



# PRESS RELEASE

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AXELL CORPORATION

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## Notice of Revision of Earnings Forecast for the First Half and Full Year of Fiscal 2014

Please be informed that AXELL CORPORATION (the “Company”) has decided at the Board of Directors Meeting held on August 15, 2014, that in consideration of recent trends in its business performance and other factors, revisions of its earnings forecast for the first half and full year of fiscal 2014, disclosed on April 24, 2014, will be made as follows.

### ● Revision of the Earnings Forecast

**Revision of the Consolidated Earnings Forecast Figures for the First Half of Fiscal 2014 (April 1, 2014 to September 30, 2014)**

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	millions of yen 5,300	millions of yen 700	millions of yen 700	millions of yen 500	yen 40.31
Revised forecast (B)	5,900	1,070	1,070	750	60.47
Amount of change (B-A)	600	370	370	250	—
Rate of change (%)	11.3	52.9	52.9	50.0	—
(Reference) Results for 1st Half of FY2013 (actual)	5,675	898	896	572	46.20

**Revision of Non-consolidated Earnings Forecast Figures for the First Half of Fiscal 2014 (April 1, 2014 to September 30, 2014)**

	Net sales	Ordinary income	Net income	Net income per share
Previous forecast (A)	millions of yen 5,300	millions of yen 750	millions of yen 550	yen 44.34
Revised forecast (B)	5,900	1,100	800	64.50
Amount of change (B-A)	600	350	250	—
Rate of change (%)	11.3	46.7	45.5	—
(Reference) Results for 1st Half of FY2013 (actual)	5,668	945	622	50.18

**Revision of the Consolidated Earnings Forecast Figures for the Full Year of Fiscal 2014 (April 1, 2014 to March 31, 2015)**

	Net sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	millions of yen 10,500	millions of yen 1,050	millions of yen 1,050	millions of yen 750	yen 60.47
Revised forecast (B)	10,700	1,350	1,350	950	76.59
Amount of change (B-A)	200	300	300	200	—
Rate of change (%)	1.9	28.6	28.6	26.7	—
(Reference) Results for FY2013 (actual)	11,043	1,938	1,940	998	80.52

**Revision of Non-consolidated Earnings Forecast Figures for the Full Year of Fiscal 2014 (April 1, 2014 to March 31, 2015)**

	Net sales	Ordinary income	Net income	Net income per share
Previous forecast (A)	millions of yen 10,500	millions of yen 1,100	millions of yen 800	yen 64.50
Revised forecast (B)	10,700	1,400	1,000	80.63
Amount of change (B-A)	200	300	200	—
Rate of change (%)	1.9	27.3	25.0	—
(Reference) Results for FY2013 (actual)	11,035	2,070	1,045	84.26

**Reasons for Revision**

**(1) Consolidated Earnings Forecast for the First Half of Fiscal 2014**

The Company has revised, on a consolidated basis, its forecast for net sales for the first half of fiscal 2014 to 5,900 million yen, an increase of 600 million yen (up 11.3% from the initial plan). While sales of the Group's mainstay Graphics LSI products targeted at the pachinko and pachislot machine market are expected to fall slightly below the initial plan, sales of memory-module products and LED driver LSI products targeted at the same market are expected to significantly surpass the initial plan reflecting trends in the demand of particular customers.

The forecast of gross profit is revised to 2,450 million yen, an increase of 150 million yen (up 6.5%) from the initial plan, in conjunction with the current revision of the net sales plan. Additionally, despite improvements in the gross

profit margin of Graphics LSI products targeted at the pachinko and pachislot machine market, the Company projects a fall of approximately 1.9 percentage points in gross profit ratio from the initial plan, due to the expected rise in the sales composition of products with relatively low profit margins.

The forecast of selling, general and administrative expenses is revised to 1,380 million yen, a decrease of 220 million yen (down 13.8%) from the initial plan, mainly due to a revision of the R&D expenditures plan. As a result, the Company has revised its forecasts of operating income to 1,070 million yen (up 52.9% compared to the initial plan), ordinary income to 1,070 million yen (up 52.9%), and net income to 750 million yen (up 50.0%).

The Company has also revised its non-consolidated earnings forecast for the first half of fiscal 2014 due to the same reasons for revising its consolidated earnings forecast.

## (2) Consolidated Earnings Forecast for the Full Year of Fiscal 2014

The Company has revised its forecast for net sales to 10,700 million yen, an increase of 200 million yen (up 1.9% from the initial plan). Although there is no change from the initial sales plan (approximately 1,260,000 units) in terms of Graphics LSI products targeted at the pachinko and pachislot machine market, sales amount is revised to fall slightly below the initial plan due to a change in the product mix. Meanwhile, sales of memory-module products and LED driver LSI products are expected to surpass the initial plan, mainly due to trends in the demand of customers.

The forecast of gross profit is revised to 4,700 million yen, an increase of 100 million yen (up 2.2%) from the initial plan, in conjunction with the current revision of the net sales plan. The forecast of selling, general and administrative expenses is revised to 3,350 million yen, a decrease of 200 million yen (down 5.6%) from the initial plan, due to a revision of the R&D expenditures plan. As a result, the Company has revised its forecasts of operating income to 1,350 million yen (up 28.6% compared to the initial plan), ordinary income to 1,350 million yen (up 28.6%), and net income to 950 million yen (up 26.7%).

The Company has also revised its non-consolidated earnings forecast for the full year of fiscal 2014 due to the same reasons for revising its consolidated earnings forecast.

(Note) The above forecasts are based on information available to the Company as at the time of publication of this document. Actual results may vary from the forecasts due to a wide range of factors.