



PRESS RELEASE

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AXELL CORPORATION

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Notice of Transition to Non-consolidated Accounting and Revision of Earnings Forecast for the Full Year of Fiscal 2014

Please be informed that AXELL CORPORATION (the “Company”) will transit to non-consolidated accounting from the full year of 2014. Additionally, to correspond with the transition to non-consolidated accounting, the Company has revised its earnings forecast. As a result, the Company has decided at the Board of Directors Meeting held on January 28, 2015, that transition to non-consolidated accounting and revisions of its earnings forecast for the full year of fiscal 2014, disclosed in “Notice of Revision of Earnings Forecast for the First Half and Full Year of Fiscal 2014” on August 15, 2014, will be made as follows.

1. Reason for the Transition to Non-consolidated Accounting

As stated in the “Notice of Business Transfer from a Consolidated Subsidiary and the Dissolution of the Subsidiary,” disclosed on October 24, 2014, it was decided to dissolve NEWZONE CORPORATION, a wholly-owned subsidiary of the Company, on December 1, and the liquidation process is currently in progress. 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.

2. Transition From Consolidated Earnings Forecast to Non-consolidated Earnings Forecast

For the above reason, starting with the “Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2014” disclosed today, the Company will no longer disclose consolidated earnings forecast and only disclose non-consolidated earnings forecast for the full year of fiscal 2014.

3. Revision of the Earnings Forecast

Non-consolidated Earnings Forecast 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 10,700	millions of yen 1,400	millions of yen 1,400	millions of yen 1,000	yen 80.63
Revised forecast (B)	11,000	1,600	1,600	1,100	88.69
Amount of change (B-A)	300	200	200	100	—
Rate of change (%)	2.8	14.3	14.3	10.0	—
(Reference) Results for Full Year of FY2013 (actual)	11,035	2,067	2,070	1,045	84.26

(Note) Operating income, which had not been disclosed on August 15, 2014, has been added to this forecast.

Reasons for Revision

To correspond with the transition to non-consolidated accounting, the Company conducted a revision of its earnings forecast.

Net sales has been revised to 11,000 million yen, an increase of 300 million yen (up 2.8% compared to the plan). Concerning Graphics LSI products, which are the Group's mainstay products and targeted at the pachinko and pachislot machine market, although there is no change to estimated unit sales, the sales amount is expected to fall slightly below the plan, due to a change in the product mix. As for other products, sales of LED driver LSI products targeted at the same market are expected to surpass the plan, due to trends in the demand of particular customers.

In terms of gross profit, the Company has not changed its planned figure of 4,700 million yen. Due to relatively low profit margin products estimated to account for a higher share of sales, the gross profit ratio is estimated to be approximately 1.2 points lower than the plan.

Concerning selling, general and administrative expenses, a revision of the R&D expenditures plan is the primary reason for a decrease of 200 million yen in the estimate to 3,100 million yen (down 6.1% compared to the plan). As a result, the earnings forecast will be revised to operating income of 1,600 million yen (up 14.3% compared to the plan), ordinary income of 1,600 million yen (up 14.3%), and net income of 1,100 million yen (up 10.0%). Additionally, the Company estimates that it will record extraordinary loss of 30 million yen to account for expenses related to the dissolution and liquidation of NEWZONE CORPORATION.

(Reference) Consolidated Earnings Forecast 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	millions of yen 10,700	millions of yen 1,350	millions of yen 1,350	millions of yen 950	yen 76.59

(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.