



PRESS RELEASE

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AXELL CORPORATION

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Notice of Revision of Earnings Forecast for the First Half of Fiscal 2015

Please be informed that AXELL CORPORATION (the “Company”) has decided at the Board of Directors Meeting held on September 15, 2015, that in consideration of recent trends in its business performance and other factors, revisions of its earnings forecast for the first half of fiscal 2015, disclosed on April 24, 2015, will be made as follows.

● Revision of the Earnings Forecast

Revision of the Earnings Forecast Figures for the First Half of Fiscal 2015 (April 1, 2015 to September 30, 2015)

	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
Previous forecast (A)	6,400	200	200	140	11.28
Revised forecast (B)	6,150	760	740	510	42.32
Amount of change (B-A)	(250)	560	540	370	—
Rate of change (%)	(3.9)	280.0	270.0	264.3	—
(Reference) Results for 1st Half of FY2014 (actual)	—	—	—	—	—

(Note) As financial results for the first half of fiscal 2014 were calculated on a consolidated basis and non-consolidated quarterly financial statements of the Company were not prepared, figures for the first half of fiscal 2014 are not stated.

Reasons for the Revision

The Company has revised its forecast for net sales for the first half of fiscal 2015 to 6,150 million yen, a decrease of 250 million yen (down 3.9% from the initial plan). Regarding sales by product, sales of the Company's mainstay Graphics LSI products targeted at the pachinko and pachislot machine market are expected to rise above the initial plan. This is attributable to factors such as the effects of a surge in demand before the self-imposed regulations toward "Addiction Countermeasures" formulated by an industry group for pachinko machine manufacturers, take effect in November 2015. However, other products targeted at the same market have been greatly affected by trends in the demand from some specific customers. Therefore, their sales volume is projected to be lower than the initial plan. Meanwhile, the forecast of gross profit has been revised to 2,870 million yen, an increase of 370 million yen (up 14.8%) from the initial plan. Regarding the gross profit ratio, as the sales composition of Graphics LSI products—products with a relatively high profit margin—has increased, the Company anticipates a rise of approximately 7.6 percentage points in the gross profit ratio compared to the initial plan.

Furthermore, the forecast of selling, general and administrative expenses has been revised to 2,110 million yen, a decrease of 190 million yen (down 8.3%) from the initial plan, mainly because the period of which R&D expenditures are recorded was revised. As a result, the Company has revised its forecasts of operating income to 760 million yen (up 280.0% compared to the initial plan), ordinary income to 740 million yen (up 270.0%), and net income to 510 million yen (up 264.3%).

Regarding earnings forecast for the full year, as market conditions in the second half of fiscal 2015 remain unclear, and no major changes are expected to be made in R&D expenditures for the full year, the Company has not made any revisions to the earnings forecast for the full year of fiscal 2015 at the time of announcement.

(Reference) Actual Earnings 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
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Results for 1st Half of FY2014 (actual)	5,936	1,096	1,103	781	62.99

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