



# PRESS RELEASE

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## Notice on Announcement of Full-Year Forecast Results and Dividend Forecasts for Fiscal 2020

Please be informed that AXELL CORPORATION (the “Company”) has determined the full-year forecast results and dividend forecasts for fiscal 2020 as described below. These were previously undetermined in the “Summary of Consolidated Financial Statements for the Year Ended March 31, 2020 (Japanese GAAP),” released May 28, 2020, and “Summary of Consolidated Financial Statements for the First Quarter Ended June 30, 2020 (Japanese GAAP),” released August 7, 2020.

### Full-Year Consolidated Forecast Results for Fiscal 2020 (April 1, 2020 - March 31, 2021)

	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
Previous forecast (A)	—	—	—	—	—
Latest forecast (B)	8,300	180	320	250	22.29
Change (B-A)	—	—	—	—	—
Percentage change	—	—	—	—	—
Actual figures in previous fiscal year (for comparison)	9,265	393	535	468	41.85

Full-Year Non-Consolidated Forecast Results for Fiscal 2020 (April 1, 2020 - March 31, 2021)

	Net sales	Ordinary profit	Profit	Basic earnings per share
Previous forecast (A)	millions of yen —	millions of yen —	millions of yen —	yen —
Latest forecast (B)	8,000	310	250	22.29
Change (B-A)	—	—	—	—
Percentage change	—	—	—	—
Actual figures in previous fiscal year (for comparison)	9,158	588	523	46.82

**Background to the Announcement**

We were undecided over forecast results due to difficulties in reasonably estimating the impact of the spread of COVID-19. However, in view of recent earnings trends, we calculated full-year forecast results for fiscal 2020 based on information currently available, and we hereby announce the forecasts.

**Overview of Consolidated Forecast Results**

For this fiscal year, we had expected demand for replacement with machines compliant with the revised “Ordinance for Enforcement of the Act on Control and Improvement of Amusement and Entertainment Business, etc.” in the pachinko and pachislot machine market. However, the deadline for the retirement of machines subject to the previous ordinance was extended in response to the spread of COVID-19, leading us to expect much of the expected demand for replacement with machines compliant with the new ordinance to be pushed back to the next fiscal year. Considering this situation, as well as the harsh market environment in recent years, we now expect annual unit sales of pachinko and pachislot machines for the current fiscal year to significantly drop from the previous fiscal year. In view of such prospects, we have developed our plans as follows.

We expect sales of graphics LSI products for the pachinko and pachislot market, our key product, will reach about 420,000 units (vs. 390,000 units a year earlier), as a result of carefully considering and projecting customer demand in the second half based on the actual sales and orders in the first half. On the other hand, we expect a year-on-year decline in sales of memory-module products, anticipating an increase in reuse of products against the backdrop of a shrunk market environment, despite an increase in the number of customers introducing our products. Sales for the segment of middleware (AI, block chain and other) and LSI business for new business are expected to significantly exceed the levels of the previous fiscal year, driven mainly by a positive impact from the acquisition of a sub-subsidiary by our subsidiary and growth in development support services in the area of AI.

Based on these assumptions, we expect net sales to drop 10.4% from the previous fiscal year to 8,300 million yen. We expect gross profit to drop 1.7% from the previous fiscal year to 2,900 million yen, selling, general and administrative expenses to rise 6.4% from the previous fiscal year to 2,720 million yen, of which research and development expenses are estimated to reach 1,670 million yen, up 7.8% from the previous fiscal year.

Consequently, we expect operating profit to drop 54.3% from a year earlier to 180 million yen. Also, we forecast non-operating income of 150 million yen, including proceeds from NEDO subsidies, ordinary profit of 320 million yen, down 40.2% from a year earlier, and profit attributable to owners of parent of 250 million yen, down 46.6% from a year earlier.

#### Dividend forecasts

	Annual dividend (yen)		
	2Q	Year-end	Total
Previous forecast	–	–	–
Latest forecast		11 yen	11 yen
Actual figures in current fiscal year	0 yen		
Actual figures in previous fiscal year	0 yen	21 yen	21 yen

#### Background to the Announcement

We were also undecided over dividend forecast since forecast results were yet to be determined. However, based on the above forecast results, we calculated the dividend forecasts for fiscal 2020, which we hereby announce.

#### (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.