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AXELL CORPORATION

Yuzuru Sasaki

President and Representative Director

Contact: Nobuhiro Sendai, Director and General Manager of Management Department

Securities Code: 6730

<http://www.axell.co.jp/>

The status of corporate governance in AXELL CORPORATION (“the Company”) is as follows:

I Fundamental Concept of Corporate Governance and Basic Information on Capital Structure, Corporate Attributes, and Other Matters

1. Fundamental concept

The Corporate Group consisting of the Company and its subsidiaries (hereinafter referred to as the “Corporate Group”) positions corporate governance as an important managerial issue and clearly indicates its basic ideas concerning corporate governance in its Corporate Philosophy and the Code of Conduct. The following are excerpts of provisions related to corporate governance from the Corporate Philosophy and Code of Conduct.

1. The Company, as a Corporate Group, shall establish a governance system that takes into consideration all stakeholders, including shareholders, employees, customers and business partners. (Corporate Philosophy)
2. The Company shall seek to achieve sustainable growth by acting in accordance with the Corporate Philosophy, which has been articulated separately, in order to fulfill its social responsibilities as a public corporation. (Code of Conduct)
3. The Company shall not only comply with laws, regulations and ordinances, but also maintain the values and ethics expected of a corporation as a member of society, as well as proactively engage, together with Corporate Officers and employees, in subject matters that enrich social life, such as environmental issues. (Code of Conduct)

The fundamental policy of the Corporate Group is to make efforts to establish corporate governance structures aimed at enhancing its corporate value and achieving sustainable growth, while conducting business activities as a corporate organization with social ethics in compliance with the foregoing provisions.

2. Capital structure

Percentage of shares owned by foreign shareholders

10% or More, Less than 20%

Major shareholders

Name	Number of shares held (shares)	Ratio to total (%)
Yuzuru Sasaki	1,255,900	10.12
BBH for Fidelity Low-Priced Stock Fund	809,500	6.52
Midoriya Electric Co., Ltd.	720,000	5.80
Sumihiko Ichihara	640,800	5.16
Takayuki Shibata	594,800	4.79
Tatsuaki Okumura	430,200	3.46
Kazuyoshi Moriya	414,400	3.34
Kazunori Matsuura	388,800	3.13
AVAL DATA CORPORATION	300,000	2.41
Internix Incorporated	222,000	1.78

Existence of controlling shareholders (excluding parent company)

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Existence of parent company

None

Supplementary explanation

FIL Investments (Japan) Limited has submitted a Change Report, dated May 18, 2011, pertaining to the shares of the Company, prepared in accordance with Form No. 3 of the Cabinet Office Ordinance concerning Disclosure of Status of Large Volume Holding of Share Certificates, etc., due to the changes occurring in significant contracts, including contracts for the establishment of security interests concerning shareholdings, etc. (an increase of 1% or more in the holding ratio of share certificates, etc., concerning loan transactions).

3. Corporate attributes

Stock exchange listings	Tokyo, First section
Business year end	March 31 every year
Category of business	Electrical equipment
Number of employees at the end of the previous fiscal year (consolidated)	Less than 100 persons
Net sales at the end of the previous fiscal year (consolidated)	Less than ¥10 billion
Number of consolidated subsidiaries at the end of the previous fiscal year	Less than 10 companies

4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders

None

5. Other special conditions that may have material impact on corporate governance

The Company established NEW ZONE CORPORATION, a wholly-owned subsidiary, on December 1, 2010. During the fiscal year ended March 31, 2011, said subsidiary was only in the start-up or preparation phase and thus its business activities were thought to have little impact on the performance of the Company. Consequently, from the standpoint of materiality, the Company treated said subsidiary as a non-consolidated subsidiary.

However, starting from the first quarter of the fiscal year ending March 31, 2012 (as of June 30, 2011), the Company shall treat said subsidiary as a consolidated subsidiary, mainly due to the fact that the product development expenses and other amounts relating to the said subsidiary will be reported.

II Organization of Management for Operational Decision-making, Execution and Supervision, and Other Corporate Governance Structures

1. Matters pertaining to the structure, operation, etc. of the organization

Form of the organization

The Company adopts the Corporate Auditor system.

Matters pertaining to the Directors

Number of Directors pursuant to the Articles of Incorporation	10 persons
Terms of office of Directors pursuant to the Articles of Incorporation	2 years
Chairman of the Board of Directors	President
Number of Directors	7 persons
Are Any Outside Directors in Office?	Yes
Number of Outside Directors	1 person
Number of designated Independent Corporate Officers among Outside Directors	1 person

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)								
		a	b	c	d	e	f	g	h	i
Masao Suzuki	He is from a company other than this Company.		○						○	

*1 With respect to relationships with the Company, applicable item(s) are marked “○” in accordance with the descriptions below.

- a: He is from the Parent Company.
- b: He is from another related company.
- c: He is a major shareholder of the Company.
- d: He concurrently serves as an Outside Director or Outside Corporate Auditor of another company.
- e: He is posted as a Business Execution Director, Executive Officer, or similar officer in another company.
- f: He is related to a Business Execution Director, Executive Officer, etc. of the Company or a business entity with special relationship with the Company, either as a spouse, as a relative within the third degree, or through some similar relation.
- g: He is paid remuneration or other proprietary benefit as an officer by the Parent Company of the Company or by a Subsidiary Company of the Parent Company of the Company.
- h: He has entered into an Agreement on Limitations of Liability with the Company.
- i: Other relationship.

Relations with the Company (2)

Name	Independent Corporate Officer	Supplementary explanation on the applicable item(s)	Reason for being elected as Outside Director (including reason for appointment as Independent Corporate Officer, if appointed as Independent Corporate Officer)
Masao Suzuki	<input type="radio"/>	None	The Company has been selecting and considering candidates for Outside Directors from among human resources who have not worked for the Company in the past and who are capable of making management decisions based on objective and neutral judgment, unbiased by the interests of the Company's Officers or specific stakeholders. Mr. Suzuki has recently been elected as the Company's Outside Director, based on the Company's understanding that, as a Representative Director of a company, he himself is in a position to lead corporate management while also being extremely knowledgeable regarding economic analysis and corporate management in general due to his broad experiences to date, as well as being capable of making objective and neutral management decisions that are independent from industry practices and on equal footing with the general investors.

Matters pertaining to the Corporate Auditors

Is a Board of Corporate Auditors Established?	Yes
Number of Corporate Auditors pursuant to the Articles of Incorporation	5 persons
Number of Corporate Auditors	3 persons

Collaborations among the Corporate Auditors, Accounting Auditor, and Internal Audit Control Office

The Accounting Auditor of the Company is Ernst & Young ShinNihon LLC. The Corporate Auditors (Board of Corporate Auditors) are performing their audit work in close collaboration with the Accounting Auditor. The Corporate Auditors track the status of accounting audit performed by the Accounting Auditor through briefing sessions held by the Accounting Auditor on the annual audit plan and on accounting audits, particularly closing audits on interim closing and final closing. The Company believes that close collaboration is ensured also in

view of the fact that a structure is in place to render it possible for the Corporate Auditors (Board of Corporate Auditors) to meet with the Accounting Auditor as necessary.

Additionally, the Company's Internal Audit Control Office, which has been established as an organization directly under the President, has appointed the head of the internal control organization as the Internal Audit Implementer. The Internal Audit Implementer and the Corporate Auditors, in addition to the periodic meetings held on a quarterly basis in accordance with the audit plan prepared by the Corporate Auditors, meet as necessary to mutually confirm the audit status, as well as to share information, in order to enhance the effectiveness of mutual collaboration between the two. The Corporate Auditors and the Internal Audit Implementer attend the monthly Board of Directors meeting, while the full-time Corporate Auditor and the Internal Audit Implementer attend the general managers meeting (meeting for discussing budgetary control, etc.; hereinafter referred to as "GM Meeting"), which is also convened monthly, in order to understand the directionality and decisions concerning corporate management through the various, timely information on business judgment and execution of duties by the Directors. While collaborating with each other, the Corporate Auditors and the Internal Audit Implementer are to attend meetings concerning corporate management as independent entities to collect various information, and ask questions or express opinions as each deems necessary.

Are Any Outside Corporate Auditors in Office?	Yes
Number of Outside Corporate Auditors	3 persons
Number of designated Independent Corporate Officers among Outside Corporate Auditors	1 person

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*1)									
		a	b	c	d	e	f	g	h	i	
Yoshiki Yoshida	He is from a company other than this Company.									○	○
Katsuya Mitsumura	He is from a company other than this Company.									○	○
Shigeo Igashima	He is from a company other than this Company.				○					○	○

*1 With respect to relationships with the Company, applicable item(s) are marked "○" in accordance with the descriptions below.

- a: He is from the Parent Company.
- b: He is from another related company.
- c: He is a major shareholder of the Company.
- d: He concurrently serves as an Outside Director or Outside Corporate Auditor of another company.
- e: He is posted as a Business Execution Director, Executive Officer, or similar officer in another company.
- f: He is related to a Business Execution Director, Executive Officer, etc. of the Company or a business entity with special relationship with the Company, either as a spouse, as a relative within the third degree, or through some similar relation.
- g: He is paid remuneration or other proprietary benefit as an officer by the Parent Company of the Company

- or by a Subsidiary Company of the Parent Company of the Company.
- h: He has entered into an Agreement on Limitations of Liability with the Company.
- i: Other relationship.

Relations with the Company (2)

Name	Independent Corporate Officer	Supplementary explanation on the applicable item(s)	Reason for being elected as Outside Corporate Auditor (including reason for appointment as Independent Corporate Officer, if appointed as Independent Corporate Officer)
Yoshiki Yoshida	○	He has been designated the Independent Corporate Officer.	<p>Mr. Yoshiki Yoshida was elected as the Company's Outside Corporate Auditor in consideration mainly of his extensive experience and knowledge concerning the electrical equipment industry, to which the Corporate Group belongs, as well as his experience as a full-time Corporate Auditor in the industry.</p> <p><i>Reason for designation as Independent Corporate Officer:</i></p> <p>In addition to qualifying as an "outside" entity as stipulated by the Companies Act, Mr. Yoshiki Yoshida is independent in nature as an Outside Corporate Auditor who does not present the risk of conflict of interests with the general shareholders as stipulated in the Securities Listing Regulations, etc. Further, the Company determined that, based on the aforementioned experience and knowledge, Mr. Yoshida may be positioned as an entity that is independent of the management from the perspective of protecting the general shareholders.</p>
Katsuya Mitsumura		None	Mr. Katsuya Mitsumura was elected as the Company's Outside Corporate Auditor as a result of a comprehensive judgment made based mainly on his long years of experience as a certified public accountant and knowledge of the management of business corporations.
Shigeo Igashima		None	Mr. Shigeo Igashima was elected as the Company's Outside Corporate Auditor as a result of a comprehensive judgment made

Name	Independent Corporate Officer	Supplementary explanation on the applicable item(s)	Reason for being elected as Outside Corporate Auditor (including reason for appointment as Independent Corporate Officer, if appointed as Independent Corporate Officer)
			based mainly on his long years of experience as a certified public accountant and knowledge of the management of business corporations.

Matters pertaining to Independent Corporate Officers

Number of Independent Corporate Officers 2 persons

Other matters related to Independent Corporate Officers

Not applicable.

Matters pertaining to incentives

Implementation of measures to grant incentives to the Directors Introduction of a performance-linked compensation system and a stock option system

Supplementary explanation on related matters

The Company has heretofore adopted the stock option system as an incentive to the Directors. However, in consideration of the effects of the issuance of new shares, such as an increase in the number of outstanding shares, the Company is not granting new stock options at the present time. As a current incentive for the Directors, the Company has adopted a performance-linked compensation system as part of the compensation thereto. The performance-linked compensation system, which has been adopted by the Company, has been designed so that compensation in excess of the capped and fixed portion applicable to all Directors, which has been approved by the General Meeting of Shareholders, fluctuates according to the amount attained over a pre-determined amount of net income. Additionally, in cases where, regardless of the actual amount, net income declines at a rate exceeding a predetermined rate, or in cases where net income declines for two consecutive fiscal years or more, the performance-linked portion is not paid. The Company has adopted such a system, as a way of aiming for stable and sustainable profitability, and as means to provide the Directors with incentive to improve stock value.

Individuals eligible for stock option

Internal Directors, (Outside Corporate Auditors), employees

Supplementary explanation on related matters

Until the past fiscal year, the Company had endeavored to foster a sense of participation in corporate management among Corporate Officers and employees, as well as boost corporate management efforts and

motivate performance of duties, by adopting the stock option system. The Company had also been adopting the system as a way of providing an incentive other than compensation in order to secure competent human resources. Although the Company currently is not granting new stock options, it established the Employee Shareholders' Association in the fiscal year ended March 31, 2007, as an incentive for employees, while adopting a performance-linked compensation system for Directors as part of the compensation thereto.

Matters pertaining to remunerations for Directors

Scope of disclosure (of individual remuneration for Director)

Individual remuneration for Director is not disclosed.

Supplementary explanation on related matters

In light of the importance to shareholders and investors of attaching to information regarding remuneration for Corporate Officers, insofar as the Company reflects their concern that sizable remuneration and stock options for Corporate Officers could lead to a business attitude geared excessively toward the short-term, the Company will disclose on an individual basis the names and details of those who receive, in aggregate, individual annual remuneration of more than ¥100 million.

While the individual remuneration of each Corporate Officer for the fiscal year ended March 31, 2011 was within the above amount, the Company, in light of the importance of the actual amount of individual remuneration in accordance with the tenets of the compensation system described above, shall disclose the aggregate amount of remuneration in the Annual Securities Report for the corresponding period.

Existence of guidelines for determination of the amount and calculation method of remuneration

Yes

Disclosure of guidelines for determination of the amount and calculation method of remuneration

Information regarding guidelines for the amount and calculation method of remuneration of the Company's Directors is as follows:

- (1) Remuneration for Directors was set at ¥180 million or less per year (however, this amount does not include the employee salary portion of Directors serving concurrently as employees), pursuant to the resolution of the 15th Ordinary General Meeting of Shareholders held on June 18, 2010.
- (2) The Director's performance-linked compensation system has been approved, pursuant to the resolution of the 13th Ordinary General Meeting of Shareholders held on June 21, 2008. The calculation method is as follows:

Amount of net income	Compensation limit
Less than ¥2.0 billion	¥0
More than ¥2.0 billion to less than ¥3.0 billion	¥10 million
More than ¥3.0 billion to less than ¥3.5 billion	¥15 million

More than ¥3.5 billion to less than ¥4.0 billion ¥25 million

More than ¥4.0 billion to less than ¥4.5 billion ¥35 million

More than ¥4.5 billion to less than ¥5.0 billion ¥45 million

More than ¥5.0 billion ¥60 million

Additionally, in cases where either of the following applies, the performance-linked portion of the compensation will not be paid, regardless of the amount of net income stated above.

- a. In cases where net income for the current fiscal year declines by 15% or more year-on-year;
- b. In cases where net income declines for two consecutive fiscal years or more.

Support system for Outside Directors (Outside Corporate Auditors)

Although the Company has not established sections or appointed staff dedicated to supporting the Outside Directors or Outside Corporate Auditors, a structure has been established in which necessary information is relayed in a timely manner.

2. Matters pertaining to functions of business execution, audit and supervision, nomination, determination of remuneration, etc. (Outline of the current corporate governance system)

- (1) As of June 20, 2011, the Company's Board of Directors comprises seven Directors, including one Outside Director, and is engaged in making important decisions concerning statutory operations and corporate management, as well as supervising the business execution of Directors. In order to clarify accountability while maintaining the continuity of corporate management, the term of office of Directors is set at two years.
- (2) The Company believes that the role of the Outside Director is to monitor and supervise the proper business execution by the Directors and to reinforce the Board of Directors' management oversight.
- (3) The Company takes the following into consideration as regards the selection of new Director candidates in light of the responsibilities expected of the Directors:
 - a. That they possess the ability to manage the business activities overall of the Company, which is an engineering company, from a corporate management perspective.
 - b. That they possess the experience, qualifications, and knowledge concerning the industry to which the Company belongs or the duties of which the Director is to be in charge.
 - c. That they possess the character, personality, refinement, common sense, and ethical imperative suitable for a member of society.

In addition to the above, the criteria for selecting the candidates for Outside Directors also include the following points:

- d. That they possess the ability and knowledge to supervise corporate management from the same perspective as shareholders and general investors.
 - e. That they aim at the enhancement of corporate value, while maintaining an objective and neutral perspective toward shareholders and general investors when supervising corporate management.
- (4) Remuneration for Directors decisions shall be made by the Board of Directors on the basis of certain remuneration criteria, within the scope that has been approved by the General Meeting of Shareholders.
- (5) As of June 20, 2011, the Company's Board of Corporate Auditors comprises three Outside Corporate Auditors and is engaged in auditing the execution of business by Directors. All Corporate Auditors, as a general rule, attend the monthly Board of Directors meetings, while the full-time Corporate Auditors assist the President in executing corporate management in general, as well as reinforce the audit functions, by such means as attending the GM Meetings, which are responsible for executing business operations other than those allocated to the other sections through the Company's division of duties.
- (6) Accounting audit of the Company are conducted by Ernst & Young ShinNihon LLC. The business execution partners are Messrs. Tomofumi Watanabe, Yuji Anzai and Toru Iizuka and the duration of their engagement is within seven years. The audit work is conducted by three certified public accountants and five others.
- (7) Please refer to the "Reference Materials: Diagram" for the current corporate governance system.

3. Reason for adopting the current corporate governance system

The Company has adopted the current system with the understanding that the execution of business by the Board of Directors comprising six (6) Directors knowledgeable in the Company's businesses and one (1) highly independent Outside Director, both of whom were elected at the General Meeting of Shareholders, and auditing by the Board of Corporate Auditors consisting entirely of three (3) highly independent Outside Corporate Auditors would be effective as a corporate governance system.

III Measures for Shareholders and Other Stakeholders and their Implementation

1. Efforts to vitalize the General Meeting of Shareholders and facilitate the exercise of voting rights

	Supplementary explanation
Earlier dispatch of the notice of the Meeting	The Company dispatches the notice of convocation of the General Meeting of Shareholders approximately one (1) week prior to the statutory deadline.
Date of the Meeting to be set in principle on a day other than the day on which the largest number of companies holds annual shareholders meetings ("the peak day")	In an effort to allow a larger number of shareholders to attend the General Meeting of Shareholders, the Company endeavors to select a Saturday or a Sunday about ten (10) days prior to the peak day for its General Meeting of Shareholders.
Exercise of voting rights through electromagnetic means	The Company adopts the electromagnetic means of exercising voting rights, utilizing the platform for the electronic exercise of voting rights operated by ICJ, Inc. for institutional investors.
Provision of the notice of convocation of the Meeting (summary) in English	The Company prepares the notice of convocation of the General Meeting of Shareholders and reference materials in English, and makes them available on both the platform for the electronic exercise of voting rights operated by ICJ, Inc. for institutional investors and the Company's Web site.
Other	By avoiding the peak day and further selecting a Saturday or Sunday in setting the date for its General Meeting of Shareholders to create an environment that allows a larger number of shareholders to attend, the Company is seeking to vitalize its General Meeting of Shareholders. A presentation meeting is also held in the Osaka region every year in December for the purpose of promoting shareholders' understanding of the Company. Additionally, starting from the Ordinary General Meeting of Shareholders held in June 2010, the results of votes on matters submitted to the General Meeting of Shareholders in terms of the numbers of yeas and nays, have been disclosed in the Extraordinary Report submitted on June 21, 2010.

2. IR Activities

	Supplementary explanation	Presentation by Representative
Periodic presentation meeting for individual investors	The Company has been participating in investment seminars sponsored by securities companies and holding periodic presentation meetings for individual investors. All of the presentation meetings are conducted by the President and Representative Director in person.	Will be made
Periodic presentation meeting for analysts and institutional investors	As regards periodic presentation meetings for analysts and institutional investors, four closing presentation meetings are held annually (April, July, October, and January of each year) subsequent to the disclosure of quarterly closing statements. Each presentation meeting is held promptly after the disclosure of closing statements, with the Representative and the Director in charge of Disclosure reporting on the financial results and providing an explanation on the future outlook.	Will be made
Posting of IR materials via the website	<p>Major IR information posted on the Company's Web site includes the following:</p> <ul style="list-style-type: none"> ● A message from the Representative, summaries of financial results (<i>kessan tanshin</i>), Annual Securities Reports, quarterly reports, materials for presentation meetings, materials on closing statement and financial analyses, IR schedule, status of corporate governance, FAQ, etc. <p>The URL of the Company's Web site is as follows: http://www.axell.co.jp/ http://www.axell.co.jp/jp/ir/sitemap/index.html</p>	
Placing department (or person) in charge of IR	The Investor Relations & Public Relations Division of the Management Department is in charge of investor relations. The Corporate Officer in charge of IR is Nobuhiro Sendai, Director and General Manager of the Management Department. The IR Administrative Liaison is Yoshimasa Ueno, Senior Manager of the Management Department.	
Other	<p>The Company is dispatching information in manners that include the following in view of the diverse shareholders and investor needs regarding the mode of receiving information.</p> <ol style="list-style-type: none"> a. Posting of IR information via the Web site b. Transmission of IR e-mail c. Transmission of the substance of presentation meetings via radio d. Presentation meetings for shareholders/investors 	

Supplementary explanation

Presentation by
Representative

- e. English translations of various disclosure materials

3. Reinforcing respect for the stakeholders' positions

Supplementary explanation

The provision of internal rules, etc. concerning respect for stakeholders' positions

The Corporate Group has adopted the policy of respecting stakeholders' positions, setting forth the establishment of a governance system that takes into consideration all stakeholders, including shareholders, employees, customers and business partners in its Corporate Philosophy.

Environmental protection activities, CSR activities, etc.

The Corporate Group is promoting the establishment of a corporate structure that renders possible the fulfillment of its social responsibility by setting forth the establishment of a corporate governance system in its Corporate Philosophy. CSR activities that the Company is currently engaged in include donations to the Japanese Red Cross Society, the Japan Heart Foundation, the Japanese Foundation for Cancer Research, and the Japan Fund for Global Environment of the Environmental Restoration and Conservation Agency. The Company appreciates that it is generally conducting CSR activities suitable for its current business size, such as donating used PCs to local governments. Further, the Company is conducting an education program titled "Embedding OJT on Campus" at Tsukuba University in collaboration therewith in order to foster engineers who will be supporting the future of the Japanese embedded device industry.

Formulation of policies, etc., on provision of information to stakeholders

The Company states in its Corporate Philosophy that it will respect the positions of stakeholders, as well as follow laws, ordinances, the Articles of Incorporation, and rules in releasing information in a timely and suitable manner to all stakeholders.

1. The Company will aspire to achieve an appropriate market reputation through the timely, accurate, fair and ongoing disclosure of corporate, financial, and other information and by building a relationship of trust with all its stakeholders.
2. The Company will feedback the opinions of the shareholders and investors to its management and link them to efforts to maximize corporate value.

IV Matters Pertaining to Systems Including the Internal Controls System

1. Fundamental Concept of the Internal Controls System and the Status of Improvement of the System

The fundamental policy of the Company is to build effective internal controls systems and to ensure the implementation of the systems built based on the recognition of the importance of establishing corporate governance for the fulfillment of its social responsibilities as a corporation. The Company's Corporate Philosophy based on this fundamental concept includes establishing "a governance system that takes into consideration all stakeholders, including shareholders, employees, customers, and business partners," following

“laws, ordinances, the Articles of Incorporation, and rules in releasing information in a timely and suitable manner,” and “based on full consideration of information management supporting an open and free corporate climate and while aiming for business expansion contributing to society in a manner appropriate for our business operations.”

(1) Systems to ensure that the Directors comply with applicable laws, regulations, and the Articles of Incorporation in the execution of their duties

(Article 362, Paragraph 4, Item 6 of the Companies Act)

- a. The Company’s Directors shall not only comply with the laws, ordinances, 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.
- b. 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 compliance with the laws, ordinances, the Articles of Incorporation and the like from a perspective independent of the business execution organization.
- c. 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, ordinances, the Articles of Incorporation, and Board of Directors Regulations. Furthermore, the Directors comprising the Board of Directors prevent conduct that are in violation of laws, ordinances, or the Articles of Incorporation through the mutual confirmation of the execution of duties, as well as through check and balance.
- d. The Company shall establish an internal reporting office for reporting violations of laws or ordinances and other incidents relating to compliance, as well as an external reporting office where an outside counsel directly receives information.

(2) Systems concerning storage, management, etc. of information on the execution of duties by the Directors

(Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

- a. 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 relevant laws, ordinances and internal regulations, and shall be managed in such a manner as to allow for inspection as necessary.
 - i. Minutes of the General Meeting of Shareholders; minutes of and relevant materials from the Board of Directors meetings;
 - ii. Minutes and relevant materials from significant meetings organized by a Director or an important employee; and
 - iii. Important documents relating to the execution of duties by Directors, such as requests for final decision and attachments thereto.
- b. 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, ordinances, and the like.
- c. 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 build shall be enhanced in an ongoing manner.

(3) Internal regulations and other systems concerning risks of loss

(Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

- a. 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.
- b. The teams and entities comprising the Company shall continually study the risks that may arise in the course of business and report the results thereof to the General Manager Meeting (meetings held periodically by the President, Business Execution Directors, General Managers of Groups, Division leaders, etc.; hereinafter referred to as the “GM Meeting”) and the Board of Directors.
- c. Company-wide measures for responding to large-scale disasters and the like shall be considered from the perspective of business continuity plans.

(4) Systems to ensure the efficient execution of duties by the Directors

(Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

- a. 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.
- b. The Company shall hold a regular Board of Directors meeting once monthly with the attendance, as a general rule, of all Directors and Corporate Auditors for reports on the status of execution of duties by the Directors.
- c. 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.
- d. For the purpose of sharing various information on material facts concerning corporate management, the Company stipulates the participation of all Directors in the GM Meetings as a general rule, in addition to requiring the circulation of all requests for final decision among Directors, excluding the Outside Directors, for approval, as well as the inspection thereof by the Outside Directors.
- e. 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) System to ensure that employees comply with applicable laws, regulations, and the Articles of Incorporation in the execution of their duties, and the system to ensure compliance

(Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

- a. The Company’s employees shall not only comply with the laws, ordinances, 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.
- b. The Internal Audit Implementer shall conduct audits on the status of employee compliance with the laws, ordinances, the Articles of Incorporation and the like from a perspective independent of the business execution organization.

- c. The Company shall establish an internal reporting office for reporting violations of laws or ordinances and other incidents relating to compliance, as well as an external reporting office where an outside counsel directly receives information.

(6) Systems to ensure the propriety of business operations in the corporate group consisting of the Company and its subsidiaries

(Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

- a. The Company shall develop a Corporate Philosophy and Guidelines for Action for the Corporate Group required to ensure the propriety of business conducted by the Corporate Group consisting of the Company and its subsidiaries. The subsidiaries shall undergo monitoring and audits by the Company's Corporate Auditors as well as the internal audits of the Company's unit in charge of internal control.
- b. The Company shall develop regulations concerning the management of subsidiaries and require prior approval to be obtained at the Board of Directors for the material business execution by the subsidiaries, in addition to reports to the Board of Directors on the monthly status of business execution.

(7) Matters concerning employees to be posted as assistants to the Corporate Auditor(s) for the execution of auditor duties and matters concerning the independence of said employees from the Directors.

(Article 100, Paragraph 3, Items 1 and 2 of the Ordinance for Enforcement of the Companies Act)

- a. The Company shall appoint appropriate assistants to Corporate Auditors, should Corporate Auditors request the appointment of employees to assist with their duties.
- b. In order to ensure the independence of assistants to Corporate Auditors, the Company shall respect the opinions of the Board of Corporate Auditors in making decisions on various matters relating to said independence, such as the appointment and dismissal of employees assisting such Corporate Auditors.

(8) Systems for the Directors or employees to report to the Corporate Auditors and other systems concerning reports to the Corporate Auditors

(Article 100, Paragraph 3, Item 3 of the Ordinance for Enforcement of the Companies Act)

- a. Corporate Auditors shall receive reports from the Directors and employees on the following matters:
 - i. Matters subject to regular reporting
 - Corporate management, business and financial status; risk management and compliance status
 - ii. 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, ordinances, or the Articles of Incorporation
- b. Corporate Auditors shall attend Board of Directors meetings in order to obtain the aforementioned information. The Full-time Corporate Auditor shall attend internal meetings of high managerial significance, in addition to inspecting such important documents as requests for final decision.

(9) Other systems to ensure the effectiveness of auditing by the Corporate Auditors

(Article 100, Paragraph 3, Item 4 of the Ordinance for Enforcement of the Companies Act)

- a. Directors shall endeavor to improve the environment for audits by Corporate Auditors in recognition of the importance thereof to the Directors and employees.
- b. The Company shall ensure a system that allows Corporate Auditors to collect the necessary information by regularly organizing meetings with Corporate Auditors 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.

2. Basic concept and framework for excluding anti-social forces

Pursuant to the fundamental policy of eradicating relationships with anti-social forces, the Corporate Group sets forth in the Axell Corporation's Code of Conduct that it shall "not only comply with laws, regulations and ordinances, but also maintain the values and ethics expected of a corporation as a member of society" and "deal with anti-social forces in a resolute attitude and shall never share profits with them."

The Corporate Group is promoting efforts to prevent damage caused by anti-social forces by holding seminars on eradicating relationships with anti-social forces for the Company's employees and collaborating with local law enforcement, lawyers, and other outside professionals. Further, the Corporate Group is collecting information on anti-social forces and appropriate methods of addressing undue claims and the like by joining the Council on Special Violence Prevention Measures in an effort to establish a structure in preparation for eventualities.

Undue claims and the like from anti-social forces to the Corporate Group are to be dealt in accordance with the Corporate Group's Manual on Measures against Anti-Social Forces mainly by the General Affairs and Personnel Division of the Management Department, which is the unit managing related matters including the collection of relevant information.

V Other Matters**1. Adoption of anti-takeover measures**

Adoption of anti-takeover measures	None
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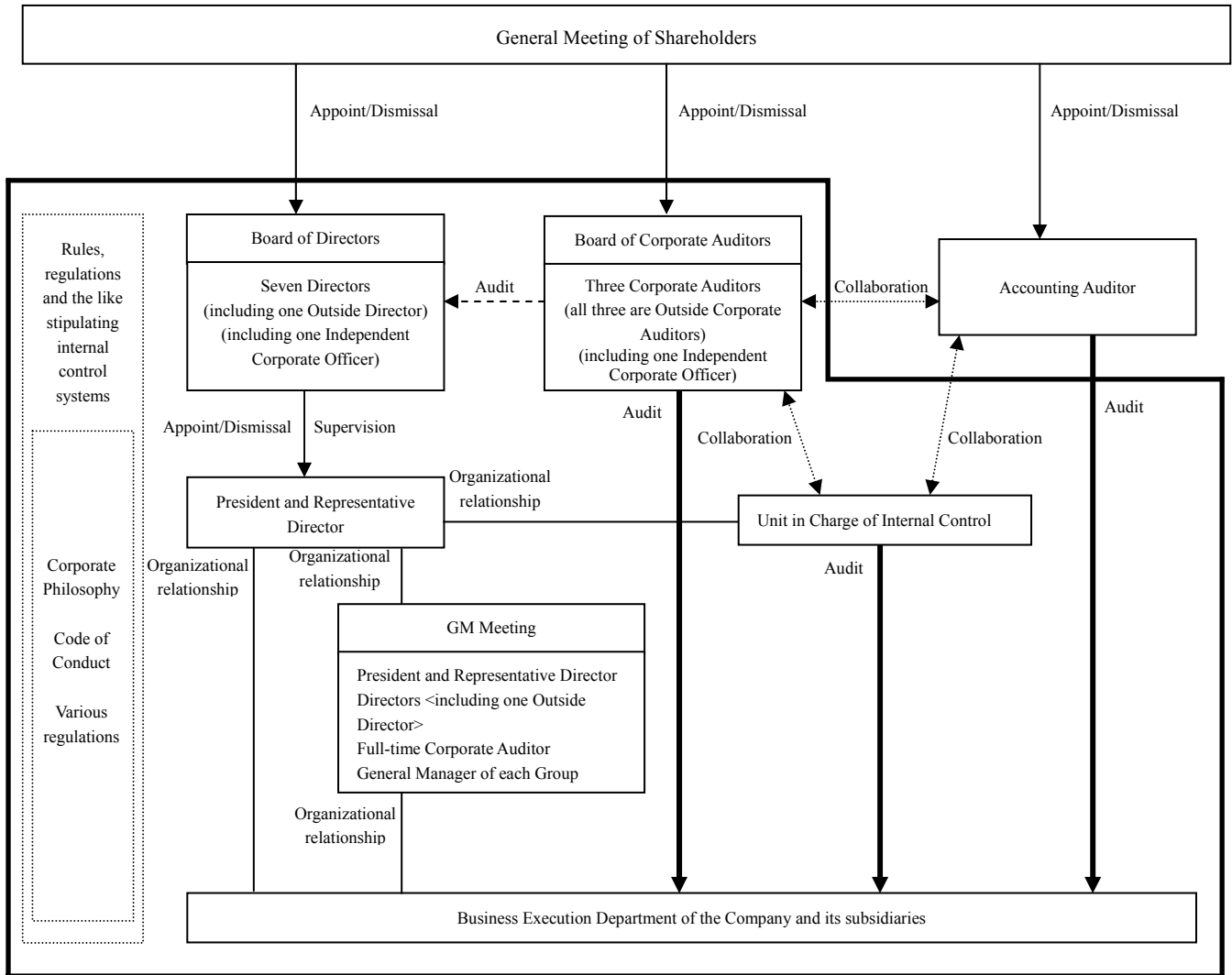
Supplementary explanation on related matters

Based on the following policy, the Company has not adopted generally employed anti-takeover measures. The Corporate Group believes that it should desirably be controlled by entities that support its Corporate Philosophy. The policy of the Company is to consider necessary and appropriate measures to protect the Company's Corporate Philosophy, as well as the interests of its shareholders and other stakeholders, should an entity deemed inappropriate in view of its Corporate Philosophy express the intent to acquire control thereof.

2. Other matters concerning corporate governance system, etc.

Not applicable.

Corporate Governance System Including Internal Control Systems



System for Timely Disclosures

