers recycle the reusable parts of disposed amusement devices, if there is any rise in the percentage of such re-use efforts in the future, the Company's business results might be severely affected.

6) Liability for defect warranties, etc.

To date, the Company has never had to assume any liability for defect warranties, etc. on its products. For this reason, it has not been realistic from an accounting standpoint to recognize provisions, etc. for this eventuality. To deal with this issue, the Company transfers funds from retained earnings brought forward to the general reserve in an effort to enhance its internal reserves. However, if a liability that exceeds the amount of internal reserves arises and cannot be covered by retained earnings brought forward, the Company's business results might be severely affected.

(c) Matters related to the Company's organization

1) Administrative organization proportionate to the current size of the Company

As of the end of fiscal 2009, the Company consists of 9 officers and 70 employees, and its internal management system is deemed to be commensurate with its size. However, the size of the Company's workforce is continually expanding. If the internal management system fails to properly adapt to such increase in workforce and the resulting expansion in business scale in a timely manner, the Company's business development might be constrained and its business results might be severely affected.

(d) Research and development system

1) Recruitment of R&D personnel

The Company's design and development is dependent on its engineers' designing abilities and experience. For the recruitment of R&D personnel, it thus recognizes that ongoing recruitment of talented and experienced engineers is an important issue for management. It expects recruitment to be an uphill battle, however, given the scarcity of talented engineers in the fields of graphics-related technologies and LSI design technologies, and the intensifying competition in the industry to secure such personnel. If the Company fails to hire necessary engineers as planned, or loses engineers on its payroll to other companies, its business results might be severely affected.

2) Growing R&D expenditures

As a fabless R&D-oriented company, Axell Corporation carries out research and development of various LSI products based on its medium-term management plan and product development strategies. Nowadays, depending on the process used, some LSI products require tens or hundreds of millions of yen—in extreme cases, billions of yen—for the prototype development of a single LSI product. If the timing of acceptance inspection for multiple LSI product development projects coincides, resulting in prototype development expenses and other such expenses being accounted for all at once, or if R&D expenditures soar in conjunction with the increase in R&D personnel, the Company's business results might be severely affected.

3) Technical trends

The market for graphics LSI products, which are the Company's mainstay products, continues to demand advanced functionality to this day. It is therefore indispensable to ensure superior technological development capabilities and introduce the latest design environments, etc. To remain competitive in this regard, the Company continues to steer R&D into proprietary areas such as graphics rendering and graphics compression/decompression (codec) technologies. The Company also actively engages in collaborative research and development with universities. This approach has proven effective as a means of not only achieving specific research results but also recruiting R&D personnel via internships of talented students and other arrangements that are a part of such collaboration. The Company acknowledges that it may be necessary, in the future, to consider introducing superior graphics-related technologies as well as other companies' technologies that would complement its technologies, and forming an alliance and collaborating with companies with technologies that would be beneficial in expanding its business. However, if, for example, the Company falls behind in such research and development and thereby lags behind in technological development or fails to fulfill R&D targets, its business results might be severely affected.

(e) Manufacturing and sales systems

1) Outsourcing of manufacturing

Axell Corporation is a fabless R&D-oriented company whose business model is based on the horizontal division of labor. As its business activities are specialized in R&D operations, it outsources the manufacturing of its products. For the LSI business, which is the Company's principal business, the task of outsourcing the manufacturing of LSI products, etc. is an extremely crucial factor.

With this in mind, the Company recognizes the importance of establishing and maintaining a good relationship with Fujitsu Semiconductor Limited, Renesas Electronics Corporation and other such contract manufacturers who undertake the manufacturing of its mainstay products at present, in view of establishing a system for securing the most appropriate contract manufacturers at all times.

The contract period, the description of the contract and the termination clause of the contract with Fujitsu Semiconductor Limited are as follows.

- **Contract period**
From February 7, 2003 to February 6, 2004; subject to automatic renewal by a period of one year in subsequent years.
- **Description of contract**
Master agreement on development
- **Termination clause**
 1. If either party breaches the Agreement and fails to rectify the breach even if a warning has been received from the other party within the reasonably set grace period; or
 2. If either party is deemed to have difficulty in performing the obligations under the Agreement due to dishonoring of a bill, compulsory execution such as attachment, application/petition for bankruptcy, civil revitalization, corporate reorganization or other such reasons, or is deemed to be at risk of having such difficulty.

At this point in time, there are no facts that correspond to any of the situations set forth in the termination clause in the agreements concluded between the Company and the contract manufacturers. At present, the Company has a good relationship with the contract manufacturers, and has secured the necessary production capacity for its products. Accordingly, no factors that might undermine the continuation of the business model adopted by the Company have arisen. Furthermore, the Company promotes the preparation of backup arrangements for product manufacturing, including outsourcing major LSI products to multiple manufacturers. However, if, for example, the Company is unable to secure sufficient production capacity from contract manufacturers, problems arise in the contract manufacturers' facilities due to unforeseeable extraordinary events, or the manufacturing outsourcing agreement is terminated, its business results might be severely affected.

2) Build-to-order

The Company's basic policy is to manufacture its LSI products on a build-to-order basis. Accordingly, changes in sales plans, production plans, and sales performance of its final customers might affect the Company in terms of fluctuations in sales volume, delays in the timing of sales, etc. In such cases, the Company's business results might be severely affected.

3) Sales system

Axell Corporation adopts a business model based on the horizontal division of labor, and promotes organizational administration focusing on efficiency based on a small number of personnel. Under this business model, the Company's basic policy is to sell its products via trading firms serving as sales agents. Currently, the Company's sales agents are Midoriya Electric Co., Ltd., which accounts for more than 90% of the Company's sales due to such factors as the lineup of products sold, in addition to Internix Incorporated, Okaya Electronics Corp. and Ryosan Co., Ltd. They are key constituents of the Company's business activities. The contract period, the description of the contract and the termination clause of the contract with Midoriya Electric Co., Ltd. are as follows.

- **Contract period**
From December 12, 2000 to December 11, 2001; subject to automatic renewal by a period of one year in subsequent years.
- **Description of contract**
Nonexclusive sales agency agreement in Japan
- **Termination clause**
 1. If an application/petition is filed for attachment, provisional attachment, provisional disposition or auction with respect to property or right owned, or receives a notice to pay taxes in arrears or is subject to preservative attachment due to tax delinquency (excluding cases in which the party is subject to attachment or provisional attachment as a third party obligor);

2. If payment is suspended or if an application/petition is filed for bankruptcy, civil revitalization, corporate reorganization or commencement of procedures under the Corporate Rehabilitation Law;
3. If a report on a dishonored bill/check or disposition of suspension of transaction is received from a clearinghouse;
4. If an order for cancellation, suspension, etc. of business is received from supervisory authorities;
5. If a resolution is passed to abolish business, transfer a material business or dissolve the company;
6. If the performance of the Agreement is deemed difficult due to substantial deterioration in financial position; or
7. If the Company or Midoriya Electric Co., Ltd. breaches all or part of this Agreement, and fails to rectify the breach despite being notified or warned by the other party, any and all obligations under the Agreement shall immediately become due and payable.

At this point in time, there are no facts that correspond to any of the situations set forth in the termination clause in the agreements concluded between the Company and sales agents including Midoriya Electric Co., Ltd. At present, the Company has a good relationship with each sales agent, and no factors that might undermine the continuation of the business model adopted by the Company have arisen. Furthermore, the Company recognizes that maintaining, sustaining and enhancing its sales system via sales agents will remain crucial factors into the future, and acknowledges that it will be necessary to collaborate with new sales agents in consideration of future business developments.

However, if problems arise in various activities associated with building a relationship with each sales agent, the Company's business results might be severely affected.

(f) Future directions of the business

1) Efforts in embedded system market

The Company has developed and sells graphics LSI products targeted at the embedded system market, namely, "AG-9" series and "AG10". The Company promotes the development of products that would satisfy both functionality and cost requirements in the embedded system market, where mechanisms and needs are diverse. From past to present, the Company has been engaging in activities to create markets for graphics LSI products for various devices such as POS terminals, ATM devices, in-car equipment, POP (advertisement) terminals, security equipment, graphic recorders, IT equipment, FA machinery, measuring instruments and medical devices. However, if the new markets that the Company is seeking to create unexpectedly turn out to be smaller or if the pace of business development turns out to be extremely slow, its business results might be severely affected.

(g) Legal regulations

1) Product quality and reliability

To date, the Company has never been sued for product liability under the Product Liability Law or any other law with respect to its products. There is no guarantee, however, that it will never be sued for such liabilities in the future. Generally speaking, moreover, there is no guarantee that it will necessarily be able to avoid supplying flawed LSI products, etc. which might cause damage to final customers, etc. The Company controls the use of its LSI products in non-designated machinery and equipment by making prior confirmation with the Company mandatory. Recognizing that losses from product liability constitute a major risk, the Company takes steps to give due attention to the design of LSI products, etc. in terms of reliability and quality, and in the fiscal year ended March 31, 2006, acquired ISO9001:2000 certification, and in August 2009, updated the certification to ISO9001:2008. Notwithstanding such efforts, in the event of an accident, etc. where the Company is sued for product liability due to a defect in its product, its business results might be severely affected.

2) Protection and preservation of registered intellectual property rights

The Company's policy is to apply for the registration, etc. of intellectual property rights in relation to its LSI products or its technologies, etc. to the greatest extent possible, in an effort to protect its intellectual property

under law. The Company's products or its technologies, etc. may be protected under the provisions of the Civil Code, the Unfair Competition Prevention Law, the Copyright Law and other statutes which confer rights without the need for filing an application for registration, but in cases where protection under such laws is insufficient or the Company has difficulty in exercising its rights, if the Company cannot take effective countermeasures against the development and sale of products, etc. similar to its products by other companies, its business results might be severely affected.

3) Disputes arising from intellectual property right infringement, etc.

Axell Corporation, being an R&D-oriented company, has developed a framework to prevent disputes arising from intellectual property right infringement, etc. by conducting clearance surveys upon designing and developing LSI products as to whether there would be any infringement of intellectual property rights including peripheral patents. The Company also continually checks that there are no facts of infringement by collaborating with multiple patent attorneys. Under the present circumstances, however, it is impossible to completely verify that there are no facts of infringement even by conducting the aforementioned clearance surveys. If, for example, an intellectual property right related to the Company's business is established in the name of a third party, or an intellectual property right related to its business is already in existence unbeknownst to it, it might be sued on the grounds that it has infringed the intellectual property right of a third party.

In the event of such a lawsuit, the Company would have to expend enormous amounts of time, money and other management resources to deal with the lawsuit. In addition, if the Company consequently loses the lawsuit, its business results might be severely affected in that it might be forced to suspend the sale of the products comprised of the disputed technology and be held liable to pay substantial damages, or assume the obligation to pay the holder of the rights consideration for the granting of a license, etc.

2. Corporate Group Overview

Disclosure is omitted, as there have been no significant changes in the "Operations Diagram (Description of business)" and "Overview of Affiliates" in the most recent securities report (submitted on June 22, 2009).

3. Management Policy

(1) Basic management policies of the Company

Axell Corporation is an innovative R&D-oriented semiconductor company, where the development of LSI technologies for graphics-rendering and sound-generating functions forms the core of its business. Its basic business policies are:

1. Be an elite team of intelligent professionals with advanced expertise;
2. Create new proprietary technologies and products; and
3. Be a fabless semiconductor company.

The Company's efforts corresponding to the first policy are highlighted in its *fastidiousness about personnel recruitment*. Especially in regards to engineering personnel such as semiconductor designers, the Company has established strict recruitment criteria in order to hire highly experienced individuals with advanced technical capabilities and individuals who have the aptitude to become head engineers in the Company. The Company also hires personnel by giving as much importance to "cooperativeness" and "ability to express oneself" as technical capabilities, in consideration of development conducted jointly by multiple staff members. The Company hopes to grow as an elite team of intelligent professionals with advanced expertise by continually engaging in such recruitment activities according to such criteria.

The second policy aims to ensure a competitive edge in its products by developing distinctive technologies that are optimized for fulfilling various requirements in the markets determined as product development targets, together with personnel recruited under the first policy. The Company believes that products comprised of such distinctive technologies will have the ability to spur growth in the markets where it releases products and create new markets, and assist in the Company's stable, continual growth.

The third policy is aimed at concentrating in-house resources on R&D activities by adopting a "fabless semiconductor company" format for the Company's business. While business activities based on this format

require differentiated R&D capabilities, we believe we can ensure a competitive edge in design and development, together with personnel recruited by exercising *fastidiousness* mentioned above. On the sales front, moreover, the Company seeks to execute highly profitable business management focusing on efficiency, primarily on the basis of sales generated via sales agents.

By implementing these basic policies in an integral fashion, the Company is committed to enhancing its highly profitable structure and continually expanding its scope of business based on its efficiency-oriented organization.

(2) The Company's medium- to long-term management strategies

1) Medium-to long-term management strategies for the amusement device market

In the amusement device market, which is the Company's main market, there has conventionally been demand for high-resolution graphics adapted to larger LCD displays installed in amusement devices, improved codec functions to accommodate increasing graphics data volume, enhanced technologies for generating diverse visual effects aimed at enriching game-playing experience, advanced technologies in the development-support environment for customers, etc. In regards to the enlargement of LCD displays in amusement devices, the Company believes that there are certain limitations to further enlarging LCD displays—e.g., panel constraints—and that the trend towards higher resolution would settle at full-HD resolution (Note) in the foreseeable future. On the other hand, the Company continues to receive requests from the market to develop technologies that would improve the compression rate so that higher picture quality and larger graphics data would not be reflected in graphic ROM costs, as well as new visual effects functions for enriched game-playing experience, in addition to preparing and improving development-support environment that would alleviate developers' burden. The Company therefore believes that future product development activities, etc. would be focused on these technological areas. Furthermore, the Company recognizes that the deployment of products with integrated functions that reduce customers' manufacturing costs and manufacturing burden would be highly important in its future product strategy.

Having concentrated its management resources on the development and sales of LSI products to date, the Company also acknowledges that it will be necessary to consider the possibility of system solutions in the future.

As the trend in the amusement device market is unclear at present, manufacturing of amusement devices in the market is volatile in that it may increase or decrease at any time. The Company will explore strategies to continually expand its business scale in this market, which is in such a phase of volatility.

(Note) Full HD, also called "Hi-Vision" in Japan, normally refers to resolution at 1,920 x 1,080 pixels.

2) Medium- to long-term management strategies for the embedded system market

The Company has been concentrating its efforts on the development of graphics LSI products for information and control displays of embedded systems. Due to the high-mix, low-volume production of many of the embedded systems equipped with the Company's graphics LSI products, business expansion has not been attained in this market.

In consideration of these circumstances, the Company has formulated the following strategies and launched activities accordingly.

(a) Approach to embedded systems based on PC configuration

Currently, control systems in embedded systems can broadly be divided into those based on PC configuration and those only equipped with a relatively cheap CPU. The Company had conventionally engaged in sales activities to establish its business base in the market by releasing graphics LSI products adapted to the latter configuration, named "AG-9" series. As part of such activities, the Company gathered information and found that the market had a high percentage of embedded systems based on the former configuration, some of which were manufactured on a larger scale than those based on the latter configuration. The Company carefully examined such information, and as a result, launched the development of a graphics LSI product based on PC configuration that enabled the demonstration of its technological prowess, named "AG10", and completed its commercialization in fiscal 2009. The Company is also seeking to expand its business scale and accelerate the

pace of such expansion through its collaboration—from the development stage of “AG10”—with Intel Corporation, which has a solid track record in this market and is aiming to expand its market share in the future. “AG10” is intended for POS terminals, ticket-vending machines and other devices with multiple screen display requirements.

On top of this, the Company has started working on the development of “AG11”, a graphics LSI product that is positioned as the successor to “AG10”. Like “AG10”, it is a graphics LSI intended to be used in combination with Intel’s CPUs, but is targeted at a wider range of embedded systems than “AG10”. It is a product intended to be deployed on a global scale, including Asia, which is currently the driving force of the world economy. The Company intends to promptly finalize the development of “AG11” in collaboration with Intel Corporation, and expand its business scale in this field.

(b) Other strategies to accelerate the expansion of the Company’s business scale in the field of embedded systems

The Company has begun to consider the development of products targeted at embedded systems other than those within the scope of products referred to in (a) above. According to the Company’s analysis, there are currently a number of markets with business potential associated with changes in the technological environment, etc. Although they are niche markets at present, they have the potential to grow in the future. The Company also recognizes that the products could fulfill society’s needs with direct implications on people’s lives, local residential environment, etc. In line with the developments referred to in (a) above, the Company will proactively conduct studies to translate the concepts into businesses and develop these products, as they are deemed to expand the Company’s business scale in the embedded system market and have direct implications on civil life, as products that contribute to civil life, industrial activities, etc.

(3) Issues to be addressed

The Companies regards the following as issues to be addressed.

1) Efforts to develop high value added products targeted at the amusement device market and diversify products targeted at the amusement device market

The Company exerts efforts to expand its business activities with respect to the amusement device market, which is deemed the principal market for its business. The Company has regarded graphics LSI products targeted at the amusement device market as its mainstay products, and expanded the scale of its business by pursuing high functionality. In fiscal 2009, the Company developed and launched the mass production and sale of “AG333”, a strategic graphics LSI product with integrated sound-generating and LED driver functions.

The Company will continue to focus its efforts on R&D activities for the further advancement of graphics-rendering functions—which are the core technologies of such mainstay products—as well as the sophistication of functions in codec technologies that would boost the compression rate of ever-increasing graphics data. At present, the Company plans to complete, in fiscal 2010, the development of a product with integrated functions featuring enhanced codec technologies positioned as the successor to “AG333”, named “AG4”.

2) Efforts to expand sales of graphics LSI products targeted at the embedded system market and develop successor products

The Company sells graphics LSI products that can realize high-resolution rendering in general embedded systems, namely, “AG-9” series and “AG10”. The embedded system market, where the Company’s LSI products are adopted, is characterized by high-mix, low-volume production at present; sales generated from this market accounted for just under 1% of total sales in fiscal 2009. In order to expand its business scale, the Company collaborated with Intel Corporation and completed in fiscal 2009 the development of a graphics LSI product targeted at embedded systems based on PC rendering configuration. As far as new markets are concerned, other than the amusement device market, the Company considers the embedded system market as a major challenge in expanding its business scale, and is enhancing its sales system and continually promoting sales activities targeted at this market. The Company has started working on the development of a new LSI product for the amusement device market, named “AG11”, and is committed to exerting efforts to realize a product configuration that can be applied to a wide range of devices in this market.

3) Other efforts to accelerate the expansion of business targeted at the embedded system market

The Company is looking into new business scenarios to promptly expand its business scale in the market of embedded systems other than amusement devices. The development of products targeted at new markets currently being considered by the Company might require the establishment of an alternative business structure to its existing framework, with the possibility of such businesses varying in profitability. The Company will expedite efforts to promptly turn concepts into businesses based on the view that the speedy establishment of such structure, etc. is an issue, in order to accelerate business developments in the markets it chooses in the future.

4) Efforts to acquire intellectual property rights and eliminate the risk of infringing the intellectual property rights of other companies

Being a fabless semiconductor manufacturer whose main business activities are R&D activities, the Company recognizes that the task of preparing a framework to facilitate the acquisition of intellectual property rights for its various proprietary technologies is an important issue. The Company also believes that developing measures to prevent the infringement of intellectual property rights of other companies will become a critical issue, based on the view that the risk of infringement of other companies' rights will increase along with the expansion of its business scale.

To address the aforementioned issues, the Company makes ongoing efforts including building a close relationship with its consulting patent attorneys and conducting in-house seminars on intellectual property rights for the purpose of improving the working efficiency of R&D staff. The Company is also preparing a framework at the organizational level by clarifying the divisions in charge of intellectual property rights in general. For the future, the Company intends to enhance collaboration among R&D staff, divisions that oversee intellectual property rights and the consulting patent attorneys in order to further boost their effectiveness.

5) Efforts to further enhance the Company's internal management system

Nowadays, companies are required to establish a framework for financial reporting including the timely disclosure of corporate information and an internal control system encompassing all aspects of corporate management. Fiscal 2009 was the second year in which the Company was audited by an accounting auditor pursuant to some of the provisions of the Financial Instruments and Exchange Act, the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting, etc., with the auditor's assessment being expressed in the form of unqualified opinions. The Company acknowledges that the task of developing a framework as required in a timely manner will be a crucial issue, based on the view that the nature of internal control system that needs to be developed will vary with the company's size and the nature of its businesses.

4. Non-consolidated Financial Statements**(1) Non-consolidated Balance Sheets**

(In millions of yen)

	Previous fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	7,797	9,309
Accounts receivable – trade	686	1,342
Short-term investment securities	3,998	3,999
Merchandise and finished goods	469	331
Raw materials and supplies	1	1
Advance payments-trade	–	0
Prepaid expenses	72	80
Deferred tax assets	149	96
Other	21	16
Total current assets	13,198	15,178
Noncurrent assets		
Property, plant and equipment		
Buildings	116	116
Accumulated depreciation	(37)	(51)
Buildings, net	78	64
Tools, furniture and fixtures	542	629
Accumulated depreciation	(323)	(454)
Tools, furniture and fixtures, net	218	174
Total property, plant and equipment	296	239
Intangible assets		
Patent right	39	36
Right of trademark	3	3
Software	221	179
Total intangible assets	263	219
Investments and other assets		
Investment securities	57	100
Long-term prepaid expenses	3	0
Lease and guarantee deposits	70	70
Deferred tax assets	48	20
Other	20	20
Total investments and other assets	201	213
Total noncurrent assets	761	672
Total assets	13,960	15,850

(In millions of yen)

	Previous fiscal year (As of March 31, 2009)	Current fiscal year (As of March 31, 2010)
Liabilities		
Current liabilities		
Accounts payable – trade	259	723
Accounts payable–other	653	200
Accrued expense	52	55
Income taxes payable	1,151	1,155
Accrued consumption taxes	57	91
Deposits received	52	60
Total current liabilities	2,226	2,288
Total liabilities	2,226	2,288
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus		
Legal capital surplus	861	861
Total capital surpluses	861	861
Retained earnings		
Legal retained earnings	1	1
Other retained earnings		
General reserve	7,000	8,500
Retained earnings brought forward	3,481	3,761
Total retained earnings	10,482	12,262
Treasury stock	(623)	(600)
Total shareholders' equity	11,739	13,541
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(5)	20
Total valuation and translation adjustments	(5)	20
Total net assets	11,734	13,562
Total liabilities and net assets	13,960	15,850

(2) Non-consolidated Statements of Income

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Net sales	15,417	15,495
Cost of sales		
Beginning finished goods	154	469
Purchase of finished goods	6,780	6,484
Total	6,934	6,953
Ending finished goods	469	331
Cost of finished goods sold	6,465	6,621
Gross profit	8,952	8,873
Selling, general and administrative expenses	*1, 2 2,804	*1, 2 2,662
Operating income	6,147	6,211
Non-operating income		
Interest income	8	4
Interest on securities	19	6
Dividends income	2	1
Gain on disposal of unpaid dividend	–	2
Miscellaneous income	2	1
Total non-operating income	33	15
Non-operating expenses		
Stock issuance cost	0	1
Commission for purchase of treasury stock	3	–
Loss on retirement of noncurrent assets	8	0
Miscellaneous loss	0	0
Total non-operating expenses	12	1
Ordinary income	6,168	6,224
Income before income taxes	6,168	6,224
Income taxes-current	2,361	2,320
Income taxes-deferred	6	63
Total income taxes	2,368	2,383
Net income	3,800	3,840

(3) Non-consolidated Statements of Changes in Net Assets

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Shareholders' equity		
Capital stock		
Balance at the end of previous period	1,018	1,018
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	1,018	1,018
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	861	861
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	861	861
Total capital surplus		
Balance at the end of previous period	861	861
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	861	861
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	1	1
Changes of items during the period		
Total changes of items during the period	–	–
Balance at the end of current period	1	1
Other retained earnings		
General reserve		
Balance at the end of previous period	5,600	7,000
Changes of items during the period		
Provision of general reserve	1,400	1,500
Total changes of items during the period	1,400	1,500
Balance at the end of current period	7,000	8,500
Retained earnings brought forward		
Balance at the end of previous period	3,319	3,481
Changes of items during the period		
Dividends from surplus	(2,134)	(2,045)
Provision of general reserve	(1,400)	(1,500)
Net income	3,800	3,840
Disposal of treasury stock	(104)	(15)
Total changes of items during the period	161	279
Balance at the end of current period	3,481	3,761

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Total retained earnings		
Balance at the end of previous period	8,920	10,482
Changes of items during the period		
Dividends from surplus	(2,134)	(2,045)
Provision of general reserve	–	–
Net income	3,800	3,840
Disposal of treasury stock	(104)	(15)
Total changes of items during the period	1,561	1,779
Balance at the end of current period	10,482	12,262
Treasury stock		
Balance at the end of previous period	(67)	(623)
Changes of items during the period		
Purchase of treasury stock	(716)	(0)
Disposal of treasury stock	160	22
Total changes of items during the period	(555)	22
Balance at the end of current period	(623)	(600)
Total shareholders' equity		
Balance at the end of previous period	10,733	11,739
Changes of items during the period		
Dividends from surplus	(2,134)	(2,045)
Net income	3,800	3,840
Purchase of treasury stock	(716)	(0)
Disposal of treasury stock	56	7
Total changes of items during the period	1,005	1,802
Balance at the end of current period	11,739	13,541
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	36	(5)
Changes of items during the period		
Net change of items other than shareholders' equity	(41)	25
Total changes of items during the period	(41)	25
Balance at the end of current period	(5)	20
Total valuation and translation adjustments		
Balance at the end of previous period	36	(5)
Changes of items during the period		
Net change in items other than shareholders' equity	(41)	25
Total changes of items during the period	(41)	25
Balance at the end of current period	(5)	20

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1 2009 to March 31, 2010)
Total net assets		
Balance at the end of previous period	10,770	11,734
Changes of items during the period		
Dividends from surplus	(2,134)	(2,045)
Net income	3,800	3,840
Purchase of treasury stock	(716)	(0)
Disposal of treasury stock	56	7
Net change in items other than shareholders' equity	(41)	25
Total changes of items during the period	964	1,827
Balance at the end of current period	11,734	13,562

(4) Non-consolidated Statements of Cash Flows

(In millions of yen)

	Previous fiscal year (From April 1, 2008 to March 31, 2009)	Current fiscal year (From April 1, 2009 to March 31, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	6,168	6,224
Depreciation and amortization	187	271
Amortization of long-term prepaid expenses	11	3
Interest and dividends income	(10)	(5)
Interest income on securities	(19)	(6)
Loss on retirement of property, plant and equipment	8	0
Decrease (increase) in notes and accounts receivable-trade	1,628	(656)
Decrease (increase) in inventories	(310)	143
Decrease (increase) in other current assets	(18)	(0)
Increase (decrease) in notes and accounts payable-trade	(657)	464
Increase (decrease) in other current liabilities	160	(329)
Increase (decrease) in accrued consumption taxes	(93)	34
Other, net	(3)	(5)
Subtotal	7,050	6,138
Interest and dividends income received	30	11
Income taxes paid	(2,912)	(2,324)
Net cash provided by (used in) operating activities	4,168	3,825
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(97)	(196)
Purchase of intangible assets	(209)	(78)
Other, net	(0)	(0)
Net cash provided by (used in) investing activities	(306)	(276)
Net cash provided by (used in) financing activities		
Proceeds from disposal of treasury stock	56	7
Purchase of treasury stock	(716)	(0)
Cash dividends paid	(2,131)	(2,044)
Net cash provided by (used in) financing activities	(2,791)	(2,036)
Net increase (decrease) in cash and cash equivalents	1,070	1,512
Cash and cash equivalents at beginning of period	10,726	11,796
Cash and cash equivalents at end of period	*1 11,796	*1 13,309

Notes regarding going concern assumption

N/A

Significant accounting policies

Item	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
1. Valuation standards and valuation methods of securities	<p>Other securities</p> <p>(1) Other securities with market value The market value method is applied, based on the market value as of the fiscal-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the moving-average method.</p> <p>(2) Other securities without market value Stated at cost using the moving average method.</p>	<p>Other securities</p> <p>(1) Other securities with market value Same as the column on the left.</p> <p>(2) Other securities without market value Same as the column on the left.</p>
2. Valuation standards and valuation methods of inventories	<p>(1) Finished goods Stated at cost using the periodic average method (balance sheet amount is calculated by writing down the book value of assets which decreased in profitability).</p> <p>(2) Supplies Stated at cost using the last purchase price method (balance sheet amount is calculated by writing down the book value of assets which decreased in profitability). (Change in accounting policy) From FY 2008, "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued on July 5, 2006) has been applied. In line with the application, "loss on retirement of inventories," which was recorded under "extraordinary losses" upon temporary occurrence in FY 2007, is included in "cost of sales." The impact of the above change on earnings is immaterial.</p>	<p>(1) Finished goods Same as the column on the left.</p> <p>(2) Supplies Same as the column on the left.</p>
3. Depreciation method of fixed assets	<p>(1) Property, plant and equipment (excluding lease assets) Declining balance method (however, the straight-line method for buildings [excluding accompanying facilities]). The useful lives of the assets are as follows: Buildings: 3-15 yrs Tools, furniture and fixtures: 2-20 yrs</p> <p>(2) Intangible assets (excluding lease assets) Patents Straight-line depreciation over 8 yr period Trademark Straight-line depreciation over 10 yr period Software Software for internal use is amortized on a straight-line basis based on its estimated useful life of 3-5 yrs).</p> <p>(3) Lease assets The straight-line method, substituting the lease term for the useful life, assuming no residual value. With respect to financial leases other than those in which the title of the leased property transfers to the lessee, those which commenced on or before March 31, 2008 are accounted for using the method applicable to ordinary rental transactions.</p>	<p>(1) Property, plant and equipment (excluding lease assets) Same as on the column on the left</p> <p>(2) Intangible assets (excluding lease assets) Patents Same as on the column on the left Trademark Same as on the column on the left Software Same as on the column on the left</p> <p>(3) Lease assets Same as on the column on the left</p>
4. Accounting of deferred tax assets	Expenses for sale or issuance of shares Recognized in full at time of expenditure.	Same as on the column on the left.

Item	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
5. The range of cash within the statements of cash flows	Cash within the statements of cash flows include cash at hand, demand deposits and short-term investments that are easily converted into cash, with little risk of fluctuation in value and reach maturity within 3 months from acquisition.	Same as on the column on the left.
6. Other significant matters underlying the preparation of financial statements	Accounting of consumption taxes All transactions are recorded net of consumption taxes.	Accounting of consumption taxes Same as on the column on the left.

Changes in accounting policies

FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
<p>(Accounting standard for lease transactions)</p> <p>Finance leases other than those in which the title of the leased property transfers to the lessee were accounted for using the method applicable to ordinary rental transactions. However, from FY 2008, "Accounting Standard for Lease Transactions" (ASBJ Statement No.13; issued on June 17, 1993 and revised on March 30, 2007) and "Guidance of Financial Accounting Standard for Lease Transactions" (ASBJ Guidance No.16; issued on January 18, 1994 and revised on March 30, 2007) have been applied and said lease transactions are accounted for using the method applicable to ordinary sales transactions. Financial leases other than those in which the title of the leased property transfers to the lessee which commenced prior to the first year of said application continue to be accounted for using the method applicable to ordinary rental transactions.</p> <p>This change has no impact on earnings.</p>	-

Change in presentation method

FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
-	(Income statement) “Gain on disposal of unpaid dividend” shown as a component of “miscellaneous income” in nonoperating income up until fiscal 2008 has exceeded 10% of the total amount of nonoperating income and is therefore shown in an independent category. “Gain on disposal of unpaid dividend” was 1 million yen in fiscal 2008.

Notes:**(Non-consolidated balance sheet)**

FY 2008 (From April 1, 2008 to March 31, 2009)

N/A

FY 2009 (From April 1, 2009 to March 31, 2010)

N/A

(Non-consolidated statements of income)

FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)																														
<p>*1. The major components of selling, general and administrative expenses are approximately 27% selling expenses and 73% general and administrative expenses. The major components and amounts are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Compensation to directors and corporate auditors</td> <td style="text-align: right; width: 10%;">173</td> <td style="text-align: right; width: 10%;">million yen</td> </tr> <tr> <td>Salary and bonuses</td> <td style="text-align: right;">293</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">44</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Research and development expenses</td> <td style="text-align: right;">1,708</td> <td style="text-align: right;">million yen</td> </tr> </table> <p>*2. Total amount of research and development expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Research and development expenses included in general and administrative expenses</td> <td style="text-align: right; width: 10%;">1,708</td> <td style="text-align: right; width: 10%;">million yen</td> </tr> </table>	Compensation to directors and corporate auditors	173	million yen	Salary and bonuses	293	million yen	Depreciation	44	million yen	Research and development expenses	1,708	million yen	Research and development expenses included in general and administrative expenses	1,708	million yen	<p>*1. The major components of selling, general and administrative expenses are approximately 27% selling expenses and 73% general and administrative expenses. The major components and amounts are as follows:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Compensation to directors and corporate auditors</td> <td style="text-align: right; width: 10%;">175</td> <td style="text-align: right; width: 10%;">million yen</td> </tr> <tr> <td>Salary and bonuses</td> <td style="text-align: right;">305</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">45</td> <td style="text-align: right;">million yen</td> </tr> <tr> <td>Research and development expenses</td> <td style="text-align: right;">1,586</td> <td style="text-align: right;">million yen</td> </tr> </table> <p>*2. Total amount of research and development expenses</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Research and development expenses included in general and administrative expenses</td> <td style="text-align: right; width: 10%;">1,586</td> <td style="text-align: right; width: 10%;">million yen</td> </tr> </table>	Compensation to directors and corporate auditors	175	million yen	Salary and bonuses	305	million yen	Depreciation	45	million yen	Research and development expenses	1,586	million yen	Research and development expenses included in general and administrative expenses	1,586	million yen
Compensation to directors and corporate auditors	173	million yen																													
Salary and bonuses	293	million yen																													
Depreciation	44	million yen																													
Research and development expenses	1,708	million yen																													
Research and development expenses included in general and administrative expenses	1,708	million yen																													
Compensation to directors and corporate auditors	175	million yen																													
Salary and bonuses	305	million yen																													
Depreciation	45	million yen																													
Research and development expenses	1,586	million yen																													
Research and development expenses included in general and administrative expenses	1,586	million yen																													

(Non-consolidated statements of changes in net assets)**FY 2008 (From April 1, 2008 to March 31, 2009)****1. Type and total number of shares issued and type and the number of shares of treasury stock**

	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Type of shares issued				
Common stock	125,700	–	–	125,700
Total	125,700	–	–	125,700
Type of shares of treasury stock				
Common stock (Notes 1 & 2)	204	2,000	464	1,740
Total	204	2,000	464	1,740

(Notes)

1. As a result of the purchase of treasury stocks by the resolution of the Board of Directors, the number of shares of treasury stock increased by 1,619 shares in December 2008 and 381 shares in January 2009.

2. As a result of the exercise of stock options, the number of shares of treasury stock decreased by 24 shares in July 2008, 172 shares in September 2008, 220 shares in January 2009, 24 shares in February 2009, and 24 shares in March 2009, to a total of 1,740 shares of treasury stock.

2. Matters pertaining to dividends**(1) Dividend payout amounts**

(Resolution)	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 21, 2008	Common stock	1,192	9,500	March 31, 2008	June 23, 2008
Board of Directors Meeting, October 27, 2008	Common stock	942	7,500	September 30, 2008	November 21, 2008

(2) Payout amount of dividends with reference date in FY 2008 but effective date in FY 2009

(Resolution)	Type of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 21, 2009	Common stock	1,053	Retained earnings	8,500	March 31, 2009	June 22, 2009

FY 2009 (From April 1, 2009 to March 31, 2010)**1. Type and total number of shares issued and type and the number of shares of treasury stock**

	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Type of shares issued				
Common stock (Note 1)	125,700	12,444,300	–	12,570,000
Total	125,700	12,444,300	–	12,570,000
Type of shares of treasury stock				
Common stock (Notes 2 & 3)	1,740	166,072	64	167,748
Total	1,740	166,072	64	167,748

(Notes)

1. As a result of stock split effective July 1, 2009 in which one stock was split into 100 shares, the number of issued shares increased by 12,444,300.
2. As a result of stock split effective July 1, 2009, the number of treasury stock increased by 148 shares due to the purchase of 165,924 shares falling short of one unit of stock.
3. As a result of the exercise of stock options, the number of shares of treasury stock decreased by 64 shares in June 2009, to a total of 167,748 shares of treasury stock.

2. Matters pertaining to dividends**(1) Dividend payout amounts**

(Resolution)	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 21, 2009	Common stock	1,053	8,500	March 31, 2009	June 22, 2009
Board of Directors Meeting, October 29, 2009	Common stock	992	80	September 30, 2009	November 20, 2009

(2) Payout amount of dividends with reference date in FY 2009 but effective date in FY 2010

(Resolution)	Type of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 20, 2010	Common stock	1,116	Retained earnings	90	March 31, 2010	June 21, 2010

(Non-consolidated statements of cash flows)

FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
*1. Reconciliation between the fiscal year end balance of cash and cash equivalents and the amounts of the accounts and amounts shown in the balance sheet is as follows: (As of March 31, 2009)	*1. Reconciliation between the fiscal year end balance of cash and cash equivalents and the amounts of the accounts and amounts shown in the balance sheet is as follows: (As of March 31, 2010)
Cash and time deposits 7,797 million yen	Cash and time deposits 9,309 million yen
Securities 3,998 million yen	Securities 3,999 million yen
Cash and cash equivalents 11,796 million yen	Cash and cash equivalents 13,309 million yen

(Lease transactions)

FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)																								
1. Financial lease transactions (lessee's side) With respect to financial leases other than those in which the title of the leased property transfers to the lessee, those which commenced on or before March 31, 2008 are accounted for using the method applicable to ordinary rental transactions. The details are as follows. (1) Amounts equivalent to acquisition cost, accumulated depreciation and year end closing balance	1. Financial lease transactions (lessee's side) With respect to financial leases other than those in which the title of the leased property transfers to the lessee, those which commenced on or before March 31, 2008 are accounted for using the method applicable to ordinary rental transactions. The details are as follows. (1) Amounts equivalent to acquisition cost, accumulated depreciation and year end closing balance																								
<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Amount equivalent to acquisition cost (millions of yen)</th> <th style="text-align: center;">Amount equivalent to accumulated depreciation (millions of yen)</th> <th style="text-align: center;">Amount equivalent to year-end balance (millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">4</td> <td style="text-align: center;">3</td> <td style="text-align: center;">1</td> </tr> </tbody> </table>		Amount equivalent to acquisition cost (millions of yen)	Amount equivalent to accumulated depreciation (millions of yen)	Amount equivalent to year-end balance (millions of yen)	Tools, furniture and fixtures	4	3	1	Total	4	3	1	<table border="1"> <thead> <tr> <th></th> <th style="text-align: center;">Amount equivalent to acquisition cost (millions of yen)</th> <th style="text-align: center;">Amount equivalent to accumulated depreciation (millions of yen)</th> <th style="text-align: center;">Amount equivalent to year-end balance (millions of yen)</th> </tr> </thead> <tbody> <tr> <td>Tools, furniture and fixtures</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> </tbody> </table>		Amount equivalent to acquisition cost (millions of yen)	Amount equivalent to accumulated depreciation (millions of yen)	Amount equivalent to year-end balance (millions of yen)	Tools, furniture and fixtures	-	-	-	Total	-	-	-
	Amount equivalent to acquisition cost (millions of yen)	Amount equivalent to accumulated depreciation (millions of yen)	Amount equivalent to year-end balance (millions of yen)																						
Tools, furniture and fixtures	4	3	1																						
Total	4	3	1																						
	Amount equivalent to acquisition cost (millions of yen)	Amount equivalent to accumulated depreciation (millions of yen)	Amount equivalent to year-end balance (millions of yen)																						
Tools, furniture and fixtures	-	-	-																						
Total	-	-	-																						
(2) Amount equivalent to year-end closing balance of prepaid lease fees	(2) Amount equivalent to year-end closing balance of prepaid lease fees																								
Due within 1 yr 0 million yen	Due within 1 yr - million yen																								
Due in more than 1 yr 0 million yen	Due in more than 1 yr - million yen																								
Total 1 million yen	Total - million yen																								
(3) Lease payments and amounts equivalent to depreciation and interest expense	(3) Lease payments and amounts equivalent to depreciation and interest expense																								
Lease payment 1 million yen	Lease payment 1 million yen																								
Amount equivalent to depreciation 0 million yen	Amount equivalent to depreciation 0 million yen																								
Amount equivalent to interest expense 0 million yen	Amount equivalent to interest expense 0 million yen																								
(4) Method used to calculate the amount equivalent to depreciation Depreciation was calculated based on the straight-line method, substituting the lease term for the useful life, assuming no residual value.	(4) Method used to calculate the amount equivalent to depreciation Same as the column on the left.																								
(5) Method used to calculate the amount equivalent to interest expense The amount equivalent to interest expense was calculated by subtracting the amount equivalent to acquisition cost from the amount representing lease payment. The interest method was used to allot the resulting interest expense over the life of the lease.	(5) Method used to calculate the amount equivalent to interest expense Same as the column on the left.																								
2. Operating lease transactions	2. Operating lease transactions																								
Prepaid lease fees	Prepaid lease fees																								
Due within 1 yr 154 million yen	Due within 1 yr 154 million yen																								
Due in more than 1 yr 154 million yen	Due in more than 1 yr - million yen																								
Total 308 million yen	Total 154 million yen																								

(Securities)**FY 2008 (As of March 31, 2009)****1. Other securities with market value**

	Type	Acquisition cost (millions of yen)	Amount on the balance sheet (millions of yen)	Difference (millions of yen)
Other securities whose amounts recorded on the balance sheet exceed their acquisition costs	(1) Stocks	–	–	–
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	–	–	–
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	Subtotal	–	–	–
Other securities whose amounts recorded on the balance sheet do not exceed their acquisition costs	(1) Stocks	66	57	(8)
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	3,998	3,998	(0)
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	Subtotal	4,064	4,056	(8)
	Total	4,064	4,056	(8)

2. Other securities sold during FY 2008

N/A

3. Other securities and maturity dates and the future redemption amounts of held-to-maturity bonds

	Within 1 yr (millions of yen)	Over 1 yr, within 5 yrs (millions of yen)	Over 5 yrs, within 10 years (millions of yen)	Over 10 yrs (millions of yen)
(1) Bonds and debentures				
1) JGBs, municipal bonds, etc.	4,000	–	–	–
2) Corporate debentures	–	–	–	–
3) Others	–	–	–	–
Total	4,000	–	–	–

FY 2009 (As of March 31, 2010)**1. Other securities with market value**

	Type	Acquisition cost (millions of yen)	Amount on the balance sheet (millions of yen)	Difference (millions of yen)
Other securities whose amounts recorded on the balance sheet exceed their acquisition costs	(1) Stocks	100	66	34
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	–	–	–
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	100	66	34
Other securities whose amounts recorded on the balance sheet do not exceed their acquisition costs	(1) Stocks	–	–	–
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	3,999	3,999	(0)
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	3,999	3,999	(0)
	Total	4,099	4,065	34

2. Other securities sold during FY 2009

N/A

3. Other securities and maturity dates and the future redemption amounts of held-to-maturity bonds

	Within 1 yr (millions of yen)	Over 1 yr, within 5 yrs (millions of yen)	Over 5 yrs, within 10 years (millions of yen)	Over 10 yrs (millions of yen)
(1) Bonds and debentures				
1) JGBs, municipal bonds, etc.	4,000	–	–	–
2) Corporate debentures	–	–	–	–
3) Others	–	–	–	–
Total	4,000	–	–	–

(Stock options, etc.)**FY 2008 (From April 1, 2008 to March 31, 2009)****Details, size and status of changes in stock options****(1) Summary of stock options**

	2003 Stock Options (Note 1)	2004 Stock Options (Note 1)	2005 Stock Options (Note 1)
Category and number of grantees	4 Directors, 1 Corporate Auditor, 19 employees	4 Directors, 1 Corporate Auditor, 29 employees	4 Directors, 35 employees
Number of stock options by type of shares (Note 2)	936 shares of common stock	738 shares of common stock	710 shares of common stock
Grant date	August 1, 2003	August 2, 2004	August 1, 2005
Condition for vesting	(Note 3)	(Note 3)	(Note 3)
Period of service required for vesting (Note 4)	-	-	-
Exercise period	(Note 5)	(Note 6)	(Note 7)

(Notes)

1. Stock options from 2003 to 2005 refer to stock acquisition rights pursuant to the provisions of Articles 280-20 and 280-21 of the former Commercial Code.
2. Number of stock options have been converted and stated as number of shares.
The number of stock options takes into account the effect of the 2-for-1 stock split of May 20, 2004 and the 2-for-1 stock split of May 20, 2005.
3. The acquiree of the stock acquisition rights are required to hold the position of the Director or employee of the Company or an affiliate of the Company at the time such rights are exercised; provided, however, that this shall not apply to cases where a Director or Corporate Auditor has retired at the expiration of his/her term of office, or the Board of Directors has exceptionally approved the survival of such rights.
4. The period of service subject to the grant of stock options has not been stipulated.
5. 1) During the period from June 20, 2005 to June 19, 2007, one half (1/2) of the allotted stock acquisition rights may be exercised.
2) During the period from June 20, 2007 to June 19, 2009, all allotted stock acquisition rights may be exercised.
6. 1) During the period from June 18, 2006 to June 17, 2008, one half (1/2) of allotted stock acquisition rights may be exercised.
2) During the period from June 18, 2008 to June 17, 2010, all allotted stock acquisition rights may be exercised.
7. 1) During the period from June 19, 2007 to June 18, 2009, one half (1/2) of allotted stock acquisition rights may be exercised.
2) During the period from June 19, 2009 to June 18, 2011, all allotted stock acquisition rights may be exercised.

(2) Size and status of change in stock options

The following includes stock options existing during the FY 2008 (year ended March 31, 2009) and stock options have been converted and stated as number of shares.

1) Number of stock options

	2003 Stock Options	2004 Stock Options	2005 Stock Options
Before vesting (shares)			
Balance at beginning of year	–	357	355
Granted	–	–	–
Expired	–	–	–
Vested	–	357	–
Balance of rights yet to be vested	–	–	355
After vesting (shares)			
Balance at beginning of year	528	357	355
Granted	–	357	–
Exercised	464	–	–
Expired	–	24	20
Balance of rights yet to be exercised	64	690	335

2) Unit price information

	2003 Stock Options	2004 Stock Options	2005 Stock Options
Exercise price (Note) (yen)	122,500	368,548	501,000
Average share price at time of exercise (yen)	350,424	–	–
Fair value of unit price (on grant date) (yen)	–	–	–

(Note) The exercise prices stated above reflect the effect of the stock splits listed in (Note 2) of (1) *Summary of stock options* under *Details, size and status of changes in stock options*.

FY 2009 (From April 1, 2009 to March 31, 2010)**Details, size and status of changes in stock options****(1) Summary of stock options**

	2003 Stock Options (Note 1)	2004 Stock Options (Note 1)	2005 Stock Options (Note 1)
Category and number of grantees	4 Directors, 1 Corporate Auditor, 19 employees	4 Directors, 1 Corporate Auditor, 29 employees	4 Directors, 35 employees
Number of stock options by type of shares (Note 2)	93,600 shares of common stock	73,800 shares of common stock	71,000 shares of common stock
Grant date	August 1, 2003	August 2, 2004	August 1, 2005
Condition for vesting	(Note 3)	(Note 3)	(Note 3)
Period of service required for vesting (Note 4)	-	-	-
Exercise period	(Note 5)	(Note 6)	(Note 7)

(Notes)

- Stock options from 2003 to 2005 refer to stock acquisition rights pursuant to the provisions of Articles 280-20 and 280-21 of the former Commercial Code.
- Number of stock options have been converted and stated as number of shares.
The number of stock options takes into account the effect of the 2-for-1 stock split of May 20, 2004, the 2-for-1 stock split of May 20, 2005, and the 100-for-1 stock split of July 1, 2009.
- The acquiree of the stock acquisition rights are required to hold the position of the Director or employee of the Company or an affiliate of the Company at the time such rights are exercised; provided, however, that this shall not apply to cases where a Director or Corporate Auditor has retired at the expiration of his/her term of office, or the Board of Directors has exceptionally approved the survival of such rights.
- The period of service subject to the grant of stock options has not been stipulated.
- During the period from June 20, 2005 to June 19, 2007, one half (1/2) of the allotted stock acquisition rights may be exercised.
 - During the period from June 20, 2007 to June 19, 2009, all allotted stock acquisition rights may be exercised.
- During the period from June 18, 2006 to June 17, 2008, one half (1/2) of allotted stock acquisition rights may be exercised.
 - During the period from June 18, 2008 to June 17, 2010, all allotted stock acquisition rights may be exercised.
- During the period from June 19, 2007 to June 18, 2009, one half (1/2) of allotted stock acquisition rights may be exercised.
 - During the period from June 19, 2009 to June 18, 2011, all allotted stock acquisition rights may be exercised.

(2) Size and status of change in stock options

The following includes stock options existing during the FY 2009 (year ended March 31, 2010) and stock options have been converted and stated as number of shares.

1) Number of stock options

	2003 Stock Options	2004 Stock Options	2005 Stock Options
Before vesting (shares)			
Balance at beginning of year	–	–	35,500
Granted	–	–	–
Expired	–	–	–
Vested	–	–	35,500
Balance of rights yet to be vested	–	–	–
After vesting (shares)			
Balance at beginning of year	6,400	69,000	33,500
Granted	–	–	35,500
Exercised	6,400	–	–
Expired	–	2,400	2,000
Balance of rights yet to be exercised	–	66,600	67,000

(Note) The exercise prices stated above reflect the effect of the stock splits listed in (Note 2) of (1) Summary of stock options under Details, size and status of changes in stock options.

2) Unit price information

	2003 Stock Options	2004 Stock Options	2005 Stock Options
Exercise price (Note) (yen)	1,225	3,686	5,010
Average share price at time of exercise (yen)	3,266	–	–
Fair value of unit price (on grant date) (yen)	–	–	–

(Note) The exercise prices stated above reflect the effect of the stock splits listed in (Note 2) of (1) Summary of stock options under Details, size and status of changes in stock options.

(Tax effect accounting)**1. Breakdown of major factors leading to the occurrence of deferred tax assets and deferred tax liabilities**

	FY 2008 (As of March 31, 2009)	FY 2009 (As of March 31, 2010)
	(millions of yen)	(millions of yen)
Deferred tax assets		
Depreciation in excess of deductible amount	39	30
One-time depreciation of assets in excess of deductible amount	6	4
Accrued enterprise tax, currently not deductible	95	92
Non-deductible accrued business office tax	0	0
Allowance for bonuses in excess of tax limit	4	3
Experiment and research expenses, currently not deductible	48	-
Others	5	0
Total deferred tax assets	<u>198</u>	<u>131</u>
Deferred tax liabilities		
Unrealized gains (losses) on other securities	-	(13)
Total deferred tax liabilities	<u>-</u>	<u>(13)</u>
Net deferred tax assets	<u>198</u>	<u>117</u>

2. Breakdown of major items that caused a difference between the statutory tax rate and the effective tax rate after the application of tax effect accounting

	FY 2008 (As of March 31, 2009)	FY 2009 (As of March 31, 2010)
Statutory tax rate	40.7%	40.7%
(Adjustments)		
Entertainment and other miscellaneous nondeductible expenses	0.5%	0.3%
Special deduction for experiment and research expenses	(2.8%)	(2.7%)
Effective rate of income taxes after application of tax effect accounting	<u>38.4%</u>	<u>38.3%</u>

(Equity in earnings (losses) of non-consolidated subsidiaries and affiliates)**FY 2008 (From April 1, 2008 to March 31, 2009)**

N/A

FY 2009 (From April 1, 2009 to March 31, 2010)

N/A

(Omission of disclosure)

Disclosure is omitted with respect to notes on financial instruments, derivative transactions, retirement benefits, related parties, business combination, etc. as the need to disclose such information in the summary of financial statements was deemed to be limited.

(Per share information)

FY 2008 (From April 1, 2008 to March 31, 2009)		FY 2009 (From April 1, 2009 to March 31, 2010)	
Net assets per share	94,663.15 yen	Net assets per share	1,093.51 yen
Net income per share	30,387.47 yen	Net income per share	309.72 yen
Net income per share after adjustment for potential dilution	30,326.41 yen	Net income per share after adjustment for potential dilution	309.69 yen
Effective July 1, 2009, the Company split one common stock into 100 shares. Per share information hypothetically assuming that the stock split had been executed on the first day of the previous fiscal year is as follows.			
		Net assets per share	946.63 yen
		Net income per share	303.87 yen
		Net income per share after adjustment for potential dilution	303.26 yen

(Note) The basis of calculations of the net income per share and the net income per share after adjustment for potential dilution are as follows:

	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
Net income per share		
Net income (millions of yen)	3,800	3,840
Amount not attributable to common shareholders (millions of yen)	–	–
Net income on common stock (millions of yen)	3,800	3,840
Average number of shares of common stock during the period (shares)	125,075.46	12,400,870.69
Diluted net income per share		
Amount of adjustment to net income (millions of yen)	–	–
Increase in number of shares of common stock (shares)	251.8	1,057.8
(Stock acquisition rights)	(251.8)	(1,057.8)
Outline of residual shares not included in the calculation of diluted net income per share due to lack of effect of dilution	(1) Stock acquisition rights resolved at the Ordinary General Shareholders' Meeting held on June 17, 2004 and the Board of Directors Meeting held on July 30, 2004 (Number of stock acquisition rights: 690) Common stock: 690 shares (As of March 31, 2009) (2) Stock acquisition rights resolved at the Ordinary General Shareholders' Meeting held on June 18, 2005 and the Board of Directors Meeting held on July 29, 2005 (Number of stock acquisition rights: 690) Common shares: 690 shares (As of March 31, 2009)	(1) Stock acquisition rights resolved at the Ordinary General Shareholders' Meeting held on June 17, 2004 and the Board of Directors Meeting held on July 30, 2004 (Number of stock acquisition rights: 666) Common stock: 66,600 shares (As of March 31, 2010) (2) Stock acquisition rights resolved at the Ordinary General Shareholders' Meeting held on June 18, 2005 and the Board of Directors Meeting held on July 29, 2005 (Number of stock acquisition rights: 670) Common shares: 67,000 shares (As of March 31, 2010)

(Major subsequent events)

On April 14, 2010, Yamaha Corporation filed a lawsuit with the Tokyo District Court against the Company for compensatory damages totaling 550 million yen and product sale injunction, etc. for alleged infringement of Yamaha's patent rights (complaint served on April 23, 2010). At present, the Company believes there is no such fact of infringement of Yamaha's patent rights alleged by Yamaha and will assert its legitimacy at the trial.

5. Others

(1) Changes to Directors and Corporate Auditors

N/A

(2) Others**1) Production**

Production results for FY 2008 and FY 2009 are as follows:

(Unit: million yen)

	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
Application Specific Standard Products LSI (ASSP)	16,031	15,345
Application Specific Integrated Circuit LSI (ASIC)	0	4
Total	16,032	15,350

(Notes)

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

2) Orders

Orders for FY 2008 and FY 2009 are as follows:

(Unit: million yen)

	FY 2008 (From April 1, 2008 to March 31, 2009)		FY 2009 (From April 1, 2009 to March 31, 2010)	
	Orders received	Outstanding orders	Orders received	Outstanding orders
Application Specific Standard Products LSI (ASSP)	15,834	4,037	14,144	2,691
Application Specific Integrated Circuit LSI (ASIC)	5	4	–	–
Total	15,839	4,041	14,144	2,691

(Notes)

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

3) Sales

Sales during FY 2008 and FY 2009 are as follows:

(Unit: million yen)

	FY 2008 (From April 1, 2008 to March 31, 2009)	FY 2009 (From April 1, 2009 to March 31, 2010)
Application Specific Standard Products LSI (ASSP)	15,417	15,490
Application Specific Integrated Circuit LSI (ASIC)	0	4
Total	15,417	15,495

(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:

Sales agent	FY 2008 (From April 1, 2008 to March 31, 2009)		FY 2009 (From April 1, 2009 to March 31, 2010)	
	Amount (millions of yen)	Percentage (%)	Amount (millions of yen)	Percentage (%)
Midoriya Electric Co., Ltd.	13,886	90.1	14,651	94.6

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

**Attached Materials to Summary of Financial Statements for the Year Ended March 31, 2010
(FY 2009)**

This document serves as a supplementary explanation of the Summary of Financial Statements for the Year Ended March 31, 2010 (FY 2009). Analyses and forward-looking statements contained herein represent analyses conducted by the Company based on various information available to the Company as at the date of publication of this document and are exposed to uncertainties. Please note that actual results may differ from the Company's analyses due to a wide range of factors.

**1. Variance between business results and disclosed budget in the year ended March 31, 2010
(FY 2009)**

(1) Comparison between disclosed budget and FY 2009 business results

(Unit: million yen)

	Disclosed budget	Percentage of net sales	FY 2009 actual results	Percentage of sales	Fulfillment rate
Net sales	16,020	100%	15,495	100%	97%
Operating income	6,240	39%	6,211	40%	99%
Ordinary income	6,250	39%	6,224	40%	99%
Net income	3,860	24%	3,840	25%	99%

(2) Variance analysis

1) Net sales

A comparison between the disclosed budget and FY 2009 actual results with respect to the breakdown of products sold reveals the following variance.

(a) Graphics LSI products

Sales of graphics LSI products on the whole were approximately 5% higher than initially planned, totaling 2.62 million units.

While the migration to AG333 turned out to be lower than planned due to demand trends among specific customers, sales volume of AG301 and AG-2 series was more than planned.

(Note) With respect to AG333, the Company started selling the LSI product for prototype development purposes in January 2009. In general, it takes roughly a year and a couple of months to start normal mass production. Only one customer commenced mass production in FY 2009; fluctuations were attributable to the impact of demand trends of the customer.

Although the number of units sold was approx. 5% higher than initially planned as described above, the percentage of products with a high unit price decreased while those with a relatively low unit price increased, resulting in net sales being more or less as planned.

(b) Sound LSI products

Sales volume of sound LSI products had been expected to decrease from the start, in response to the launch of mass production and sale of "AG333", a product with integrated functions including

sound-generating functions. Coupled with the impact of customers' demand trends, the number of units sold declined by approx. 24%. Sales were approx. 110 million yen lower than planned.

(c) LED driver LSI products, etc.

In the case of other LED driver LSI products, the number of units sold was as initially planned, whereas in the case of memory-module products, it turned out to be approx. 25% lower than planned. Fluctuations in sales of these products are attributable to changes in customers' demand. Sales were 450 million yen lower than planned.

Accordingly, net sales in FY 2009 were 520 million yen lower than initially planned.

2) Operating income

Net sales decreased as a result of the composition of products sold as described in the above analysis. However, gross margin was basically as planned, with 99% of the gross margin ratio plan being fulfilled, thanks to the increase in the percentage of products with a high gross margin ratio. Likewise, operating income was largely as planned, with a 99% fulfillment rate, as a result of 98% of the disbursement plan being fulfilled with respect to selling, general and administrative expenses.

3) Ordinary income and net income

Both nonoperating income and nonoperating expenses were as initially planned, resulting in a 99% fulfillment rate of ordinary income. Net income was also largely as planned.

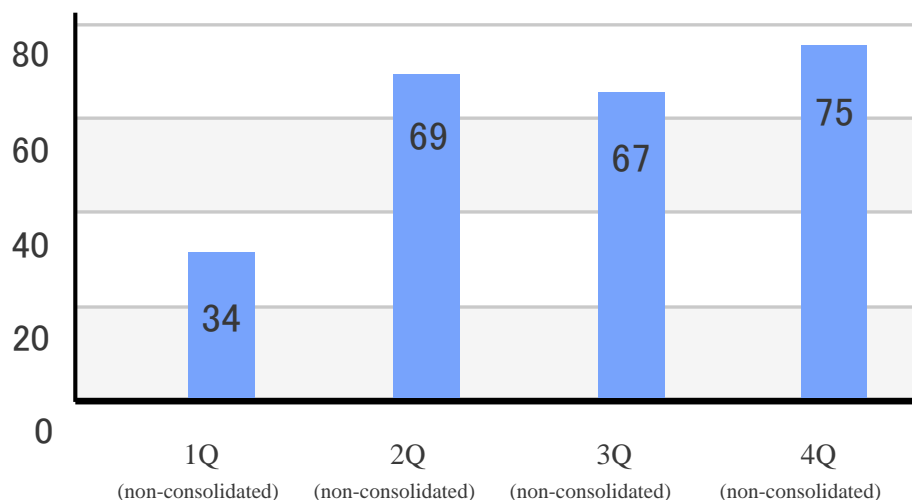
2. Quarterly trends in year ending March 31, 2011 (FY 2010)

(1) Quarterly performance trends

According to the Company's analysis, the conditions are expected to be tough for the manufacturing of amusement devices in FY 2010 due to various factors described in the Summary of Financial Statements for the Year Ended March 31, 2010. The impact is deemed to be pronounced especially in the first quarter, based on the trends illustrated below.

Illustration of sales trends in graphics-rendering LSI products for year ending March 31, 2011 (FY 2010)

(Unit: ten thousand units)



The quarterly fulfillment rate of the plan for the year ending March 31, 2011 is projected as follows.

	1Q	2Q	3Q	4Q	Full-year Total
Net sales	13%	27%	26%	34%	100%
Operating income	4%	29%	31%	36%	100%
Ordinary income	4%	29%	31%	36%	100%
Net income	5%	29%	31%	36%	100%

(2) Analysis

1) Fulfillment rate of net sales in first quarter

In the amusement device market for the year ending March 31, 2011 (FY 2010), there are concerns such as the tendency among customers to be discerning that leads to the concentration of demand on specific amusement devices, stockpiling of LSI products, etc. by customers since the second half of FY 2009, and the impact of the new implementation scheme for the distribution of second-hand amusement devices scheduled in June 2010. Demand for LSI products is therefore expected to be stagnant in the first quarter of FY 2010 (please refer to the “*Illustration of sales trends in graphics LSI products for year ending March 31, 2011 (FY 2010)*” above).

2) Fulfillment rate of operating income in first quarter of FY 2010

Quarterly disbursement of selling, general and administrative expenses in FY 2010

	1Q	2Q	3Q	4Q	Full-year Total
Selling, general and administrative expenses (Note)	27%	26%	20%	27%	100%
R&D expenditures	30%	28%	17%	25%	100%

(Note) In FY 2010, the Company plans to disburse selling, general and administrative expenses (hereinafter referred to as “SGA”) in the amount of 3,240 million yen—a record-high figure. The Company plans to disburse R&D expenditures in the amount of 1,984 million yen.

As stated in analysis 1) above, sales of LSI products are expected to be sluggish especially in the first quarter. Disbursement of selling, general and administrative expenses in the first quarter of FY 2010 is slated to account for 27% of the annual plan. This will result in an increase in the ratio of the burden of selling, general and administrative expenses relative to the gross margin, leading to the 4% fulfillment rate of operating income in the first quarter of FY 2010.

3) Recovery of net sales (product demand) after second quarter of FY 2010

The Company expects the impact of the aforementioned concerns coming to the fore in the first quarter of FY 2010 to gradually subside in the second and subsequent quarters. In particular, demand trend is expected to become stable once the inventory of products currently remaining in the market is cleared. On the other hand, if the tendency among customers to be discerning continues into the second quarter and beyond or otherwise prolongs the time taken for inventory adjustments, there is a risk of the sales plan for the second and subsequent quarters of FY 2010 being unfulfilled.

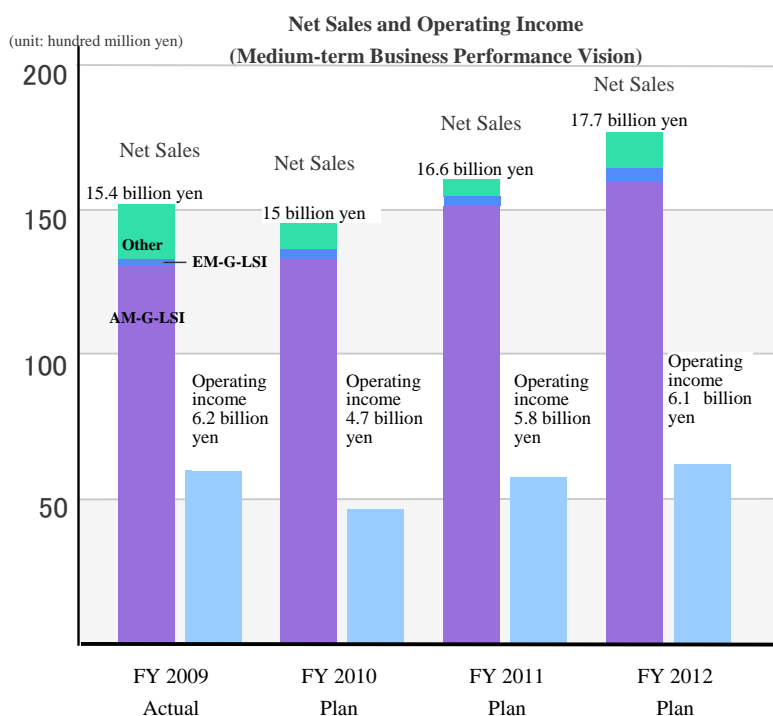
4) In the first and second quarters of FY 2010, the Company plans to disburse prototype development expenses for “AG4”, a next-generation product targeted at the amusement device market. In the fourth quarter of FY 2010, the Company plans to commence the mass production and sale of “AG4”, which is positioned as its next-generation mainstay product for the amusement device market.

Also in the fourth quarter of FY 2010, the Company plans to disburse part of the prototype development expenses for “AG11”, its next-generation product for embedded systems. For the development of “AG11”, the Company plans to disburse R&D expenditures additionally, on top of the prototype development expenses. “AG11” is a product currently being developed, to be deployed in collaboration with Intel Corporation. The Company plans to launch the mass production and sale of “AG11” in the year ending March 31, 2014 (FY 2013).

3. Outlook of market trends serving as the basis of medium-term business vision

In the business performance plan for the year ending March 31, 2011 (FY 2010), the Company is slated to post lower sales and profits due to a variety of factors especially in the amusement device market. On the other hand, in the medium-term business vision for the year ending March 31, 2012 (FY 2011) and beyond, the Company is expected to post higher sales and profits over the next two years. The Company's analysis of market trends based on the current outlook is as follows.

(1) Medium-term business performance vision



(Note)

1. "AM-G-LSI" in the figure above refers to graphics LSI targeted at the amusement device market. The category includes products with integrated functions as well.
2. "EM-G-LSI" in the figure above refers to graphics LSI targeted at the embedded system market. This category includes ASIC products as well.

	FY 2009 (actual)	Percentage of sales	FY 2010 (plan)	Percentage of sales	FY 2011 (plan)	Percentage of sales	FY 2012 (plan)	Percentage of sales
Net sales	15,495	100%	15,000	100%	16,600	100%	17,700	100%
Operating income	6,211	40%	4,740	32%	5,800	35%	6,100	35%
Ordinary income	6,224	40%	4,750	32%	5,800	35%	6,100	35%
Net income	3,840	25%	2,930	20%	3,500	21%	3,700	21%

(2) Market outlook serving as the basis of medium-term business performance vision

1) Amusement device market in the year ending March 31, 2011 (FY 2010)

Special circumstances in amusement device market in the year ending March 31, 2011 (FY 2010)

1	Non-recovery of demand for pachislot machines which curtailed due to the amendment of amusement device regulations in the past
2	Impact of slow recovery of domestic economy on amusement device market on the whole
3	Pronounced tendency among customers to be discerning upon introducing amusement devices (concentration of demand on specific amusement devices)
4	Stockpiling of various components (LSI products), etc. already delivered to customers (Note 1)
5	Impact of commencement of new implementation scheme for the distribution of second-hand amusement devices scheduled in June 2010 on the demand for new units (Note 2)

(Note 1) The increase in the volume of various components (LSI products), etc. that have already been delivered but yet to be consumed referred to in “4” reflects the stockpiling of LSI products, etc. by customers due to amusement devices manufacturers still not being able to fulfill the manufacturing plan in terms of number of units, as a result of the pronounced tendency among customers to be discerning referred to in “3”, which started to become evident following the third quarter of FY 2009. According to the Company’s analysis, it will take a certain period of time for this inventory to be adjusted, and the trends in the demand for various LSI products, etc. might be affected mostly in the first half of the year.

(Note 2) Due to the launch of the new implementation scheme for the distribution of second-hand amusement devices, the distribution of second-hand amusement devices will take longer than before. As this will give rise to the need to store the amusement devices for a certain period of time in warehouses, etc., there are concerns that the second-hand amusement devices market might be affected, not to mention the possibility of the manufacturing of new units being affected.

According to the Company’s analysis, the situation is likely to be tough in the year ending March 31, 2011 (FY 2010) due to the factors referred to in 1 through 5 above, and the number of units of amusement devices manufactured on an annual basis is expected to be limited to around 3.8 million units.

2) Amusement device market in the year ending March 31, 2012 (FY 2011) and beyond

While the outlook remains unclear for the pachislot machine market in the year ending March 31, 2012 (FY 2011) and beyond, the Company believes that the current level is roughly at the bottom and it is unlikely for the market to fall substantially below the current level.

The domestic economy is expected to remain on course for recovery, judging from the economic climate of late.

Based on the foregoing understanding, it is assumed that the amusement device manufacturing trend in the amusement device market will translate into roughly 4 million units of amusement devices being manufactured in the year ending March 31, 2012 (FY 2011) as well as the year ending March 31, 2013 (FY 2012).

(Trend in number of units of amusement devices manufactured over the past 5 years)

	2006 (actual)	2007 (actual)	2008 (actual)	2009 (Company's analysis)	2010 (Company's analysis)
Pachinko machines	3.83 million units	3.17 million units	3.33 million units	3.1 million units	3 million units
Pachislot machines	1.64 million units	1.74 million units	0.91 million units	0.9 million units	0.8 million units
Amusement devices as a whole	5.47 million units	4.91 million units	4.24 million units	4 million units	3.8 million units

(Notes)

1. The years shown in the table above are calendar years.
2. The number of units actually manufactured from 2006 to 2008 is based on the Company's analysis derived with reference to announcements, etc. by outside research agencies.
3. The number of units manufactured in 2009 and 2010 according to the Company's analysis is based on analysis conducted uniquely by the Company based on the information it has obtained.

4. Strategies for the embedded system market

At present, the Company's sales are largely derived from sales of products targeted at the amusement device market. The Company acknowledges that it is indispensable to expand its business broadly in the field of embedded systems to attain stable growth and improve its technological capabilities in the future.

The Company's products targeted at the embedded system market are "AG-9" series, which realize high-resolution graphics rendering in general embedded system configurations, and "AG10", which are intended for domestic devices with multiple screen display requirements in embedded systems based on PC configurations. Efforts are being made in sales activities aimed at expanding the Company's business scale. In addition to "AG10", which is a product intended to be deployed in collaboration with Intel Corporation, the Company has also started working on the development of "AG11", which is the successor to "AG10" and is targeted at the global embedded system market. The Company hopes to expand its business scale with such products in its lineup.

Furthermore, the Company is considering the possibility of expanding into new markets to accelerate the pace of business expansion in the field of embedded systems. The markets being considered by the Company are regarded as niche markets at present, but have the potential to grow in the future;

hence, the Company intends to proactively conduct studies and make efforts to promptly translate concepts into businesses. It should be noted that the business performance targets, etc. in such markets under consideration are not reflected in the current medium-term business plan.