

PRESS RELEASE

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AXELL CORPORATION

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Notice on Revisions of Forecast Results and Dividend Forecasts

Please be informed that taking account of recent earnings trends, AXELL CORPORATION (the “Company”) decided at a Board of Directors meeting held on March 25, 2021 to revise the forecast results and dividend forecasts for fiscal 2020 that it had announced on November 10, 2020. The Company plans to submit a proposal for year-end dividends to its 26th Ordinary General Meeting of Shareholders scheduled for June this year.

1. Revision of Forecast Results

Revision of 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
Previous forecast (A)	millions of yen 8,300	millions of yen 180	millions of yen 320	millions of yen 250	yen 22.29
Latest forecast (B)	9,000	515	684	586	52.98
Change (B-A)	700	335	364	336	—
Percentage change	8.4	186.1	113.8	134.4	—
Actual figures in previous fiscal year (for comparison)	9,265	393	535	468	41.85

Revision of 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 8,000	millions of yen 310	millions of yen 250	yen 22.29
Latest forecast (B)	8,760	704	611	55.24
Change (B-A)	760	394	361	–
Percentage change	9.5	127.1	144.4	–
Actual figures in previous fiscal year (for comparison)	9,158	588	523	46.82

Reasons for the Revision

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 divided into the current and next fiscal years. The Company estimates that the annual unit sales of pachinko and pachislot machines for the current fiscal year were about 1,200,000 units (1,750,000 units a year earlier). Under such circumstances, sales of graphics LSI products for pachinko and pachislot machines are expected to be about 400,000 units (vs. 420,000 units under the sales plan) and sales of memory-module products are expected to significantly exceed the level we planned, driven by brisk customer demand.

Having taken these factors into consideration, we revised our forecast for net sales to 9,000 million yen, up 8.4% from the plan. We revised our forecast for gross profit to 3,090 million yen, up 6.6% from the plan, as a result of an increase in net sales. Thanks to overall cost reductions as well as reviews of the timing for paying research and development costs in light of the progress in development, we revised our forecast for selling, general and administrative expenses to 2,575 million yen, down 5.3% from the plan.

Consequently, we revised our forecast for operating profit to 515 million yen, up 186.1% from the plan. Expecting non-operating income of 170 million yen due to proceeds from NEDO subsidies, gain on investments in investment partnerships and other factors, we revised our forecast for ordinary profit to 684 million yen, up 113.8% from the plan, and our forecast for profit attributable to owners of parent to 586 million yen, up 134.4% from the plan.

2. Revision of Dividend Forecasts

	Annual dividend (yen)		
	2Q	Year-end	Total
Previous forecast	–	11 yen	11 yen
Latest forecast	–	27 yen	27 yen
Actual figures in current fiscal year	0 yen		
Actual figures in previous fiscal year	0 yen	21 yen	21 yen

Reasons for the Revision

We revised the dividend forecasts in accordance with the revision of the forecast results. Based on the revised dividend forecasts, the consolidated payout ratio will be 51.0%.

(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.