

3. Consolidated Forecast Results for FY 2011 (April 1, 2011 to March 31, 2012)

(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	3,700	—	300	—	300	—	180	—	14.51
Full Year	8,200	—	950	—	950	—	550	—	44.34

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

(Note) The rates of year-on-year increase (decrease) are not listed because the consolidated financial statements are created from Q1 FY 2011.

4. Others

(1) Significant changes in subsidiaries during the period under review (Changes in specific subsidiaries involving changes in scope of consolidation): Yes

New: 1 company Name: NEW ZONE CORPORATION Exclusion: — company Name:

(Note) For details, please refer to [Appendix] P. 4 “Significant changes in subsidiaries during the period under review”.

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

(Note) For details, please refer to [Appendix] P. 4 “Application of special accounting processes for the preparation of Consolidated Financial Statements”.

(3) Changes to accounting policies and changes/restatements of accounting estimates:

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

(4) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury stock)	Q1 FY 2011	12,402,252 shares	FY 2010	12,402,252 shares
2) The number of shares of treasury stock at end of period	Q1 FY 2011	0 shares	FY 2010	0 shares
3) Average number of shares of common shares during period (cumulative)	Q1 FY 2011	12,402,252 shares	Q1 FY 2010	12,402,252 shares

* Presentation regarding execution status of quarterly review procedures

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

* Explanation of appropriate use of results forecasts, other matters of note: (Note on forward-looking statements, etc.)

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

(Method of obtaining supplementary explanatory materials)

The Company is planning to hold a briefing session for analysts and institutional investors on Tuesday, July 26, 2011. The explanatory materials to be distributed at the session are scheduled to be posted on the Company’s website immediately after the session.

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1. Qualitative Information on Quarterly Financial Results

Since the first quarter of fiscal 2011 falls under the first consolidated fiscal year, a year-on-year comparison of business results and financial position is not presented.

(1) Qualitative information on consolidated operating results

During the first quarter of fiscal 2011, the Japanese economy remained in a harsh environment due to the impact of the Great East Japan Earthquake which occurred on March 11, 2011. However, owing to the recovery of production activities resulting from progress in the restoration of the supply chain, the economy showed signs of recovery. Nevertheless, there were many downside risks to the economy, such as the nuclear power disaster for which an end cannot be predicted and soaring crude oil prices, in addition to constraints on economic activities stemming from the power shortage. At the same time, uncertainties about the future economy further mounted, as indicated by such factors as the revival of the European sovereign risk and the slowdown of overseas economies.

Also, the electrical machinery industry, to which the Group belongs, was unable to achieve a full-fledged recovery even though it was bolstered by strong demand for mobile communication terminals, such as smart phones (highly functional mobile phones) and tablet PCs, because of the trend of abstaining from spending due to such factors as the impact of chronic deflation and a decrease in personal income in the overall market.

The amusement device market (Note 1), which is the primary market for the Group at present, began to show positive signs in some segments, as exemplified by the recovery trend in the popularity of pachislot machines which had been struggling and the growth in the population of players thanks to the wide popularization of one-yen pachinko and other low-price sales initiatives. However, owing to the consumers still opting persistently for budget saving due to a decrease in personal income and uncertainties about employment conditions, in addition to the impact of the Great East Japan Earthquake, there is a strong tendency to curb amusement expenses on the whole. As such, a harsh profit environment persists for amusement facilities. For this reason, the replacement of amusement devices also concentrated on a few models such as well-established models and major projects that can attract many customers, and demand for new units of amusement devices continued to hover at low levels overall, according to our analysis.

Under such circumstances, the Group concentrated its efforts on promoting the sale of various products, focusing on Graphics LSI products (Note 2) targeted at the amusement device market, which are the Group's mainstay products (including an integrated product that fulfills multiple functions such as sound-generating and LED (Note 3) driver functions). Furthermore, the Group expanded the adoption of Graphics LSI products targeted at the embedded system market (Note 4) other than the amusement device market and also concentrated its efforts on product development in the field of Digital Convenience Radio by NEW ZONE CORPORATION (hereinafter "NZ"), a wholly-owned subsidiary.

As for Graphics LSI products targeted at the amusement device market, although the sales volume remained low at approximately 310,000 units due to such factors as the re-use of amusement device components including the Company's products being prevalent on a full scale, on top of the tough market conditions, the migration from conventional products to "AG-4" (high value-added LSI) has been progressing steadily. Regarding other products targeted at the amusement device market, the sales volume of Sound LSI products (Note 5) fell year-on-year due to the migration to products with integrated functions and the demand trends among customers. However, the sales volume of LED driver LSI products, etc. rose above the level in the

previous corresponding period thanks to demand from certain customers. Moreover, sales of Graphics LSI products targeted at the embedded system market exceeded the level in the previous corresponding period, driven by the strong demand for industrial equipment aimed at emerging countries, etc. NZ, which became a consolidated subsidiary from the first quarter of fiscal 2011, has no net sales for this first quarter.

As a result, for the first quarter of fiscal 2011, the Group recorded net sales of 1,943 million yen. As for selling, general and administrative expenses, 468 million yen in R&D expenditures and 742 million yen in selling, general and administrative expenses on the whole were recorded due primarily to such factors as the recording of prototype development expenses for LSI products targeted at Digital Convenience Radio at NZ.

Consequently, for the first quarter of fiscal 2011, the Group posted operating income of 347 million yen, ordinary income of 353 million yen, and net income of 183 million yen.

(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 the Company’s LSI products 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) “Embedded system market” refers to “the market relating to the manufacture of embedded systems as broadly defined, excluding amusement devices”.

(Note 5) “Sound LSI” refers to LSIs designed to reproduce digital sound data.

(2) Qualitative information on consolidated financial position

1) Status of assets, liabilities, and net assets

Total assets as of the end of the first quarter of fiscal 2011 stood at 12,434 million yen. Of this amount, total current assets amounted to 11,725 million yen, mainly consisting of 5,030 million yen in cash and deposits, 1,653 million yen in accounts receivable-trade, and 3,999 million yen in short-term investment securities. Total noncurrent assets amounted to 708 million yen.

Total liabilities as of the end of the first quarter of fiscal 2011 stood at 763 million yen. Of this amount, total current liabilities amounted to 749 million yen, mainly consisting of 396 million yen in accounts payable-trade and 353 million yen in other. Total noncurrent liabilities amounted to 14 million yen.

Net assets as of the end of the first quarter of fiscal 2011 stood at 11,670 million yen. This mainly includes 1,018 million yen in capital stock, 861 million yen in capital surplus, and 9,771 million yen in retained earnings.

2) Status of cash flows

Cash and cash equivalents as of the end of the first quarter of fiscal 2011 stood at 9,029 million yen. The status of cash flows for the first quarter of fiscal 2011 was as follows:

(Cash flows from operating activities)

Funds used in operating activities for the first quarter of fiscal 2011 amounted to 633 million yen.

This was mainly attributable to the increase in notes and accounts receivable-trade (800 million yen), the increase in inventories (125 million yen), and the decrease in other current liabilities (146 million yen), while income before income taxes and minority interests for this first quarter was 353 million yen.

(Cash flows from investing activities)

Funds used in investing activities for the first quarter of fiscal 2011 amounted to 110 million yen.

This was mainly attributable to the purchase of property, plant and equipment (96 million yen) and the purchase of intangible assets (13 million yen).

(Cash flows from financing activities)

Funds used in financing activities for the first quarter of fiscal 2011 amounted to 889 million yen.

This was mainly attributable to the cash dividends paid (889 million yen).

(3) Qualitative information on consolidated results forecasts

The consolidated results forecasts for the fiscal year ending March 31, 2012 (fiscal 2011) is as presented in “Notice of Consolidated Earnings Forecast upon Commencement of Consolidated Accounting” disclosed on April 26, 2011.

The Group’s consolidated business results for the first quarter of fiscal 2011 were more or less as initially planned. Therefore, no changes have been made to the results forecasts released to the public.

2. Matters Related to Summary Information (Other Information)

(1) Significant changes in subsidiaries during the period under review

As stated in “Notice of Consolidated Earnings Forecast upon Commencement of Consolidated Accounting” disclosed on April 26, 2011, it was judged that the status of assets, earnings, etc. of NEW ZONE CORPORATION gained in importance. For this reason, NEW ZONE CORPORATION was included in the scope of consolidation from the first quarter of fiscal 2011.

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

Income taxes have been calculated according to the expected annual tax rate based on the statutory tax rate.

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

(In millions of yen)

		Q1 FY 2011 (As of June 30, 2011)
Assets		
Current assets		
Cash and deposits		5,030
Accounts receivable-trade		1,653
Short-term investment securities		3,999
Merchandise and finished goods		331
Raw materials and supplies		0
Other		709
Total current assets		11,725
Noncurrent assets		
Property, plant and equipment		274
Intangible assets		132
Investments and other assets		301
Total noncurrent assets		708
Total assets		12,434
Liabilities		
Current liabilities		
Accounts payable-trade		396
Other		353
Total current liabilities		749
Noncurrent liabilities		
Asset retirement obligations		10
Other		3
Total noncurrent liabilities		14
Total liabilities		763
Net assets		
Shareholders' equity		
Capital stock		1,018
Capital surplus		861
Retained earnings		9,771
Total shareholders' equity		11,651
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		18
Total accumulated other comprehensive income		18
Total net assets		11,670
Total liabilities and net assets		12,434

(2) Consolidated Quarterly Statements of Income and Comprehensive Income
 (Consolidated Quarterly Statements of Income)
 (First quarter)

	(In millions of yen)
	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net sales	1,943
Cost of sales	852
Gross profit	1,090
Selling, general and administrative expenses	742
Operating income	347
Non-operating income	
Interest income	1
Dividends income	1
Interest on refund	2
Other	0
Total non-operating income	6
Non-operating expenses	
Loss on sales of noncurrent assets	0
Loss on retirement of noncurrent assets	0
Other	0
Total non-operating expenses	1
Ordinary income	353
Income before income taxes and minority interests	353
Income taxes	170
Income before minority interests	183
Net income	183

(Consolidated Quarterly Statements of Comprehensive Income)

(First quarter)

(In millions of yen)

	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Income before minority interests	183
Other comprehensive income	
Valuation difference on available-for-sale securities	(5)
Total other comprehensive income	(5)
Comprehensive income	177
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	177
Comprehensive income attributable to minority interests	-

(3) Consolidated Quarterly Statements of Cash Flows

(In millions of yen)

	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	353
Depreciation and amortization	51
Interest and dividends income	(3)
Decrease (increase) in notes and accounts receivable-trade	(800)
Decrease (increase) in inventories	(125)
Decrease (increase) in other current assets	(115)
Increase (decrease) in notes and accounts payable-trade	(33)
Increase (decrease) in other current liabilities	(146)
Other, net	184
Subtotal	(636)
Interest and dividends income received	3
Income taxes paid	(0)
Net cash provided by (used in) operating activities	(633)
Net cash provided by (used in) investing activities	
Purchase of property, plant and equipment	(96)
Purchase of intangible assets	(13)
Other, net	0
Net cash provided by (used in) investing activities	(110)
Net cash provided by (used in) financing activities	
Repayments of lease obligations	(0)
Cash dividends paid	(889)
Net cash provided by (used in) financing activities	(889)
Net increase (decrease) in cash and cash equivalents	(1,633)
Cash and cash equivalents at beginning of period	10,427
Increase in cash and cash equivalents from newly consolidated subsidiary	236
Cash and cash equivalents at end of period	9,029

(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. (Reference) Non-consolidated Financial Statements

These Non-consolidated Financial Statements have been voluntarily prepared by the Company in accordance with the Regulations on Non-consolidated Financial Statements.

(1) (Reference) Non-consolidated Quarterly Balance Sheets

	(In millions of yen)	
	FY2010 Condensed balance sheet (As of March 31, 2011)	Q1 FY 2011 (As of June 30, 2011)
Assets		
Current assets		
Cash and deposits	6,428	4,937
Accounts receivable-trade	853	1,653
Short-term investment securities	3,999	3,999
Merchandise and finished goods	206	331
Raw materials and supplies	0	0
Other	910	701
Total current assets	12,398	11,624
Noncurrent assets		
Property, plant and equipment	217	274
Intangible assets	152	132
Investments and other assets	564	551
Total noncurrent assets	934	958
Total assets	13,332	12,582
Liabilities		
Current liabilities		
Accounts payable-trade	429	396
Other	390	315
Total current liabilities	819	711
Noncurrent liabilities		
Asset retirement obligations	7	10
Other	4	3
Total noncurrent liabilities	11	14
Total liabilities	831	725
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Legal capital surplus	861	861
Retained earnings	10,596	9,957
Total shareholders' equity	12,477	11,838
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	24	18
Total valuation and translation adjustments	24	18
Total net assets	12,501	11,856
Total liabilities and net assets	13,332	12,582

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

(In millions of yen)

	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net sales	1,738	1,943
Cost of sales	801	852
Gross profit	937	1,090
Selling, general and administrative expenses	811	573
Operating income	125	517
Non-operating income		
Interest income	2	1
Dividends income	1	1
Interest on refund	-	2
Other	0	1
Total non-operating income	4	7
Non-operating expenses		
Loss on sales of noncurrent assets	-	0
Loss on retirement of noncurrent assets	0	0
Other	-	0
Total non-operating expenses	0	1
Ordinary income	130	523
Extraordinary loss		
Loss on adjustment for changes of accounting standard for asset retirement obligations	1	-
Total extraordinary losses	1	-
Income before income taxes	128	523
Income taxes	49	170
Net income	79	353

(3) (Reference) Non-consolidated Quarterly Statements of Cash Flows

(In millions of yen)

	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)
Net cash provided by (used in) operating activities		
Income before income taxes	128	523
Depreciation and amortization	54	51
Loss on adjustment for changes of accounting standard for asset retirement obligations	1	-
Interest and dividends income	(3)	(3)
Decrease (increase) in notes and accounts receivable- trade	(442)	(800)
Decrease (increase) in inventories	122	(125)
Decrease (increase) in other current assets	(5)	(115)
Increase (decrease) in notes and accounts payable-trade	(182)	(33)
Increase (decrease) in other current liabilities	(62)	(181)
Other, net	(59)	192
Subtotal	(449)	(493)
Interest and dividends income received	3	3
Income taxes paid	(1,130)	(0)
Net cash provided by (used in) operating activities	(1,576)	(490)
Net cash provided by (used in) investing activities		
Purchase of property, plant and equipment	(1)	(96)
Purchase of intangible assets	-	(13)
Other, net	-	0
Net cash provided by (used in) investing activities	(1)	(110)
Net cash provided by (used in) financing activities		
Repayments of lease obligations	(0)	(0)
Cash dividends paid	(1,030)	(889)
Net cash provided by (used in) financing activities	(1,030)	(889)
Net increase (decrease) in cash and cash equivalents	(2,609)	(1,490)
Cash and cash equivalents at beginning of period	13,309	10,427
Cash and cash equivalents at end of period	10,700	8,936

5. Supplementary Information

(1) Production, order and sales status

Since NEW ZONE CORPORATION, which was included in the scope of consolidation from the first quarter of fiscal 2011, has no net sales for this first quarter, the status of production, order and sales for Axell Corporation is presented.

1) Production

Production results for the first quarter of FY 2011 are as follows:

Classification	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	1,977	144.6
LSI products targeted at the embedded system market (millions of yen)	91	109.5
Other (millions of yen)	34	208.5
Total (millions of yen)	2,103	143.4

(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 2011 are as follows:

Classification	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)			
	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	1,881	81.8	2,111	64.9
LSI products targeted at the embedded system market	55	88.8	50	77.4
Other	49	787.5	27	2,946.3
Total	1,986	83.9	2,189	65.9

(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 2011 are as follows:

Classification	Q1 FY 2011 (From April 1, 2011 to June 30, 2011)	Year-on-year change (%)
LSI products targeted at the amusement device market (millions of yen)	1,821	110.3
LSI products targeted at the embedded system market (millions of yen)	95	120.7
Other (millions of yen)	25	335.4
Total (millions of yen)	1,943	111.8

(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 2011 and the previous corresponding period are as follows:

Sales agent	Q1 FY 2010 (From April 1, 2010 to June 30, 2010)		Q1 FY 2011 (From April 1, 2011 to June 30, 2011)	
	Amount (millions of yen)	Percentage (%)	Amount (millions of yen)	Percentage (%)
Midoriya Electric Co., Ltd.	1,663	95.7	1,807	93.0

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

(2) Recent trends in quarterly business results**Year ending March 31, 2012**

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

	Q1 FY 2011 From April 2011 to June 2011	Q2 FY 2011 From July 2011 to September 2011	Q3 FY 2011 From October 2011 to December 2011	Q4 FY 2011 From January 2012 to March 2012
	millions of yen	millions of yen	millions of yen	millions of yen
Net sales	1,943	—	—	—
Gross profit	1,090	—	—	—
Operating income	347	—	—	—
Ordinary income	353	—	—	—
Income before income taxes and minority interests	353	—	—	—
Net income	183	—	—	—
Comprehensive income	177	—	—	—
Net income per share	14.76 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	12,434	—	—	—
Net assets	11,670	—	—	—
Net assets per share	940.99 yen	—	—	—