

4. Others (For details, please refer to [Appendix] P. 4 “Other Information”.)

(1) Application of simplified accounting processes and special accounting processes: Yes

(Note) This refers to the applicability of simplified accounting processes and special accounting processes with respect to the preparation of quarterly financial statements.

(2) Changes in accounting principles/procedures, presentation method, etc.

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

(Note) This refers to the existence of changes in accounting principles/procedures, presentation method, etc. regarding the preparation of quarterly financial statements stated in “Changes in significant matters, etc. underlying the preparation of quarterly financial statements”.

(3) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury stock)	Q1 FY 2010	12,570,000 shares	FY 2009	12,570,000 shares
2) The number of shares of treasury stock at end of period	Q1 FY 2010	167,748 shares	FY 2009	167,748 shares
3) Average number of shares of common shares during period (cumulative)	Q1 FY 2010	12,402,252 shares	Q1 FY 2009	123,976 shares

(Note) The Company executed a stock split (one common stock was split into 100 shares) effective July 1, 2009.

*** Presentation regarding execution status of quarterly review procedures**

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

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

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors.

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1. Qualitative information on quarterly business results, etc.

(1) Qualitative information on operating results

During the first quarter of fiscal 2010, some sectors in the Japanese economy showed signs of recovery as reflected in certain effects demonstrated by the government's economic stimulus measures including its emergency stimulus package and the increase in exports driven by improvements in overseas economies. However, the future outlook remains uncertain due to the impact of the credit crunch stemming from fiscal problems in Europe and the volatile foreign exchange market in which the yen remains strong, in addition to the ongoing harsh climate surrounding capital investment by companies and labor markets on the back of the downtrend in domestic demand associated with the falling birth rate and aging population and other such factors.

The electrical machinery industry, to which the Company belongs, started to recover—albeit slightly—due to such factors as the increase in exports on the back of brisk demand in emerging countries including those in Asia, and the effect of various policy measures to boost domestic demand including the introduction of the eco-point system by the government.

The amusement device market (Note 1), which is the primary market for the Company's business at present, began to show positive signs in some segments, as exemplified by the reversal of the downtrend in the population of players due in part to the popularization of one-yen pachinko and other low-price sales initiatives, and the modest recovery trend in the pachislot machines sector that had continued to face a harsh climate attributable to the impact of the revision of regulations over the past years and other such factors. However, the amusement device market on the whole continues to face a tough climate, as reflected in the further reduction in the number of amusement facilities and the number of installed amusement devices, etc. Furthermore, the Company's business environment was extremely harsh in the first quarter, due to such factors as the concentration of demand on some dominant amusement device models and inventory adjustments of amusement device components arising from some amusement device manufacturers failing to manufacture as many units as planned associated with the concentration of demand.

Under such circumstances, the Company concentrated its efforts on promoting the sale of various products, focusing on "AG301", a graphics LSI product (Note 2) for larger LCDs installed in amusement devices, and "AG333", an multifunction LSI product that fulfills multiple functions on a single chip including graphics-rendering, sound-generating and LED (Note 3) driver functions, followed by sound LSI products (Note 4), LED driver LSI products and memory-module (Note 5) products.

As for graphics LSI products targeted at the amusement device market, the migration from "A301" (which was the Company's core product in the first quarter of fiscal 2009) to "AG333" (LSI with integrated functions) has been progressing steadily. Nevertheless, the climate during the first quarter of fiscal 2010 turned out to be harsh as initially expected by the Company, as a result of which the sales volume of the Company's graphics LSI products decreased by 410,000 units from the previous corresponding period to 290,000 units. The sales volume of sound LSI products targeted at the amusement device market declined year-on-year due to the impact of sales of products with integrated functions and the demand trends among customers, while the sales volume of other products targeted at the amusement device market fell year-on-year invariably to the impact of customers' demand trends. In contrast, sales of graphics LSI products targeted at the embedded system market (Note 6) other than the amusement device market exceeded the level in the previous corresponding period, due in part to the completion of the inventory adjustment cycle for various embedded systems, especially industrial equipment.

As a result, for first quarter of fiscal 2010, the Company recorded net sales of 1,738 million yen, down 55.7 % year-on-year.

Gross profit decreased 60.1% from the previous corresponding period to 937 million yen, due in part to the fall in sales stemming from the aforementioned factors and the deterioration of the gross margin ratio attributable to changes in the lineup of products sold.

Selling, general and administrative expenses on the whole increased 31.4% year-on-year to 811 million yen, as R&D expenditures increased 35.6% year-on-year due in part to aggressive R&D investments made with a vision for future growth.

Consequently, for the first quarter of fiscal 2010, the Company posted operating income of 125 million yen (down 92.7% year-on-year), ordinary income of 130 million yen (down 92.5% year-on-year), and net income of 79 million yen (down 92.5% 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) Qualitative information on financial position

1) Status of assets, liabilities and net assets as of end of first quarter of FY 2010

Total assets as of the end of the first quarter of fiscal 2010 stood at 13,554 million yen, up 218 million yen (1.6%) compared to the end of the previous corresponding period. The difference mainly consists of the increase in cash and deposits (778 million yen) acquired as a result of business activities since the end of the previous corresponding period, the decrease in accounts receivable-trade (326 million yen) attributable to the year-on-year decrease in net sales in the last month of the first quarter of fiscal 2010.

Total liabilities as of the end of the first quarter of fiscal 2010 stood at 1,031 million yen, down 534 million yen (34.1%) compared to the end of the previous corresponding period. The difference mainly consists of the increase in accounts payable-trade (159 million yen) and the decrease in income taxes payable (619 million yen).

Net assets as of the end of the first quarter of fiscal 2010 stood at 12,523 million yen, up 753 million yen (6.4%) compared to the end of the previous corresponding period. The difference mainly consists of the increase in retained earnings (744 million yen).

2) Status of cash flows

(Cash flows from operating activities)

Funds used in operating activities as of the end of the first quarter of fiscal 2010 amounted to 1,576 million yen.

This was mainly attributable to the payment of income taxes (1,130 million yen), the increase in notes and accounts receivable-trade (442 million yen), the decrease in notes and accounts payable-trade (182 million yen) and the decrease in inventories (122 million yen), while income before income taxes for this first quarter was 128 million yen.

(Cash flows from investing activities)

Funds used in investing activities as of the end of the first quarter of fiscal 2010 amounted to 1 million yen.

This was mainly attributable to the purchase of property, plant and equipment (1 million yen).

(Cash flows from financing activities)

Funds used in financing activities as of the end of the first quarter of fiscal 2010 amounted to 1,030 million yen.

This was mainly attributable to the cash dividends paid (1,030 million yen).

As a result of the above, the balance of cash and cash equivalents as of the end of the first quarter of fiscal 2010 stood at 10,700 million yen, down 2,609 million yen compared to the end of the previous fiscal year.

(3) Qualitative information on results forecasts

The Company's business results for the first quarter of fiscal 2010 were more or less as initially planned. Therefore, no changes have been made to the results forecasts released to the public on April 26, 2010.

2. Other information

(1) Outline of simplified accounting processes and special accounting processes

- 1) Income taxes have been calculated according to the expected annual tax rate based on the statutory tax rate.
- 2) Inventories have been calculated by the book inventory method, without taking physical inventory.

(2) Outline of changes in accounting principles/procedures, presentation method, etc.

From the first quarter of fiscal 2010 onwards, the "Accounting Standards for Asset Retirement Obligations" (ASBJ Statement No. 18, March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, March 31, 2008) have been applied. The impact of the above change on earnings is immaterial.

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

(In millions of yen)

	Q1 FY 2010 (As of June 30, 2010)	FY 2009 Condensed balance sheet (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	6,700	9,309
Accounts receivable – trade	1,785	1,342
Short-term investment securities	3,999	3,999
Merchandise and finished goods	209	331
Raw materials and supplies	0	1
Other	198	192
Total current assets	12,895	15,178
Noncurrent assets		
Property, plant and equipment	229	239
Intangible assets	219	219
Investments and other assets	210	213
Total noncurrent assets	659	672
Total assets	13,554	15,850
Liabilities		
Current liabilities		
Accounts payable – trade	541	723
Income taxes payable	56	1,155
Other	421	409
Total current liabilities	1,019	2,288
Noncurrent liabilities		
Asset retirement obligations	7	-
Other	5	-
Total noncurrent liabilities	12	-
Total liabilities	1,031	2,288
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	11,225	12,262
Treasury stock	(600)	(600)
Total shareholders' equity	12,505	13,541
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	17	20
Total valuation and translation adjustments	17	20
Total net assets	12,523	13,562
Total liabilities and net assets	13,554	15,850

(2) Non-consolidated Statements of Income
(First quarter)

	(In millions of yen)	
	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)
Net sales	3,928	1,738
Cost of sales	1,579	801
Gross profit	2,348	937
Selling, general and administrative expenses	617	811
Operating income	1,731	125
Non-operating income		
Interest income	3	2
Dividends income	1	1
Miscellaneous income	0	0
Total non-operating income	4	4
Non-operating expenses		
Stock issuance cost	0	-
Loss on retirement of noncurrent assets	-	0
Foreign exchange losses	0	-
Total non-operating expenses	0	0
Ordinary income	1,735	130
Extraordinary losses		
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1
Total extraordinary losses	-	1
Income before income taxes	1,735	128
Income taxes	667	49
Net income	1,067	79

(3) Non-consolidated Statements of Cash Flows

(In millions of yen)

	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	1,735	128
Depreciation and amortization	63	54
Amortization of long-term prepaid expenses	0	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1
Interest and dividends income	(4)	(3)
Decrease (increase) in notes and accounts receivable- trade	(1,426)	(442)
Decrease (increase) in inventories	214	122
Decrease (increase) in other current assets	0	(5)
Increase (decrease) in notes and accounts payable-trade	122	(182)
Increase (decrease) in other current liabilities	(346)	(62)
Increase (decrease) in accrued consumption taxes	46	(60)
Other, net	-	0
Subtotal	407	(449)
Interest and dividends income received	4	3
Income taxes paid	(1,135)	(1,130)
Net cash provided by (used in) operating activities	(724)	(1,576)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(135)	(1)
Purchase of intangible assets	(58)	-
Other, net	(0)	-
Net cash provided by (used in) investing activities	(194)	(1)
Net cash provided by (used in) financing activities		
Proceeds from disposal of treasury stock	7	-
Repayments of lease obligations	-	(0)
Cash dividends paid	(963)	(1,030)
Net cash provided by (used in) financing activities	(956)	(1,030)
Net increase (decrease) in cash and cash equivalents	(1,874)	(2,609)
Cash and cash equivalents at beginning of period	11,796	13,309
Cash and cash equivalents at end of period	9,921	10,700

(4) Notes regarding going concern assumption

N/A

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

N/A

4. Supplementary information

(1) Production, order and sales status

1) Production

Production results for the first quarter of FY 2010 are as follows:

Classification	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	1,367	40.9
LSI products targeted at the embedded system market (millions of yen)	83	631.8
Other (millions of yen)	16	33.5
Total (millions of yen)	1,467	43.0

(Notes)

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

2) Orders

Orders for the first quarter of FY 2010 are as follows:

Classification	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)			
	Orders received (millions of yen)	Year-on-year change (%)	Outstanding orders (millions of yen)	Year-on- year change (%)
LSI products targeted at the amusement device market	2,299	68.5	3,254	93.7
LSI products targeted at the embedded system market	62	2,173.9	65	561.7
Other	6	21.7	0	6.4
Total	2,368	69.9	3,321	94.9

(Notes)

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

3) Sales

Sales for the first quarter of FY 2010 are as follows:

Classification	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	1,651	42.4
LSI products targeted at the embedded system market (millions of yen)	79	495.8
Other (millions of yen)	7	41.8
Total (millions of yen)	1,738	44.3

(Notes)

1. Above figures are stated net of consumption taxes.
2. Sales to the Company's main sales agent and the proportion of such sales to total sales in the first quarter of fiscal 2010 and the previous corresponding period are as follows:

Sales agent	Q1 FY 2009 (From April 1, 2009 to June 30, 2009)		Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	
	Amount (millions of yen)	Percentage (%)	Amount (millions of yen)	Percentage (%)
Midoriya Electric Co., Ltd.	3,584	91.2	1,663	95.7

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

(2) Recent trends in quarterly business results**Year ending March 31, 2011**

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

	Q1 FY 2010 From April 2010 to June 2010	Q2 FY 2010 From July 2010 to September 2010	Q3 FY 2010 From October 2010 to December 2010	Q4 FY 2010 From January 2011 to March 2011
	millions of yen	millions of yen	millions of yen	millions of yen
Net sales	1,738	—	—	—
Gross profit	937	—	—	—
Operating income	125	—	—	—
Ordinary income	130	—	—	—
Income before income taxes	128	—	—	—
Net income	79	—	—	—
Net income per share	6.41 yen	—	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
	millions of yen	millions of yen	millions of yen	millions of yen
Total assets	13,554	—	—	—
Net assets	12,523	—	—	—
Net assets per share	1,009.73 yen	—	—	—

Year ended March 31, 2010

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

	Q1 FY 2009 From April 2009 to June 2009	Q2 FY 2009 From July 2009 to September 2009	Q3 FY 2009 From October 2009 to December 2009	Q4 FY 2009 From January 2010 to March 2010
	millions of yen	millions of yen	millions of yen	millions of yen
Net sales	3,928	3,824	4,146	3,595
Gross profit	2,348	2,200	2,352	1,972
Operating income	1,731	1,518	1,738	1,222
Ordinary income	1,735	1,521	1,743	1,225
Income before income taxes	1,735	1,521	1,743	1,225
Net income	1,067	942	1,073	757
Net income per share	86.12 yen	75.98 yen	86.52 yen	61.08 yen
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
	millions of yen	millions of yen	millions of yen	millions of yen
Total assets	13,335	15,215	14,680	15,850
Net assets	11,769	12,715	12,792	13,562
Net assets per share	948.97 yen	1,025.22 yen	1,031.44 yen	1,093.51 yen

(Note) The Company executed a stock split (one common stock was split into 100 shares) effective July 1, 2009. Net income per share and net assets per share were calculated hypothetically assuming that the stock split had been executed at the beginning of the period.