



PRESS RELEASE

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AXELL CORPORATION

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Notice on Differences between Non-Consolidated Forecast Results and Actual Results for the First Half of Fiscal 2019, Revision of Non-Consolidated Forecast Results for the Full Year and Consolidated Forecast Results for the Full Year

Please be informed that in addition to the following differences between non-consolidated forecast results for the first half of fiscal 2019 ended September 30, 2019 announced on May 5, 2019 and the actual results for the same period announced today, the forecast results for the full year of fiscal 2019 have been revised as follows in light of recent performance trends. Please also be informed that the Company has transitioned to a consolidated balance sheet as of the first quarter ended June 30, 2019, and compilation of the consolidated forecast results for the full year of fiscal 2019, the announcement of which had been delayed due to difficulties with reasonable calculations, has been completed.

1. Differences between Non-Consolidated Forecast Results and Actual Results for the First Half of Fiscal 2019

Differences between non-consolidated forecast results for the first half of fiscal 2019 and actual results (April 1, 2019 to September 30, 2019)

	Net sales	Operating income	Ordinary income	Profit	Basic earnings per share
Previous forecast (A)	millions of yen 3,100	millions of yen (150)	millions of yen (150)	millions of yen (150)	Yen (13.40)
Actual results (B)	3,862	120	129	121	10.82
Amount of change (B-A)	762	270	279	271	—
Rate of change (%)	24.6	—	—	—	—
(Reference) Results for the first half of FY2018 (actual)	2,190	(1,411)	(1,403)	(988)	(88.39)

Reasons for the Differences

Net sales for the first half of fiscal 2019 exceeded the initial plan due to favorable sales of memory-module products mainly for the pachinko and pachislot machine market. Moreover, in terms of expenditure, cost reductions made greater progress than anticipated, and the timing of research and development expenses was partially deferred. As a result, all income items below operating income exceeded forecasts.

2. Revision of Non-Consolidated Forecast Results for the Full Year

Revision of Non-Consolidated Forecast Results for the Full Year of Fiscal 2019 (April 1, 2019 to March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit	Basic earnings per share
Previous forecast (A)	millions of yen 7,000	millions of yen 110	millions of yen 110	millions of yen 110	Yen 9.83
Revised forecast (B)	7,900	250	260	240	21.45
Amount of change (B-A)	900	140	150	130	—
Rate of change (%)	12.9	127.3	136.4	118.2	—
(Reference) Results for FY2018 (actual)	5,003	(1,672)	(1,651)	(2,000)	(178.83)

Reasons for the Revision

With regard to Graphics LSI products for pachinko and pachislot machines, following careful reviews of sales through the end of the first half and trends in customer demand in the second half, we revised our sales plan to 380,000 units from our initial sales plan of 470,000 units. On the other hand, sales of memory-module products for this market significantly exceeded the initial plan, supported by an increase in the number of new companies adopting them and favorable trends in sales to customers already adopting them. Consequently, we revised net sales to 7,900 million yen, an increase of 12.9% from the initial plan.

Gross profit was revised to 2,450 million yen, up 4.3% from the initial plan in line with the increase in net sales, and selling, general and administrative expenses were revised to 2,200 million yen, down 1.8% from the initial plan, due to overall cost reductions. As a result, operating income was revised to 250 million yen (up 127.3%), ordinary income to 260 million yen (up 136.4%), and profit to 240 million yen (up 118.2%).

3. Announcement of Consolidated Forecast Results for the Full Year

The Company established ax Inc. in May 2019, and transitioned to a consolidated settlement of accounts from the first quarter of fiscal 2019. ax Inc. acquired all shares of bitcraft Co., Ltd. in July 2019 and of MotionPortrait, Inc. in August 2019, and converted them into subsidiaries (sub-subsidiaries of the Company), subsequently carrying out an absorption-type merger of bitcraft Co., Ltd. on October 1, 2019. Compilation of the consolidated forecast results for the full year of fiscal 2019, including this matter, has been completed, and is announced as follows.

Consolidated Forecast Results for the Full Year of Fiscal 2019 (April 1, 2019 to March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Basic earnings per share
Full Year	millions of yen 8,000	millions of yen 170	millions of yen 180	millions of yen 170	Yen 15.19

Overview of Consolidated Forecast Results

The above consolidated forecast results represent the addition of forecast results for ax Inc. to the figures in 2. Revision of Earnings Forecast, to which the forecast results for the period from October 1, 2019 to March 31, 2020 of MotionPortrait, Inc., whose acquisition date is deemed as September 30, 2019, have been incorporated. With regard to bitcraft Co., Ltd., whose acquisition date is similarly deemed as September 30, 2019, forecast results for the period from October 1, 2019 to March 31, 2020 are included in forecasts for ax Inc. as a result of the absorption-type merger. Furthermore, these figures also include advisory expenses relating to the acquisition of the shares of bitcraft Co., Ltd. and MotionPortrait, Inc., and the forecast of amortization of goodwill resulting from the acquisition of the shares.

The dividend plan for the fiscal year ending March 31, 2020 will be calculated in accordance with the Company's policy for returning profit to shareholders (based on a payout ratio of 50%). The payout ratio is calculated based on the consolidated financial statements.

(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.