



Summary of Financial Statements (Non-consolidated) for the Third Quarter Ended December 31, 2015 (Japanese GAAP)

January 28, 2016

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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. Business Results for the Third Quarter of Fiscal Year 2015 (April 1, 2015 to December 31, 2015)

(1) Operating results (cumulative)

(Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating income		Ordinary income		Profit	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Q3 FY 2015	7,719	—	611	—	591	—	408	—
Q3 FY 2014	—	—	—	—	—	—	—	—

	Basic profit per share	Diluted profit per share
	Yen	Yen
Q3 FY 2015	35.02	—
Q3 FY 2014	—	—

(Note) As quarterly financial statements were not prepared for Q3 FY 2014, figures for Q3 FY 2014 and rates of year-on-year increase (decrease) are not stated.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q3 FY 2015	11,999	11,558	96.3	1,033.12
FY 2014	14,562	13,556	93.1	1,093.10

(Reference) Equity capital

Q3 FY 2015: 11,558 million yen

FY 2014: 13,556 million yen

2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2014	—	25.00	—	30.00	55.00
FY 2015	—	5.00	—		
FY 2015 (Projection)				5.00	10.00

(Note) Revision of dividend projection from recently announced figures: None

3. Forecast Results for Fiscal Year 2015 (April 1, 2015 to March 31, 2016)

(Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating income		Ordinary income		Profit		Profit per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full Year	11,000	(0.7)	240	(85.4)	240	(85.5)	165	(85.2)	14.27

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

The Company purchased its treasury shares based on the resolution at the Board of Directors Meeting held on April 24, 2015, and canceled its treasury shares pursuant to the resolution at the Board of Directors Meeting held on October 15, 2015. Accordingly, profit per share for the fiscal year 2015 forecast results factors in the impact of the purchase of treasury shares.

* Matters of Note

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

(Note) For details, please refer to [Appendix] P. 3 “2. Matters Related to Summary Information (Matters of Note) (1) Application of special accounting processes for the preparation of Financial Statements.”

(2) 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

(3) Number of shares issued (common shares)

1) The number of shares issued at end of period (including treasury shares)	Q3 FY 2015	11,187,749 shares	FY 2014	12,402,252 shares
2) The number of shares of treasury shares at end of period	Q3 FY 2015	0 shares	FY 2014	54 shares
3) Average number of shares of common shares during period (cumulative)	Q3 FY 2015	11,678,035 shares	Q3 FY 2014	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 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 results forecasts.”

(Method of obtaining supplementary explanatory materials for quarterly financial results)

Supplementary explanatory materials for quarterly financial results are provided on TDnet on the same date.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of business results

The Company has transitioned to non-consolidated accounting from the full-year financial statements for fiscal 2014. Since quarterly non-consolidated financial statements had not been prepared for the third quarter of fiscal 2014, year-on-year comparisons with the third quarter of fiscal 2014 have not been made with regard to business results.

During the third quarter of fiscal 2015, a moderate recovery trend continued in the Japanese economy including improvements in corporate earnings and the employment and income environment, along with steady personal consumption. However, the economic outlook remains uncertain, due to concern over the domestic economy affected by the economic downturn in Asian emerging countries, following the normalization of monetary policy in the United States.

In the pachinko and pachislot machine market, which is the primary market for the Company, we acknowledge that while sales of the few popular models from which a certain level of operations could be expected remained strong, conditions continued to hover at low levels overall due to the cautious approach to the introduction of new machines at amusement facilities. Also, as “Addiction Countermeasures” for players, after the testing procedures for pachislot machines were changed in September 2014, self-imposed regulations to restrain the gambling characteristic were implemented in November (pachinko machines) and December (pachislot machines) 2015, causing future market trends to become increasingly unclear.

Under such circumstances, the Company channeled its energies into promoting the sale of various products, focusing on Graphics LSI products (Note 1) for pachinko and pachislot machines, which are the Company’s mainstay products (including an integrated product that fulfills multiple functions such as sound-generating and LED (Note 2) driver functions). Furthermore, the Company has been striving to expand the adoption of Graphics LSI products for customers in the embedded system market (Note 3), and also conducted sales activities for various products intended for the digital convenience radio market.

As for Graphics LSI products, which are the Company’s mainstay products for pachinko and pachislot machines, due to the effect of a surge in demand before the self-imposed regulations implemented in November and December 2015, sales trends were steady during the first half. However, during the third quarter, sales were sluggish overall partially due to a pullback in demand. Cumulative sales volume for the first three quarters amounted to approximately 920,000 units, approximately 120,000 units less year on year. LED driver LSI products (Note 4), memory module products and other products targeted at the pachinko and pachislot machine market have been currently adopted only by a few customers and are strongly affected by the sales trends of such customers. For the third quarter of fiscal 2015, sales decreased from the previous corresponding period, reflecting weak demand from customers. As a result, net sales of LSI products for pachinko and pachislot machines amounted to 7,553 million yen. In terms of other Graphics LSI products for embedded systems, net sales were 115 million yen. As for other products, including development-support software for customers, evaluation circuit boards, and digital convenience radio products, net sales amounted to 50 million yen. As a result, for the third quarter of fiscal 2015, the Company recorded net sales of 7,719 million yen.

Gross profit and gross profit ratio came to 3,559 million yen and 46.1%, respectively. Selling, general and administrative expenses amounted to 2,948 million yen due to the recording of research and development expenses of 2,148 million yen, primarily due to factors such as the recording of prototype development expenses for next-generation Graphics LSI products and peripheral LSIs for the presentation of pachinko and pachislot machines, and Graphics LSI products for embedded systems.

Consequently, for the third quarter of fiscal 2015, the Company recorded operating income of 611 million yen, ordinary income of 591 million yen and profit of 408 million yen.

(Note 1) “Graphics LSI” refers to the Company’s 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 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

Total assets as of the end of the third quarter of fiscal 2015 decreased 2,562 million yen from the end of the previous fiscal year to 11,999 million yen (down 17.6% year-on-year). This was due mainly to factors such as the decrease of 774 million yen in cash and deposits, and the decrease of 2,999 million yen in securities, offset by the increase of 271 million yen in accounts receivable-trade, the increase of 444 million yen in merchandise and finished goods, and the increase of 390 million yen in other current assets.

Total liabilities as of the end of the third quarter of fiscal 2015 decreased 563 million yen from the end of the previous fiscal year to 441 million yen (down 56.1% year-on-year). This was due mainly to factors such as the decrease of 35 million yen in accounts payable-trade, the decrease of 92 million yen in income taxes payable, and the decrease of 459 million yen in other current liabilities.

Total net assets as of the end of the third quarter of fiscal 2015 decreased 1,998 million yen from the end of the previous fiscal year to 11,558 million yen (down 14.7% year-on-year). This was due mainly to factors such as the decrease of 2,019 million yen in retained earnings following the purchase and cancellation of treasury shares. All treasury shares owned by the Company were cancelled as of November 2, 2015.

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

Full-year forecast results for fiscal 2015 are as stated in the “Summary of Financial Statements for the Year Ended March 31, 2015” disclosed on April 24, 2015.

Although results for the third quarter of fiscal 2015 compared to the full-year forecast results remains at progress of 70.2% in net sales, all profit types from operating income onwards marked progress exceeding full-year forecast results. However, comprehensively taking into account matters such as future market trends becoming increasingly unclear and active investment in research and development expected in the fourth quarter, the Company judges that it is unnecessary to make revisions to forecast results at the time of this announcement.

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

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

Tax expenses have been calculated by multiplying income before income taxes by an effective tax rate reasonably estimated after the application of tax effect accounting to income before income taxes for the fiscal year including the third quarter of fiscal 2015.

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

(In millions of yen)

	FY 2014 (As of March 31, 2015)	Q3 FY 2015 (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	8,500	7,726
Accounts receivable - trade	550	822
Securities	2,999	—
Merchandise and finished goods	1,483	1,928
Raw materials and supplies	0	0
Other	153	544
Total current assets	13,689	11,021
Non-current assets		
Property, plant and equipment	297	356
Intangible assets	38	34
Investments and other assets	536	586
Total non-current assets	872	977
Total assets	14,562	11,999
Liabilities		
Current liabilities		
Accounts payable - trade	170	135
Income taxes payable	137	45
Other	662	202
Total current liabilities	969	382
Non-current liabilities		
Asset retirement obligations	33	33
Other	1	24
Total non-current liabilities	35	58
Total liabilities	1,005	441
Net assets		
Shareholders' equity		
Capital stock	1,018	1,018
Capital surplus	861	861
Retained earnings	11,650	9,631
Treasury shares	(0)	—
Total shareholders' equity	13,531	11,512
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	25	46
Total valuation and translation adjustments	25	46
Total net assets	13,556	11,558
Total liabilities and net assets	14,562	11,999

(2) Quarterly Statements of Income

(Third quarter)

	(In millions of yen)
	Q3 FY 2015 (From April 1, 2015 to December 31, 2015)
Net sales	7,719
Cost of sales	4,159
Gross profit	3,559
Selling, general and administrative expenses	2,948
Operating income	611
Non-operating income	
Interest income	0
Dividend income	2
Dividend income of life insurance	1
Other	0
Total non-operating income	5
Non-operating expenses	
Commission for purchase of treasury shares	10
Loss on investments in partnership	7
Other	7
Total non-operating expenses	25
Ordinary income	591
Income before income taxes	591
Income taxes	182
Profit	408

(3) Notes to Quarterly 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**

As quarterly financial statements were not prepared for the third quarter of fiscal 2014, comparisons with the third quarter of fiscal 2014 are not stated.

1) Production

Production results for the third quarter of FY 2015 are as follows:

(In millions of yen)

Classification	Q3 FY 2015 (From April 1, 2015 to December 31, 2015)	Change (%)
LSI products for pachinko and pachislot machines	8,231	—
LSI products for embedded systems	89	—
Other	37	—
Total	8,359	—

- (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 2015 are as follows:

(In millions of yen)

Classification	Q3 FY 2015 (From April 1, 2015 to December 31, 2015)			
	Orders received	Change (%)	Outstanding orders	Change (%)
LSI products for pachinko and pachislot machines	4,675	—	1,350	—
LSI products for embedded systems	119	—	41	—
Other	49	—	0	—
Total	4,845	—	1,392	—

- (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 2015 are as follows:

(In millions of yen)

Classification	Q3 FY 2015 (From April 1, 2015 to December 31, 2015)	Change (%)
LSI products for pachinko and pachislot machines	7,553	—
LSI products for embedded systems	115	—
Other	50	—
Total	7,719	—

- (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 2015 are as follows:

(In millions of yen)

Sales agent	Q3 FY 2015 (From April 1, 2015 to December 31, 2015)	
	Amount	Percentage (%)
Midoriya Electric Co., Ltd.	5,651	73.2

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

(2) Recent trends in quarterly business results**Year ending March 31, 2016**

(In millions of yen)

	Q1 FY 2015 From April 2015 to June 2015	Q2 FY 2015 From July 2015 to September 2015	Q3 FY 2015 From October 2015 to December 2015	Q4 FY 2015 From January 2016 to March 2016
Net sales	2,831	3,343	1,543	—
Gross profit	1,371	1,504	683	—
Operating income (loss)	589	182	(160)	—
Ordinary income (loss)	581	169	(158)	—
Income (loss) before income taxes	581	169	(158)	—
Profit (loss)	402	116	(110)	—
Profit (loss) per share	32.84 yen	10.08 yen	(9.87) yen	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	14,829	12,538	11,999	—
Net assets	12,859	11,714	11,558	—
Net assets per share	1,076.49 yen	1,047.09 yen	1,033.12 yen	—

(Reference)

From the first quarter to the third quarter of FY 2014, consolidated quarterly financial statements had been prepared. Therefore, consolidated information is stated for recent trends in quarterly business results for the same period.

Year ended March 31, 2015 (consolidated)

(In 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
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
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