

PRESS RELEASE

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AXELL CORPORATION

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Notice on Revisions of Forecast Results and Dividend Forecasts

Please be informed that taking account of recent earnings trends, AXELL CORPORATION (the “Company”) decided at a Board of Directors meeting held on December 9, 2021 to revise the forecast results and dividend forecasts for fiscal 2021 that it had announced on May 12, 2021.

1. Revision of Forecast Results

Revision of Full-Year Consolidated Forecast Results for Fiscal 2021 (April 1, 2021 - March 31, 2022)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Basic earnings per share
Previous forecast (A)	millions of yen 9,600	millions of yen 450	millions of yen 560	millions of yen 440	yen 40.75
Latest forecast (B)	10,600	770	930	750	69.36
Change (B-A)	1,000	320	370	310	—
Percentage change	10.4	71.1	66.1	70.5	—
Actual figures in previous fiscal year (for comparison)	8,999	536	705	670	60.63

Revision of Full-Year Non-Consolidated Forecast Results for Fiscal 2021 (April 1, 2021 - March 31, 2022)

	Net sales	Ordinary profit	Profit	Basic earnings per share
Previous forecast (A)	millions of yen 9,150	millions of yen 490	millions of yen 400	yen 37.04
Latest forecast (B)	10,200	890	750	69.36
Change (B-A)	1,050	400	350	—
Percentage change	11.5	81.6	87.5	—
Actual figures in previous fiscal year (for comparison)	8,759	725	695	62.84

Reasons for the Revision

For this fiscal year, replacement with machines compliant with the new ordinance towards the deadline for the installation of machines subject to the previous ordinance progressed almost smoothly in the pachinko and pachislot machine market, and the Company estimates that the size of the market (annual unit sales) will be larger than that for the previous year. In such a market environment, many manufacturers have been taking active measures to secure components due to the recent tight supply and demand situation for semiconductors across the world, and orders we receive have remained at a high level. Meanwhile, the impact of the situation in the semiconductor market on production (impact on delivery date, purchase cost, etc.) is becoming evident. We consider it necessary to pay close attention to future impacts of the situation.

Under such circumstances, as a result of a comprehensive review based on the status of orders up to the present, interviews with customers and the impact on production, not only sales of graphics LSI products for pachinko and pachislot machines are expected to be about 440,000 units (vs. 410,000 units under the original sales plan), but also sales of memory-module products are expected to significantly exceed the level we planned, driven by brisk customer demand.

Having taken these factors into consideration, we revised our forecast for net sales to 10,600 million yen, up 10.4% from the plan. We revised our forecast for gross profit to 3,500 million yen, up 11.1% from the plan, as a result of an increase in net sales. We revised our forecast for selling, general and administrative expenses to 2,730 million yen, up slightly from the plan.

Consequently, we revised our forecast for operating profit to 770 million yen, up 71.1% from the plan. Expecting non-operating income due to proceeds from NEDO subsidies and other factors, we revised our forecast for ordinary profit to 930 million yen, up 66.1% from the plan, and our forecast for profit attributable to owners of parent to 750 million yen, up 70.5% from the plan.

2. Revision of Dividend Forecasts

	Annual dividend (yen)		
	2Q	Year-end	Total
Previous forecast	—	21 yen	21 yen
Latest forecast	—	35 yen	35 yen
Actual figures in current fiscal year	0 yen		
Actual figures in previous fiscal year	0 yen	31 yen	31 yen

Reasons for the Revision

The Company has adopted a policy to decide on shareholder returns based on payout ratio. We revised the dividend forecasts in accordance with the revision of the forecast results. Based on the revised dividend forecasts, the consolidated payout ratio will be 50.0%.

(Policy on Shareholder Returns)

The Company's policy on shareholder returns is to maximize returns to shareholders, while taking into account appropriate levels of "periodic profit returns to shareholders" and "internal reserves to enable flexible business operations." Based on this policy, in terms of profit distribution, the amount of dividends is set at 50% of profit (payout ratio of 50%) as a general rule. However, if the amount of dividends calculated at the payout ratio of 50% falls below the amount for the previous fiscal year, the amount is determined in consideration of the prior dividend levels after an adequate level of internal reserves is secured. The payout ratio is calculated using the figure from consolidated results.

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 various factors.