

Securities Code: 6730

AXELL CORPORATION

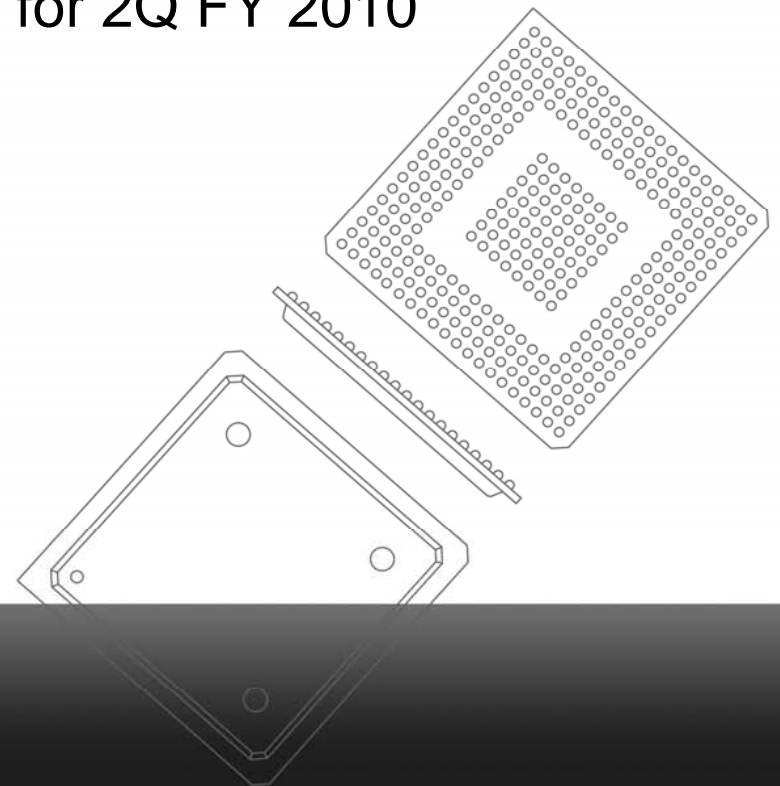
Fiscal year ending March 31, 2011

Briefing Session on Financial Results for 2Q FY 2010

Yuzuru Sasaki, President

Nobuhiro Sendai, Director

Monday, October 25, 2010



AXELL' s assumption of number of units of amusement devices sold annually

4 million units in FY 2009 → 3.8 million units in FY 2010 (initial plan)

Causes of reduction by 200,000 units compared to FY 2009

Demand for pachislot machines yet to recover due to amendment of regulations in past years
Diminished willingness to purchase units among halls stemming from stagnation of domestic economy
Impact of new implementation scheme for the distribution of second-hand amusement devices

Analysis of number of Graphics LSI for amusement devices sold

2.62 million units in FY 2009 → 2.45 million units in FY 2010 (initial plan)

Causes of reduction by 170,000 units compared to FY 2009

Contraction of amusement device market due to above factors
Increase in unconsumed volume of various components (LSI, etc.) already delivered

AXELL' s assumption of number of units of amusement devices sold annually

3.8 million units in initial plan (April 26) → 3.3 million units in revised plan (September 15)

Causes of reduction by half a million units compared to initial plan

Diminished willingness to purchase units among halls (note: this was worse than initially expected) associated with the stagnation of domestic economy

Long period established by halls to voluntarily refrain from replacing old units with new ones in the lead up to the hosting of APEC meeting

Self-imposed regulation on sale of MAX-type pachinko machines in which demand was concentrated at halls

Impact of new implementation scheme for the distribution of second-hand amusement devices

Analysis of number of Graphics LSI for amusement devices sold

2.45 million units in initial plan (April 26) → 1.6 million units in revised plan (September 15)

Causes of reduction by 850,000 units compared to initial plan

Worse-than-expected contraction of amusement device market due to above factors → 300,000 units

Commencement of fully-fledged re-use of amusement device components by amusement devices manufacturers → 500,000 units

Worse-than-expected inventory adjustments → 50,000 units

Analysis of recycling and re-use of amusement device components at beginning of FY 2010

In the past, amusement device components had primarily been recycled in other markets; activities to re-use them within the amusement device market had been limited in volume. AXELL's analysis conducted in the planning stage at the beginning of fiscal 2010 indicated that the re-use of amusement device components within the market would increase in a phased manner over the next couple of years. According to AXELL's analysis, its impact in fiscal 2010 was expected to be limited—as it had been the case in previous years—and its impact on the sales volume of AXELL's products was expected to be insignificant.

Analysis of recycling and re-use of amusement device components in revised earnings forecast

Re-use of amusement device components is expected to be implemented on a larger scale than initially expected due to such factors as the contraction trend of the amusement device market as a whole, the sluggish replacement demand for new units and the need for lower pricing of new units. According to information from the market to date, the impact of re-use of amusement device components on AXELL's Graphics LSI is expected to be approximately 550,000 units (including worse-than-expected inventory adjustments).

**Forecast for number of units of amusement devices sold annually
and sales of AXELL's Graphics LSI**

	FY 2009 (actual)		FY 2010 (April 26 plan)		FY 2010 (revised Sep. 15)
Number of units sold annually (ten thousand units)	400	-20	380	-50	330
Pachinko machines	310		300		250
Pachislot machines	90		80		80
Number of units of AM-GLSI sold (ten thousand units)	262	-17	245	-85	160

The revision of the initial plan involved the reduction of the number of Graphics LSI sold by 850,000 units. According to our analysis, this includes about 550,000 units attributable to the impact of the re-use of amusement device components (including worse-than-expected inventory adjustments), and the market share of AXELL's Graphics LSI installed in new units of amusement devices sold in fiscal 2010 is expected to remain unchanged.

* AM-GLSI: Graphics LSI for the amusement device market

(Unit: 1 million yen)

	Initial Plan	Sales ratio	Revised Sep.15	Sales ratio	increase	Rate of increase
Net sales	15,000	100%	9,130	100%	-5,870	-39%
Cost of sales	7,020	47%	4,150	45%	-2,870	-41%
Gross profit	7,980	53%	4,980	55%	-3,000	-38%
Selling and administrative costs	3,240	22%	3,010	33%	-230	-7%
Operating profit	4,740	32%	1,970	22%	-2,770	-58%
Ordinary profit	4,750	32%	1,980	22%	-2,770	-58%
Current net profit	2,930	20%	1,280	14%	-1,650	-56%

Main causes of decrease in net sales by 5,870 million yen to 9,130 million yen

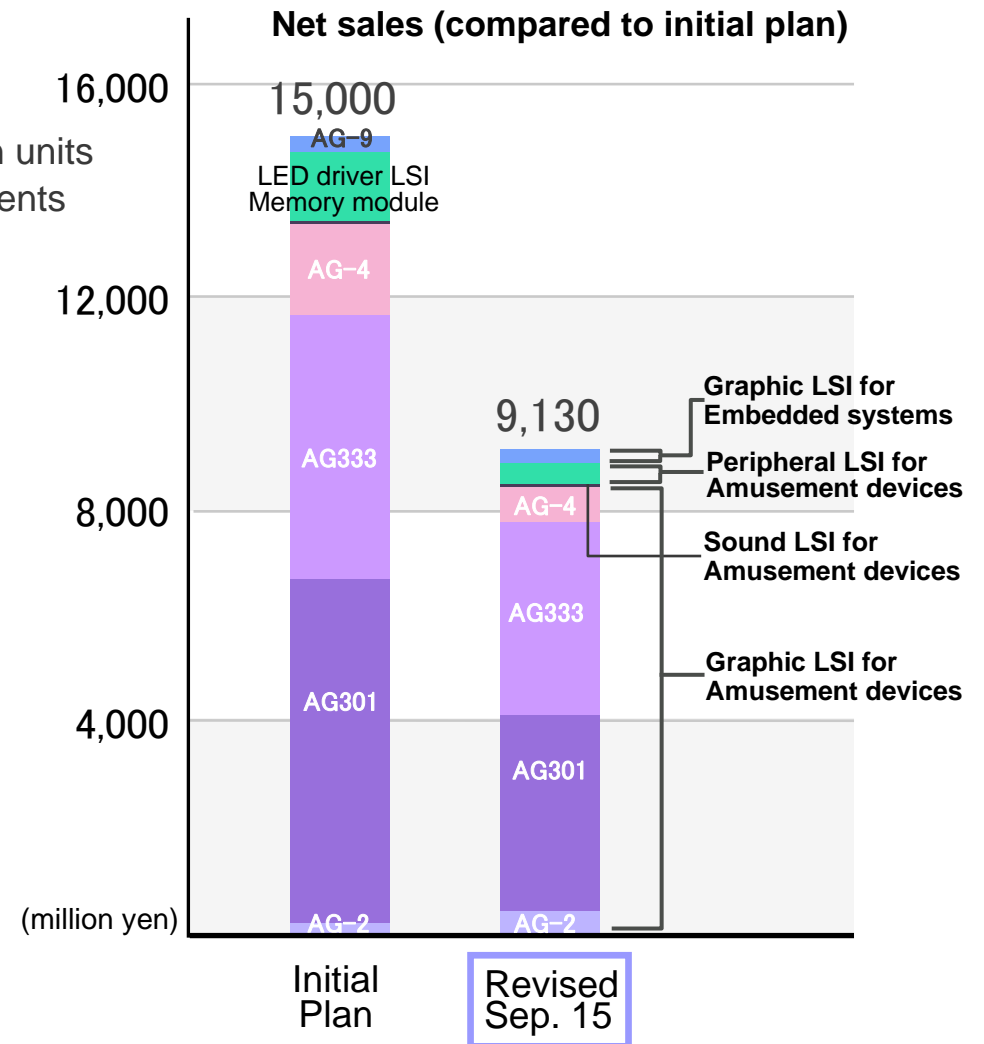
AM-GLSI: 8,437 million yen (down 4,948 million yen)

- Number of units sold: 2.45 million units → 1.6 million units
Contraction of market ,Re-use, Inventory adjustments
- Percentage of AG-4 (10% → 6%)
Impact of customers' development schedule
- Brisk sales of AG-2 for pachislot machines

Other: 693 million yen (down 922 million yen)

- Sound LSI, Graphics LSI for embedded systems :
More or less as planned
- LED driver LSI and memory module: Decrease
Contraction of market
Impact of customers' development schedule

Gross Profit Margin	Initial Plan	Revised Sep.15
AM Graphics LSI	56%	56%
Other	30%	33%
Total	53%	55%



(Unit: 1 million yen)

	Initial Plan	Proportion	Revised Sep.15	Proportion	Rate of increase
Selling and administrative costs	3,240	100%	3,013	100%	-7%
Labor cost	501	15%	512	17%	2%
R&D cost	1,984	61%	1,766	59%	-11%
Other	755	23%	735	24%	-3%

(Unit: 1 million yen)

Breakdown of R&D cost	Initial Plan	Proportion	Revised Sep.15	Proportion	Rate of increase
Total R&D cost	1,984	100%	1,766	100%	-11%
Labor cost	582	29%	564	32%	-3%
Prototype development cost	575	29%	528	30%	-8%
Other development costs	364	18%	272	15%	-25%
Other	463	23%	402	23%	-13%

(Unit: 1 million yen)

	Initial Plan	Sales ratio	Revised Sep.15	Sales ratio	2Q results	Sales ratio	Rate of increase
Net sales	6,000	100%	3,935	100%	3,950	100%	-34%
Cost of sales	2,750	46%	1,803	46%	1,810	46%	-34%
Gross profit	3,250	54%	2,132	54%	2,139	54%	-34%
Selling and administrative costs	1,700	28%	1,500	38%	1,484	38%	-13%
Operating profit	1,550	26%	632	16%	655	17%	-58%
Ordinary profit	1,555	26%	640	16%	662	17%	-57%
Current net profit	980	16%	414	11%	428	11%	-56%

Main causes of decrease in net sales by 2,049 million yen to 3,950 million yen

AM-GLSI: 3,491 million yen (down 1,926 million yen)

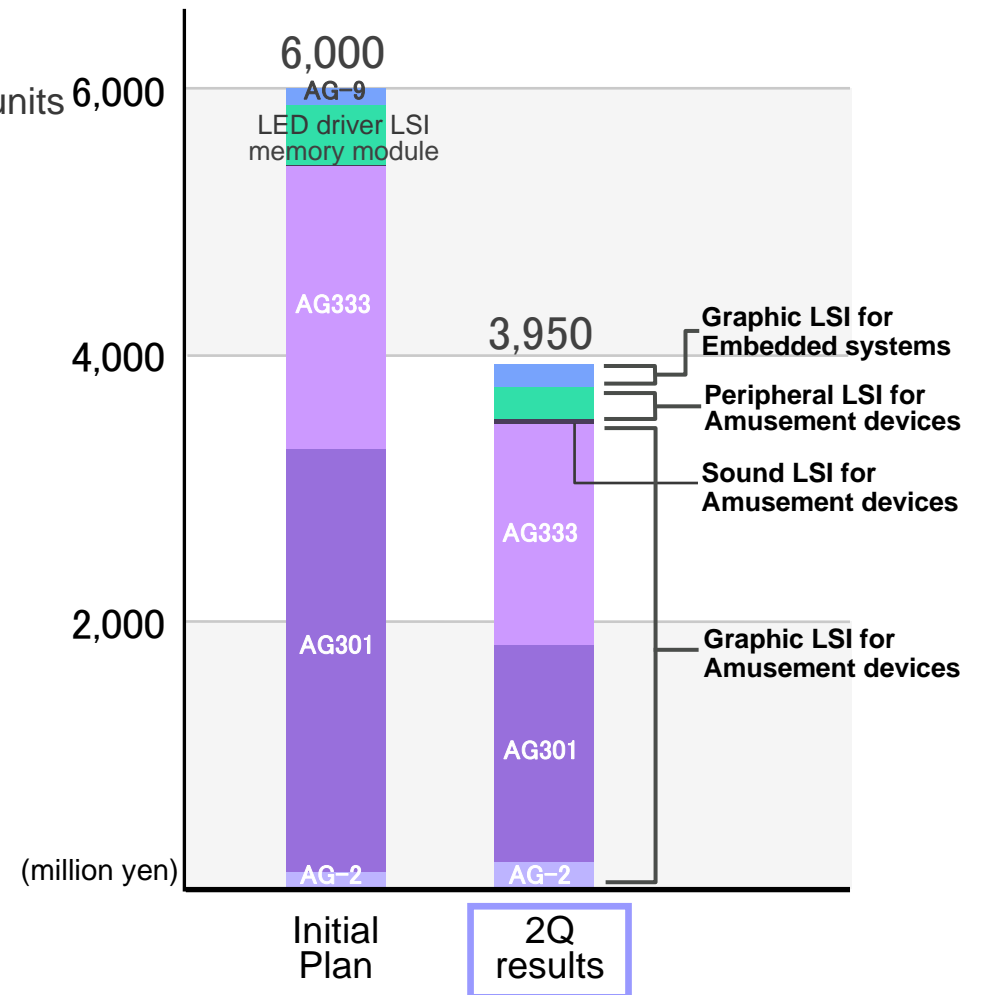
- Number of units sold: 1.02 million units → 670,000 units
 Contraction of market
 Re-use
 Inventory adjustments
- Percentage of AG333 (35% → 41%)
- Brisk sales of AG-2 targeted at pachislot machines

Other: 458 million yen (down 123 million yen)

- Sound LSI, Graphics LSI for embedded systems:
 More or less as planned
- LED driver LSI and memory module : Decrease
 Contraction of market

Gross Profit Margin	Initial Plan	2Q results
AM Graphics LSI	57%	56%
Other	29%	37%
Total	54%	54%

First-half net sales (compared to initial plan)



(Unit: 1 million yen)

	Initial Plan	Proportion	2Q results	Proportion	Rate of increase
Selling and administrative costs	1,700	100%	1,484	100%	-15%
Labor cost	248	15%	249	17%	0%
R&D cost	1,138	67%	927	62%	-23%
Other	314	18%	308	21%	-2%

(Unit: 1 million yen)

Breakdown of R&D cost	Initial Plan	Proportion	2Q results	Proportion	Rate of increase
Total R&D cost	1,138	100%	927	100%	-23%
Labor cost	286	25%	276	30%	-4%
Prototype development cost	392	34%	361	39%	-8%
Other development costs	239	21%	117	13%	-103%
Other	221	19%	171	19%	-29%

Policy for determining dividend amounts

Profits will be returned to shareholders fundamentally through dividends

Dividends are linked to business performance (dividend-payout-ratio doctrine) → 50%

Pay stable dividends with consideration for dividends in previous fiscal years

Reasons for maintaining dividend amount in this period

Even after the downward revision of our business performance, our final profits will be greater than 1 billion yen. We also expect the same or higher revenues in the next fiscal period and beyond.

We expect our current and fiscal year-end surplus (estimate) to exceed our expected needs for capital.

Status of Dividend Payments and Plan

	FY 2008	FY 2009	FY 2010 plan
Dividend per share	160yen	170yen	160yen
Year-end dividend	75yen	80yen	80yen
Interim dividend	75yen	80yen	80yen
Commemorative dividend	10yen	10yen	—
Dividend payout ratio	53%	55%	155%

* On July 1, 2009, AXELL conducted a stock split (1:100), and adopted a unit stock system (tangenkabu system) with 100 shares as 1 unit. The dividend therefore uses the post-revision figures, taking into account the impact of the stock split in FY 2008 and FY 2009.

Planned net sales for second-half: 5,179 million yen

AM-GLSI: 4,945 million yen

Number of units sold:

670,000 units → 930,000 units

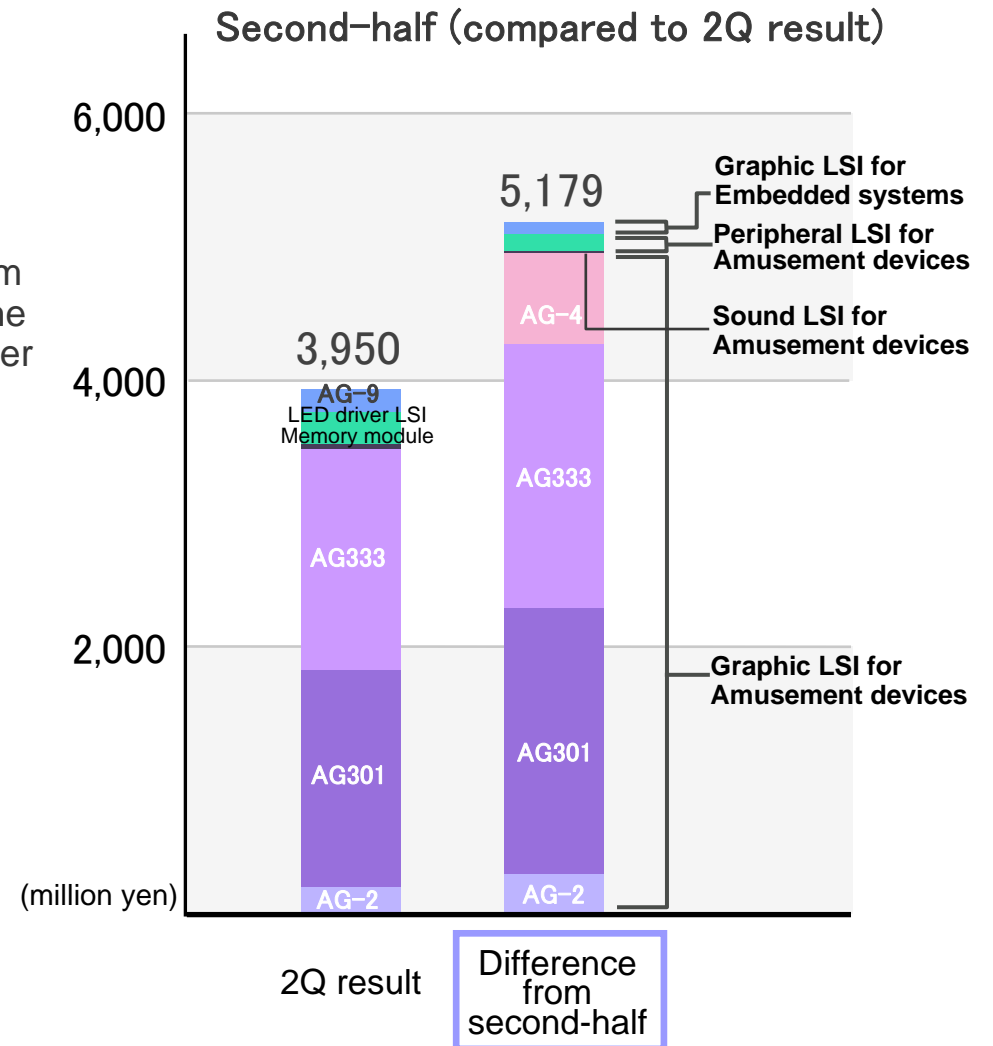
In the first-half, we have eliminated distribution inventory. Additionally, halls voluntarily refrained from replacing old units with new ones in the lead up to the hosting of APEC meeting. As a result of this and other factors, we expect sales of 930,000 units in the second-half.

Start of sales of AG-4 (unit base: 0% → 11%)

Sales of AG-2 for pachislot remain strong

Other: 234 million yen

Reduction due to customer demand trends



Positive factors for business performance

End of impact from voluntarily restraint in replacing old units with new ones in the lead up to the hosting of APEC meeting → Increase in yearly unit sales volume expected

Launch of AG-4 → Increased unit sales price through higher added value
Reduced impact from reuse because it is the first year of sales

Recovery of demand for embedded devices due to completion of inventory adjustment
→ Increased sales of AG-9 and AG10

Risk factors

Further contraction of amusement device market
Increased reuse by manufacturers of amusement devices



Expected increase in revenues and profits in next fiscal year and beyond

There have not been any noteworthy developments in the Yamaha lawsuit case, and we do not expect it to impact our business performance.

Future efforts and new developments

Efforts in amusement device market

Migration to flagship product “AG401”
Reinforcement of content development environment
Enhancement of peripheral LSI products
Development of next-generation system LSI “AG Next”

Design expertise
Unique ideas
Development network

Efforts in embedded system market

Expansion of sales of “AG10” and system board
Development of “AG11” (mass production in FY 2013 onwards)
Expansion into global markets
Development of sales organization

System development expertise
Marketing
Access to global markets

Tapping new business domains

Deployment of products targeted at new fields (specific domains) from many angles
Product development by thinking outside the box
Judge whether to proceed with development based on thorough examination
Broad support ranging from LSIs, modules to final products

 Establishment of subsidiary

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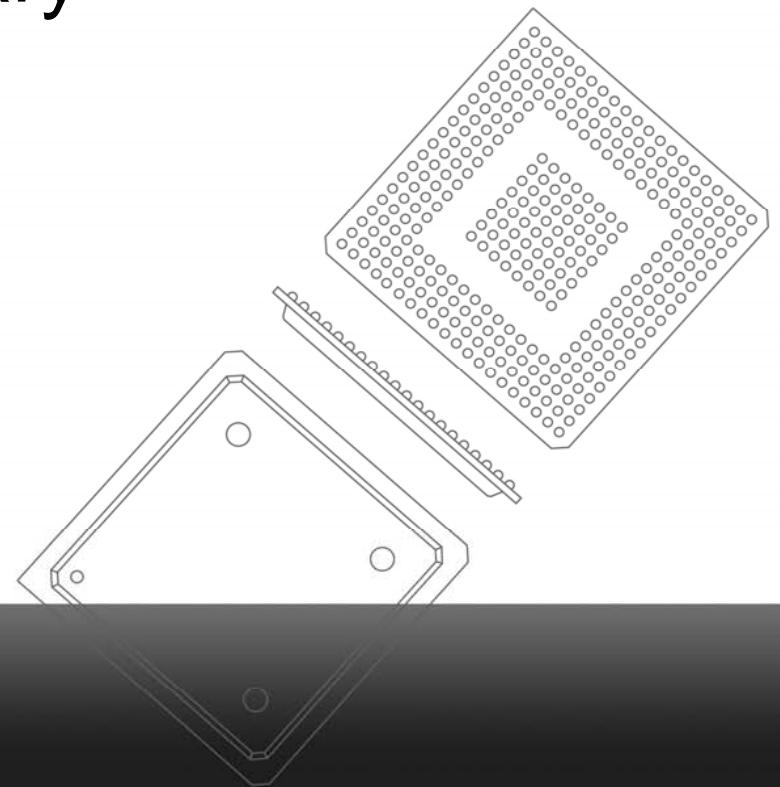
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AXELL CORPORATION

Establishment of Subsidiary

Yuzuru Sasaki, President

Monday, October 25, 2010



Purpose of establishment of subsidiary

Cultivate new markets and rapidly create new businesses based on semiconductor technologies

Build organization structure capable of responding flexibly to business opportunities

Build new business model

Overview of subsidiary

Trade name:	To be determined
Address of head office:	Sotokanda, Chiyoda-ku, Tokyo
Representative:	To be determined
Main business:	Development and sales of semiconductors and electronics
Capital stock:	125,000,000 yen
Legal capital surplus:	125,000,000 yen
Date of establishment:	Early December 2010 (schedule)
End of fiscal year:	March 31
Stockholder composition:	Wholly owned by AXELL CORPORATION

Business model

From fostering projects to creation, execution, and management of plot plans

- Select appropriate partners in each field of specialization, and develop businesses with sense of scale by utilizing external resources

Create new markets not bound by existing ones

- Be first to develop new markets with potential and that we are not currently involved in

Concept

The key concept is the creation of a comfortable, fun, and safe living environment

Applies to development of everything from LSIs to modules and end-products

Fusion of hardware, software, and design/look and feel

First project: towards a certain field in M2M* market (develop products for digital convenience radio)

* M2M stands for “machine to machine.”

It refers to a group of devices whose concept is performing automated data communication between machines without human intervention

Citizens' band radio is a set of radio bands that can be used by many people (conveniently) for a wide range of purposes. The main bands are 150 MHz and 400 MHz, but it also includes the 900 MHz band (personal radio) and the 27 MHz and 50 GHz bands. It is open bandwidth, and there are almost no communication charges.

Conventional citizens' band radio

Analog communications

→ Mainly voice calls (used by transportation industry, construction worksites, etc.)

Demand has increased due to diversification of needs including those from data communications and elevated locations, causing concern that bandwidth would run out



A digital-communication system was created in August 2008
(400 MHz band will be completely digital by November 30, 2022)

Effects of introducing digital modulation:

- Data communication, including images will be possible

Will enable applications in data-communication fields, including collecting environmental data, remote control and monitoring, and transmission of still images

- Narrower bands will enable more effective use of bandwidth (more traffic, and fewer issues with lack of channels)

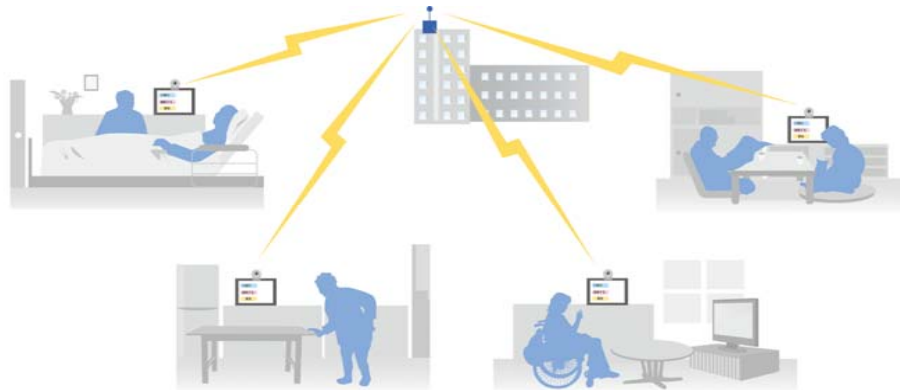
Will be used in a wide range of applications, including leisure and rental applications



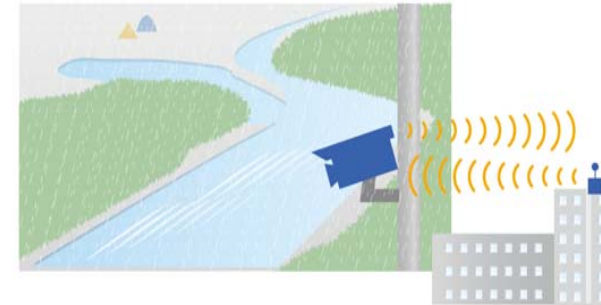
The market for digital convenience radio is enormous. In addition to a migration from the current analog convenience radio, there is huge latent demand for M2M applications.

Envisioned uses for digital convenience radio (Examples)

Municipalities will establish their own communication infrastructure
Broadcast communication with interactive capability and including image data, from the perspective of regional disaster damage prevention



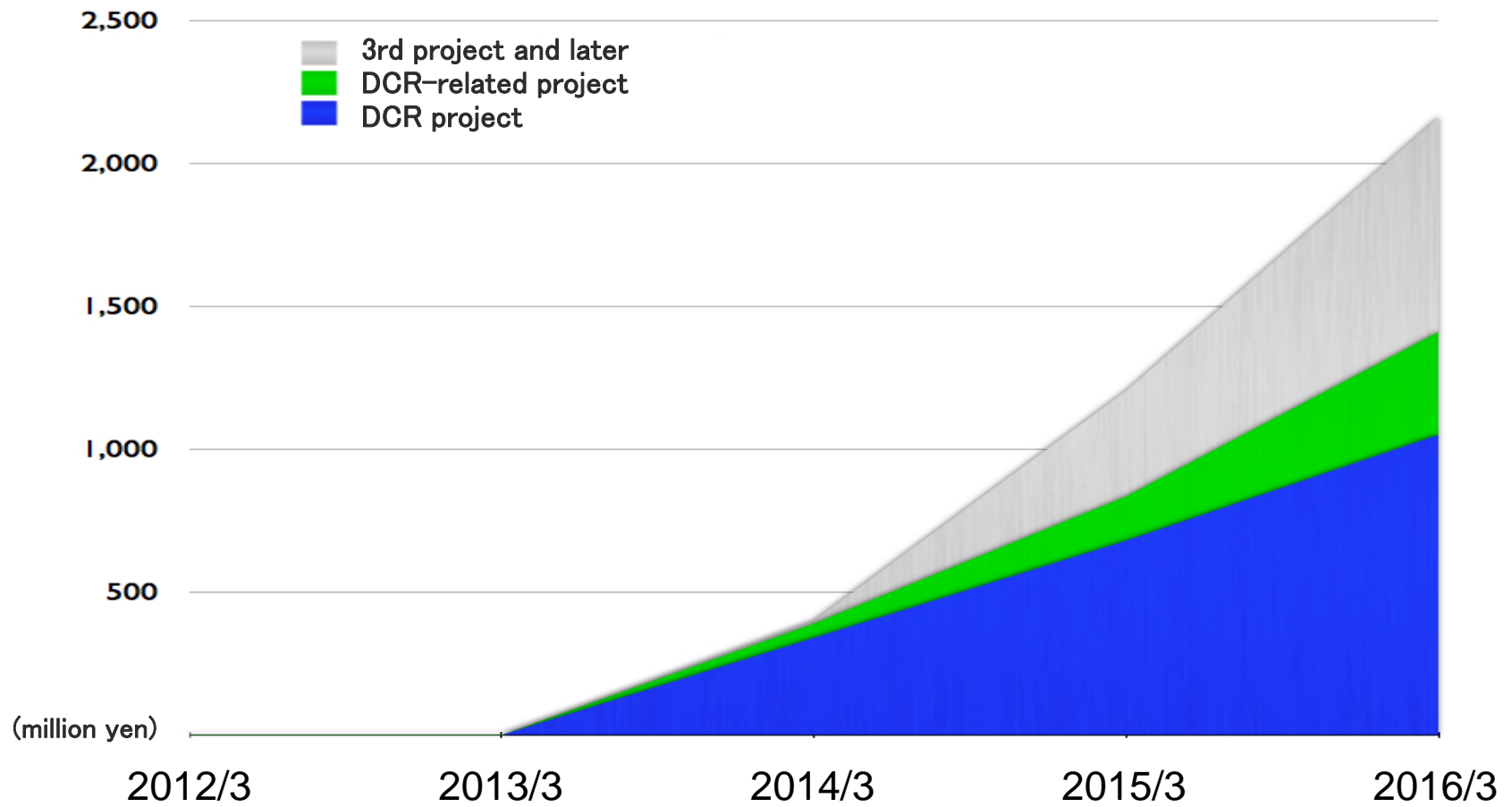
Transmission of information during periods of alert before large-scale disasters
Monitor plant and animal biology/behavior, etc.



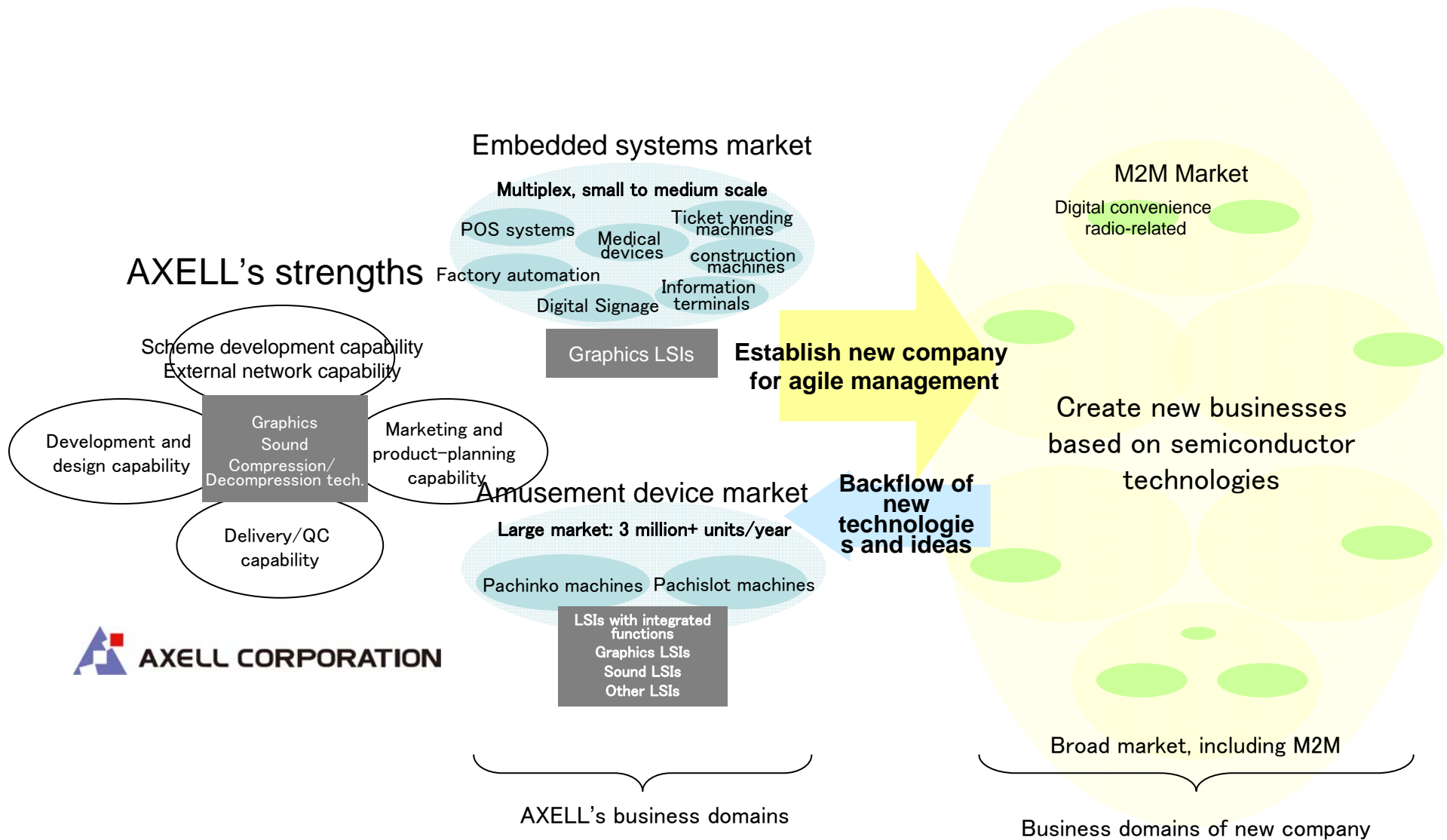
Overview of the first project

LSI product that can greatly reduce the cost of digital convenience radio
Application of ultra-compression technology specialized for digital convenience radio
→ This will enable images to be sent smoothly over digital convenience radio, which has slow communication speeds

Net sales vision



* DCR stands for “Digital Convenience Radio”



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