



Summary of Consolidated Financial Statements for the Second Quarter Ended September 30, 2024 (Japanese GAAP)

November 6, 2024

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Scheduled date of release of Semi-annual Report: November 8, 2024
Scheduled date of dividend payment: —
Availability of supplementary explanatory materials prepared for financial results: Available
Briefing session on financial results to be held: None

Stock Exchange: Tokyo

URL: <https://www.axell.co.jp/>

(Figures are rounded down to the nearest million yen.)

1. Consolidated Business Results for the Second Quarter of Fiscal Year 2024 (April 1, 2024 to September 30, 2024)

(1) Consolidated Operating Results (Cumulative) (Percentage figures indicate the rate of year-on-year increase (decrease).)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Q2 FY 2024	8,142	(11.7)	937	(36.5)	995	(32.5)	692	(34.2)
Q2 FY 2023	9,226	30.7	1,476	70.8	1,474	65.0	1,053	50.2

(Note) Comprehensive income: Q2 FY 2024: 763 million yen [(29.9)%] Q2 FY 2023: 1,088 million yen [61.6%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q2 FY 2024	63.32	63.11
Q2 FY 2023	96.70	96.21

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q2 FY 2024	15,153	12,801	83.6	1,156.22
FY 2023	15,574	12,891	81.9	1,166.82

(Reference) Equity capital Q2 FY 2024: 12,668 million yen FY 2023: 12,759 million yen

2. Dividend Payments

	Annual Dividend				
	End of Q1	End of Q2	End of Q3	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY 2023	—	0.00	—	81.00	81.00
FY 2024	—	0.00	—	—	—
FY 2024 (Projection)	—	—	—	41.00	41.00

(Notes) Revision of dividend projection from recently announced figures: Yes

3. Consolidated Forecast Results for Fiscal Year 2024 (April 1, 2024 to March 31, 2025)

(Percentage figures indicate the rate of year-on-year increase (decrease).)

	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
Full Year	15,140	(13.8)	1,420	(41.5)	1,480	(39.6)	900	(49.2)	82.19

(Note) Revision of forecast results from recently announced figures: Yes

For consolidated forecast results, please refer to “Notice on Revisions of Forecast Results and Dividend Forecasts” released today (November 6, 2024).

*** Matters of Note**

(1) Significant changes in the scope of consolidation during the period: None

New inclusion: —

Exclusion: —

(2) Application of special accounting processes for the preparation of Semi-annual Consolidated Financial Statements: Yes

(Note) For details, please refer to [Appendix] P. 9 “2. Semi-annual Consolidated Financial Statements and Primary Notes, (4) Notes to Semi-annual Consolidated Financial Statements, (Notes regarding special accounting processes for the preparation of Semi-annual Consolidated Financial Statements).”

(3) Changes to accounting policies, changes to accounting estimates, and restatements:

1) Changes to accounting policies accompanying the revision of accounting standards, etc.: None

2) Changes to accounting policies other than 1) above: None

3) Changes to accounting estimates: None

4) Restatements: None

(4) Number of shares issued (common shares)

1) Number of shares issued at end of period (including treasury shares)	Q2 FY 2024	11,211,989 shares	FY 2023	11,211,989 shares
2) Number of treasury shares at end of period	Q2 FY 2024	254,872 shares	FY 2023	276,712 shares
3) Average number of common shares during period (cumulative)	Q2 FY 2024	10,941,207 shares	Q2 FY 2023	10,894,126 shares

*** These semi-annual financial results are outside the scope of review by certified public accountants or an audit firm.**

*** Explanation of appropriate use of results forecasts, other matters of note:**

(Note on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable at the date of publication of this document. Actual results may differ significantly from these forecasts due to various factors.

(Method of obtaining supplementary explanatory materials on financial results)

The supplementary explanatory materials on financial results will be posted on the Company’s website.

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1. Overview of Business Results, etc.

(1) Overview of business results for the semi-annual period under review

During the six months ended September 30, 2024, the Japanese economy was supported by the improvement of employment and income conditions, resurgence in demand of inbound tourism and other factors, and moderate economic recovery is expected to continue. Nevertheless, the future economic outlook still remains uncertain because overseas factors such as continuously high interest rates in Europe and the United States and concerns about the future of the Chinese economy have become downside risks to the economy.

In the pachinko and pachislot machine market, which is the main market for the Group, the introduction of smart pachislot machines led to firm growth in the pachislot machine market, while there is a sense of slowdown at the moment. On the other hand, the pachinko machine market remained sluggish for a while, being slightly outdone by the pachislot machine market, but pachinko machines with new game elements which were introduced in March 2024 are attracting attention. The widespread use of such a new model is expected to help the pachinko machine market recover in the future.

Under such circumstances, the Group focused on efforts to secure stable profits in the pachinko and pachislot machine market, to expand sales of graphics LSI products for the embedded system market (Note 1), and to expand the scale of new businesses centered on the AI area. Furthermore, with a view to accelerating new business development, the Group actively considered initiatives including alliances and investments.

As a result, for the six months ended September 30, 2024, the Company recorded net sales of 8,142 million yen, down 1,084 million yen from the same period of the previous fiscal year (year-on-year decrease of 11.7%). In line with this decrease in net sales, gross profit decreased by 668 million yen (year-on-year decrease of 22.3%) to 2,326 million yen. Gross profit margin decreased by 3.9 percentage points year-on-year to 28.6%, driven by factors including a change in the product mix. Selling, general and administrative expenses amounted to 1,389 million yen, a decrease of 129 million yen from the same period of the previous fiscal year (year-on-year decrease of 8.5%). Of this, research and development expenses accounted for 697 million yen, down 83 million yen (year-on-year decrease of 10.7%).

Consequently, for the six months ended September 30, 2024, the Company recorded an operating profit of 937 million yen, a decrease of 538 million yen from the same period of the previous fiscal year (year-on-year decrease of 36.5%), an ordinary profit of 995 million yen, a decrease of 478 million yen (year-on-year decrease of 32.5%), and a profit attributable to owners of parent of 692 million yen, a decrease of 360 million yen (year-on-year decrease of 34.2%).

The business performance by segment is as follows. In addition, besides the following segments, corporate expenses not allocated to each segment amounted to 340 million yen.

1) LSI Business for Japanese Entertainment Machines

The LSI Business for Japanese Entertainment Machines segment deals with products for pachinko and pachislot machines, the existing businesses of the Company. For the six months ended September 30, 2024, the Company recorded net sales of 7,921 million yen, a decrease of 1,041 million yen from the same period of the previous fiscal year (year-on-year decrease of 11.6%), and an operating profit of 1,540 million yen, a decrease of 528 million yen from the same period of the previous fiscal year (year-on-year decrease of 25.5%). Regarding the Company's mainstay products, graphics LSI products for pachinko and pachislot machines, the number of units sold decreased by 70,000 units from the same period of the previous fiscal year to 290,000 units, and sales of memory-module products (Note 2) fell short of those of the same period of the previous fiscal year. Moreover, the order backlog for the segment as of September 30, 2024 stood at 11,976 million yen.

2) Middleware (AI, Block Chain and Other) and LSI Business for New Business

This segment is a start-up business focusing on the areas of AI, Web3, and block chain in addition to products for embedded systems. For the six months ended September 30, 2024, the Company recorded net sales of 221 million yen, down 42 million yen, or 16.3%, from the same period of the previous fiscal year, and an operating loss of 262 million yen, up 57 million yen from the loss of 204 million yen reported in the same period of the previous fiscal year.

(Note 1) "Embedded system market" refers to the market relating to the manufacture of embedded systems, excluding pachinko and pachislot machines. Embedded systems refer to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 2) "Memory-module" refers to the mechanism of the part that retains the image data installed in the graphics-rendering circuit boards of pachinko and pachislot machines.

(2) Overview of financial position for the semi-annual period under review

1) Status of assets, liabilities and net assets

Total assets as of the end of the second quarter of fiscal 2024 stood at 15,153 million yen, down 421 million yen, or 2.7%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in cash and deposits (2,333 million yen) despite increases in trade receivables and contract asset (284 million yen), merchandise and finished goods (937 million yen), and investment securities (737 million yen).

Total liabilities as of the end of the second quarter of fiscal 2024 stood at 2,351 million yen, down 330 million yen, or 12.3%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in income taxes payable (300 million yen).

Total net assets as of the end of the second quarter of fiscal 2024 stood at 12,801 million yen, down 90 million yen, or 0.7%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in retained earnings (192 million yen) despite an increase in valuation difference on available-for-sale securities (70 million yen).

2) Status of cash flows

Cash and cash equivalents (hereinafter “funds”) as of the end of the second quarter of fiscal 2024 amounted to 7,482 million yen, down 16.1% from a year earlier. The status of cash flows and their contributing factors are as follows.

(Cash flows from operating activities)

Funds used in operating activities for the six months ended September 30, 2024 amounted to 837 million yen, (compared with funds used of 761 million yen in the same period of the previous fiscal year). This was attributable mainly to the recording of profit before income taxes (992 million yen) for the six months ended September 30, 2024 and the increase in trade payables (382 million yen), despite an increase in trade receivables (284 million yen), an increase in inventories (941 million yen), and income taxes paid (588 million yen).

(Cash flows from investing activities)

Funds used in investing activities for the six months ended September 30, 2024 amounted to 616 million yen (compared with funds used of 243 million yen in the same period of the previous fiscal year). This was mainly attributable to factors such as proceeds from distributions from investment partnerships (39 million yen), despite the purchase of property, plant and equipment (47 million yen) and the purchase of investment securities (606 million yen).

(Cash flows from financing activities)

Funds used in financing activities for the six months ended September 30, 2024 amounted to 879 million yen (compared with funds used of 800 million yen in the same period of the previous fiscal year). This was mainly attributable to factors such as dividends paid (884 million yen).

(3) Explanation of future forecast information such as consolidated results forecasts

For forecast results for fiscal 2024, please refer to “Notice on Revisions of Forecast Results and Dividend Forecasts” released today (November 6, 2024).

2. Semi-annual Consolidated Financial Statements and Primary Notes**(1) Semi-annual Consolidated Balance Sheets**

	(Millions of yen)	
	FY 2023 (As of March 31, 2024)	Q2 FY 2024 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	8,316	5,982
Trade receivables and contract asset	1,107	1,392
Securities	1,500	1,500
Merchandise and finished goods	2,431	3,368
Work in process	7	11
Raw materials and supplies	0	0
Other	225	127
Allowance for doubtful accounts	(0)	(0)
Total current assets	13,588	12,382
Non-current assets		
Property, plant and equipment	174	221
Intangible assets		
Goodwill	5	—
Other	33	33
Total intangible assets	38	33
Investments and other assets		
Investment securities	1,596	2,333
Other	176	182
Total investments and other assets	1,772	2,515
Total non-current assets	1,985	2,770
Total assets	15,574	15,153
Liabilities		
Current liabilities		
Accounts payable - trade	1,387	1,769
Income taxes payable	616	315
Provision for bonuses	—	48
Other	637	177
Total current liabilities	2,641	2,310
Non-current liabilities		
Asset retirement obligations	41	41
Total non-current liabilities	41	41
Total liabilities	2,682	2,351
Net assets		
Shareholders' equity		
Share capital	1,028	1,028
Capital surplus	969	984
Retained earnings	10,621	10,428
Treasury shares	(217)	(200)
Total shareholders' equity	12,401	12,240
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	357	428
Total accumulated other comprehensive income	357	428
Share acquisition rights	30	31
Non-controlling interests	101	101
Total net assets	12,891	12,801

Total liabilities and net assets	15,574	15,153
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(2) Semi-annual Consolidated Statements of Income and Comprehensive Income**Semi-annual Consolidated Statements of Income**

(Second Quarter)

	(Millions of yen)	
	Q2 FY 2023 (From April 1, 2023 to September 30, 2023)	Q2 FY 2024 (From April 1, 2024 to September 30, 2024)
Net sales	9,226	8,142
Cost of sales	6,231	5,815
Gross profit	2,995	2,326
Selling, general and administrative expenses	1,518	1,389
Operating profit	1,476	937
Non-operating income		
Interest income	0	0
Dividend income	16	36
Gain on investments in investment partnerships	—	22
Other	0	1
Total non-operating income	17	61
Non-operating expenses		
Foreign exchange losses	12	4
Loss on investments in investment partnerships	7	—
Other	0	0
Total non-operating expenses	19	4
Ordinary profit	1,474	995
Extraordinary losses		
Impairment losses	0	2
Other	1	—
Total extraordinary losses	2	2
Profit before income taxes	1,472	992
Income taxes	414	300
Profit	1,058	692
Profit (loss) attributable to non-controlling interests	4	(0)
Profit attributable to owners of parent	1,053	692

Semi-annual Consolidated Statements of Comprehensive Income
(Second Quarter)

	(Millions of yen)	
	Q2 FY 2023 (From April 1, 2023 to September 30, 2023)	Q2 FY 2024 (From April 1, 2024 to September 30, 2024)
Profit	1,058	692
Other comprehensive income		
Valuation difference on available-for-sale securities	30	70
Total other comprehensive income	30	70
Comprehensive income	1,088	763
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,084	763
Comprehensive income attributable to non-controlling interests	4	(0)

(3) Semi-annual Consolidated Statements of Cash Flows

(Millions of yen)

	Q2 FY 2023 (From April 1, 2023 to September 30, 2023)	Q2 FY 2024 (From April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Profit before income taxes	1,472	992
Depreciation	29	41
Amortization of goodwill	5	5
Share-based payment expenses	18	14
Interest and dividend income	(16)	(37)
Loss (gain) on investments in investment partnerships	7	(22)
Decrease (increase) in trade receivables	(654)	(284)
Decrease (increase) in inventories	(1,377)	(941)
Decrease (increase) in other current assets	(19)	30
Increase (decrease) in trade payables	239	382
Increase (decrease) in other current liabilities	(77)	(461)
Other, net	(152)	(5)
Subtotal	(525)	(286)
Interest and dividends received	16	37
Income taxes refund (paid)	(252)	(588)
Net cash provided by (used in) operating activities	(761)	(837)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37)	(47)
Purchase of intangible assets	(7)	(2)
Purchase of investment securities	(227)	(606)
Proceeds from distributions from investment partnerships	28	39
Net cash provided by (used in) investing activities	(243)	(616)
Cash flows from financing activities		
Dividends paid	(847)	(884)
Proceeds from share issuance to non-controlling shareholders	30	—
Other, net	16	4
Net cash provided by (used in) financing activities	(800)	(879)
Effect of exchange rate change on cash and cash equivalents	17	(0)
Net increase (decrease) in cash and cash equivalents	(1,788)	(2,333)
Cash and cash equivalents at beginning of period	10,709	9,816
Cash and cash equivalents at end of period	8,921	7,482

(4) Notes to Semi-annual Consolidated Financial Statements**(Notes regarding special accounting processes for the preparation of Semi-annual Consolidated Financial Statements)****(Calculation of tax expenses)**

Tax expenses have been calculated by multiplying profit before income taxes by an effective tax rate reasonably estimated after the application of tax effect accounting to profit before income taxes for the fiscal year including the second quarter ended September 30, 2024.

(Notes regarding segment information, etc.)**I First six months of fiscal 2023 (April 1, 2023 to September 30, 2023)****1. Information about amounts of net sales, profit and loss by reportable segment****(Millions of yen)**

	Reportable segments		Total	Adjustments (Note 1)	Amount recorded in semi-annual consolidated financial statements (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Sales					
Revenues from external customers	8,962	264	9,226	—	9,226
Transactions with other segments	—	—	—	—	—
Net sales	8,962	264	9,226	—	9,226
Operating profit (loss)	2,068	(204)	1,864	(387)	1,476

(Notes) 1. The (387) million yen adjustments to operating profit (loss) are corporate expenses not distributed to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Operating profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.

II First six months of fiscal 2024 (April 1, 2024 to September 30, 2024)**1. Information about amounts of net sales, profit and loss by reportable segment****(Millions of yen)**

	Reportable segments		Total	Adjustments (Note 1)	Amount recorded in semi-annual consolidated financial statements (Note 2)
	LSI Business for Japanese Entertainment Machines	Middleware (AI, Block Chain and Other) and LSI Business for New Business			
Sales					
Revenues from external customers	7,921	221	8,142	—	8,142
Transactions with other segments	—	—	—	—	—
Net sales	7,921	221	8,142	—	8,142
Operating profit (loss)	1,540	(262)	1,278	(340)	937

(Notes) 1. The (340) million yen adjustments to operating profit (loss) are corporate expenses not distributed to each reportable segment, mainly general and administrative expenses not attributable to reportable segments.

2. Operating profit (loss) is adjusted with operating profit in the semi-annual consolidated statements of income.

(Notes in cases where there are significant changes in amount of shareholders' equity)

N/A

(Notes regarding going concern assumption)

N/A

3. Others

Recent trends in quarterly business results

Fiscal Year ending March 31, 2025

(Millions of yen)

	Q1 FY 2024 From April 2024 to June 2024	Q2 FY 2024 From July 2024 to September 2024	Q3 FY 2024 From October 2024 to December 2024	Q4 FY 2024 From January 2025 to March 2025
Net sales	4,061	4,081	—	—
Gross profit	1,216	1,110	—	—
Operating profit	528	409	—	—
Ordinary profit	521	474	—	—
Profit before income taxes	518	473	—	—
Profit	363	328	—	—
Profit attributable to owners of parent	367	325	—	—
Comprehensive income	256	506	—	—
Basic earnings per share	33.62 yen	29.70 yen	—	—
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	14,330	15,153	—	—
Net assets	12,265	12,801	—	—
Net assets per share	1,109.67 yen	1,156.22 yen	—	—

Fiscal Year ended March 31, 2024

(Millions of yen)

	Q1 FY 2023 From April 2023 to June 2023	Q2 FY 2023 From July 2023 to September 2023	Q3 FY 2023 From October 2023 to December 2023	Q4 FY 2023 From January 2024 to March 2024
Net sales	4,475	4,750	4,531	3,811
Gross profit	1,471	1,524	1,379	1,223
Operating profit	777	698	643	306
Ordinary profit	793	680	653	321
Profit before income taxes	793	679	652	321
Profit	587	470	469	257
Profit attributable to owners of parent	581	471	464	253
Comprehensive income	611	477	590	239
Basic earnings per share	53.46 yen	43.24 yen	42.51 yen	23.22 yen
	As of end of Q1	As of end of Q2	As of end of Q3	As of end of Q4
Total assets	13,475	14,442	15,156	15,574
Net assets	11,466	12,011	12,641	12,891
Net assets per share	1,042.51 yen	1,089.41 yen	1,145.19 yen	1,166.82 yen