

# PRESS RELEASE

May 9, 2019

AXELL CORPORATION  
14-1, Sotokanda 4-chome, Chiyoda-ku, Tokyo, Japan  
Kazunori Matsuura  
President & Representative Director  
(Securities Code: 6730, First Section of Tokyo Stock Exchange)  
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## Notice of Establishment of a Subsidiary

Please be informed that at the Board of Directors meeting held on May 9, 2019, AXELL CORPORATION (the “Company”) resolved to establish a subsidiary in order to promote business in the areas of machine learning and middleware.

### 1. Background and Objective of the Establishment of the Subsidiary

The Company has promoted business as a fabless semiconductor maker with strengths in research and development of graphics LSI and compression/decompression technologies. Through that business, the Company has cultivated research in elemental technologies for differentiation. With its concerted effort including from that research to hardware and software efforts that facilitate productization as a strength, it is also focusing on commercialization in the four areas of middleware, machine learning, security, and blockchain. Therefore, the Company decided to establish a subsidiary with the objective of early commercialization in the areas of machine learning and middleware. In addition to AI business with “AILIA,” which we developed independently as a deep-learning framework, at its core, the business will focus on expanding sales of “AXIP Series” middleware, aimed mainly at the gaming market. In addition, we will take measures for the early establishment of a pillar of new profits through the creation of new business, by inviting Mr. Takehiko Terada, who possesses deep expertise in the fields of AI and machine learning, and abundant management experience in middleware business, to be Representative Director.

### 2. Outline of the Subsidiary (tentative)

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| (1) Trade name:                                   | ax Inc.  |
| (2) Address:                                      | 10F, Akihabara UDX South Wing, 4-14-1 Sotokanda, Chiyoda-ku, Tokyo, Japan<br>(within AXELL CORPORATION) *Planned to move to Shibuya-ku in FY2019 |
| (3) Position and name of representative director: | Takehiko Terada, President & Representative Director   |
| (4) Business activities:                          | AI consulting (including development of AI apps)<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% Takehiko Terada: 10%
(9) Relationship with the Company:	Capital relationship: A subsidiary established with a 90% investment by the Company Personal relationship: Four of the five corporate officer positions at the subsidiary will be filled concurrently by corporate officers or employees of the Company Business relationship: The Company will be entrusted with the management and operations of the subsidiary and there will be transactions with the subsidiary involving products developed by the Company (AILIA, AXIP, etc.)

### 3. Schedule

(1) Resolution of the Board of Directors:	May 9, 2019
(2) Establishment of the subsidiary:	May 2019 (tentative)

### 4. Future Outlook

Due to the establishment of the subsidiary, we plan to transition to a consolidated balance sheet from the current fiscal year. We are currently reviewing possible effects on the business results of the current fiscal year, and if any events requiring disclosure arise, we will swiftly disclose them.

(Reference)

#### Career History of the Representative Director (Mr. Takehiko Terada)

April 1991	Joined Kubota Computer Inc.
April 1996	Joined Silicon Graphics Japan Ltd. (now Hewlett-Packard Japan, Ltd.)
January 2000	Joined Silicon Studio Corp.
July 2004	Executive Director of Silicon Studio Corp.
December 2007	President & CEO of Silicon Studio Corp.
May 2008	Director of Matchlock Corp.
February 2009	President & Representative Director of Ignis Imageworks Corp.
February 2013	Director of prime switch inc.
March 2019	Representative Director of Vault, Inc. (current position)