

These documents have been translated from Japanese originals for reference purposes only.  
In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translations.

(Securities Code: 6730)  
May 29, 2019

**To Shareholders with Voting Rights:**

Kazunori Matsuura  
President & Representative Director  
AXELL CORPORATION  
14-1, Sotokanda 4-chome,  
Chiyoda-ku, Tokyo, Japan

## **NOTICE OF THE 24TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 24th Ordinary General Meeting of Shareholders of AXELL CORPORATION (hereinafter “the Company”). The meeting will be held for the purposes as described below.

- 1. Date and Time:** 10:00 a.m. (doors open at 9:20 a.m.) on Saturday, June 22, 2019
- 2. Venue:** Banquet room “Yukyu” on second floor of Hotel Metropolitan Edmont located at 10-8, Iidabashi 3-chome, Chiyoda-ku, Tokyo, Japan
- 3. Meeting Agenda:**  
**Matters to be reported:** Business Report and Non-consolidated Financial Statements for FY 2018 (from April 1, 2018 to March 31, 2019)

**Proposals to be resolved:**

- Proposal No. 1:** Distribution of Surplus  
**Proposal No. 2:** Election of Four Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)

© Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report and Non-consolidated Financial Statements will be posted on the Company's website (<https://www.axell.co.jp/>).

## Contents

Reference Documents for the General Meeting of Shareholders .....	5
Proposal No. 1: Distribution of Surplus.....	5
Proposal No. 2: Election of Four Directors (Excluding Directors Serving as Audit and Supervisory Committee Members) .....	6
(Appendix).....	9
Business Report.....	9
1. Company Overview .....	9
(1) Business in FY 2018 .....	9
(2) Trends in Assets and Income over Past 3 Fiscal Years.....	11
(3) Material Subsidiaries.....	11
(4) Issues to be Addressed .....	11
(5) Principal Business (as of March 31, 2019) .....	12
(6) Principal Offices and Plants (as of March 31, 2019).....	12
(7) Employees (as of March 31, 2019) .....	12
(8) Principal Lenders (as of March 31, 2019).....	12
(9) Other Material Information on Current Status of the Company.....	12
2. Status of Shares (as of March 31, 2019) .....	15
(1) Total Number of Shares Authorized to be Issued.....	15
(2) Total Number of Shares Issued .....	15
(3) Number of Shareholders .....	15
(4) Major Shareholders .....	15
3. Information on the Company's Stock Acquisition Rights, etc. ....	15
(1) Stock Acquisition Rights, etc. held by the Company's Officers as of March 31, 2019.....	15
(2) Stock Acquisition Rights Issued to Employees, etc. during FY 2018 .....	15
(3) Other Material Information on Stock Acquisition Rights, etc.....	15
4. Company Officers .....	16
(1) Directors (as of March 31, 2019) .....	16
(2) Outline of Liability Limitation Agreement .....	17
(3) Total Amount of Remuneration, etc. for Directors.....	17
(4) Outside Officers .....	17
5. Accounting Auditor.....	19
(1) Name .....	19
(2) Amount of Fees, etc. ....	19
(3) Description of Non-auditing Business .....	19
(4) Policy regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditor .....	19
(5) Outline of Liability Limitation Agreement.....	19
6. Outline of Systems to Ensure Compliance with Laws, Regulations and the Articles of Incorporation in the Execution of Duties and Other Systems to Ensure the Properness of Operations and Operational Status of Said Systems .....	20
(1) Systems to Ensure that Directors and Employees of the Company Comply with Laws, Regulations and the Articles of Incorporation in the Execution of Their Duties .....	20
(2) Systems concerning Storage and Management of Information on the Execution of Duties by Directors of the Company .....	20
(3) Internal Regulations and Other Systems concerning Risks of Loss of the Company .....	20
(4) Systems to Ensure the Efficient Execution of Duties by Directors of the Company .....	21
(5) Systems to Ensure the Properness of Business Operations in the Corporate Group Consisting of the Company, its Parent Company and Subsidiaries .....	21
(6) Matters concerning Directors and Employees to be Posted as Assistants to the Audit and Supervisory Committee of the Company for the Execution of Audit Duties, Matters concerning the Independence of Said Directors and Employees from Directors (excluding Directors serving as Audit and Supervisory Committee members) and Matters concerning ensuring the Effectiveness of the Orders from the Audit and Supervisory Committee to Said Directors and Employees .....	21

(7) Systems for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members) and Employees of the Company to Report to the Audit and Supervisory Committee .....	21
(8) Systems to Ensure that Whistleblowers pursuant to the Preceding Item Do Not Suffer from Any Disadvantageous Treatment due to their Reports .....	22
(9) Matters concerning the Policies for the Treatment of Expenses or Obligations to be Incurred for the Execution of Duties by Audit and Supervisory Committee Member(s) .....	22
(10) Other Systems to Ensure the Effectiveness of Auditing by Audit and Supervisory Committee of the Company .....	22
(11) Systems to Ensure the Reliability of Financial Reporting .....	22
7. Policy for Determination of Distribution of Surplus, etc. ....	23
8. Basic Policy regarding the Company's Control .....	23
Non-consolidated Balance Sheet .....	24
Non-consolidated Statement of Income .....	25
Non-consolidated Statement of Changes in Net Assets .....	26
Notes to Non-consolidated Financial Statements .....	27
Accounting Auditor's Report on Non-consolidated Financial Statements .....	34
Report of the Audit and Supervisory Committee .....	36

## Reference Documents for the General Meeting of Shareholders

### Proposal No. 1: Distribution of Surplus

The Company's policy on profit sharing for shareholders is to maximize the return, while taking into account the adequate levels of "periodic profit returns to shareholders" and "maintenance of appropriate internal reserves that enables flexible business operations." Based on this policy, 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 shall be considered with the level of prior dividends taken into account after adequate internal reserves are secured.

With regard to the business results for the current fiscal year, the Company has recorded a net loss, as outlined in the Business Report below.

Under these circumstances, we regretfully propose that no term-end dividend be paid.

Further, in order to ensure the flexibility and agility of the Company's capital strategies going forward as well as to compensate for the loss on retained earnings, we propose to draw on the general reserve as follows.

Matters related to distribution of surplus

(1) Item and amount of surplus to decrease	8,200,000,000 yen of general reserve
(2) Item and amount of surplus to increase	8,200,000,000 yen of retained earnings brought forward

**Proposal No. 2: Election of Four Directors (Excluding Directors Serving as Audit and Supervisory Committee Members)**

The term of office of all four Directors (excluding Directors serving as Audit and Supervisory Committee Members) will have expired at the close of this General Meeting of Shareholders.

We therefore propose that the four incumbent Directors (excluding Directors serving as Audit and Supervisory Committee Members) are reelected.

Additionally, it has been confirmed that the Audit and Supervisory Committee does not have any particular opinion with regard to this Proposal.

The candidates for the positions of Director (excluding Directors serving as Audit and Supervisory Committee Members) are as follows.

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company (major concurrent positions)	Number of shares of the Company held
	Kazunori Matsuura (Jan. 25, 1970 49 years old)  Reappointment	April 1994      Joined Nippon Steel Corp. April 1998      Joined the Company April 2004      Appointed to Senior Manager of Engineering Department of the Company June 2006      Appointed to Director & Assistant General Manager of Engineering Department of the Company June 2010      Appointed to Director & General Manager of Engineering Department of the Company June 2012      Appointed to President & Representative Director of the Company (to present) April 2014      Visiting Professor of University of Tsukuba (to present)	388,800 shares
1	<ul style="list-style-type: none"> <li>■ Record of attendance at Board of Directors meetings 100% (14 out of 14)</li> <li>■ Reasons for selecting the candidate for Director (excluding Director serving as Audit and Supervisory Committee Member) Mr. Kazunori Matsuura has a wealth of experience in semiconductor development at other companies, and beginning with development division, he is involved in business promotion and corporate management of the Company as President &amp; Representative Director. By integrating the Company's management based on these experiences and achievements, he can be expected to strengthen the decision-making functions of the Board of Directors and aim to increase the speed and efficiency of business execution while promoting agile management that can appropriately respond to changes in the management environment. Thus, the Company has designated him as a candidate for Director (excluding Director serving as Audit and Supervisory Committee Member).</li> </ul>		

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company (major concurrent positions)	Number of shares of the Company held
2	Akihiro Saito (Aug. 4, 1966 52 years old)  Reappointment	<p>April 1989      Joined Nippon Steel Corp.</p> <p>May 1995      Seconded to Nippon Steel Semiconductor Corporation</p> <p>April 1999      Transferred to Nippon Foundry Inc.</p> <p>January 2002    Joined the Company</p> <p>April 2004      Appointed to Senior Manager of Sales &amp; Marketing Department of the Company</p> <p>June 2006      Appointed to Director &amp; Assistant General Manager of Sales &amp; Marketing Department of the Company</p> <p>June 2010      Appointed to Director &amp; General Manager of Sales &amp; Marketing Department of the Company</p> <p>June 2012      Appointed to Executive Vice President &amp; Representative Director, General Manager of Sales &amp; Marketing Department of the Company</p> <p>June 2018      Appointed to Executive Vice President &amp; Representative Director Supervising Sale &amp; Marketing Department and Management Department of the Company (to present)</p>	18,000 shares
<p>■ Record of attendance at Board of Directors meetings 100% (14 out of 14)</p> <p>■ Reasons for selecting the candidate for Director (excluding Director serving as Audit and Supervisory Committee Member)</p> <p>Mr. Akihiro Saito has a wealth of experience in semiconductor sales and business promotion at numerous companies, and is involved in the management of sales, marketing and administration divisions of the Company as Executive Vice President &amp; Representative Director. By integrating the Company's management based on these experiences and achievements, he can be expected to strengthen the decision-making functions of the Board of Directors and aim to increase the speed and efficiency of business execution while promoting agile management that can appropriately respond to changes in the management environment. Thus, the Company has designated him as a candidate for Director (excluding Director serving as Audit and Supervisory Committee Member).</p>			

No.	Name (Date of birth)	Past experience, positions and responsibilities in the Company (major concurrent positions)		Number of shares of the Company held
3	Koji Kanie (Sep. 30, 1976 42 years old)  Reappointment	April 2001 January 2009	Joined the Company Appointed to Senior Manager of Engineering Department of the Company	10,000 shares
	June 2012	Appointed to Director & General Manager of Engineering Department of the Company		
	April 2019	Appointed to Director Supervising Engineering Department & General Manager of Information Security Section of the Company (to present)		
	<div><div></div><div>Record of attendance at Board of Directors meetings 100% (14 out of 14)</div><div></div><div>Reasons for selecting the candidate for Director (excluding Director serving as Audit and Supervisory Committee Member) Mr. Koji Kanie was affiliated with a research laboratory that was in joint development with the Company during his time as a student, and after joining the Company, attained a wealth of operational experience in development, and is currently involved in development and information security divisions. By reflecting these experiences and achievements in the Company’s management, he can be expected to strengthen the decision-making functions of the Board of Directors and aim to increase the speed and efficiency of business execution while promoting agile management that can appropriately respond to changes in the management environment. Thus, the Company has designated him as a candidate for Director (excluding Director serving as Audit and Supervisory Committee Member).</div></div>			
4	Kazuki Kyakuno (Dec. 12, 1983 35 years old)  Reappointment	April 2006 March 2011	Joined the Company Completed Doctoral Program of Graduate School of Systems and Information Engineering of University of Tsukuba (Ph.D. in Engineering)	1,100 shares
	April 2013	Appointed to Senior Manager of Engineering Department of the Company		
	April 2014	Visiting Associate Professor of University of Tsukuba (to present)		
	<div><div></div><div>Record of attendance at Board of Directors meetings 100% (10 out of 10)</div><div></div><div>Reasons for selecting the candidate for Director (excluding Director serving as Audit and Supervisory Committee Member) Mr. Kazuki Kyakuno was affiliated with a research laboratory that was in joint development with the Company during his time as a student, and after joining the Company, has consistently been involved in research and development of proprietary technologies as differentiators of the Company’s LSI products, led research and development divisions, and is currently involved in the management of new business fields. He can be expected to continue to play a leading role in business promotion in future new business fields. In addition, by reflecting these experiences and achievements in the Company’s management, he can be expected to strengthen the decision-making functions of the Board of Directors and aim to increase the speed and efficiency of business execution while promoting agile management that can appropriately respond to changes in the management environment. Thus, the Company has designated him as a candidate for Director (excluding Director serving as Audit and Supervisory Committee Member).</div></div>			

- (Notes) 1. None of the candidates for Director (excluding Directors serving as Audit and Supervisory Committee Members)  
have any special interest in the Company.
2. Ages of each candidate are as of the close of this General Meeting of Shareholders.

## **Business Report**

(From April 1, 2018 to March 31, 2019)

### **1. Company Overview**

#### **(1) Business in FY 2018**

##### **1) Business Progress and Results**

During fiscal 2018, a moderate recovery trend continued in the Japanese economy including signs of improvements in personal consumption amid continuous improvements in the employment and income conditions. However, economic outlook has remained uncertain due mainly to concern over the impact of volatility in the financial and capital markets, in addition to the escalation of uncertainties over the global economy such as trade issues.

The pachinko and pachislot machine market, which is the main market for the Company, has continued to face a challenging market environment, due mainly to the diversification of leisure and the effects of the revised “Ordinance for Enforcement of the Act on Control and Improvement of Amusement and Entertainment Business, etc.” that came into force as preventive measures against addictive gambling, leading to a sluggish demand for new machines at amusement facilities. In addition, the business environment surrounding the Company is becoming increasingly harsh due to increased cost-saving awareness among pachinko and pachislot machine manufacturers against the backdrop of a challenging market environment, leading to a more widespread reuse of device components including the Company’s products.

Under such circumstances, the Company worked on sales expansion for Graphics LSI products for customers in the embedded system market (Note 1), in addition to initiatives for securing stable profits in the pachinko and pachislot market, and also focused on activities for early commercialization in the following four areas: middleware, security, blockchain, and machine learning, all of which are positioned as new businesses. With a view to accelerating new business development, the Company actively considered initiatives including restructuring, alliances and business investments. During fiscal 2018, the Company established a fully-owned subsidiary VIPPOOL Inc. on July 2, 2018 to accelerate commercialization in the blockchain area.

In light of these circumstances, net sales for fiscal 2018 decreased 41.0% from the previous fiscal year to 5,003 million yen due to the harsh environment surrounding the pachinko and pachislot market. In terms of expenditure, despite the Company’s efforts to reduce overall expenses, selling, general and administrative expenses increased 13.2% from the previous fiscal year to 3,380 million yen, mainly due to an increase in research and development expenses as a result of prototype development expenses for next-generation products. Consequently, for fiscal 2018, the Company recorded an operating loss of 1,672 million yen and an ordinary loss of 1,651 million yen. In addition, loss of valuation of investment securities was posted, and estimated income taxes were added due to reversal of deferred tax assets. Accordingly, the Company recorded a loss of 2,000 million yen.

(Note) “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.

##### **(i) Products targeted at the pachinko and pachislot machines market**

For the pachinko and pachislot machines market, the Company sells Graphics LSI products, LED driver LSI (Note 1) products, Memory-module (Note 2) products, etc. Its main products are Graphics LSI products. In fiscal 2018, sales of Graphics LSI products (including circuit board products equipped with Graphics LSI products) accounted for about 50% of the Company’s net sales.

As for products targeted at the pachinko and pachislot machine market for fiscal 2018, net sales decreased by 42.9% from the previous fiscal year to 4,736 million yen, affected by a temporary inventory adjustment in the market and a rise in reuse of device components, including the Company’s products, as well as the harsh market environment. Sales of Graphics LSI products, which are the

mainstay products in this market, were 290,000 units, compared to 630,000 units in the previous fiscal year. As for other products targeted at the said market, although sales of LED driver LSI products increased from the previous fiscal year, supported by robust demand from customers who adopt the products, sales of memory-module products decreased from the previous fiscal year due to the increased reuse of products by major customers.

(Note 1) “LED driver LSI product” refers to LSIs designed to efficiently control LED equipped in pachinko and pachislot machines.

(Note 2) “Memory-module” refers to the portion of the graphics-rendering circuit board of pachinko and pachislot machines that stores visual data.

(ii) **Products targeted at the embedded system market**

For the embedded system market, which includes medical devices and industrial equipment, the Company sells Graphics LSI products. In terms of Graphics LSI products targeted at the embedded system market for the fiscal 2018, net sales increased 60.7% from the previous fiscal year to 183 million yen due to advances with the adoption of new products.

(iii) **Other**

Other than the aforementioned products, the Company develops and sells the development evaluation board and software to support the development by customers along with middleware products for game applications. Sales associated with such development-support environments and middleware products increased by 16.4% year-on-year to 84 million yen.

**(Orders received and sales generated by product category)**

(In millions of yen)

Product category	Outstanding orders at beginning of FY 2018	FY 2018 Orders received	FY 2018 Net sales	Outstanding orders at end of FY 2018
Pachinko and pachislot machines market	1,416	5,015	4,736	1,695
Embedded system market	40	174	183	32
Other	6	84	84	6
<b>Total</b>	<b>1,464</b>	<b>5,273</b>	<b>5,003</b>	<b>1,734</b>

**2) Capital investment**

Capital investment in fiscal 2018 totaled 43 million yen.

It mainly consisted of investment in equipment, etc. for design and development purposes amounting to 8 million yen, software, etc. for design and development purposes amounting to 14 million yen, and refurbishment expenses for head office working areas, etc. amounting to 19 million yen.

**3) Financing**

All capital investments, etc. were financed by the Company’s own funds in fiscal 2018.

**4) Transfer, absorption/merger, or spin-off of business**

N/A

**5) Assignment of other company’s business**

N/A

**6) Transfer of rights/obligations related to business of other corporations, etc. due to absorption/merger or spin-off**

N/A

**7) Acquisition or disposal of shares or other interest or stock acquisition rights, etc. of other companies**

The Company established VIPPOOL Inc., a fully-owned subsidiary, on July 2, 2018.

## (2) Trends in Assets and Income over Past 3 Fiscal Years

Category	FY 2015	FY 2016	FY 2017	FY 2018
Orders received (million yen)	6,613	7,279	8,778	5,273
Net sales (million yen)	8,982	8,012	8,477	5,003
Ordinary income (loss) (million yen)	220	162	164	(1,651)
Profit (loss) (million yen)	113	92	80	(2,000)
Basic earnings (loss) per share (yen)	9.85	8.30	7.18	(178.83)
Total assets (million yen)	12,156	12,029	13,035	9,701
Net assets (million yen)	11,256	11,457	11,418	9,313
Net assets per share (yen)	1,006.14	1,024.16	1,020.67	832.45

## (3) Material Subsidiaries

Company name	Capital stock	Ratio of voting rights held by the Company	Business activities
VIPPOOL Inc.	25 million yen	100.00%	Development and sales of blockchain-related products, cryptographic asset mining-related operations, etc.

(Note) Established as a subsidiary as of July 2, 2018

## (4) Issues to be Addressed

In order to realize sustained growth, the Company will address the following issues:

### 1) Early establishment of new businesses

In the pachinko and pachislot machine market, which is the Company's main market, a harsh market environment persists because, in addition to the gradual downtrend in the market, the reuse of pachinko and pachislot machine components is causing a contraction in demand. With regard to future market trends, although long-term market recovery is anticipated, the situation is expected to remain uncertain for the time being. Under these circumstances, the Company believes that it is essential to capture new profit opportunities through business diversification and other measures in order to achieve sustainable growth.

Current initiatives toward business diversification outside of this main market include efforts to increase sales of Graphics LSI in the medical and industrial embedded systems market, as well as channeling the Company's energies into commercialization of business in the following four areas: middleware, machine learning (AI), blockchain, and security. The Company will continue to improve our structure including the organizational reform and establishment of a subsidiary aimed at business diversification, as well as proactively consider alliances, M&A, and business investment in order to further accelerate the commercialization.

### 2) Securing stable profits in the pachinko and pachislot machine market

In the pachinko and pachislot machine market, a harsh market environment persists. However, the pachinko and pachislot market is a huge market where demand for electronic parts such as the Company's is in high demand. Additionally, there are many areas in which the Company has not entered and are open to business possibilities for the Company. The Company recognizes that the pachinko and pachislot machine market will continue to be an important market.

For the pachinko and pachislot machine market, the Company will continue to expand into the system business with Graphics LSI products, our mainstay products, at its core. Furthermore, the Company will diversify its products through product development for new areas in the pachinko and pachislot machine market. Also, the Company is intent on improving the development-support environment that would alleviate customers' burden of development and providing more customer-oriented high-value-added solutions. Through the organic implementation of such measures, the Company intends to secure stable profits and achieve medium- to long-term growth in a harsh market environment.

**3) Efforts to protect and preserve intellectual property rights and eliminate the risk of infringing the intellectual property rights of other companies**

The Company recognizes, in addition to protecting and preserving intellectual property rights for its various proprietary technologies, improving the structure to prevent the infringement of other companies' rights is a critical issue, based on the view that the risk of infringement of the intellectual property rights of other companies will increase along with the expansion of its business scale. To address the aforementioned issues, the Company makes ongoing efforts, including establishing divisions in charge of intellectual property rights in general that report directly to the President, building a close relationship with its consulting patent attorneys and conducting in-house seminars on intellectual property rights. For the future, the Company will make an effort to enhance collaboration among R&D staff, divisions that oversee intellectual property rights and the consulting patent attorneys in order to further boost their effectiveness.

**4) Enriching corporate governance**

In order to continuously improve corporate value and realize sustainable growth, the Company believes that enriching corporate governance is important, and that establishing an appropriate corporate governance structure that fits factors such as the Company's business type and business scale is an important issue.

**Basic policy on corporate governance**

The Company engages in business by sharing the value of our "Mission," "Vision," and "Values" as declared in our Corporate Philosophy. Based on this philosophy, in addition to conducting business activities as a corporate entity with social ethics, by increasing the health, transparency, and efficiency of management, the Company will aim to improve corporate value and achieve continuous growth.

**The AXELL Corporate Philosophy**

- Mission : Contribute to innovation through sophisticated products and services
- Vision : Aim for global success as a leading technology company
- Values : Top priority on customer satisfaction  
Enjoy challenges as professionals  
Respect diversity and achieve greater things with colleagues and partners  
Act with greater speed

**(5) Principal Business (as of March 31, 2019)**

The Company is mainly engaged in the development and sales of various LSI products, circuit board products and electronic devices.

**(6) Principal Offices and Plants (as of March 31, 2019)**

Name	Address
Head Office	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo, Japan

**(7) Employees (as of March 31, 2019)**

Number of employees	Increase / decrease from previous fiscal year-end	Average age	Average years of service
84 (26) persons	Decrease of 3 persons (Decrease of 6 temporary staffs)	44.4 years old	10.0 years

(Note) Number of employees represents the number of employees on the Company's payroll; the figure in the parentheses represents the average number of temporary staff, etc. throughout the year, and is excluded from the number of employees.

**(8) Principal Lenders (as of March 31, 2019)**

N/A

**(9) Other Material Information on Current Status of the Company**

**1) CSR activities**

The Company acknowledges the social nature of a company, and based on the view that it is an important duty to engage in social contribution activities, it executes various CSR (Note) activities in a scale that is in line with its corporate capabilities. In fiscal 2018, the Company made social contributions, including making donations to the Japan Heart Foundation and the Japanese Foundation For Cancer Research. The Company also made donations through the Japanese Red Cross Society to victims of natural disasters.

Furthermore, the Company is conducting an education program for university students at the University of Tsukuba with the aim of training embedded systems engineers. To the education program, which is operated based on donations from the Company through the Campus OJT Industry-University Education Foundation, etc., the Company's engineers are dispatched as lecturers. In this program, the Company hopes to train engineers who will play a leading role in Japan in the future which will, in turn, bring about further progress in embedded systems technologies, which Japan can boast to the world.

Donations made by the Company to victims of natural disasters in fiscal 2018:

- Donation for Disaster of Torrential Rain in July 2018
- 2018 Donation for Disaster of Hokkaido Eastern Iburi Earthquake
- 2018 Donation for Disaster of Sulawesi, Indonesia Earthquake and Tsunami

(Note) CSR is the acronym of Corporate Social Responsibility. It is a concept based on the idea that corporations should act responsibly with respect to society, environment and other such factors, in addition to economic activities, for the purpose of creating a sustainable society.

## 2) Reduction of remuneration for Directors

The Company takes the business results for fiscal 2018 as well as the fact that we have to propose the Ordinary General Meeting of Shareholders to make no payment of distribution of surplus very seriously, and has resolved to continue a reduction of the amount of remuneration for Directors for fiscal 2019 as follows.

### (i) Reduction of the amount of remuneration for Directors

President & Representative Director	15% of monthly remuneration
Executive Vice President & Representative Director:	15% of monthly remuneration
Directors (excluding Audit and Supervisory Committee Members) (two directors):	10% of monthly remuneration

### (ii) Applicable period for reduction

From April 2019 to March 2020

### 3) Establishment of a subsidiary

At the Board of Directors meeting held on May 9, 2019, the Company resolved to establish a subsidiary in order to promote business in the areas of machine learning (AI) and middleware.

#### Objective of the establishment of subsidiary

The Company is focused on commercialization in the following four areas: middleware, machine learning, security, and blockchain, and decided to establish a subsidiary with the objective of the early establishment of new business in the areas of machine learning (AI) and middleware.

#### Outline of the subsidiary

- |  |   |   |
|--|---|---|
| (1) Trade name                                   | : | ax Inc.   |
| (2) Address                                      | : | 10F, Akihabara UDX South Wing, 4-14-1 Sotokanda, Chiyoda-ku, Tokyo, Japan             |
| (3) Position and name of representative director | : | Takehiko Terada, President & Representative Director                                  |
| (4) Business activities                          | : | AI consulting<br>Development and sales of AI frameworks<br>Sales of middleware (AXIP) |
| (5) Capital                                      | : | 150 million yen   |
| (6) Settlement date                              | : | March 31  |
| (7) Established                                  | : | May 2019 (tentative)  |
| (8) Main shareholders and shareholding ratio     | : | AXELL CORPORATION: 90%<br>Vault, Inc. : 10%   |

## 2. Status of Shares (as of March 31, 2019)

- (1) **Total Number of Shares Authorized to be Issued** 23,112,000 shares
- (2) **Total Number of Shares Issued** 11,187,749 shares
- (3) **Number of Shareholders** 4,718 shareholders

### (4) Major Shareholders

Name of shareholder	Number of shares held	Controlling share
Yuzuru Sasaki	1,243,200 shares	11.11%
Midoriya Electric Co., Ltd.	849,000	7.58
Sumihiko Ichihara	595,800	5.32
Takayuki Shibata	594,800	5.31
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Sub-portfolio)	399,100	3.56
Kazunori Matsuura	388,800	3.47
MLI FOR CLIENT GENERAL OMNI NON COLLATERAL NON TREATY – PB	368,000	3.28
Kazuyoshi Moriya	330,000	2.94
Tatsuaki Okumura	329,000	2.94
The Master Trust Bank of Japan, Ltd. (trust account)	297,500	2.65

(Note) Controlling shares are calculated after excluding treasury stock (152 shares).

## 3. Information on the Company's Stock Acquisition Rights, etc.

- (1) **Stock Acquisition Rights, etc. held by the Company's Officers as of March 31, 2019**  
N/A
- (2) **Stock Acquisition Rights Issued to Employees, etc. during FY 2018**  
N/A
- (3) **Other Material Information on Stock Acquisition Rights, etc.**  
N/A

## 4. Company Officers

### (1) Directors (as of March 31, 2019)

Title	Name	Responsibilities & material concurrent positions
President & Representative Director	Kazunori Matsuura	Visiting Professor of University of Tsukuba
Executive Vice President & Representative Director	Akihiro Saito	Supervising Sale & Marketing Department and Management Department
Director	Koji Kanie	General Manager of Engineering Department
Director	Kazuki Kyakuno	General Manager of Strategic Planning Section Director of VIPPOOL Inc. Visiting Associate Professor of University of Tsukuba
Director (Audit and Supervisory Committee Member, Full-time)	Katsuya Mitsumura	Certified Public Accountant & Tax Accountant Outside Director of INABA SEISAKUSHO Co., Ltd. Outside Director of Mt. Fuji Springs Inc.
Director (Audit and Supervisory Committee Member)	Masao Suzuki	Representative Director of Strategic Capital Partners, Co., Ltd. Representative Director of Ken Real Estate Investment Advisors Ltd. Representative Director of Shibuya Television Co., Ltd. Corporate Auditor of Risseisha Inc.
Director (Audit and Supervisory Committee Member)	Teiichiro Nishizaka	Small and Medium Enterprise Management Consultant
Director (Audit and Supervisory Committee Member)	Shigeo Igashima	Certified Public Accountant & Tax Accountant Representative Partner of TIS Tax Accounting Corporation Outside Director of TAIYO BUSSAN KAISHA, LTD. Outside Corporate Auditor of Shintokyo Group Co., Ltd.

- (Notes) 1. Directors (Audit and Supervisory Committee Members) Katsuya Mitsumura, Masao Suzuki, Teiichiro Nishizaka and Shigeo Igashima are Outside Directors.
2. Directors (Audit and Supervisory Committee Members) Katsuya Mitsumura and Shigeo Igashima have considerable financial and accounting expertise as described below.
- Mr. Katsuya Mitsumura was elected as a Director (Audit and Supervisory Committee Member) based on his long years as a certified public accountant and tax accountant and his possession of extensive knowledge of finance and accounting.
  - Mr. Shigeo Igashima was elected as a Director (Audit and Supervisory Committee Member) based on his long years of experience as a certified public accountant and tax accountant and his possession of extensive knowledge of the management of business corporations.
3. Changes in Directors during the current fiscal year are as follows.
- Director Nobuhiro Sendai and Director (Audit and Supervisory Committee Member) Yoshiki Yoshida retired due to the expiration of their terms of office at the close of the 23<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 16, 2018.
  - The Company has newly elected and appointed Director Kazuki Kyakuno and Director (Audit and Supervisory Committee Member) Teiichiro Nishizaka at the 23<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 16, 2018.
4. Changes in positions and responsibilities of Directors as of April 1, 2019 are as follows.
- Koji Kanie, formerly Director & General Manager of Engineering Department of the Company, has been appointed as Director Supervising Engineering Department & General Manager of Information Security Section of the Company.
  - Kazuki Kyakuno, formerly Director & General Manager of Strategic Planning Section of the Company, has been appointed as Director Supervising Algorithm Team of Engineering Department & General Manager of Strategic Planning Section of the Company.
5. With the intent of increasing the effectiveness of information collection and other audits and strengthening the audit and supervisory functions, the Company has appointed Director (Audit and Supervisory Committee Member) Katsuya Mitsumura as a Full-time Audit and Supervisory Committee Member.
6. The Company has designated Directors (Audit and Supervisory Committee Members) Katsuya Mitsumura, Masao Suzuki, Teiichiro Nishizaka and Shigeo Igashima as Independent Corporate Officers under the provisions of the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.

## (2) Outline of Liability Limitation Agreement

Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with its Directors (Audit and Supervisory Committee Members) Katsuya Mitsumura, Masao Suzuki, Teiichiro Nishizaka and Shigeo Igashima to limit their liability for damages under Article 423, Paragraph 1 of the said Act.

The cap on the liability for damages under the said agreement is the sum of the amounts set forth in the items of Article 425, Paragraph 1 of the Companies Act.

## (3) Total Amount of Remuneration, etc. for Directors

Classification	Number of persons	Amount of remuneration, etc.
Director (excluding Audit and Supervisory Committee Member) (Outside Director)	5 persons (—persons)	81 million yen (—million yen)
Director (Audit and Supervisory Committee Member) (Outside Director)	5 persons (5 persons)	32 million yen (32 million yen)
Total (Outside Director)	10 persons (5 persons)	114 million yen (32 million yen)

- (Notes) 1. The above includes one Director (excluding Audit and Supervisory Committee Member) and one Director (Audit and Supervisory Committee Member) who retired at the close of the 23<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 16, 2018.
2. Total amount of remuneration, etc. of Directors (excluding Audit and Supervisory Committee Members) does not include the portion of employee salary paid to Directors concurrently serving as employees.
3. The amount of remuneration of Directors (excluding Audit and Supervisory Committee Members) is limited to the sum of: the fixed remuneration portion amount to no more than 100 million yen per year and the performance-linked remuneration portion with a short-term performance-linked remuneration of no more than 65 million yen per year and a mid- to long-term performance-linked remuneration of no more than 50 million yen per year, which was approved at the 21st Ordinary General Meeting of Shareholders held on June 18, 2016.
4. At the 21st Ordinary General Meeting of Shareholders held on June 18, 2016, a resolution was adopted to limit the amount of remuneration of Directors (Audit and Supervisory Committee Members) to 40 million yen per year.

## (4) Outside Officers

### 1) Concurrent position held at other companies, etc. (if officer is a business executive of other companies, etc.) and relationship between the Company and other such companies, etc.

Title	Name	Company, etc. where concurrent position is held	Description of concurrent position
Director (Audit and Supervisory Committee Member)	Masao Suzuki	Strategic Capital Partners, Co., Ltd. Ken Real Estate Investment Advisors Ltd. Shibuya Television Co., Ltd.	Representative Director Representative Director Representative Director
Director (Audit and Supervisory Committee Member)	Shigeo Igashima	TIS Tax Accounting Corporation	Representative Partner

(Note) There is no material business relationship between the Company and each of the aforementioned companies.

**2) Concurrent position held by outside officers, etc. of other companies, etc. and relationship between the Company and other such companies, etc.**

Title	Name	Company, etc. where concurrent position is held	Description of concurrent position
Director (Audit and Supervisory Committee Member)	Katsuya Mitsumura	INABA SEISAKUSHO Co., Ltd. Mt. Fuji Springs Inc.	Outside Director Outside Director
Director (Audit and Supervisory Committee Member)	Masao Suzuki	Risseisha Inc.	Corporate Auditor
Director (Audit and Supervisory Committee Member)	Shigeo Igashima	TAIYO BUSSAN KAISHA, LTD. Shintokyo Group Co., Ltd.	Outside Director Outside Corporate Auditor

(Note) There is no material business relationship between the Company and each of the aforementioned companies.

**3) Main activities during FY 2018**

Classification	Name	Main activities
Director (Audit and Supervisory Committee Member)	Katsuya Mitsumura	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit and Supervisory Committee meetings during FY 2018, and provided expert opinions mainly as a certified public accountant and tax accountant on proposals, deliberations, etc. as necessary.
Director (Audit and Supervisory Committee Member)	Masao Suzuki	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit and Supervisory Committee meetings during FY 2018, and provided opinions on proposals, deliberations, etc. as necessary, from the standpoint of overall corporate management.
Director (Audit and Supervisory Committee Member)	Teiichiro Nishizaka	Since his assumption of office as of June 16, 2018, participated in all of the 10 Board of Directors meetings and in all of the 10 Audit and Supervisory Committee meetings during FY 2018, and provided opinions on proposals, deliberations, etc. as necessary, based on his extensive experience in the industry to which the Company belongs.
Director (Audit and Supervisory Committee Member)	Shigeo Igashima	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit and Supervisory Committee meetings during FY 2018, and provided expert opinions mainly as a certified public accountant and tax accountant on proposals, deliberations, etc. as necessary.

(Note) Director (Audit and Supervisory Committee Member) Teiichiro Nishizaka was elected at the 23<sup>rd</sup> Ordinary General Meeting of Shareholders held on June 16, 2018; therefore, the number of times the Board of Directors meetings and the Audit and Supervisory Committee meetings were held differ from other Directors (Audit and Supervisory Committee Members).

## 5. Accounting Auditor

**(1) Name: Ernst & Young ShinNihon LLC**

(Note) Ernst & Young ShinNihon LLC changed its Japanese trading name as of July 1, 2018; however, its English trading name remains unchanged.

**(2) Amount of Fees, etc.**

	Amount paid
Amount of fees, etc. for work prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Law	21 million yen
Total amount of monetary and other financial benefits payable by the Company to the Accounting Auditor	21 million yen

- (Note)
1. The amount of audit fees, etc. for audits conducted under the Companies Act and the amount of audit fees, etc. for audits conducted under the Financial Instruments and Exchange Act are not clearly distinguished from each other in the audit agreement concluded between the Company and the Accounting Auditor; nor are they distinguishable in practice. Therefore, the aggregate amount of such audit fees, etc. is shown as the amount of fees, etc. for fiscal 2018.
  2. Upon conducting required verification regarding matters such as the content of the audit plan, status of business execution of the accounting audit, and basis for calculating remuneration of the Accounting Auditor, the Audit and Supervisory Committee has determined and agreed that the amount of remuneration, etc., payable to the Accounting Auditor is appropriate.

**(3) Description of Non-auditing Business**

N/A

**(4) Policy regarding Determination or Nonrenewal of Appointment of Accounting Auditor**

In the event where there are issues with the execution of duties by the Accounting Auditor or if determined as such for other reasons, the Audit and Supervisory Committee will determine the content of a proposal to terminate or not renew appointment of the Accounting Auditor.

Additionally, if the Audit and Supervisory Committee determines that any of the Items in Article 340, Paragraph 1 of the Companies Act applies to the Accounting Auditor, the Accounting Auditor will be terminated upon agreement from all Audit and Supervisory Committee Members. In this case, the Audit and Supervisory Committee Member elected by the Audit and Supervisory Committee will report the termination of the Accounting Auditor and the reason for termination at the first General Meeting of Shareholders convened after the termination.

**(5) Outline of Liability Limitation Agreement**

N/A

## **6. Outline of Systems to Ensure Compliance with Laws, Regulations and the Articles of Incorporation in the Execution of Duties and Other Systems to Ensure the Properness of Operations and Operational Status of Said Systems**

### **(1) Systems to Ensure that Directors and Employees of the Company Comply with Laws, Regulations and the Articles of Incorporation in the Execution of Their Duties**

- 1) The Company's Directors and employees shall not only comply with the laws, regulations, the Articles of Incorporation and the like in accordance with the Corporate Philosophy and the Code of Conduct stipulated by the Company, but shall also firmly maintain the virtues and ethics required by society based on the social significance of corporate existence.
- 2) The Company shall establish a unit in charge of internal control directly under the President and Representative Director, appointing the head of said unit as the Internal Audit Implementer. The Internal Audit Implementer, incorporated into the internal organization, shall conduct audits on the status of Director and employee compliance with the laws, regulations, the Articles of Incorporation and the like from a perspective independent of the business execution organization.
- 3) The Board of Directors shall make a decision on or approve statutory matters and various matters relating to business execution in an appropriate and timely manner in accordance with the stipulations of laws, regulations, the Articles of Incorporation, and Board of Directors Regulations, and the Directors comprising the Board of Directors shall oversee each other's execution of duties. Furthermore, highly-independent Outside Directors shall be appointed.
- 4) The Company shall establish an internal reporting office for reporting violations of laws or regulations and other incidents relating to compliance, as well as an external reporting office where an outside counsel directly receives information.
- 5) The Company, pursuant to the "Insider Trading Management Rules," shall establish a system to prevent insider trading through thorough control over important undisclosed information as well as appropriate and timely disclosures of information.
- 6) The Company upholds the basic policy of eliminating any relationship with anti-social forces and stipulates in its Code of Conduct that "the Company shall deal with anti-social forces in a resolute attitude and shall never share profits with them." The Company also maintains and reinforces its system of cooperation with outside specialist organizations such as jurisdictional police departments and attorneys.

### **(2) Systems concerning Storage and Management of Information on the Execution of Duties by Directors of the Company**

- 1) As regards the storage and management of information on the execution of duties by the Directors, the following information shall be appropriately stored in accordance with laws, regulations and relevant internal regulations, and shall be managed in such a manner as to allow for inspection as necessary.
  - a. Minutes of the general meeting of shareholders; minutes of and relevant materials from the Board of Directors meetings;
  - b. Minutes and relevant materials from significant meetings organized by a Director or an important employee; and
  - c. Important documents relating to the execution of duties by Directors, such as requests for final decision and attachments thereto.
- 2) Important documents other than those listed above shall be appropriately stored and managed by the corresponding unit in charge in accordance with the relevant laws, regulations, and the like.
- 3) A backup system shall be built if information relating to the execution of duties by Directors and other important information are to be stored by electromagnetic means. The backup system built shall be enhanced in an ongoing manner.

### **(3) Internal Regulations and Other Systems concerning Risks of Loss of the Company**

- 1) Measures to avoid the risk of loss shall be devised by establishing Crisis Control Regulations. The Company shall respond promptly and appropriately, should the risk of loss materialize.
- 2) The teams and entities in charge comprising the Company shall continually study the risks that may arise in the course of business and report the results thereof to the Board of Directors.
- 3) Company-wide measures for responding to large-scale disasters and the like shall be considered from the perspective of the Business Continuity Plan.

**(4) Systems to Ensure the Efficient Execution of Duties by Directors of the Company**

- 1) The Company shall establish various regulations that define office organization, organizational bodies, segregation of duties, administrative authorities, etc., for the efficient execution of business by Directors.
- 2) The Company shall hold a regular Board of Directors meeting once monthly with the attendance, as a general rule, of all Directors for reports on the status of execution of duties by the Directors.
- 3) The Board of Directors clearly defines the job responsibilities of each Director by electing the Representative Director, the President, and Executive Officers. Further, responsibilities relating to business execution shall be clearly established through the election of Corporate Officers in charge of managing major business departments.
- 4) The Company holds Business Promotion Meetings composed primarily of Business Execution Directors and Executive Officers as advisory meetings to support the decision making of the President & Representative Director, and consensus-based decision procedures are conducted as necessary. Additionally, Full-time Audit and Supervisory Committee Members also attend Business Promotion Meetings, and survey, evaluate, and provide advice, etc., as necessary.
- 5) The Company shall formulate a medium-term business plan at the beginning of each fiscal year, pursuant to the instruction of the President and Representative Director and subject to the approval of the Board of Directors, for use as guidelines in the execution of duties.

**(5) Systems to Ensure the Properness of Business Operations in the Corporate Group Consisting of the Company, its Parent Company and Subsidiaries**

- 1) The Company shall establish the necessary systems, etc. to ensure the properness of business operations by the corporate group consisting of the Company and its subsidiaries. The subsidiaries shall be subject to supervision and audits by of the Company's Audit and Supervisory Committee Members and internal audits by those responsible for the Company's internal management.
- 2) The Company shall establish regulations for the management of subsidiaries, require prior approval by the Board of Directors with regard to important business execution by subsidiaries, and have them report the status of business execution each month to the Board of Directors.

**(6) Matters concerning Directors and Employees to be Posted as Assistants to the Audit and Supervisory Committee of the Company for the Execution of Audit Duties, Matters concerning the Independence of Said Directors and Employees from Directors (excluding Directors serving as Audit and Supervisory Committee members) and Matters concerning ensuring the Effectiveness of the Orders from the Audit and Supervisory Committee to Said Directors and Employees**

- 1) The Company shall, upon consultation with the Audit and Supervisory Committee, appoint appropriate assistants to the Audit and Supervisory Committee, should the Audit and Supervisory Committee request the appointment of Directors and employees (hereinafter "Assistant Employees, etc.") to assist with their duties.
- 2) If Assistant Employees, etc., are stationed, in order to ensure the independence of Assistant Employees, etc., the Company shall, upon consultation with the Audit and Supervisory Committee, make decisions on various matters relating to said independence, such as the appointment and dismissal of employees assisting such Board Members.

**(7) Systems for Directors (Excluding Directors Serving as Audit and Supervisory Committee Members) and Employees of the Company to Report to the Audit and Supervisory Committee**

- 1) The Audit and Supervisory Committee shall receive reports from the Directors (excluding Directors serving as Audit and Supervisory Committee Members) and employees on the following matters:
  - a. Matters subject to regular reporting
    - Corporate management, business and financial status; risk management and compliance status
  - b. Matters subject to extraordinary reporting
    - Occurrence of important facts concerning corporate management
    - Fraudulent acts relating to the execution of duties by the Directors; occurrence of material facts constituting violation of laws, regulations, or the Articles of Incorporation
- 2) Audit and Supervisory Committee Members shall attend the Board of Directors meetings in order to obtain the aforementioned information in an appropriate manner. The full-time Audit and Supervisory Committee Member shall attend internal meetings of high managerial significance, in addition to inspecting such important documents as requests for final decision.
- 3) The content of a report to the whistleblower hotline shall be promptly reported to the Audit and Supervisory Committee.

**(8) Systems to Ensure that Whistleblowers pursuant to the Preceding Item Do Not Suffer from Any Disadvantageous Treatment due to their Reports**

To ensure that whistleblowers do not receive harmful treatment as a result of making a report in the preceding Item, whistleblowers shall be appropriately protected based on the “Regulations Regarding Whistleblowing.”

**(9) Matters concerning the Policies for the Treatment of Expenses or Obligations to be Incurred for the Execution of Duties by Audit and Supervisory Committee Member(s)**

When an Audit and Supervisory Committee Member makes a request for prepayment of expenses or processing, etc. of liabilities that arise as a result of the execution of duties, such expenses or liabilities shall be processed promptly, based on the “Axell Corporation Audit and Supervisory Committee Auditing, etc. Standards.”

**(10) Other Systems to Ensure the Effectiveness of Auditing by the Audit and Supervisory Committee of the Company**

- 1) Directors shall endeavor to improve the environment for audits by the Audit and Supervisory Committee in recognition of the importance thereof to the Directors and employees.
- 2) The Company shall ensure a system that allows the Audit and Supervisory Committee to collect the necessary information by regularly organizing meetings with the Audit and Supervisory Committee and Representative Directors, organizing meetings with Business Execution Directors, arranging for interviews of employees and others, and arranging for regular opportunities for exchange of opinions with the Accounting Auditor.

**(11) Systems to Ensure the Reliability of Financial Reporting**

The Company, in order to ensure the reliability of financial reporting, shall establish a basic policy on internal controls over financial reporting as well as various regulations, and develop and operate systems of company-wide internal controls and individual business process controls. The Company shall also assess the effectiveness of such systems and make ongoing improvements thereto.

**Summary of Operation Status of Systems to Ensure the Properness of Business Operations**

A summary of the operation status of systems to ensure the properness of business operations for fiscal 2018 is as follows.

**1) Systems for Execution of Duties of Directors**

A regular Board of Directors meeting was held once per month and extraordinary Board of Directors meetings were held as required to determine matters defined by the Articles of Incorporation and laws and regulations as well as important matters regarding management, and reports and supervision were conducted for the status of business execution. Additionally, Business Promotion Meetings were held at least once per month as advisory meetings to support decision-making by representative directors, and deliberations were conducted regarding important matters that serve as the backdrop for business execution and specific countermeasures.

**2) Compliance Systems**

To work toward arousing compliance awareness, compliance training through the use of real-world cases was conducted through invited corporate attorneys and outside instructors. Additionally, a whistleblower hotline was established and a system to ensure appropriate response is in place.

Concerning internal audits, a periodic audit is implemented on each organizational unit (group) regarding matters such as the status of business execution, status of compliance, and status of risk management. Additionally, regarding information security, internal training and information audits, etc., are implemented by the Information Security Committee with the intent of securing, maintaining, and improving the effectiveness of information security countermeasures.

**3) Risk Management Systems**

At the regular Board of Directors meetings, each group submits a monthly report concerning risk, evaluation and regular revision of risk definition and countermeasures is made, and efforts are made in risk reduction and prevention. Additionally, a business continuity plan with disasters in mind has been defined, and revisions are implemented as required regarding its effectiveness. Furthermore, periodic checks are made on transaction partners to implement measures to eliminate transactions with

anti-social forces.

4) **Audit Systems of the Audit and Supervisory Committee**

Audit and Supervisory Committee Members held an Audit and Supervisory Committee once per month, while also attending Board of Directors Meetings to exercise voting rights and audit and supervise the execution of business. Additionally, while determining audit policies and audit plans and supervising the status of execution of duties, the Audit and Supervisory Committee held regular communication meetings with internal audit divisions and the Accounting Auditor, exchanged information and opinions, and implemented audits. Furthermore, the Full-time Audit and Supervisory Committee Member attended management meetings with high corporate importance, and surveyed, evaluated, and provided advice, etc., as necessary.

**7. Policy for Determination of Distribution of Surplus, etc.**

The Company's policy on profit sharing for shareholders is to maximize it, while at the same time taking into account adequate levels of "realizing appropriate periodic profit returns to shareholders" and "maintenance of appropriate internal reserves that will enable flexible business operations." In terms of profit sharing, based on this policy, 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 level of prior dividends after adequate internal reserves are secured.

As an appropriate level for the scope of its business, the Company aims to hold three years of selling, general and administrative expenses as internal reserves, but also emphasizes management that recognizes capital efficiency from the standpoint of improving corporate value, and will execute capital measures that adequately consider the balance of both. In accordance with the medium- to long-term growth strategies, internal reserves are used mainly as funds for R&D and for new business developments in an effort to continually enhance corporate value.

**8. Basic Policy regarding the Company's Control**

Although the Company has not established basic policies on requirements of entities to control decision making over financial and business policies of the Company, it believes that entities who are in control of determining the Company's financial and business policies should be those who contribute to the Company's corporate value as well as to the common interests of the shareholders. Moreover, such entities should understand the source of the Company's corporate value and develop smooth relationships with the Company's various stakeholders. While the Company does not intend to adopt "anti-hostile-takeover measures" at the present time, it believes that it is obligated to its shareholders in all reason to take appropriate measures to defend itself from potential acquirers who may be detrimental to the Company's corporate value and the common interests of the shareholders. In regards to the adoption of "anti-hostile-takeover measures," the Company intends to take a flexible stance on proceeding with its deliberations by keeping abreast of changes in major shareholders and assessing various social trends.

## Non-consolidated Balance Sheet

(As of March 31, 2019)

(In millions of yen)

Description	Amount	Description	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>8,669</b>	<b>Current liabilities</b>	<b>347</b>
Cash and deposits	6,536	Accounts payable - trade	234
Accounts receivable - trade	411	Accounts payable - other	71
Merchandise and finished goods	1,355	Accrued expenses	18
Raw materials and supplies	0	Deposits received	22
Advance payments - trade	32	<b>Non-current liabilities</b>	<b>40</b>
Prepaid expenses	99	Asset retirement obligations	37
Income taxes receivable	22	Deferred tax liabilities	2
Consumption taxes receivable	209	<b>Total liabilities</b>	<b>388</b>
Other	1	<b>(Net assets)</b>	
<b>Non-current assets</b>	<b>1,032</b>	<b>Shareholders' equity</b>	<b>9,221</b>
<b>Property, plant and equipment</b>	<b>166</b>	<b>Capital stock</b>	<b>1,018</b>
Buildings	75	<b>Capital surplus</b>	<b>861</b>
Tools, furniture and fixtures	91	Legal capital surplus	861
<b>Intangible assets</b>	<b>28</b>	<b>Retained earnings</b>	<b>7,341</b>
Trademark right	0	Legal retained earnings	1
Software	28	Other retained earnings	7,340
<b>Investments and other assets</b>	<b>836</b>	General reserve	8,200
Investment securities	677	Retained earnings brought forward	(859)
Shares of subsidiaries and associates	50	<b>Treasury shares</b>	<b>(0)</b>
Long-term prepaid expenses	19	<b>Valuation and translation adjustments</b>	<b>91</b>
Lease and guarantee deposits	70	Valuation difference on available-for-sale securities	91
Other	19	Deferred gains or losses on hedges	0
		<b>Total net assets</b>	<b>9,313</b>
<b>Total assets</b>	<b>9,701</b>	<b>Total liabilities and net assets</b>	<b>9,701</b>

## Non-consolidated Statement of Income

(From April 1, 2018 to March 31, 2019)

(In millions of yen)

Description	Amount	
<b>Net sales</b>		<b>5,003</b>
<b>Cost of sales</b>		<b>3,295</b>
<b>Gross profit</b>		<b>1,708</b>
<b>Selling, general and administrative expenses</b>		<b>3,380</b>
<b>Operating loss</b>		<b>1,672</b>
<b>Non-operating income</b>		
Interest income	0	
Dividend income	5	
Foreign exchange gains	9	
Subsidy income	5	
Other	4	24
<b>Non-operating expenses</b>		
Loss on investments in partnership	3	
Loss on retirement of non-current assets	0	
Other	0	4
<b>Ordinary loss</b>		<b>1,651</b>
<b>Extraordinary losses</b>		
Loss on valuation of investment securities	239	239
<b>Loss before income taxes</b>		<b>1,891</b>
Income taxes - current	2	
Income taxes - deferred	107	109
<b>Loss</b>		<b>2,000</b>

## Non-consolidated Statement of Changes in Net Assets

(From April 1, 2018 to March 31, 2019)

(In millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,018	861	861	1	8,200	1,196	9,398	(0)	11,278
Changes of items during period									
Dividends of surplus						(55)	(55)		(55)
Loss						(2,000)	(2,000)		(2,000)
Net changes of items other than shareholders' equity									
Total changes of items during period	—	—	—	—	—	(2,056)	(2,056)	—	(2,056)
Balance at end of current period	1,018	861	861	1	8,200	(859)	7,341	(0)	9,221

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current period	140	—	140	11,418
Changes of items during period				
Dividends of surplus				(55)
Loss				(2,000)
Net changes of items other than shareholders' equity	(49)	0	(49)	(49)
Total changes of items during period	(49)	0	(49)	(2,105)
Balance at end of current period	91	0	91	9,313

# Notes to Non-consolidated Financial Statements

## 1. Notes on significant accounting policies

### (1) Valuation standards and valuation methods of assets

#### 1) Securities

##### - Shares of subsidiaries and associates

Stated at cost using the moving-average method.

##### - Available-for-sale securities

###### Available-for-sale securities with market value

The market value method is applied, based on the market value as of the fiscal-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the moving-average method.

###### Available-for-sale securities without market value

Stated at cost using the moving-average method.

Contributions to investment limited partnerships and partnerships similar thereto, which are deemed as securities under Article 2-2 of Financial Instruments and Exchange Act, are posted by the method where the amount equivalent to equity is included on a net basis, based on the most recent available financial statement according to the date of statement stipulated by the partnership agreement.

#### 2) Inventories

##### - Finished goods

Stated at cost using the periodic average method (balance sheets amount is calculated by writing down the book value of assets which decreased in profitability).

##### - Supplies

Stated at cost using the last purchase price method (balance sheets amount is calculated by writing down the book value of assets which decreased in profitability).

### (2) Depreciation method of non-current assets

#### 1) Property, plant and equipment

Declining balance method. However, buildings (excluding accompanying facilities) and buildings, which were acquired on or after April 1, 2016 utilize the straight-line method.

The useful lives of the assets are as follows:

Buildings: 3-15 years

Tools, furniture and fixtures: 2-20 years

#### 2) Intangible assets

Straight-line depreciation

Software for internal use is amortized on a straight-line basis based on its estimated useful life of 3-5 years.

### (3) Other significant matters underlying the preparation of non-consolidated financial statements

#### -Accounting of consumption taxes

All transactions are recorded net of national and local consumption taxes.

## 2. Notes on changes in representation

(Non-consolidated statements of income)

“Loss on retirement of non-current assets” that was included in “Other” of Non-operating expenses” for the previous fiscal year is posted separately for fiscal 2018 since the amount has exceeded 10/100 of the total amount of non-operating expenses.

“Loss on retirement of non-current assets” was 0 million yen in the previous fiscal year.

(Application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) effective from the start of the current fiscal year ended March 31, 2019. Accordingly, the Company has presented deferred tax assets in investments and other assets section, and presented deferred tax liabilities in non-current liabilities section.

## 3. Notes on changes to accounting estimates

(Changes to estimates of asset retirement obligations)

In fiscal 2018, the Company resolved to partially terminate the building lease agreement for its head office. Consequently, the Company has shortened the useful life of non-current assets not expected to be used and changed it to the period up to the termination of the agreement. In addition, the Company changed estimates of asset retirement obligations, which had been recognized as costs required for restoration to original condition associated with the agreement, since it has become possible to make more precise estimates.

An increase of 24 million yen resulting from the change to accounting estimates has been added to the balance of asset retirement obligations before the change. The effect of this change in accounting estimates was to increase operating loss, ordinary loss and loss before income taxes for the fiscal year ended March 31, 2019 each by 50 million yen.

## 4. Notes to non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: 989 million yen

(2) Monetary claims and obligations in subsidiaries and associates are as follows.

Monetary claims: 0 million yen

## 5. Notes to non-consolidated statements of income

(1) Total amount of research and development expenditures: 2,513 million yen

(2) Transactions with subsidiaries and associates:

Transactions other than sales transactions: 2 million yen

## 6. Notes to non-consolidated statements of changes in net assets

### (1) Type and total number of shares issued

Type of shares	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Common stock	11,187,749	—	—	11,187,749

### (2) Type and number of treasury share

Type of shares	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Common stock	152	—	—	152

### (3) Matters related to dividends of surplus

#### 1) Dividend payout amounts

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 16, 2018	Common stock	55	5	March 31, 2018	June 18, 2018

#### 2) Payout amount of dividends with reference date in FY 2018 but effective date in FY 2019

N/A

### (4) Matters related to stock acquisition rights as of March 31, 2019

N/A

## 7. Notes on financial instruments

### (1) Matters related to status of financial instruments

#### 1) Policy for efforts directed at financial instruments

The Company holds necessary funds (bank deposits, etc.) in light of its business plan primarily to conduct the research and development of LSI products and execute the sales business. It is the Company's policy to raise funds if more funds than it currently holds is deemed necessary in consideration of the circumstances and other factors at that time.

The Company seeks to not only utilize but also protect financial assets by investing temporary surplus funds out of bank deposits and other financial assets held by the Company in highly secure financial assets. It is also the Company's policy to use derivative transactions in order to avoid foreign currency risks, and it does not conduct speculative transactions.

#### 2) Description of financial instruments and risks associated with such financial instruments

Accounts receivable - trade (i.e., operating receivables) are exposed to customers' credit risk. However, the Company seeks to reduce this risk by making the settlement period as short as possible, by closing the accounts at the end of each month and settling transactions in the following month as a fundamental rule.

Securities consist of treasury discount bills purchased by using funds regarded as temporary surplus funds out of bank deposits, etc. held by the Company. The Company's policy is not to hold financial

instruments that are generally riskier than treasury discount bills.

Investment securities are shares held for the purpose of confirming the tie-up with counterparty companies and also held as contributions to investment limited partnerships, and are exposed to risks of fluctuations in market price.

Accounts payable - trade (i.e., operating payables) are generally settled within one month by closing the accounts at the end of each month and settling transactions in the following month as a fundamental rule, similarly to accounts receivable - trade (i.e., operating receivables).

### **3) Risk management for financial instruments**

#### **▪ Management of credit risk (risk of nonperformance of contract by counterparty, etc.)**

The Company manages operating receivables according to the credit management rules it has established to manage such receivables. The Management Department is in charge of conducting a credit check of new counterparties upon the commencement of transactions. In conjunction with regular checks conducted by the Management Department, the Sales and Marketing Department manages receivables from counterparties in ongoing transactions by confirming their financial position of such counterparties, as well as the due date, balance and other matters regarding receivables in transactions with such counterparties.

The Company seeks to promptly identify and reduce concerns over the collection of operating receivables mainly by managing them as described above.

Receivables comprising securities have negligible credit risk as they are all in the form of highly secure treasury discount bills in accordance with the Company's policy.

The maximum amount of credit risk as of March 31, 2019 is shown as the amount of financial assets exposed to credit risks in the balance sheets.

#### **▪ Management of market risk**

Shares of companies listed on securities exchanges and markets are held by the Company for the purpose of confirming its tie-up with counterparty companies, and are declared as investment securities in the balance sheets, along with contributions to investment limited partnerships. The Company periodically identifies the market value of the investment securities and the financial position etc. of the issuer (counterparty company) and reviews such investment securities on an ongoing basis, in consideration of such factors as the status of tie-up with the counterparty company.

#### **▪ Management of liquidity risk in financing (risk of not being able to execute payment on due date)**

The Company manages liquidity risks by executing fund settlement in consideration of security, by confirming the fund settlement status and the trends in the balance during the month, as well as the fund settlement forecast and the projected trends in the balance in the following month.

### **4) Supplementary explanation of market value and other matters related to financial instruments**

The market value of financial instruments includes mark-to-market value, and in cases where there is no market price, it includes the value reasonably calculated. As the calculation of such market value takes variables into account, the value may change if different assumptions, etc. are adopted.

## 5) Concentration of credit risks

Two large-lot customers account for 84% of operating receivables as of March 31, 2019.

## (2) Matters related to market value, etc. of financial instruments

The amounts declared in the balance sheets, market value and the difference between the two as of March 31, 2019 are as follows. Please note that they do not include financial instruments, etc. in cases where identification of market value was deemed extremely difficult.

	Balance sheet amount (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	6,536	6,536	—
(2) Accounts receivable - trade	411	411	—
(3) Investment securities Available-for-sale securities	143	143	—
(4) Income taxes receivable	22	22	—
(5) Consumption taxes receivable	209	209	—
Total assets	7,324	7,324	—
(1) Accounts payable - trade	234	234	—
Total liabilities	234	234	—

(Note 1) Calculation method of market value of financial instruments and matters related to securities

### Assets

#### (1) Cash and deposits

Deposits are all short-term and their market value is approximately the same as the book value; therefore, the book value is stated.

#### (2) Accounts receivable - trade

As accounts receivable - trade are settled within about one month and their credit risk is under management, their market value is deemed to be almost the same as the book value; therefore, the book value is stated.

#### (3) Investment securities

The market value of investment securities is stated at the price quoted at the stock exchange or in other relevant markets.

#### (4) Income taxes receivable, (5) Consumption taxes receivable

As these are settled in a short period of time, their market value after state of finance, etc. are taken into consideration is deemed to be almost the same as the book value; therefore, the book value is stated.

## Liabilities

### (1) Accounts payable - trade

Accounts payable - trade are settled within about one month, and their market value in view of state of finance, etc. is deemed to be almost the same as the book value; therefore, the book value is stated.

(Note 2) Financial instruments of which market value is deemed as extremely difficult to determine

Classification	Balance sheet amount
Unlisted stocks	115 million yen
Contributions to investment limited partnerships	418 million yen
Shares of subsidiaries and associates	50 million yen

As unlisted stocks and investment limited partnerships, with no market price, are deemed as extremely difficult to determine its market value, these items are not included in “(3) Investment securities.”

In addition, as shares of subsidiaries and associates, with no market price, are deemed as extremely difficult to determine their market value, these items are not included in the above.

(Note 3) Monetary claims and future redemption amounts of securities with maturity after settlement date

	Within 1 year (millions of yen)	Over 1 year, within 5 years (millions of yen)	Over 5 years, within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	6,536	—	—	—
Accounts receivable - trade	411	—	—	—
Income taxes receivable	22	—	—	—
Consumption taxes receivable	209	—	—	—
Total	7,180	—	—	—

## 8. Notes on tax effect accounting

### Deferred tax assets

Depreciation in excess of deductible amount 20 million yen

One-time depreciation of assets in excess of deductible amount 1 million yen

Asset retirement obligations 11 million yen

Loss on valuation of investment securities 118 million yen

Deferred assets for tax purposes 79 million yen

Deferred losses for tax purposes 526 million yen

Others 26 million yen

Subtotal deferred tax assets 786 million yen

Valuation allowance (738) million yen

Total deferred tax assets 48 million yen

### Deferred tax liabilities

Valuation difference on available-for-sale securities (40) million yen

Asset retirement obligations (8) million yen

Other (1) million yen

Total deferred tax liabilities (51) million yen

Net deferred tax liabilities (2) million yen

## 9. Notes on asset retirement obligations

### (1) Summary of the asset retirement obligations

They are restitution obligations in line with a building lease agreement for the head office.

### (2) Calculation method for the amount of the asset retirement obligations

The amount of asset retirement obligations is calculated at estimated period of use of 37.75 years to 50 years and discount rate of 1.001% to 2.301%.

### (3) Increase and decrease in the total amount of the asset retirement obligations

Balance at beginning of current period	35 million yen
Increase due to change in estimate	24 million yen
Adjustments over time	0 million yen
Decrease due to fulfillment of asset retirement obligations	(22 million yen)
Balance at end of current period	<u>37 million yen</u>

## 10. Notes on transactions with related parties

Description is omitted because it relates to transactions whose significance is low.

## 11. Notes on per share information

(1) Net assets per share	832.45 yen
(2) Basic loss per share	178.83 yen

## 12. Notes on major subsequent events

N/A

Report of Independent Auditor

May 8, 2019

To the Board of Directors  
AXELL CORPORATION

Ernst & Young ShinNihon LLC

Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant  
Designated Limited Liability Partner  
Engagement Partner

Tatsuya Yokouchi [Seal]

Toru Iizuka [Seal]

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, the notes to non-consolidated financial statements and the related supplementary schedules of AXELL CORPORATION (hereinafter the "Company") applicable to fiscal 2018, from April 1, 2018 to March 31, 2019.

Management responsibility in respect of non-consolidated financial statements

Management of the Company is responsible for the preparation and appropriate presentation of non-consolidated financial statements and the related supplementary schedules, pursuant to the corporate accounting standards generally accepted in Japan. This includes development and operation of internal control as deemed necessary by the management in ensuring preparation and appropriate presentation of the non-consolidated financial statements and the related supplementary schedules that are free from any material misstatements due to fraud or error.

Responsibility of Accounting Auditor

We as Accounting Auditor are responsible for expressing our opinion in respect of the non-consolidated financial statements and the related supplementary schedules from an independent standpoint, based on the audit we conducted. Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to develop audit plan and conduct our audit according to the plan in order to obtain reasonable assurance whether any material misstatement exists in the non-consolidated financial statements and the related supplementary schedules or not.

Our audit involves the procedures to obtain audit evidence that verifies if the accurate amounts were duly disclosed in the non-consolidated financial statements and the related supplementary schedules. Audit procedures are selected and applied at our discretion, based on the risk assessment of material misstatements in the non-consolidated financial statements and the related supplementary schedules due to fraud or error. Although expressing our opinion in respect of the effectiveness of the Company's internal control does not constitute the purpose of accounting audit, we examine the internal control in respect of the preparation and appropriate presentation of the non-consolidated financial statements and the related supplementary schedules, with the purpose to develop appropriate audit procedures depending on the situation, when we implement the risk assessment. Our audit also involves examination of the overall presentation of the non-consolidated financial statements and the related supplementary schedules, including assessment of the accounting policies and its application methods as adopted by the management, along with the estimates made by the management.

We believe we have obtained sufficient and appropriate audit evidence that serves as the basis for expression of our opinion.

#### Audit opinion

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in every significant aspect, the financial position and operating results of the Company for fiscal 2017 in conformity with corporate accounting standards generally accepted in Japan.

#### Interest

Neither Ernst & Young ShinNihon LLC nor any of the Engagement Partners has any interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

## **Audit Report**

The Audit and Supervisory Committee prepared this audit report regarding the Directors' execution of their duties during fiscal 2018, from April 1, 2018 to March 31, 2019. Those methods and results are hereby reported as follows:

### **1. Auditing Method and Details**

The Audit and Supervisory Committee received reports periodically from Directors and employees concerning the details of resolution of the Board of Directors concerning matters set forth in Article 399-13, Paragraph 1, Item 1 (b) and (c), of the Companies Act, as well as the establishment and operation of internal control systems based on such resolutions, requested explanations as necessary, expressed opinions, and conducted audits by the following methods.

- 1) Pursuant to audit policies and division of duties, etc., established by the Audit and Supervisory Committee and in cooperation with the corporate internal audit divisions, Audit and Supervisory Committee Members attended important meetings, received reports from Directors and employees, etc., regarding their execution of duties, requested explanations as necessary, viewed important decision-making documents, etc., and surveyed the conditions of operations and assets at the head office. Efforts were made to communicate and exchange information with Directors of subsidiaries, and business reports were received from subsidiaries as necessary.
- 2) While monitoring and evaluating whether or not the Accounting Auditor is maintaining an independent standpoint and implementing appropriate audits, reports were received from the Accounting Auditor regarding the execution of duties by Directors, and explanations were requested as necessary. In addition, reports were received from the Accounting Auditor that it maintains "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) pursuant to the "Quality Control Standards for Auditing" (dated October 28, 2005 by Business Accounting Council), etc., and explanations were requested as necessary.

Based on the foregoing methods, we examined the Business Report and the related supplementary schedules, and the non-consolidated financial statements (the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements) and the related supplementary schedules for fiscal 2017.

### **2. Audit Results**

#### **(1) Results of Audit of Business Report, etc.**

- 1) In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
- 2) No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
- 3) We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the description of the Business Report and the execution of duties by Directors concerning the said internal control system.

#### **(2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules**

We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

### **3. Subsequent Events**

At the Board of Directors meeting held on May 5, 2019, the Company resolved to establish a subsidiary. The purpose and outline of the establishment of the subsidiary are described in the Business Report 1. (9) 3) Establishment of a subsidiary.

May 9, 2019

Audit and Supervisory Committee  
AXELL CORPORATION

Full-time & Audit and Supervisory Committee Member	Katsuya Mitsumura
Audit and Supervisory Committee Member	Masao Suzuki
Audit and Supervisory Committee Member	Teichiro Nishizaka
Audit and Supervisory Committee Member	Shigeo Igashima

(Note) The four Audit and Supervisory Committee Members are Outside Directors as stipulated in Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.