



Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2014 (Japanese GAAP)

January 28, 2015

Name of listed company: Axell Corporation Stock Exchange: Tokyo
 Code #: 6730 URL: <http://www.axell.co.jp/>
 Representative (Post): Kazunori Matsuura (President)
 Inquiries (Post): Nobuhiro Sendai (Director) Phone: (03) 5298-1670
 Scheduled date of release of Quarterly Report: February 9, 2015
 Scheduled date of dividend payment: —
 Availability of supplementary explanatory materials prepared for quarterly financial results: Available
 Briefing session on quarterly financial results to be held: None

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

1. Consolidated Business Results for Third Quarter of Fiscal Year 2014 (April 1, 2014 to December 31, 2014)

(1) Consolidated operating results (cumulative) (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	%
Q3 FY 2014	9,317	4.2	1,867	9.1	1,876	9.5	1,333	60.8
Q3 FY 2013	8,940	(31.6)	1,711	(46.9)	1,713	(47.1)	829	(61.4)

(Note) Comprehensive income Q3 FY 2014: 1,319 million yen (56.5%) Q3 FY 2013: 843 million yen ((60.5)%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
Q3 FY 2014	107.54	—
Q3 FY 2013	66.87	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q3 FY 2014	14,875	13,614	91.5	1,097.72
FY 2013	13,855	12,976	93.7	1,046.32

(Reference) Equity capital Q3 FY 2014: 13,614 million yen FY 2013: 12,976 million yen

2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2013	—	25.00	—	30.00	55.00
FY 2014	—	25.00	—		
FY 2014 (Projection)				30.00	55.00

(Note) Revision of dividend projection from recently announced figures: Yes

As for revision of the dividend projection, please refer to “Notice of Revision of Year-end Dividend Projection” released today (January 28, 2015).

3. Consolidated Forecast Results for FY 2014 (April 1, 2014 to March 31, 2015)

(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
Full Year	—	—	—	—	—	—	—	—	—

(Note) Revision of forecast results from recently announced figures: Yes

As for the consolidated forecast results for fiscal 2014, the forecast is not presented since the Company will no longer have any consolidated subsidiaries as NEWZONE CORPORATION, a consolidated subsidiary, conducted a business transfer on December 1, 2014, and is currently in the liquidation process.

Additionally, as for non-consolidated forecast results for fiscal 2014, please refer to the fourth page of the Cover Pages (Summary Information) “(Reference) Non-consolidated Forecast Results.”

* Matters of Note

(1) Significant changes in subsidiaries during the period under review (Changes in specific subsidiaries involving changes in scope of consolidation): None

New: — company Name: — Exclusion: — company Name: —

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

(Note) For details, please refer to [Appendix] P. 4 “2. Matters Related to Summary Information (Matters of Note) (2) Application of special accounting processes for the preparation of Consolidated Financial Statements.”

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

- 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)	Q3 FY 2014	12,402,252 shares	FY 2013	12,402,252 shares
2) The number of shares of treasury stock at end of period	Q3 FY 2014	54 shares	FY 2013	54 shares
3) Average number of shares of common shares during period (cumulative)	Q3 FY 2014	12,402,198 shares	Q3 FY 2013	12,402,198 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 various factors. Please refer to [Appendix] P. 3 “1. Qualitative Information on Quarterly Financial Results (3) Explanation of future forecast information such as consolidated results forecasts.”

(Method of obtaining supplementary explanatory materials and contents of the quarterly briefing session)

Supplementary explanatory materials are disclosed on TDnet on the same day.

Additionally, the Company will post audio data of the briefing on financial results on the Company's website (<http://www.axell.co.jp/>) immediately after the release of this Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2014.

(Reference) Non-consolidated Forecast Results

Non-consolidated Forecast Results for FY 2014 (April 1, 2014 to March 31, 2015)

NEWZONE CORPORATION, a consolidated subsidiary of the Company, conducted a business transfer to the Company on December 1, 2014, was dissolved on the same date, and is currently in the liquidation process. As a result, the Company will no longer have any subsidiaries from the full year of fiscal 2014, the Company will become a “non-consolidated company” and transit to non-consolidated accounting. In line with this change, forecast results for FY 2014 have transited from consolidated forecast results to non-consolidated forecast results.

For details, please refer to “Notice of Transition to Non-consolidated Accounting and Revision of Earnings Forecast for the Full Year of Fiscal 2014” released today (January 28, 2015).

(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
Full Year	11,000	(0.3)	1,600	(22.6)	1,600	(22.7)	1,100	5.3	88.69

(Note) Revision of forecast results from recently announced figures: Yes

Operating income, which was not announced on August 15, 2014, has been added to this forecast.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

During the third quarter of fiscal 2014, a moderate recovery trend continued in the Japanese economy including improvements in corporate earnings, primarily in export-related companies, and the employment situation due to the government's economic policies and monetary easing measures by the Bank of Japan. However, the economic outlook remained uncertain, due to the rising import prices caused by yen depreciation, and the impact of the consumption tax hike.

In the amusement device market (pachinko and pachislot machine market), which is the primary market for the Group, while sales of the few popular models from which stable operations could be expected remained strong, conditions continued to hover at low levels overall due to the harsh profit environment for amusement facilities. Additionally, as tests relating to the manufacture of pachislot machines have undergone changes and voluntary controls have been imposed starting from September 2014, close attention will need to be paid to the sales trends of pachislot machines.

Under such circumstances, the Group channeled its energies into expanding business scale in the pachinko and pachislot machine market by concentrating its efforts on promoting the sale of various products, focusing on Graphics LSI products (Note 1) targeted at the pachinko and pachislot machine market, which are the Group's mainstay products (including an integrated product that fulfills multiple functions such as sound-generating and LED (Note 2) driver functions). Furthermore, the Group has been striving to expand the adoption of Graphics LSI products for customers in the embedded system market (Note 3), and also concentrated its efforts on development and sales in the field of Radio.

As for Graphics LSI products, which are the Group's mainstay products and targeted at the pachinko and pachislot machine market, sales volume decreased by approximately 70,000 units year-on-year to approximately 1,040,000 units, reflecting the market environment as well as the effects of reuse of AG4. Analysis by the Group shows that changes in tests relating to the manufacture of pachislot machines and voluntary controls have not greatly affected on sales at this time. Regarding other products targeted at the pachinko and pachislot machine market, sales of LED driver LSI products (Note 4) and memory-module products increased from the previous corresponding period, reflecting trends in demand of particular customers. As a result, total sales of LSI products targeted at the pachinko and pachislot machine market amounted to 9,023 million yen (up 4.0% year-on-year). In terms of Graphics LSI products targeted at the embedded system market, net sales decreased 10.9% year-on-year to 141 million yen. As for other products, including development-support software for customers and evaluation circuit boards, net sales increased 43.3% year-on-year to 152 million yen. As a result, for the third quarter of fiscal 2014, the Group recorded net sales of 9,317 million yen (up 4.2% year-on-year).

In terms of gross profit, the Group recorded 3,955 million yen (down 3.4% year-on-year). This was primarily due to relatively low profit margin products accounting for a higher share of sales. The gross profit ratio decreased by 3.3 points from the previous corresponding period to 42.5%. Selling, general and administrative expenses decreased 12.4% year-on-year to 2,088 million yen. Research and development expenses decreased 15.4% year-on-year to 1,273 million yen, due to the lack of major expenditures, such as expenditures for the development of next-generation LSI prototypes.

Consequently, for the third quarter of fiscal 2014, the Group recorded operating income of 1,867 million yen

(up 9.1% year-on-year), ordinary income of 1,876 million yen (up 9.5% year-on-year) and net income of 1,333 million yen (up 60.8% year-on-year). Net income significantly increased year-on-year due to the recording of litigation settlement as extraordinary loss during the previous corresponding period.

(Note 1) “Graphics LSI” refers to LSI products that enable graphics to be shown on LCDs and other display devices.

(Note 2) “LED” is an acronym for “Light Emitting Diode.” It refers to semiconductor elements that emit light when electricity is applied.

(Note 3) “Embedded system market” refers to the market relating to the manufacture of embedded systems, excluding the pachinko and pachislot machines. Embedded systems refer to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 4) “LED driver LSI product” refers to the Company’s LSI products designed to efficiently control LED equipped in pachinko and pachislot machines.

(2) Explanation of financial position

1) Status of assets, liabilities, and net assets

Total assets as of the end of the third quarter of fiscal 2014 increased 1,020 million yen from the end of the previous fiscal year to 14,875 million yen (up 7.4% compared to the end of the previous fiscal year). This was due mainly to factors such as the increase of 4,821 million yen in cash and deposits and the increase of 539 million yen in accounts receivable-trade, offset by the decrease of 3,999 million yen in securities. Of the 4,821 million yen increase in cash and deposits, 3,999 million yen was due to the redemption of treasury discount bills recorded in the securities account.

Total liabilities as of the end of the third quarter of fiscal 2014 increased 382 million yen from the end of the previous fiscal year to 1,261 million yen (up 43.6% compared to the end of the previous fiscal year). This was due mainly to the increase of 357 million yen in income taxes payable.

Total net assets as of the end of the third quarter of fiscal 2014 increased 637 million yen from the end of the previous fiscal year to 13,614 million yen (up 4.9% compared to the end of the previous fiscal year). This was due mainly to the increase of 651 million yen in retained earnings.

(3) Explanation of future forecast information such as consolidated results forecasts

Consolidated forecast results for fiscal 2014 have been revised from the figures stated in the “Notice of Revision of Earnings Forecast for the First Half and Full Year of Fiscal 2014” disclosed on August 15, 2014. For details, please refer to “Notice of Transition to Non-consolidated Accounting and Revision of Earnings Forecast for the Full Year of Fiscal 2014,” disclosed today.

2. Matters Related to Summary Information (Matters of Note)

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

N/A

Additionally, NEWZONE CORPORATION, a consolidated subsidiary, transferred its business to the Company on December 1, 2014, was dissolved on the same date, and is currently in the liquidation process.

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

Tax expenses have been calculated by multiplying income before income taxes and minority interests by an effective tax rate reasonably estimated after the application of tax effect accounting to income before income taxes and minority interests for the consolidated fiscal year including the third quarter of fiscal 2014.

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

(In millions of yen)

	FY 2013 (As of March 31, 2014)	Q3 FY 2014 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	5,908	10,730
Accounts receivable - trade	997	1,537
Securities	3,999	-
Merchandise and finished goods	1,565	1,470
Raw materials and supplies	0	2
Other	546	280
Total current assets	13,018	14,019
Non-current assets		
Property, plant and equipment	271	319
Intangible assets	44	40
Investments and other assets	521	496
Total non-current assets	836	855
Total assets	13,855	14,875
Liabilities		
Current liabilities		
Accounts payable - trade	358	439
Income taxes payable	-	357
Other	487	428
Total current liabilities	845	1,225
Non-current liabilities		
Asset retirement obligations	32	33
Other	-	2
Total non-current liabilities	32	35
Total liabilities	878	1,261
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	11,063	11,715
Treasury shares	(0)	(0)
Total shareholders' equity	12,944	13,595
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32	18
Total accumulated other comprehensive income	32	18
Total net assets	12,976	13,614
Total liabilities and net assets	13,855	14,875

(2) Consolidated Quarterly Statements of Income and Comprehensive Income

(Consolidated Quarterly Statements of Income)

(Third quarter)

	(In millions of yen)	
	Q3 FY 2013 (From April 1, 2013 to December 31, 2013)	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)
Net sales	8,940	9,317
Cost of sales	4,844	5,361
Gross profit	4,095	3,955
Selling, general and administrative expenses	2,384	2,088
Operating income	1,711	1,867
Non-operating income		
Interest income	3	1
Dividend income	1	2
Interest on refund	0	4
Other	3	4
Total non-operating income	8	11
Non-operating expenses		
Loss on investments in partnership	1	1
Other	5	1
Total non-operating expenses	6	2
Ordinary income	1,713	1,876
Extraordinary losses		
Loss on valuation of membership	-	2
Litigation settlement	400	-
Total extraordinary losses	400	2
Income before income taxes and minority interests	1,313	1,874
Income taxes	484	540
Income before minority interests	829	1,333
Net income	829	1,333

(Consolidated Quarterly Statements of Comprehensive Income)

(Third quarter)

(In millions of yen)

	Q3 FY 2013 (From April 1, 2013 to December 31, 2013)	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)
Income before minority interests	829	1,333
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(14)
Total other comprehensive income	13	(14)
Comprehensive income	843	1,319
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	843	1,319
Comprehensive income attributable to minority interests	-	-

(3) Notes to Consolidated Financial Statements

(Notes regarding going concern assumption)

N/A

(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 third quarter of FY 2014 are as follows:

(Unit: millions of yen)

Classification	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)	Change (%)
LSI products targeted at the pachinko and pachislot machine market	8,941	(4.9)
LSI products targeted at the embedded system market	254	60.4
Other	207	172.5
Total	9,403	(2.4)

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

2) Orders

Orders for the third quarter of FY 2014 are as follows:

(Unit: millions of yen)

Classification	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)			
	Orders received	Change (%)	Outstanding orders	Change (%)
LSI products targeted at the pachinko and pachislot machine market	8,401	(8.6)	2,402	(11.2)
LSI products targeted at the embedded system market	158	(1.0)	54	(0.3)
Other	139	40.5	0	(69.6)
Total	8,699	(7.9)	2,457	(11.0)

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

3) Sales

Sales during the third quarter of FY 2014 are as follows:

(Unit: millions of yen)

Classification	Q3 FY 2014 (From April 1, 2014 to December 31, 2014)	Change (%)
LSI products targeted at the pachinko and pachislot machine market	9,023	4.0
LSI products targeted at the embedded system market	141	(10.9)
Other	152	43.3
Total	9,317	4.2

- (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 third quarter of fiscal 2014 and the previous corresponding period are as follows:

Sales agent	Q3 FY 2013 (From April 1, 2013 to December 31, 2013)		Q3 FY 2014 (From April 1, 2014 to December 31, 2014)	
	Amount (millions of yen)	Percentage (%)	Amount (millions of yen)	Percentage (%)
Midoriya Electric Co., Ltd.	8,580	96.0	9,001	96.6

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

(2) Recent trends in quarterly business results (consolidated)**Year ending March 31, 2015**

(Unit: millions of yen)

	Q1 FY 2014 From April 2014 to June 2014	Q2 FY 2014 From July 2014 to September 2014	Q3 FY 2014 From October 2014 to December 2014	Q4 FY 2014 From January 2015 to March 2015
Net sales	3,326	2,610	3,380	—
Gross profit	1,569	894	1,491	—
Operating income	888	208	770	—
Ordinary income	890	212	773	—
Income before income taxes and minority interests	890	212	771	—
Net income	634	147	552	—
Comprehensive income	637	132	549	—
Net income per share	51.13 yen	11.86 yen	44.54 yen	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	14,013	14,470	14,875	—
Net assets	13,242	13,374	13,614	—
Net assets per share	1,067.72 yen	1,078.43 yen	1,097.72 yen	—

Year ended March 31, 2014

(Unit: millions of yen)

	Q1 FY 2013 From April 2013 to June 2013	Q2 FY 2013 From July 2013 to September 2013	Q3 FY 2013 From October 2013 to December 2013	Q4 FY 2013 From January 2014 to March 2014
Net sales	3,154	2,521	3,264	2,102
Gross profit	1,190	1,209	1,695	1,110
Operating income	521	376	812	226
Ordinary income	518	377	817	226
Income before income taxes and minority interests	518	377	417	226
Net income	338	234	256	169
Comprehensive income	336	238	268	185
Net income per share	27.28 yen	18.91 yen	20.67 yen	13.64 yen
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	14,169	13,896	13,930	13,855
Net assets	12,594	12,832	12,791	12,976
Net assets per share	1,015.52 yen	1,034.71 yen	1,031.35 yen	1,046.32 yen