



# Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2022 (Japanese GAAP)

November 8, 2022

Name of listed company: AXELL CORPORATION Stock Exchange: Tokyo  
Code #: 6730 URL: <https://www.axell.co.jp/>  
Representative (Post): Akihiro Saito (President) Phone: (03) 5298-1670  
Inquiries (Post): Yoshimasa Ueno (Executive Officer, General Manager of Management Department)  
Scheduled date of release of Quarterly Report: November 10, 2022  
Scheduled date of dividend payment: —  
Availability of supplementary explanatory materials prepared for quarterly financial results: None  
Briefing session on quarterly financial results to be held: None

(Figures are rounded down to the nearest million yen.)

## 1. Consolidated Business Results for the Second Quarter of Fiscal Year 2022 (April 1, 2022 to September 30, 2022)

### (1) Consolidated Operating Results (Cumulative) (Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Q2 FY 2022	7,061	40.6	864	71.3	893	70.6	701	66.5
Q2 FY 2021	5,021	17.8	504	87.1	523	74.9	421	81.6

(Note) Comprehensive income: Q2 FY 2022: 673 million yen [76.1%] Q2 FY 2021: 382 million yen [31.2%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY 2022	64.72	—
Q2 FY 2021	38.98	—

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q2 FY 2022	12,967	10,899	83.3	995.15
FY 2021	12,274	10,629	86.0	974.54

(Reference) Equity capital Q2 FY 2022: 10,804 million yen FY 2021: 10,552 million yen

## 2. Dividend Payments

	Annual Dividend				
	1Q	2Q	3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2021	—	0.00	—	40.00	40.00
FY 2022	—	0.00	—	—	—
FY 2022 (Projection)	—	—	—	63.00	63.00

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

Breakdown of the dividends for fiscal year 2022 (projection): Ordinary dividend of 47 yen and commemorative dividend of 16 yen (for the 20th anniversary of public listing)

## 3. Consolidated Forecast Results for Fiscal Year 2022 (April 1, 2022 to March 31, 2023)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	Yen
Full Year	13,400	25.6	1,220	45.4	1,360	35.7	1,020	17.8	93.94

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

**\* Matters of Note**

**(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation):** None

New inclusion: —

Exclusion: —

**(2) Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements:** Yes

(Note) For details, please refer to [Appendix] P. 8 “2. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements).”

**(3) Changes to accounting policies, changes to accounting estimates, and restatements:**

1) Changes to accounting policies accompanying the revision of accounting standards, etc.: Yes

2) Changes to accounting policies other than 1) above: None

3) Changes to accounting estimates: None

4) Restatements: None

(Note) For details, please refer to [Appendix] P. 8 “2. Quarterly Consolidated Financial Statements and Primary Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes to accounting policies).”

**(4) Number of shares issued (common shares)**

1) The number of shares issued at end of period (including treasury shares)	Q2 FY 2022	11,211,989 shares	FY 2021	11,211,989 shares
2) The number of shares of treasury shares at end of period	Q2 FY 2022	354,697 shares	FY 2021	383,597 shares
3) Average number of common shares during period (cumulative)	Q2 FY 2022	10,835,656 shares	Q2 FY 2021	10,804,101 shares

**\* These quarterly financial results are outside the scope of quarterly review by certified public accountants or an audit firm.**

**\* 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.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of business results

During the six months ended September 30, 2022, the Japanese economy started to show signs of normalization in socioeconomic activities with the steady spread of vaccinations against COVID-19. However, the future economic outlook still remains uncertain due to the prolonged situation in Ukraine, semiconductor shortages, soaring global resource prices and concerns about inflation.

The pachinko and pachislot machine market, which is the main market for the Group, continued to face a challenging market environment due to a decline in the number of new machines sold annually, while the Company estimates that the market contraction trend has bottomed out in fiscal 2020. In addition, the Company forecasts a solid performance in fiscal 2022 as it plans to launch smart pachinko, slot and other next-generation amusement machines.

Under such circumstances, having undertaken measures against the spread of COVID-19, the Group worked on sales expansion for Graphics LSI products for customers in the embedded system market (Note 1), in addition to initiatives for securing stable profits in the pachinko and pachislot market, and also focused on activities for early commercialization in the following new four areas: middleware, machine learning/AI, blockchain and security. Furthermore, with a view to accelerating new business development, the Group actively considered initiatives including alliances and investments.

As a result, for the six months ended September 30, 2022, the Company recorded net sales of 7,061 million yen, up 2,039 million yen from the same period of the previous fiscal year (year-on-year increase of 40.6%). In line with this increase in net sales, gross profit increased by 674 million yen (year-on-year increase of 42.3%) to 2,267 million yen. Gross profit margin improved by 0.4 percentage points year-on-year to 32.1%. Selling, general and administrative expenses amounted to 1,402 million yen, an increase of 314 million yen from the same period of the previous fiscal year (year-on-year increase of 28.9%). Of this, research and development expenses accounted for 770 million yen, up 229 million yen (year-on-year increase of 42.5%).

Consequently, for the six months ended September 30, 2022, the Company recorded an operating profit of 864 million yen, an increase of 359 million yen from the same period of the previous fiscal year (year-on-year increase of 71.3%), an ordinary profit of 893 million yen, an increase of 369 million yen (year-on-year increase of 70.6%), and a profit attributable to owners of parent of 701 million yen, an increase of 280 million yen (year-on-year increase of 66.5%).

The business performance by segment is as follows. In addition, besides the following segments, company-wide expenses not allocated to each segment amounted to 345 million yen.

#### 1) LSI Business for Japanese Entertainment Machines

The LSI Business for Japanese Entertainment Machines segment deals with products for pachinko and pachislot machines, the existing businesses of the Company. For the six months ended September 30, 2022, the Company recorded net sales of 6,737 million yen, an increase of 1,947 million yen from the same period of the previous fiscal year (year-on-year increase of 40.7%), and a segment profit of 1,346 million yen, an increase of 332 million yen from the same period of the previous fiscal year (year-on-year increase of 32.7%). Regarding the Company's mainstay products, graphics LSI products for pachinko and pachislot machines, the number of units sold increased by 28,000 units from the same period of the previous fiscal year to 243,000 units. In addition, sales of memory-module products (Note 2) significantly exceeded that of the same period of the previous fiscal year thanks to a strong sales trend of customers adopting the products. Moreover, the order backlog for the segment on September 30, 2022 stood at 17,013 million yen. Note that the order backlog includes those to be sold in the next fiscal year and beyond, reflecting the current situation where many manufacturers are proactively securing materials and components amid global semiconductor shortages.

#### 2) Middleware (AI, Block Chain and Other) and LSI Business for New Business

This segment is a start-up business targeting the areas of middleware, machine learning/AI, block chain, and security in addition to products for embedded systems. For the six months ended September 30, 2022, the Company recorded net sales of 323 million yen, up 91 million yen, or 39.6%, from the same period of the previous fiscal year, mainly from sales in the areas of machine learning/AI, and a segment loss of 135 million yen, down 72 million yen from 208 million yen reported in the same period of the previous fiscal year.

(Note 1) "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 2) "Memory-module" refers to the mechanism of the part that retains the image data installed in the graphics-rendering circuit boards of pachinko and pachislot machines.

## **(2) Explanation of financial position**

### **1) Status of assets, liabilities and net assets**

Total assets as of the end of the second quarter of fiscal 2022 stood at 12,967 million yen, up 693 million yen, or 5.6%, from the end of the previous fiscal year. Main factors contributing to this outcome included increases in trade receivables and contract asset (472 million yen) and merchandise and finished goods (425 million yen), despite a decrease in cash and deposits (82 million yen).

Total liabilities as of the end of the second quarter of fiscal 2022 stood at 2,068 million yen, up 423 million yen, or 25.7%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in accounts payable – trade (557 million yen).

Total net assets as of the end of the second quarter of fiscal 2022 stood at 10,899 million yen, up 270 million yen, or 2.5%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in retained earnings (268 million yen).

### **2) Status of cash flows**

Cash and cash equivalents (hereinafter “funds”) as of the end of the second quarter of fiscal 2022 amounted to 9,014 million yen, up 11.2% from a year earlier. The status of cash flows and their contributing factors are as follows.

(Cash flows from operating activities)

Funds provided by operating activities for the six months ended September 30, 2022 amounted to 300 million yen, (compared with funds provided of 555 million yen in the same period of the previous fiscal year). This was attributable mainly to the recording of profit before income taxes (874 million yen) for the six months ended September 30, 2022 and the increase in trade payables (557 million yen), despite an increase in trade receivables (472 million yen), an increase in inventories (425 million yen), and income taxes refund (paid) (116 million yen).

(Cash flows from investing activities)

Funds provided by investing activities for the six months ended September 30, 2022 amounted to 48 million yen (compared with funds used of 53 million yen in the same period of the previous fiscal year). This was mainly attributable to factors such as proceeds from distributions from investment partnerships (74 million yen) and proceeds from liquidation of subsidiaries (35 million yen), despite the purchase of property, plant and equipment (38 million yen) and the purchase of investment securities (24 million yen).

(Cash flows from financing activities)

Funds used in financing activities for the six months ended September 30, 2022 amounted to 432 million yen (compared with funds used of 334 million yen in the same period of the previous fiscal year). This was mainly attributable to factors such as dividends paid (431 million yen).

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

Consolidated forecast results for fiscal 2022 are as described in “Notice on Revisions of Forecast Results and Dividend Forecasts” disclosed on September 21, 2022.

The Company has recorded an order backlog of 17,013 million yen as of September 30, 2022 in the LSI Business for Japanese Entertainment Machines segment, which shows that recent order trends have been exceptionally favorable. However, as the global supply-chain disruptions have continued yet, their impacts on the production of component members of pachinko and pachislot machines including the Company’s products remain unclear. When the prospect of production of the Company’s products, etc. is found and any amendments to the consolidated forecast results for fiscal 2022 are needed, the Company will promptly disclose it.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

	(In millions of yen)	
	FY 2021 (As of March 31, 2022)	Q2 FY 2022 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	9,097	9,014
Trade receivables and contract asset	1,039	1,512
Merchandise and finished goods	771	1,197
Work in process	0	0
Raw materials and supplies	0	0
Other	101	118
Allowance for doubtful accounts	(0)	(1)
Total current assets	11,010	11,841
Non-current assets		
Property, plant and equipment	105	108
Intangible assets		
Goodwill	29	23
Other	24	22
Total intangible assets	53	46
Investments and other assets	1,104	970
Total non-current assets	1,264	1,125
Total assets	12,274	12,967
Liabilities		
Current liabilities		
Accounts payable - trade	1,094	1,652
Income taxes payable	136	168
Provision for bonuses	—	44
Other	374	163
Total current liabilities	1,605	2,028
Non-current liabilities		
Asset retirement obligations	39	40
Total non-current liabilities	39	40
Total liabilities	1,645	2,068
Net assets		
Shareholders' equity		
Share capital	1,028	1,028
Capital surplus	882	884
Retained earnings	8,777	9,046
Treasury shares	(301)	(279)
Total shareholders' equity	10,386	10,679
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	124
Total accumulated other comprehensive income	166	124
Share acquisition rights	27	31
Non-controlling interests	49	63
Total net assets	10,629	10,899
Total liabilities and net assets	12,274	12,967

**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statements of Income**

(Second Quarter)

	(In millions of yen)	
	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)	Q2 FY 2022 (From April 1, 2022 to September 30, 2022)
Net sales	5,021	7,061
Cost of sales	3,428	4,793
Gross profit	1,593	2,267
Selling, general and administrative expenses	1,088	1,402
Operating profit	504	864
Non-operating income		
Interest income	0	0
Dividend income	3	4
Gain on investments in investment partnerships	15	28
Other	0	0
Total non-operating income	19	32
Non-operating expenses		
Foreign exchange losses	0	3
Other	0	0
Total non-operating expenses	0	3
Ordinary profit	523	893
Extraordinary income		
Gain on sale of membership	—	2
Other	—	0
Total extraordinary income	—	2
Extraordinary losses		
Impairment losses	—	1
Loss on valuation of membership	—	5
Loss on liquidation of subsidiaries	0	14
Total extraordinary losses	0	22
Profit before income taxes	522	874
Income taxes	105	158
Profit	417	715
Profit (loss) attributable to non-controlling interests	(4)	13
Profit attributable to owners of parent	421	701

# Quarterly Consolidated Statements of Comprehensive Income

(Second Quarter)

	(In millions of yen)	
	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)	Q2 FY 2022 (From April 1, 2022 to September 30, 2022)
Profit	417	715
Other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(41)
Total other comprehensive income	(34)	(41)
Comprehensive income	382	673
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	386	660
Comprehensive income attributable to non-controlling interests	(4)	13



**(3) Quarterly Consolidated Statements of Cash Flows**

(In millions of yen)

	Q2 FY 2021 (From April 1, 2021 to September 30, 2021)	Q2 FY 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	522	874
Depreciation	16	16
Amortization of goodwill	5	5
Share-based payment expenses	17	15
Interest and dividend income	(3)	(4)
Loss (gain) on investments in investment partnerships	(15)	(28)
Loss (gain) on liquidation of subsidiaries	0	14
Decrease (increase) in trade receivables	55	(472)
Decrease (increase) in inventories	250	(425)
Decrease (increase) in other current assets	(9)	(9)
Increase (decrease) in trade payables	(209)	557
Increase (decrease) in other current liabilities	(56)	(55)
Other, net	11	(75)
Subtotal	585	413
Interest and dividends received	3	4
Income taxes refund (paid)	(34)	(116)
Net cash provided by (used in) operating activities	555	300
Cash flows from investing activities		
Purchase of property, plant and equipment	(9)	(38)
Purchase of intangible assets	—	(2)
Purchase of investment securities	(57)	(24)
Purchase of membership	—	(6)
Proceeds from sale of membership	—	10
Proceeds from distributions from investment partnerships	16	74
Proceeds from liquidation of subsidiaries	—	35
Other, net	(2)	—
Net cash provided by (used in) investing activities	(53)	48
Cash flows from financing activities		
Dividends paid	(334)	(431)
Other, net	(0)	(0)
Net cash provided by (used in) financing activities	(334)	(432)
Effect of exchange rate change on cash and cash equivalents	0	0
Net increase (decrease) in cash and cash equivalents	167	(82)
Cash and cash equivalents at beginning of period	7,913	9,097
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	28	—
Cash and cash equivalents at end of period	8,109	9,014

**(4) Notes to Quarterly Consolidated Financial Statements**

**(Notes regarding going concern assumption)**

N/A

**(Notes in cases where there are significant changes in amount of shareholders' equity)**

N/A

**(Application of special accounting processes for the preparation of Quarterly Consolidated Financial Statements)**

**(Calculation of tax expenses)**

Tax expenses have been calculated by multiplying profit before income taxes by an effective tax rate reasonably estimated after the application of tax effect accounting to profit before income taxes for the consolidated fiscal year including the second quarter of fiscal 2022.

**(Changes to accounting policies)**

**(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)**

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter, the "Fair Value Measurement Guidance") effective from the beginning of the first quarter of fiscal 2022, and decided to adopt new accounting policies prescribed in the Fair Value Measurement Guidance in the future, pursuant to the transitional treatment specified in paragraph 27-2 of the Fair Value Measurement Guidance. This application has no impact on the quarterly consolidated financial statements.

**(Additional information)**

**(Accounting estimate related to the impact of the spread of COVID-19)**

There are no significant changes from the tentative estimates including the future spread and ending time of COVID-19 stated under (Significant accounting estimates) in the securities report for the previous fiscal year.

**(Segment information)****I Second quarter of fiscal 2021 (April 1, 2021 to September 30, 2021)****1. Information about amounts of net sales, profit and loss by reportable segment.****(In millions of yen)**

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Net sales					
Net sales to customers	4,789	231	5,021	—	5,021
Inter-segment net sales, and transfers	—	—	—	—	—
Total	4,789	231	5,021	—	5,021
Segment profit (loss)	1,014	(208)	806	(301)	504

(Notes) 1. The (301) million yen adjustments to segment profit (loss) are company-wide expenses not distributed to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted with operating profit in Quarterly Consolidated Statements of Income.

**II Second quarter of fiscal 2022 (April 1, 2022 to September 30, 2022)****1. Information about amounts of net sales, profit and loss by reportable segment.****(In millions of yen)**

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in Quarterly Consolidated Statements of Income (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Net sales					
Net sales to customers	6,737	323	7,061	—	7,061
Inter-segment net sales, and transfers	—	—	—	—	—
Total	6,737	323	7,061	—	7,061
Segment profit (loss)	1,346	(135)	1,210	(345)	864

(Notes) 1. The (345) million yen adjustments to segment profit (loss) are company-wide expenses not distributed to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Segment profit (loss) is adjusted with operating profit in Quarterly Consolidated Statements of Income.

**3. Others****Recent trends in quarterly business results****Fiscal Year ending March 31, 2023**

(In millions of yen)

	Q1 FY 2022 From April 2022 to June 2022	Q2 FY 2022 From July 2022 to September 2022	Q3 FY 2022 From October 2022 to December 2022	Q4 FY 2022 From January 2023 to March 2023
Net sales	3,426	3,635	—	—
Gross profit	1,109	1,157	—	—
Operating profit	343	521	—	—
Ordinary profit	343	549	—	—
Profit before income taxes	346	527	—	—
Profit	298	416	—	—
Profit attributable to owners of parent	293	407	—	—
Comprehensive income	277	396	—	—
Basic earnings per share	27.12 yen	37.59 yen	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	11,948	12,967	—	—
Net assets	10,475	10,899	—	—
Net assets per share	959.68 yen	995.15 yen	—	—

**Fiscal Year ended March 31, 2022**

(In millions of yen)

	Q1 FY 2021 From April 2021 to June 2021	Q2 FY 2021 From July 2021 to September 2021	Q3 FY 2021 From October 2021 to December 2021	Q4 FY 2021 From January 2022 to March 2022
Net sales	2,340	2,680	3,224	2,420
Gross profit	736	856	1,134	788
Operating profit (loss)	195	309	444	(110)
Ordinary profit	198	324	449	28
Profit before income taxes	197	324	448	28
Profit	154	262	400	52
Profit attributable to owners of parent	158	263	394	50
Comprehensive income	156	226	368	71
Basic earnings per share	14.63 yen	24.34 yen	36.43 yen	4.64 yen
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	10,790	11,062	12,195	12,274
Net assets	9,906	10,156	10,534	10,629
Net assets per share	913.12 yen	933.95 yen	967.95 yen	974.54 yen