

4. Others (For details, please refer to [Appendix] P. 3 “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)	Q2 FY 2010	12,402,252 shares	FY 2009	12,570,000 shares
2) The number of shares of treasury stock at end of period	Q2 FY 2010	- shares	FY 2009	167,748 shares
3) Average number of shares of common shares during period (cumulative)	Q2 FY 2010	12,402,252 shares	Q2 FY 2009	12,399,657 shares

(Note) The Company retired 167,748 shares of treasury stock effective September 30, 2010.

*** 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 second quarter of fiscal 2010, some sectors of the Japanese economy showed signs of recovery as corporate earnings continued to improve, backed by an increase in exports attributable to the improvement of overseas economy and the recovery of personal consumption due to the effect of various policy measures. However, the future outlook remains uncertain due in part to an increase in the risk of economic deterioration resulting from the impact of concerns on the economic downturn overseas and the volatile exchange market in which the yen remains strong.

While the electrical machinery industry, to which the Company belongs, showed signs of recovery in some segments driven by exports backed by brisk demand in emerging countries including those in Asia, full-scale recovery could not be achieved due mainly to the impact of the ever strong yen and chronic deflation.

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 to the wide popularization of one-yen pachinko and other low-price sales initiatives, as well as the efforts of amusement device manufacturers to develop devices that incorporate high levels of gaming elements in order to expand the fan base. However, overall conditions remained tough as the demand of amusement facilities for new amusement devices concentrated on a few dominant models amid a general reluctance to buy, due mainly to the decline in the profitability of amusement facilities attributable to the popularization of low-price sales initiatives and the impact of prolonged stagnation of the Japanese economy. Furthermore, the Company's business environment was harsher than was expected, due to such factors as inventory adjustments of amusement device components for some amusement device manufacturers associated with the concentration of demand, as well as the initiation of full-scale recycling on the substrate level as a result of the market conditions.

Under such circumstances, the Company concentrated its efforts on promoting the sale of various LSI 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.

As for graphics LSI products targeted at the amusement device market, the migration from "AG301" (which was the Company's core products in the second quarter of fiscal 2009) to "AG333" (high value-added LSI with integrated functions) has been progressing steadily. Nevertheless, the market conditions described above resulted in the sales volume of the Company's graphics LSI products decreasing by 690,000 units from the previous corresponding period to 670,000 units. The sales volume of sound LSI products (Note 4) 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 due to the impact of customers' demand trends. In contrast, sales of graphics LSI products targeted at the embedded system market (Note 5) 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 second quarter of fiscal 2010, the Company recorded net sales of 3,950 million yen (down 49.1% year-on-year), operating income of 655 million yen (down 79.8% year-on-year), ordinary income of 662 million yen (down 79.6% year-on-year), and net income of 428 million yen (down 78.7% 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 liquid crystal 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) "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 second quarter of FY 2010

Total assets as of the end of the second quarter of fiscal 2010 stood at 13,846 million yen, down 1,368 million yen (9.0%) compared to the end of the previous corresponding period. The difference mainly consists of the decrease in cash and deposits (216 million yen) as a result of business activities since the end of the previous corresponding period, and the decrease in accounts receivable-trade (1,154 million yen) attributable to the year-on-year decrease in net sales in the last month of the second quarter of fiscal 2010.

Total liabilities as of the end of the second quarter of fiscal 2010 stood at 981 million yen, down 1,518 million yen (60.7%) compared to the end of the previous corresponding period. The difference mainly consists of the decrease in accounts payable-trade (389 million yen) attributable to the year-on-year decrease in net purchases in the last month of the second quarter of fiscal 2010 and the decrease in income taxes payable (1,025 million yen).

Net assets as of the end of the second quarter of fiscal 2010 stood at 12,865 million yen, up 150 million yen (1.2%) compared to the end of the previous corresponding period. The difference mainly consists of the decrease in retained earnings (449 million yen) and the decrease in treasury stock (600 million yen).

2) Status of cash flows

(Cash flows from operating activities)

Funds used in operating activities as of the end of the second quarter of fiscal 2010 amounted to 553 million yen.

This was mainly attributable to the payment of income taxes (1,130 million yen), depreciation and amortization (110 million yen), decrease in notes and accounts receivable-trade (227 million yen), decrease in notes and accounts payable-trade (278 million yen), and decrease in accrued consumption taxes (147 million yen), while income before income taxes for this second quarter was 661 million yen.

(Cash flows from investing activities)

Funds used in investing activities as of the end of the second quarter of fiscal 2010 amounted to 41 million yen. This was mainly attributable to the purchase of property, plant and equipment (9 million yen) and of intangible assets (31 million yen).

(Cash flows from financing activities)

Funds used in financing activities as of the end of the second quarter of fiscal 2010 amounted to 1,114 million yen.

This was mainly attributable to the cash dividends paid (1,114 million yen).

As a result of the above, the balance of cash and cash equivalents as of the end of the second quarter of fiscal 2010 stood at 11,599 million yen, down 1,709 million yen compared to the end of the previous fiscal year.

(3) Qualitative information on results forecasts

Full-year earnings forecast for the fiscal year ending March 31, 2011 announced in the Summary of Non-consolidated Financial Statements for the Year Ended March 31, 2010 (disclosed on April 26, 2010) has been revised. Please see the Notice of Revision of Earnings Forecast released on September 15, 2010 for details.

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)

	Q2 FY 2010 (As of September 30, 2010)	FY 2009 Condensed balance sheet (As of March 31, 2010)
Assets		
Current assets		
Cash and deposits	7,600	9,309
Accounts receivable – trade	1,115	1,342
Short-term investment securities	3,999	3,999
Merchandise and finished goods	238	331
Raw materials and supplies	1	1
Other	274	192
Total current assets	13,230	15,178
Noncurrent assets		
Property, plant and equipment	222	239
Intangible assets	190	219
Investments and other assets	203	213
Total noncurrent assets	616	672
Total assets	13,846	15,850
Liabilities		
Current liabilities		
Accounts payable – trade	445	723
Income taxes payable	240	1,155
Other	284	409
Total current liabilities	969	2,288
Noncurrent liabilities		
Asset retirement obligations	7	-
Other	4	-
Total noncurrent liabilities	12	-
Total liabilities	981	2,288
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	10,973	12,262
Treasury stock	-	(600)
Total shareholders' equity	12,854	13,541
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10	20
Total valuation and translation adjustments	10	20
Total net assets	12,865	13,562
Total liabilities and net assets	13,846	15,850

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

	(In millions of yen)	
	Q2 FY 2009 (From April 1, 2009 to September 30, 2009)	Q2 FY 2010 (From April 1, 2010 to September 30, 2010)
Net sales	7,753	3,950
Cost of sales	3,204	1,810
Gross profit	4,548	2,139
Selling, general and administrative expenses	1,299	1,484
Operating income	3,249	655
Non-operating income		
Interest income	5	4
Dividends income	1	1
Miscellaneous income	1	2
Total non-operating income	8	7
Non-operating expenses		
Stock issuance cost	1	0
Foreign exchange losses	0	-
Loss on retirement of noncurrent assets	-	0
Total non-operating expenses	1	0
Ordinary income	3,256	662
Extraordinary losses		
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1
Total extraordinary losses	-	1
Income before income taxes	3,256	661
Income taxes	1,246	232
Net income	2,010	428

(Three-month period ended September 30)

(In millions of yen)

	Three-month period ended Sep. 30, 2009 (From July 1, 2009 to September 30, 2009)	Three-month period ended Sep. 30, 2010 (From July 1, 2010 to September 30, 2010)
Net sales	3,824	2,211
Cost of sales	1,624	1,009
Gross profit	2,200	1,202
Selling, general and administrative expenses	681	672
Operating income	1,518	529
Non-operating income		
Interest income	2	2
Foreign exchange gains	-	1
Miscellaneous income	1	0
Total non-operating income	3	3
Non-operating expenses		
Stock issuance cost	0	0
Foreign exchange losses	0	-
Loss on retirement of noncurrent assets	-	0
Total non-operating expenses	0	0
Ordinary income	1,521	532
Income before income taxes	1,521	532
Income taxes	579	183
Net income	942	349

(3) Non-consolidated Statements of Cash Flows

	(In millions of yen)	
	Q2 FY 2009 (From April 1, 2009 to September 30, 2009)	Q2 FY 2010 (From April 1, 2010 to September 30, 2010)
Net cash provided by (used in) operating activities		
Income before income taxes	3,256	661
Depreciation and amortization	130	110
Amortization of long-term prepaid expenses	1	0
Loss on adjustment for changes of accounting standard for asset retirement obligations	-	1
Interest and dividends income	(6)	(5)
Decrease (increase) in notes and accounts receivable- trade	(1,583)	227
Decrease (increase) in inventories	336	92
Decrease (increase) in other current assets	3	(25)
Increase (decrease) in notes and accounts payable-trade	575	(278)
Increase (decrease) in other current liabilities	(343)	(65)
Increase (decrease) in accrued consumption taxes	31	(147)
Other, net	-	0
Subtotal	2,402	570
Interest and dividends income received	6	5
Income taxes paid	(1,135)	(1,130)
Net cash provided by (used in) operating activities	1,273	(553)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(145)	(9)
Purchase of intangible assets	(63)	(31)
Other, net	(0)	-
Net cash provided by (used in) investing activities	(208)	(41)
Net cash provided by (used in) financing activities		
Proceeds from disposal of treasury stock	7	-
Repayments of lease obligations	-	(0)
Cash dividends paid	(1,053)	(1,114)
Net cash provided by (used in) financing activities	(1,045)	(1,114)
Net increase (decrease) in cash and cash equivalents	19	(1,709)
Cash and cash equivalents at beginning of period	11,796	13,309
Cash and cash equivalents at end of period	11,815	11,599

(4) Notes regarding going concern assumption

N/A

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

N/A

(6) Notes regarding important subsequent events

(Establishment of a principal subsidiary)

At the Board of Directors' meeting held on October 15, 2010, the Company resolved to establish a subsidiary as described below.

1. Purpose of establishing subsidiary

A decision was made to establish a subsidiary for the purpose of cultivation of new market areas (business fields) targeting LSI products, etc. and early launch of new business initiatives.

2. Overview of subsidiary

(1) Trade name	To be determined
(2) Location of head office	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo
(3) Representative	To be determined
(4) Main business	Development and sales of semiconductors and electronics
(5) Capital stock	125,000,000 yen
(6) Legal capital surplus	125,000,000 yen
(7) End of fiscal year	March 31
(8) Stockholder composition	Wholly owned by the Company

3. Schedule of establishment

October 15, 2010	Resolution of the Board of Directors' meeting
Early December 2010	Establishment of subsidiary (schedule)

4. Future prospects

The Company believes the establishment of the subsidiary announced here will have only a minor influence on the Company's performance in this fiscal year, because it is the first year of foundation of the subsidiary.

4. Supplementary information

(1) Production, order and sales status

1) Production

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

Classification	Q2 FY 2010 (From April 1, 2010 to September 30, 2010)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	3,524	51.1
LSI products targeted at the embedded system market (millions of yen)	146	578.0
Other (millions of yen)	59	75.4
Total (millions of yen)	3,730	53.3

(Notes)

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

2) Orders

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

Classification	Q2 FY 2010 (From April 1, 2010 to September 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	2,979	37.3	1,807	41.9
LSI products targeted at the embedded system market	134	181.0	74	118.1
Other	33	89.8	6	746.0
Total	3,147	38.9	1,889	43.1

(Notes)

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

3) Sales

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

Classification	Q2 FY 2010 (From April 1, 2010 to September 30, 2010)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	3,778	49.2
LSI products targeted at the embedded system market (millions of yen)	142	397.2
Other (millions of yen)	29	71.6
Total (millions of yen)	3,950	50.9

(Notes)

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

Sales agent	Q2 FY 2009 (From April 1, 2009 to September 30, 2009)		Q2 FY 2010 (From April 1, 2010 to September 30, 2010)	
	Amount (millions of yen)	Percentage (%)	Amount (millions of yen)	Percentage (%)
Midoriya Electric Co., Ltd.	7,354	94.9	3,731	94.5

(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	2,211	—	—
Gross profit	937	1,202	—	—
Operating income	125	529	—	—
Ordinary income	130	532	—	—
Income before income taxes	128	532	—	—
Net income	79	349	—	—
Net income per share	6.41 yen	28.14 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	13,846	—	—
Net assets	12,523	12,865	—	—
Net assets per share	1,009.73 yen	1,037.32 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.