



PRESS RELEASE

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AXELL CORPORATION

14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo, Japan

Kazunori Matsuura

President & Representative Director

(Securities Code: 6730, First Section of Tokyo Stock Exchange)

Inquiries:

Nobuhiro Sendai

Director & General Manager of Management Department

TEL: +81-3-5298-1670

Notice of Revision of Earnings Forecast and Dividend Projection

Please be informed that AXELL CORPORATION (the “Company”) has decided at the Board of Directors Meeting held on January 27, 2017, that in consideration of recent trends in its business performance and other factors, revisions of its earnings forecast for fiscal 2016 and year-end dividend projection, disclosed on April 25, 2016, will be made as follows. The Company plans to propose the matter regarding the year-end dividend at the 22nd Ordinary General Meeting of Shareholders to be held in June of this year.

1. Revision of the Earnings Forecast

Revision of the Earnings Forecast Figures for the Full Year of Fiscal 2016 (April 1, 2016 to March 31, 2017)

	Net sales	Operating income	Ordinary income	Profit	Basic earnings per share
	millions of yen	millions of yen	millions of yen	millions of yen	yen
Previous forecast (A)	10,000	300	300	200	17.87
Revised forecast (B)	8,000	100	120	70	6.25
Amount of change (B-A)	(2,000)	(200)	(180)	(130)	—
Rate of change (%)	(20.0)	(66.7)	(60.0)	(65.0)	—
(Reference) Results for FY2015 (actual)	8,982	244	220	113	9.85

Reasons for the Revision

The pachinko and pachislot machine market, which is the primary market for the Company, continued to face a challenging environment, due to the effect of self-imposed regulations implemented by industry organizations in 2015 combined with the effect of restraint on new machine installation posed in tandem with the Ise-Shima Summit (held in May 2016), in addition to stagnation in the market resulting from the diversification of leisure, etc. In addition, from the second quarter to the third quarter of the fiscal year, there was temporary replacement demand in line with retirement of “pachinko machines whose performance may differ from the models submitted for inspection” by the end of 2016, but particularly challenging conditions have continued owing to a subsequent decline from the fourth

quarter onward as replacement demand came to an end. In the Company's analysis, it is also highly possible that annual unit sales of pachinko and pachislot machines, which is the size of the Company's market (the basis for the earnings forecast), will be below the Company's initial expectation of 2,500,000 units.

Under such circumstances, after examining sales conditions thus far and trends in customer demand through the end of the fiscal year, sales of mainstay Graphics LSI products for the pachinko and pachislot machine market are expected to be about 890,000 units, a decrease of 70,000 units from the initial plan of 960,000 units. In addition, sales of other products to the same market are also expected to be below the initial plan owing to trends in key customer demand. After comprehensively considering all of these circumstances, the Company has revised its forecast for net sales to 8,000 million yen, a decrease of 2,000 million yen (down 20.0%) from the initial plan.

Meanwhile, the forecast of gross profit has been revised to 3,550 million yen, a decrease of 450 million yen (down 11.3%) from the initial plan, in line with the decrease in net sales, and the forecast of selling, general and administrative expenses has been revised to 3,450 million yen, a decrease of 250 million yen (down 6.8%) from the initial plan, mainly due to revisions to the timing of a portion of R&D expenditures in view of the current status of development. As a result, the Company has revised its forecasts of operating income to 100 million yen (a decrease of 200 million yen compared to the initial plan), ordinary income to 120 million yen (a decrease of 180 million yen compared to the initial plan), and profit to 70 million yen (a decrease of 130 million yen). Additionally, in this earnings forecast, the Company expects non-operating income of 20 million yen, mainly from foreign exchange gains. These foreign exchange gains are based on a foreign exchange rate of 116.8 yen per US dollar, and may change depending on future foreign exchange rates.

2. Revision of the Dividend Projection

	Annual Dividend (yen)		
	2Q	Year-end	Annual
Previous forecast		10 yen	10 yen
Revised forecast		5 yen	5 yen
Results for FY2016 (actual)			
Results for FY2015 (actual)	5 yen	5 yen	10 yen

Reasons for the Revision

Regrettably, the year-end dividend will be revised to 5 yen per share, a decrease of 5 yen. This reflects the revision of earnings forecast for FY2016, released today. The annual dividend for FY2016 shall be 5 yen per share (dividend payout ratio: 80.0%).

(Policy for Profit Sharing to Shareholders)

The Company's policy for profit sharing to our shareholders is to maximize them, while at the same time taking into account adequate levels of "realizing periodic profit returns to shareholders" and "internal reserves that will enable flexible business operations." In terms of profit sharing, based on this policy, the amount of dividends is determined as 50% of profit as a general rule (payout ratio of 50%). However, when 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 level of prior dividends after securing the adequate level of internal reserves. In accordance with the medium- to long-term growth strategies, internal reserves are used mainly as funds required for R&D and new business expansion in an effort to continually enhance corporate value.

(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.