



PRESS RELEASE

October 15, 2010

AXELL CORPORATION
14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo, Japan
Yuzuru Sasaki
President & Representative Director
(Securities Code: 6730, First Section of Tokyo Stock Exchange)
Inquiries:
Nobuhiro Sendai
Director & General Manager of Management Department
TEL: +81-3-5298-1670

Notice of Establishment of Subsidiary

Please be informed that AXELL CORPORATION (“the Company”) has decided at the Board of Directors’ meeting held on October 15, 2010 to establish a wholly-owned subsidiary.

1. Purpose of Establishment

The Company decided to establish a wholly-owned subsidiary for the purpose of cultivation of new market areas (business fields) targeting LSI products, etc. and early launch of new business initiatives.

Currently, we believe that we are facing new business opportunities due to changes in the social environment and the relaxation of various regulations. We also think an organization that can flexibly manage business activities is best suited to seizing such business opportunities and completing the flow from product development to commercial fruition. For these reasons, we decided to construct a framework that allows us to facilitate faster mobilization of a series of business activities, covering the entire span from planning of new projects to their commercialization.

By establishing a subsidiary that has a highly flexible organizational system, we intend to promote aggressive cultivation of new businesses while promoting our existing businesses.

The target market of the subsidiary will be specific areas in the M2M market (see note) and we envision product development targeting fields in need of social security, social safety, and social convenience, in particular. We will push forward with market cultivation through a focus on trailblazing design and development with cost and functional aspects in mind.

Note: M2M stands for “machine to machine.” M2M refers to a group of devices whose concept is performing automated data communication without human intervention. The current strategy of the subsidiary is to develop various products for devices employing Digital Convenience Radio technology, which comprises a part of this M2M market.

2. Overview of Subsidiary to be Established

(1) Trade name	To be determined
(2) Address of head office	14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo
(3) Representative	To be determined
(4) Main business	Development and sales of semiconductors and electronics
(5) Capital stock	125,000,000 yen
(6) Legal capital surplus	125,000,000 yen
(7) End of fiscal year	March 31
(8) Stockholder composition	Wholly owned by AXELL CORPORATION

3. Schedule of Establishment

October 15, 2010 Resolution of the Board of Directors' meeting

Early December 2010 Establishment of subsidiary (schedule)

Note: Information currently not determined yet will be reported as soon as the details are fixed.

4. Future Prospects

We believe the establishment of the subsidiary announced here will have only a minor influence on our performance in this fiscal year, because it is the first year of foundation of the subsidiary.

We establish the subsidiary with the declared goal of being profitable and achieving 2 billion yen in cumulative net sales at a relatively early stage after the establishment. We intend to promote business operations to expand the scale of business as a group.