



PRESS RELEASE

April 18, 2016

AXELL CORPORATION

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Notice of Transition to a Company with Audit and Supervisory Committee and Partial Amendments to the Articles of Incorporation

Please be informed that AXELL CORPORATION (the “Company”) has decided at the Board of Directors Meeting held on April 18, 2016, that under the condition of approval at the 21st Ordinary General Meeting of Shareholders of the Company scheduled to be held on June 18, 2016, the Company will transition to a Company with Audit and Supervisory Committee. As a result, the Company has determined the content of the “Partial Amendments to Articles of Incorporation” that will be proposed at said general meeting of shareholders as described below. Additionally, concerning the management structure subsequent to transition to a Company with Audit and Supervisory Committee, please see the “Notice of Executive Personnel Subsequent to Transition to a Company with Audit and Supervisory Committee,” disclosed today.

1. Transition to a Company with Audit and Supervisory Committee

(1) Reasons for transition

In addition to strengthening the audit and supervisory functions of the Board of Directors, by aiming for swifter and more efficient decision-making and business execution through delegation of business execution decision authority to Directors, the Company aims to further enrich corporate governance.

(2) Timing of transition

The Company is scheduled to transition to a Company with Audit and Supervisory Committee upon approval of the required amendments to the Articles of Incorporation at the 21st Ordinary General Meeting of Shareholders of the Company scheduled to be held on June 18, 2016.

2. Partial Amendments to the Articles of Incorporation

(1) Reasons for the amendments

- 1) Due to the transition to a Company with Audit and Supervisory Committee, the amendments will newly establish provisions regarding the Audit and Supervisory Committee and Audit and Supervisory Committee Members, and delete provisions regarding Audit & Supervisory Board Members and the Audit & Supervisory Board. Furthermore, to set an appropriate scope for the overall Board of Directors including

Directors serving as Audit and Supervisory Committee Members, amendments will be made to set the number of Directors (excluding Directors serving as Audit and Supervisory Committee Members) within six (6) members, and the number of Directors serving as Audit and Supervisory Committee Members within four (4) members.

- 2) In line with the enforcement of the “Act for Partial Revision of the Companies Act” (Act No. 90 of 2014), it also became possible to conclude agreements to limit liability for damages with Directors who do not execute business, and in order to facilitate the appointment of appropriate personnel and enable the sufficient fulfillment of expected duties, the amendments will partially amend Article 27 of the existing Articles of Incorporation to provide for the conclusion of agreements to limit liability for damages with Directors (excluding Executive Directors, etc.). Furthermore, said amendments have received the approval of each Audit & Supervisory Board Member.
- 3) Provisions will be newly established to allow for the delegation to Directors of all or part of determination of significant business execution via resolution of the Board of Directors.
- 4) To enable appropriate response according to the structure of the Directors of the Company for the operation of general meetings of shareholders and Board of Directors Meetings fit for the management structure of the Company, Article 14 and Article 23 of the existing Articles of Incorporation will be amended such that a Director defined in advance by the Board of Directors is the convocator and chairman of general meetings of shareholders and Board of Directors Meetings.
- 5) Amendments will be made to amend article numbers, revise wording, and make other required amendments in line with the new establishments, amendments, and deletions of the above articles.

(2) Content of amendments to the Articles of Incorporation

The description of the amendments is as follows

(The amended sections are underlined.)

Existing Articles of Incorporation	Proposed Amendments
<p>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 14. (Convocator and Chairman)</p> <p>1. A general meeting of shareholders shall be convened by <u>the Chairman of the Board of Directors or the President and Director of the Company</u> pursuant to the resolution of the Board of Directors unless otherwise stipulated by laws or regulations. In the event that <u>the Chairman of the Board of Directors and the President and Director are</u> unable to act, another Director shall convene the meeting in accordance with the order of priority previously determined <u>by a resolution of</u> the Board of Directors.</p> <p>2. <u>The Chairman of the Board of Directors or the President and Director of the Company</u>, in accordance with the priority previously determined <u>by a resolution of</u> the Board of Directors, shall chair a general meeting of shareholders. In the event that <u>the Chairman of the Board of Directors and the President and Director are</u> unable to act, another Director shall chair the meeting in accordance with the order of priority previously determined <u>by a resolution of</u> the Board of Directors.</p>	<p>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p> <p>Article 14. (Convocator and Chairman)</p> <p>1. A general meeting of shareholders shall be convened by <u>a Representative Director defined in advance by the Board of Directors</u> pursuant to the resolution of the Board of Directors unless otherwise stipulated by laws or regulations. In the event that <u>the Representative Director is</u> unable to act, another Director shall convene the meeting in accordance with the order of priority previously determined <u>in</u> the Board of Directors.</p> <p>2. <u>The Representative Director</u>, in accordance with the priority previously determined <u>in</u> the Board of Directors, shall chair a general meeting of shareholders. In the event that <u>the Representative Director is</u> unable to act, another Director shall chair the meeting in accordance with the order of priority previously determined <u>in</u> the Board of Directors.</p>
CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS	CHAPTER IV DIRECTORS AND BOARD OF DIRECTORS

Existing Articles of Incorporation	Proposed Amendments
<p>Article 19. (Number of Directors) The number of Directors of the Company shall not exceed <u>ten (10)</u>.</p> <p>(Newly established)</p>	<p>Article 19. (Number of Directors)</p> <p>1. The number of Directors <u>(excluding Directors serving as Audit and Supervisory Committee Members)</u> of the Company shall not exceed <u>six (6)</u>.</p> <p>2. <u>The number of Directors serving as Audit and Supervisory Committee Members of the Company shall not exceed four (4).</u></p>
<p>Article 20. (Election of Directors)</p> <p>1. (Newly established)</p> <p>The Directors of the Company shall be elected by a resolution of the general meeting of shareholders adopted by a majority vote of the attending shareholders who hold one third (1/3) or more of the voting rights of the shareholders entitled to exercise voting rights.</p> <p>2. Election of Directors shall not be by cumulative voting.</p>	<p>Article 20. (Election of Directors)</p> <p>1. <u>Directors of the Company shall be elected at a general meeting of shareholders, categorized as Directors serving as Audit and Supervisory Committee Members and other Directors.</u></p> <p>2. (Unchanged)</p> <p>3. (Unchanged)</p>
<p>Article 21. (Term of Office of Directors)</p> <p>1. The term of office of a Director shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within <u>two (2) years</u> from his/her election to office.</p> <p>2. <u>The term of office of a Director elected to fill a vacancy caused by retirement of a Director prior to the expiry of his/her term of office or to increase the number of Directors shall be the same as the remaining term of office of the other Directors in office at that time.</u></p> <p>(Newly established)</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Article 21. (Term of Office of Directors)</p> <p>1. The term of office of a Director <u>(excluding Directors serving as Audit and Supervisory Committee Members)</u> shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within <u>one (1) year</u> from his/her election to office.</p> <p>(Deleted)</p> <p>2. <u>The term of office of a Director serving as Audit and Supervisory Committee Member shall expire upon conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within two (2) years from his/her election to office.</u></p> <p>3. <u>The term of office of a Director serving as Audit and Supervisory Committee Member elected to fill a vacancy caused by retirement of a Director serving as Audit and Supervisory Committee Member prior to the expiry of his/her term of office shall be the same as the remaining term of office of the other Directors serving as Audit and Supervisory Committee Members in office at that time.</u></p> <p>4. <u>The period of validity for resolutions concerning the election of Substitute Directors serving as Audit and Supervisory Committee Members shall be until the</u></p>

Existing Articles of Incorporation	Proposed Amendments
	<u>beginning of the ordinary general meeting of shareholders held with respect to the last business year ending within two (2) years from said resolution.</u>
<p>Article 22. (Executive Directors and Representative Directors)</p> <p>1. The Board of Directors shall appoint one (1) President & Director and may appoint, when necessary, one (1) Chairman of the Board of Directors, and a certain number of Vice Chairmen of the Board of Directors, Executive Vice Presidents, Executive Managing Directors, and Managing Directors.</p> <p>2. Representative Director(s) shall be appointed by resolution of the Board of Directors.</p> <p>3. The President & Director shall manage business operations pursuant to resolutions of the Board of Directors.</p>	<p>Article 22. (Executive Directors and Representative Directors)</p> <p>1. The Board of Directors shall appoint one (1) President & Director <u>from among Directors not serving as Audit and Supervisory Committee Members</u> and may appoint, when necessary, one (1) Chairman of the Board of Directors, and a certain number of Vice Chairmen of the Board of Directors, Executive Vice President, Executive Managing Directors, and Managing Directors.</p> <p>2. Representative Director(s) shall be appointed <u>from among Directors not serving as Audit and Supervisory Committee Members</u> by resolution of the Board of Directors.</p> <p>3. (Unchanged)</p>
<p>Article 23. (Convocation and Chairman of Board of Directors Meetings)</p> <p>1. <u>The Chairman of the Board of Directors or the President & Director</u> shall convene and chair the meetings of the Board of Directors unless otherwise stipulated by laws or regulations.</p> <p>2. In the event <u>the Chairman of the Board of Directors and the President & Director</u> are unable to act, another Director shall chair the meeting in accordance with the order of priority previously determined by a resolution of the Board of Directors.</p> <p>(Newly established)</p> <p>3. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>and Corporate Auditor</u> three (3) days prior to the meeting; provided, however, that such period may be shortened in the event urgency is required.</p> <p>(Newly established)</p> <p>(Newly established)</p>	<p>Article 23. (Convocation and Chairman of Board of Directors Meetings)</p> <p>1. <u>A Director defined in advance by the Board of Directors</u> shall convene and chair the meetings of the Board of Directors unless otherwise stipulated by laws or regulations.</p> <p>2. In the event <u>the Director is</u> unable to act, another Director shall chair the meeting in accordance with the order of priority previously determined by a resolution of the Board of Directors.</p> <p>3. <u>Regardless of Item 2 above, Audit and Supervisory Committee Members elected by the Audit and Supervisory Committee may convene a Board of Directors Meeting.</u></p> <p>4. A notice of convocation of a meeting of the Board of Directors shall be sent to each Director <u>at least</u> three (3) days prior to the meeting; provided, however, that such period may be shortened in the event urgency is required.</p> <p>5. <u>If all members of the Board of Directors agree, a Board of Directors Meeting may be held without undergoing convocation procedures.</u></p>
	<p>Article 24. (Delegation of Determination of Significant Business Execution)</p> <p><u>Based on the stipulations of Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate to Directors all or part of determination of significant business execution (excluding matters stated in each</u></p>

Existing Articles of Incorporation	Proposed Amendments
	<u>Item of Paragraph 5 of said Article) via resolution of the Board of Directors.</u>
Article <u>24</u> . (Resolutions of Board of Directors) (Omitted)	Article <u>25</u> . (Resolutions of Board of Directors) (Unchanged)
Article <u>25</u> . (Omission of the Procedures for Adoption of Resolutions by Board of Directors) Should the Directors agree unanimously in writing or by electronic record to the matters to be resolved by the Board of Directors, the Company shall deem the relevant resolutions to have been adopted; <u>provided, however, that the foregoing shall not apply in the event a Corporate Auditor objects thereto.</u>	Article <u>26</u> . (Omission of the Procedures for Adoption of Resolutions by Board of Directors) Should the Directors agree unanimously in writing or by electronic record to the matters to be resolved by the Board of Directors, the Company shall deem the relevant resolutions to have been adopted.
Article <u>26</u> . (Compensation, etc. to Directors) The amount of compensation, bonuses, and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (hereinafter referred to as “Compensations”) shall be determined by resolution of the general meeting of shareholders.	Article <u>27</u> . (Compensation, etc. to Directors) The amount of compensation, bonuses, and any other proprietary benefits to be granted to Directors by the Company in consideration of their performance of duty (hereinafter referred to as “Compensations”) shall be determined by resolution of the general meeting of shareholders, <u>categorized as Directors serving as Audit and Supervisory Committee Members and other Directors.</u>
Article <u>27</u> . (Exemption of liability of <u>Outside Directors</u>) The Company may conclude an agreement with its <u>outside</u> directors to limit the liability for damages in cases where the criteria set forth in laws and regulations with respect to the liability for damages referred to in Article 423, Paragraph 1 of the Companies Act are met. However, the amount of liability for damages under the said agreement shall be capped at the sum of the amounts set forth in each item of Article 425, Paragraph 1 of the said Act.	Article <u>28</u> . (Exemption of liability of Directors) The Company may conclude an agreement with its directors <u>(excluding persons who are Executive Directors, etc.)</u> to limit the liability for damages in cases where the criteria set forth in laws and regulations with respect to the liability for damages referred to in Article 423, Paragraph 1 of the Companies Act are met. However, the amount of liability for damages under the said agreement shall be capped at the sum of the amounts set forth in each item of Article 425, Paragraph 1 of the said Act.
<u>CHAPTER V CORPORATE AUDITORS AND BOARD OF CORPORATE AUDITORS</u> <u>Article 28. (Adoption of Corporate Auditors and Board of Corporate Auditors)</u> <u>The Company shall have Corporate Auditors and a Board of Corporate Auditors.</u>	(Deleted) (Deleted)
Article <u>29</u> . (Number of Corporate Auditors) <u>The number of Corporate Auditors of the Company shall not exceed five (5).</u>	(Deleted)
Article <u>30</u> . (Election of Corporate Auditors) <u>The Corporate Auditors of the Company shall be elected by a resolution of the general meeting of shareholders adopted by a majority vote of the attending shareholders who hold one third (1/3) or more of the voting rights of the shareholders entitled to exercise voting rights.</u>	(Deleted)
Article <u>31</u> . (Term of Office of Corporate Auditors) <u>1. The term of office of a Corporate Auditor shall</u>	(Deleted)

Existing Articles of Incorporation	Proposed Amendments
<p><u>expire upon the conclusion of the ordinary general meeting of shareholders held with respect to the last business year ending within four (4) years from his/her election to office.</u></p> <p><u>2. The term of office of a Corporate Auditor elected to fill a vacancy caused by retirement of a Corporate Auditor prior to the expiry of his/her term of office shall be the same as the remaining term of office of the retired Corporate Auditor.</u></p>	
<p><u>Article 32. (Full-Time Corporate Auditors)</u> <u>The Board of Corporate Auditors shall appoint one (1) or more full-time Corporate Auditors from among the Corporate Auditors.</u></p>	(Deleted)
<p><u>Article 33. (Convocation and Chairman of Board of Corporate Auditors Meetings)</u> <u>1. A Corporate Auditor previously determined by the Board of Corporate Auditors shall convene and chair meetings of the Board of Corporate Auditors.</u> <u>2. Notice of convocation of a meeting of the Board of Corporate Auditors shall be sent to each Corporate Auditor three (3) days prior to the meeting; provided, however, that said period may be shortened in the event of emergency.</u></p>	(Deleted)
<p><u>Article 34. (Resolutions of Board of Corporate Auditors)</u> <u>Resolutions of the Board of Corporate Auditors shall be adopted by a majority vote of the Corporate Auditors, unless otherwise stipulated by laws or regulations.</u></p>	(Deleted)
<p><u>Article 35. (Compensation, etc. to Corporate Auditors)</u> <u>The amount of compensation, etc. to be granted to Corporate Auditors shall be determined by resolution of the general meeting of shareholders.</u></p>	(Deleted)
<p><u>Article 36. (Limitation of Liabilities of Corporate Auditors)</u> <u>The Company and an Outside Corporate Auditor may enter into an agreement that limits the liabilities set forth in Article 423, Paragraph 1 of the Companies Act should relevant requirements stipulated by laws or regulations be satisfied; provided, however, that the limit of liabilities pursuant to said agreement shall be the total of the amounts listed under Article 425, Paragraph 1 of said Act.</u></p>	(Deleted)
<p>(Newly established)</p> <p>(Newly established)</p>	<p><u>CHAPTER V AUDIT AND SUPERVISORY COMMITTEE</u> <u>Article 29. (Adoption of Audit and Supervisory Committee)</u> <u>The Company shall have an Audit and Supervisory Committee.</u></p>

Existing Articles of Incorporation	Proposed Amendments
(Newly established)	<u>Article 30. (Full-Time Audit and Supervisory Committee Member)</u> <u>Full-time Audit and Supervisory Committee Members may be elected via resolution of the Audit and Supervisory Committee.</u>
(Newly established)	<u>Article 31. (Convocation of Audit and Supervisory Committee Meetings)</u> <u>1. Notice of convocation of a meeting of the Audit and Supervisory Committee shall be sent to each Audit and Supervisory Committee Member at least three (3) days prior to the meeting; provided, however, that said period may be shortened in the event of emergency.</u> <u>2. Should all Audit and Supervisory Committee Members agree unanimously, an Audit and Supervisory Committee Meeting may be held without undergoing convocation procedures.</u>
(Newly established)	<u>Article 32. (Audit and Supervisory Committee Regulations)</u> <u>Matters related to the Audit and Supervisory Committee shall be based on the Audit and Supervisory Committee Regulations defined by the Audit and Supervisory Committee, aside from laws and regulations and the Articles of Incorporation.</u>
(Newly established)	<u>Article 33. (Resolutions of Audit and Supervisory Committee)</u> <u>Resolutions of the Audit and Supervisory Committee shall be adopted by a majority vote of the Audit and Supervisory Committee Members in attendance, who constitute a majority of the Audit and Supervisory Committee Members on the Audit and Supervisory Committee.</u>
CHAPTER VI ACCOUNTING AUDITOR Article <u>37</u> ~ (Omitted) Article <u>39</u>	CHAPTER VI ACCOUNTING AUDITOR Article <u>34</u> ~ (Unchanged) Article <u>36</u>
Article <u>40</u> . (Compensation, etc. to Accounting Auditor) The amount of compensation, etc. to be granted to the Accounting Auditor shall be determined by the Representative Director subject to the consent of the <u>Board of Corporate Auditors</u> .	Article <u>37</u> . (Compensation, etc. to Accounting Auditor) The amount of compensation, etc. to be granted to the Accounting Auditor shall be determined by the Representative Director subject to the consent of the <u>Audit and Supervisory Committee</u> .
CHAPTER VII ACCOUNTS Article <u>41</u> ~ (Omitted) Article <u>44</u>	CHAPTER VII ACCOUNTS Article <u>38</u> ~ (Unchanged) Article <u>41</u>
(Newly established) (Newly established)	<u>Supplementary Provisions</u> <u>(Interim Measures Regarding Liability Exemption of Audit & Supervisory Board Members)</u> <u>Based on the stipulations of Article 426, Paragraph 1 of the Companies Act, the Company may, via</u>

Existing Articles of Incorporation	Proposed Amendments
	<u>resolution of the Board of Directors, exempt liability for damages due to gross negligence of duties of Audit & Supervisory Board Members (including persons who were Audit & Supervisory Board Members) for actions taken before the partial amendments to the Articles of Incorporation resolved at the 21st Ordinary General Meeting of Shareholders take effect.</u>

(Note) No amendments are made to clauses not shown above.

(3) Schedule

- 1) Date of general meeting of shareholders for partial amendments to the Articles of Incorporation:
Saturday, June 18, 2016
- 2) Effective date of partial amendments to the Articles of Incorporation:
Saturday, June 18, 2016