



Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2024 (Japanese GAAP)

February 7, 2025

Name of listed company: AXELL CORPORATION
Code #: 6730
Representative (Post): Akihiro Saito (President)
Inquiries (Post): Daisuke Tanaka (Executive Officer, General Manager of Management Department)
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

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

1. Consolidated Business Results for the Third Quarter of Fiscal Year 2024 (April 1, 2024 to December 31, 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	%
Q3 FY 2024	11,881	(13.6)	1,300	(38.7)	1,329	(37.5)	832	(45.1)
Q3 FY 2023	13,758	28.7	2,120	65.6	2,127	48.9	1,517	34.3

(Note) Comprehensive income: Q3 FY 2024: 1,010 million yen [(39.8)%] Q3 FY 2023: 1,679 million yen [39.9%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 FY 2024	76.06	75.83
Q3 FY 2023	139.21	138.47

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	millions of yen	millions of yen	%	Yen
Q3 FY 2024	14,807	13,053	87.3	1,179.00
FY 2023	15,574	12,891	81.9	1,166.82

(Reference) Equity capital Q3 FY 2024: 12,923 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

(Note) Revision of dividend projection from recently announced figures: None

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: None

*** 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 Quarterly Consolidated Financial Statements: Yes

(Note) For details, please refer to [Appendix] P. 8 “2. Quarterly Consolidated Financial Statements and Primary Notes, (3) Notes to Quarterly Consolidated Financial Statements, (Notes regarding special accounting processes for the preparation of Quarterly 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)	Q3 FY 2024	11,211,989 shares	FY 2023	11,211,989 shares
2) Number of treasury shares at end of period	Q3 FY 2024	250,472 shares	FY 2023	276,712 shares
3) Average number of common shares during period (cumulative)	Q3 FY 2024	10,947,490 shares	Q3 FY 2023	10,903,792 shares

*** Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None**

*** 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 quarter under review

During the nine months ended December 31, 2024, the Japanese economy showed signs of a pick-up in overall economic conditions despite sluggishness remaining in some parts of consumer spending, and moderate 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, concerns about the future of the Chinese economy, and U.S. policy trends, have become downside risks to the economy.

In the pachinko and pachislot machine market, which is the main market for the Group, the transition to smart pachislot machines led to firm growth in the pachislot machine market. However, as a pace of the transition became more gradual, a certain sense of slowdown emerged in the market expansion. On the other hand, the pachinko machine market remained sluggish for a while, being slightly outdone by the pachislot machine market, but models featuring new rules specific to smart pachinko machines have recently started to be introduced, and they are 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 nine months ended December 31, 2024, the Company recorded net sales of 11,881 million yen, down 1,876 million yen from the same period of the previous fiscal year (year-on-year decrease of 13.6%). In line with this decrease in net sales, gross profit decreased by 930 million yen (year-on-year decrease of 21.3%) to 3,444 million yen. Gross profit margin decreased by 2.8 percentage points year-on-year to 29.0%, driven by factors including a change in the product mix. Selling, general and administrative expenses amounted to 2,144 million yen, a decrease of 110 million yen from the same period of the previous fiscal year (year-on-year decrease of 4.9%). Of this, research and development expenses accounted for 1,119 million yen, down 43 million yen (year-on-year decrease of 3.8%).

Consequently, for the nine months ended December 31, 2024, the Company recorded an operating profit of 1,300 million yen, a decrease of 820 million yen from the same period of the previous fiscal year (year-on-year decrease of 38.7%), an ordinary profit of 1,329 million yen, a decrease of 798 million yen (year-on-year decrease of 37.5%), and a profit attributable to owners of parent of 832 million yen, a decrease of 685 million yen (year-on-year decrease of 45.1%).

The business performance by segment is as follows. In addition, besides the following segments, corporate expenses not allocated to each segment amounted to 490 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 nine months ended December 31, 2024, the Company recorded net sales of 11,541 million yen, a decrease of 1,846 million yen from the same period of the previous fiscal year (year-on-year decrease of 13.8%), and an operating profit of 2,168 million yen, a decrease of 842 million yen from the same period of the previous fiscal year (year-on-year decrease of 28.0%). Regarding the Company's mainstay products, graphics LSI products for pachinko and pachislot machines, the number of units sold decreased by 124,000 units from the same period of the previous fiscal year to 406,000 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 December 31, 2024 stood at 12,360 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 nine months ended December 31, 2024, the Company recorded net sales of 340 million yen, down 30 million yen, or 8.1%, from the same period of the previous fiscal year, and an operating loss of 377 million yen, up 61 million yen from the loss of 316 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 quarter under review

Total assets as of the end of the third quarter of fiscal 2024 stood at 14,807 million yen, down 766 million yen, or 4.9%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in cash and deposits (3,555 million yen) despite increases in trade receivables and contract asset (348 million yen), merchandise and finished goods (1,340 million yen), and investment securities (849 million yen).

Total liabilities as of the end of the third quarter of fiscal 2024 stood at 1,754 million yen, down 928 million yen, or 34.6%, from the end of the previous fiscal year. Main factors contributing to this outcome included a decrease in income taxes payable (592 million yen).

Total net assets as of the end of the third quarter of fiscal 2024 stood at 13,053 million yen, up 161 million yen, or 1.3%, from the end of the previous fiscal year. Main factors contributing to this outcome included an increase in valuation difference on available-for-sale securities (180 million yen) despite a decrease in retained earnings (52 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 on November 6, 2024. The consolidated results for the nine months ended December 31, 2024 show 91% progress in operating profit compared to the consolidated results forecast, which is exceptionally favorable. However, in consideration of the uncertainty of the market in the fourth quarter, the Company considers that there is no need to revise the forecast figures at this time. If we deem it necessary to revise our results forecast due to future business performance or trends in customer demand, we will disclose the revised forecast promptly.

2. Quarterly Consolidated Financial Statements and Primary Notes**(1) Quarterly Consolidated Balance Sheets**

	(Millions of yen)	
	FY 2023 (As of March 31, 2024)	Q3 FY 2024 (As of December 31, 2024)
Assets		
Current assets		
Cash and deposits	8,316	4,760
Trade receivables and contract asset	1,107	1,456
Securities	1,500	1,500
Merchandise and finished goods	2,431	3,771
Work in process	7	10
Raw materials and supplies	0	0
Other	225	457
Allowance for doubtful accounts	(0)	(0)
Total current assets	13,588	11,957
Non-current assets		
Property, plant and equipment	174	209
Intangible assets		
Goodwill	5	—
Other	33	32
Total intangible assets	38	32
Investments and other assets		
Investment securities	1,596	2,445
Other	176	163
Total investments and other assets	1,772	2,608
Total non-current assets	1,985	2,850
Total assets	15,574	14,807
Liabilities		
Current liabilities		
Accounts payable - trade	1,387	1,339
Income taxes payable	616	23
Provision for bonuses	—	78
Other	637	234
Total current liabilities	2,641	1,677
Non-current liabilities		
Asset retirement obligations	41	41
Other	—	35
Total non-current liabilities	41	77
Total liabilities	2,682	1,754
Net assets		
Shareholders' equity		
Share capital	1,028	1,028
Capital surplus	969	986
Retained earnings	10,621	10,568
Treasury shares	(217)	(197)
Total shareholders' equity	12,401	12,386
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	357	537
Total accumulated other comprehensive income	357	537
Share acquisition rights	30	29
Non-controlling interests	101	99

AXELL CORPORATION (6730) Summary of Consolidated Financial Statements for the Third Quarter Ended December 31, 2024

Total net assets	12,891	13,053
Total liabilities and net assets	15,574	14,807

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statements of Income**

(Third Quarter)

	(Millions of yen)	
	Q3 FY 2023 (From April 1, 2023 to December 31, 2023)	Q3 FY 2024 (From April 1, 2024 to December 31, 2024)
Net sales	13,758	11,881
Cost of sales	9,383	8,437
Gross profit	4,374	3,444
Selling, general and administrative expenses	2,254	2,144
Operating profit	2,120	1,300
Non-operating income		
Interest income	0	1
Dividend income	20	41
Gain on investments in investment partnerships	—	22
Other	5	9
Total non-operating income	26	74
Non-operating expenses		
Foreign exchange losses	12	45
Loss on investments in investment partnerships	7	—
Other	0	0
Total non-operating expenses	19	45
Ordinary profit	2,127	1,329
Extraordinary losses		
Impairment losses	1	5
Loss on sale of investment securities	—	125
Other	1	—
Total extraordinary losses	2	130
Profit before income taxes	2,124	1,198
Income taxes	597	368
Profit	1,527	830
Profit (loss) attributable to non-controlling interests	9	(1)
Profit attributable to owners of parent	1,517	832

Quarterly Consolidated Statements of Comprehensive Income
(Third Quarter)

	(Millions of yen)	
	Q3 FY 2023 (From April 1, 2023 to December 31, 2023)	Q3 FY 2024 (From April 1, 2024 to December 31, 2024)
Profit	1,527	830
Other comprehensive income		
Valuation difference on available-for-sale securities	152	180
Total other comprehensive income	152	180
Comprehensive income	1,679	1,010
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,670	1,012
Comprehensive income attributable to non-controlling interests	9	(1)

(3) Notes to Quarterly Consolidated Financial Statements**(Notes regarding special accounting processes for the preparation of Quarterly 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 third quarter ended December 31, 2024.

(Notes regarding segment information, etc.)**I First nine months of fiscal 2023 (April 1, 2023 to December 31, 2023)****1. Information about amounts of net sales, profit and loss by reportable segment****(Millions of yen)**

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in quarterly 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	13,387	370	13,758	—	13,758
Transactions with other segments	—	—	—	—	—
Net sales	13,387	370	13,758	—	13,758
Operating profit (loss)	3,011	(316)	2,694	(574)	2,120

(Notes) 1. The (574) 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 quarterly consolidated statements of income.

II First nine months of fiscal 2024 (April 1, 2024 to December 31, 2024)**1. Information about amounts of net sales, profit and loss by reportable segment****(Millions of yen)**

	Reportable segment		Total	Adjustments (Note 1)	Amount recorded in quarterly 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	11,541	340	11,881	—	11,881
Transactions with other segments	—	—	—	—	—
Net sales	11,541	340	11,881	—	11,881
Operating profit (loss)	2,168	(377)	1,790	(490)	1,300

(Notes) 1. The (490) 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 quarterly 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

(Notes regarding Quarterly Consolidated Statements of Cash Flows)

The Company has not prepared Quarterly Consolidated Statements of Cash Flows for the first nine months of fiscal 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first nine months of each fiscal year are as follows.

	Q3 FY 2023 (From April 1, 2023 to December 31, 2023)	Q3 FY 2024 (From April 1, 2024 to December 31, 2024)
Depreciation	49 million yen	67 million yen
Amortization of goodwill	8	5

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	3,738	—
Gross profit	1,216	1,110	1,117	—
Operating profit	528	409	362	—
Ordinary profit	521	474	334	—
Profit before income taxes	518	473	206	—
Profit	363	328	138	—
Profit attributable to owners of parent	367	325	139	—
Comprehensive income	256	506	247	—
Basic earnings per share	33.62 yen	29.70 yen	12.76 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	14,807	—
Net assets	12,265	12,801	13,053	—
Net assets per share	1,109.67 yen	1,156.22 yen	1,179.00 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