



PRESS RELEASE

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AXELL CORPORATION

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Notice of Revision of Earnings Forecast for the Full Year of Fiscal 2015

Please be informed that AXELL CORPORATION (the “Company”) has decided at the Board of Directors Meeting held on March 15, 2016, that in consideration of recent trends in its business performance and other factors, revisions of its earnings forecast for the full year 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 Full Year of Fiscal 2015 (April 1, 2015 to March 31, 2016)

	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)	11,000	240	240	165	14.27
Revised forecast (B)	8,980	230	210	110	9.51
Amount of change (B-A)	(2,020)	(10)	(30)	(55)	—
Rate of change (%)	(18.4)	(4.2)	(12.5)	(33.3)	—
(Reference) Results for FY2014 (actual)	11,073	1,645	1,659	1,115	89.91

Reasons for the Revision

Sales of various products targeted at the pachinko and pachislot machine market, including mainstay Graphics LSI products, are projected to be lower than the initial plan due to trends in sales to key customers. As a result, the Company has revised its forecast for net sales for the full year of fiscal 2015 to 8,980 million yen, a decrease of 2,020 million yen (down 18.4% from the initial plan). Of the 2,020 million yen decrease in net sales, approximately 35% is due to Graphics LSI products targeting the same market, and the remaining approximately 65% is due to lower sales in other products. In mainstay Graphics LSI products targeting the same market, sales were forecast to be 1,230,000 units in the initial plan, but are now projected to reach about 1,080,000 units.

Meanwhile, the forecast of gross profit has been revised to 4,110 million yen, a decrease of 390 million yen (down 8.7%) from the initial plan, in line with the decrease in net sales. The rate of decrease in gross profit is lower compared to the rate of decrease in net sales, and this is due to a higher sales composition of Graphics LSI products, which have relatively higher profit margin. The forecast of selling, general and administrative expenses has been revised to 3,880 million yen, a decrease of 380 million yen (down 8.9%) from the initial plan, due to factors such as a portion of R&D expenditures scheduled to be recorded during fiscal 2015 being delayed until fiscal 2016.

As a result, the Company has revised its forecasts of operating income to 230 million yen (down 4.2% compared to the initial plan) and ordinary income to 210 million yen (down 12.5%). Furthermore, the Company forecasts a loss on retirement of inventories of 40 million yen during fiscal 2015, and net income has been revised to 110 million yen (down 33.3%). Additionally, although the Company has revised its earnings forecast for the full year, the year-end dividend amount will not be changed.

(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.