



PRESS RELEASE

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Notice Regarding the Issuance of Stock Options (Stock Acquisition Rights)

Please be informed that the Board of Directors of AXELL CORPORATION (the “Company”), at its meeting held today, decided on the subscription requirements for stock acquisition rights to be issued as stock options to employees of the Company (the “Stock Acquisition Rights”), and resolved to call for subscriptions to the Stock Acquisition Rights.

Section 1. Reason for Issuing Stock Acquisition Rights

The issue of the Stock Acquisition Rights is aimed at increasing motivation and morale among employees of the Company, to improve performance and maximize corporate value.

Section 2. Overview of the Stock Acquisition Rights

1. Name of the Stock Acquisition Rights: AXELL CORPORATION Stock Acquisition Rights 2019
2. Total number of the Stock Acquisition Rights: 850

The number shown above is the number that the Company plans to allot. However, should the actual number of the Stock Acquisition Rights to be allotted decrease due to insufficient subscriptions or other reasons, then the total number of the Stock Acquisition Rights issued shall be the total number of the Stock Acquisition Rights allotted.

3. Class and number of shares to be issued upon exercise of the Stock Acquisition Rights

The class of shares to be issued upon exercise of the Stock Acquisition Rights shall be the Company’s common stock, and the number of shares to be issued upon exercise of each Stock Acquisition Right (the “Number of Shares Granted”) shall be 100 shares.

However, if the Company executes a stock split of the Company’s common stock (including a gratis allotment of the Company’s common stock; the same applies hereinafter regarding stock splits) or a reverse stock split of the Company’s common stock, on or after the date when the Company’s Board of Directors resolves to call for subscriptions to the Stock Acquisition Rights (the “Resolution Date”), the Number of Shares Granted shall be adjusted in accordance with the following formula. Any resulting fractional shares shall be discarded.

$$\text{Adjusted Number of Shares Granted} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of stock split or reverse stock split}$$

The provisions in 5. (2) a) below shall apply mutatis mutandis when determining the date from which the adjusted Number of Shares Granted is applicable.

In addition, if the Company conducts a corporate merger, company split, or any other equivalent event that requires adjustment to the Number of Shares Granted on or after the Resolution Date, the Company may make an appropriate adjustment to the Number of Shares Granted, within reasonable bounds.

If an adjustment is made to the Number of Shares Granted, the Company shall notify or announce all necessary matters to the holder of each Stock Acquisition Right as recorded on the register of stock acquisition rights (the "Stock Acquisition Rights Holders") on or before the day prior to the application of the adjusted Number of Shares Granted. If it is not possible to make such a notification or announcement on or before the day prior to application, a notification or announcement shall be made promptly thereafter.

4. Value of assets to be contributed upon exercise of the Stock Acquisition Rights

The value of assets to be contributed upon exercise of each Stock Acquisition Right shall be the amount obtained by multiplying the paid-in amount per share for each share delivered through the exercise of the Stock Acquisition Rights (the "Exercise Value") by the Number of Shares Granted.

The Exercise Value shall be the greater of i) the average (rounded up to the nearest yen) of the closing price of the Company's common stock in ordinary market transactions on the Tokyo Stock Exchange (the "Closing Price") on each day (excluding days with no transactions) of the month preceding the month containing the day when the Stock Acquisition Rights are allotted (the "Allotment Date"), and ii) the Closing Price on the Allotment Date (or the trading day immediately preceding if there is no Closing Price on that day). The Exercise Value is subject to adjustment as stipulated in 5. below.

5. Adjustment of the Exercise Value

(1) If the Company conducts a) or b) below regarding its common stock on or after the Allotment Date, the Exercise Value shall be adjusted based on the respective formula (the "Exercise Value Adjustment Formula") described therein. Any resulting fractional amounts shall be rounded up to the nearest whole number of yen.

a) If the Company executes a stock split or reverse stock split

$$\text{Adjusted Exercise Value} = \text{Exercise Value before adjustment} \times \frac{1}{\text{Ratio of stock split or reverse stock split}}$$

b) If the Company issues shares or disposes of treasury stock for less than fair value (excluding cases where this issuance or disposal is a sale of treasury stock based on the provisions of Article 194 of the Companies Act (Demand for the Sale of Shares Less than One Unit by a Holder of Shares Less than One Unit), the conversion of converting or convertible securities into the Company's common stock, or the exercise of stock acquisition rights (including those attached to bonds with stock acquisition rights) to request delivery of the Company's common stock)

$$\text{Adjusted Exercise Value} = \text{Exercise Value before adjustment} \times \frac{\text{Number of shares already issued} + \frac{\text{Number of shares newly issued} \times \text{Paid-in amount per share}}{\text{Fair value}}}{\text{Number of shares already issued} + \text{Number of shares newly issued}}$$

- i. “Fair value” used in the Exercise Value Adjustment Formula shall be the average of the Closing Price (including quote indications; the same applies hereinafter) on each of the 30 consecutive trading days (excluding days with no Closing Price) commencing from the 45th trading day before the “date when the adjusted Exercise Value is applied” (the “Date of Application”) prescribed in (2) below. The “average” in yen shall be rounded off to the first decimal place.
 - ii. “Number of shares already issued” used in the Exercise Value Adjustment Formula shall be the total number of the Company’s common stock issued after deducting those held by the Company as treasury stock, as of the record date where available, otherwise on the date one month before the Date of Application.
 - iii. If the Company is disposing of treasury stock, “Number of shares newly issued” in the Exercise Value Adjustment Formula shall be replaced by “Number of shares of treasury stock disposed of.”
- (2) The date when the adjusted Exercise Value is applied shall be determined as set out below.
- a) If an adjustment is made pursuant to the provisions of (1) a) above, the adjusted Exercise Value shall be applied from the day following the stock split record date (or from the effective date, if no record date is indicated) in the case of stock splits, or from the effective date in the case of reverse stock splits. However, if the execution of a stock split is subject to approval of a proposal to decrease the amount of retained earnings and increase the amount of capital stock or capital surplus at the Company’s general meeting of shareholders, and the stock split record date falls prior to the conclusion of the relevant general meeting of shareholders, then the adjusted Exercise Value shall be applied retrospectively from the day following the stock split record date, on or after the day following the conclusion of the relevant general meeting of shareholders.
If the Date of Application is determined as prescribed in the second part of the paragraph above, the number of the Company’s common stock to be delivered to Stock Acquisition Rights Holders who exercise Stock Acquisition Rights during the period beginning on the day following the stock split record date and ending on the day of the conclusion of the relevant general meeting of shareholders (the number of shares delivered through such an exercise of Stock Acquisition Rights is hereinafter referred to as “Number of Shares from Pre-split Exercise”) shall be adjusted in accordance with the formula below, with any fractions discarded.
- $$\text{Number of shares newly issued} = \frac{\left[\text{Exercise Value before adjustment} - \text{Adjusted Exercise Value} \right] \times \text{Number of Shares from Pre-split Exercise}}{\text{Adjusted Exercise Value}}$$
- b) If an adjustment is made pursuant to the provisions of (1) b) above, the adjusted Exercise Value shall be applied from the day following the payment date (or the final day of the payment period, where a payment period has been established) of the relevant issuance or disposal (or the day following the relevant record date, where available).
- (3) If an adjustment to the Exercise Value is required after the Allotment Date in cases other than those prescribed in (1) a) and b) above, such as a gratis allotment of other classes of shares to common shareholders, or where a dividend comprising shares of another company is paid to common shareholders, the Company may, upon consideration of the conditions pertaining to the said allotment, dividend or other event, make an adjustment to the Exercise Value within reasonable bounds.

- (4) When adjusting the Exercise Value, the Company shall notify or announce all necessary matters to the Stock Acquisition Rights Holders on or before the day prior to the Date of Application. If it is not possible to make such a notification or announcement on or before the day prior to application, a notification or announcement shall be made promptly thereafter.
6. Exercise period for the Stock Acquisition Rights
From January 7, 2022 to January 6, 2026
7. Increase in capital stock and capital surplus due to shares issued upon exercise of Stock Acquisition Rights
 - (1) The increase in capital stock due to shares issued upon the exercise of the Stock Acquisition Rights shall be one half of the Maximum Amount of Increase in Stated Capital, etc. calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, with any fractions rounded up to the nearest whole number of yen.
 - (2) The increase in capital surplus due to shares issued upon the exercise of the Stock Acquisition Rights shall be the Maximum Amount of Increase in Stated Capital, etc. indicated in (1) above, reduced by the amount of the increase in capital stock indicated in (1) above.
8. Restrictions on the acquisition of the Stock Acquisition Rights by transfer
An approval by resolution of the Company's Board of Directors is required for the acquisition of the Stock Acquisition Rights by transfer.
9. Acquisition terms of the Stock Acquisition Rights
Where any of the proposals described in (1) to (5) below is approved by the Company's general meeting of shareholders (or resolved by the Company's Board of Directors, where a resolution by the general meeting of shareholders is not required), the Company may acquire the Stock Acquisition Rights without consideration, on a date to be stipulated separately by the Company's Board of Directors.
 - (1) A proposal to approve a corporate merger agreement under which the Company will become a non-surviving company
 - (2) A proposal to approve a corporate split agreement or a corporate split plan under which the Company will become a split company
 - (3) A proposal to approve a share exchange agreement or share transfer plan under which the Company will become a wholly-owned subsidiary
 - (4) A proposal to approve amendments to the Articles of Incorporation creating a provision to the effect that, as a feature of all shares issued by the Company, the approval of the Company is required for the acquisition of such shares by transfer
 - (5) A proposal to approve amendments to the Articles of Incorporation creating a provision to the effect that, as a feature of the class of shares issued upon exercise of the Stock Acquisition Rights, i) the approval of the Company is required for the acquisition of shares of such class by transfer, or ii) the Company may acquire all shares of such class by resolution of its general meeting of shareholders
10. Policy regarding the delivery of stock acquisition rights of restructuring companies in the event the Company undergoes organizational restructuring
In the event of any of the following actions (the "Organizational Restructuring") by the Company: a corporate merger (only where the Company is the non-surviving company), absorption-type company split or incorporation-type company split (in each case, only where the Company becomes a split company), or a share exchange or share transfer (in each case, only where the Company becomes a wholly-owned subsidiary); then the Company shall deliver to Stock Acquisition Rights Holders holding remaining Stock

Acquisition Rights immediately prior to the effective date of the Organizational Restructuring (“Remaining Stock Acquisition Rights”; the effective date refers to the date when the absorption-type merger comes into effect in the case of an absorption-type merger, the date when the stock company incorporated as a result of the incorporation-type merger is established in the case of an incorporation-type merger, the date when the absorption-type company split comes into effect in the case of an absorption-type company split, the date when the stock company incorporated in the incorporation-type company split is established in the case of an incorporation-type split, the date when the share exchange comes into effect in the case of a share exchange, or the date when the wholly owning parent company incorporated in the share transfer is established in the case of a share transfer; the same applies hereinafter), stock acquisition rights of the respective stock company indicated in Article 236, Paragraph 1, Item 8, (a) to (e) of the Companies Act (the “Restructured Company”). However, this requires the inclusion of provisions concerning the delivery of stock acquisition rights to the Restructured Company in the absorption-type merger agreement, the incorporation-type merger agreement, the absorption-type split agreement, the incorporation-type split plan, the share exchange agreement or the share transfer plan, in accordance with each of the items listed below:

- (1) Number of stock acquisition rights to the Restructured Company to be delivered
A number equal to the number of Remaining Stock Acquisition Rights held by each Stock Acquisition Rights Holder.
- (2) Class of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
Common stock of the Restructured Company.
- (3) Number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights
To be decided in accordance with the provisions of 3. above, taking into account the conditions, etc. of the Organizational Restructuring.
- (4) Value of assets contributed upon exercise of the stock acquisition rights
The value of assets to be contributed for the exercise of each delivered stock acquisition right shall be the amount obtained by multiplying the post-restructuring Exercise Value determined by adjusting the Exercise Value indicated in 4. above, by the number of shares of the Restructured Company to be issued upon exercise of the stock acquisition rights determined based on (3) above, taking into account the conditions, etc. of the Organizational Restructuring.
- (5) Exercise period for the stock acquisition rights
From the later of the commencement date of the exercise period for the Stock Acquisition Rights set forth in 6. above and the effective date of the Organizational Restructuring, to the ending date of the exercise period for the Stock Acquisition Rights set forth in 6. above.
- (6) Increase in capital stock and capital surplus due to shares issued upon exercise of the stock acquisition rights
To be determined in accordance with the provisions of 7. above.
- (7) Restrictions on the acquisition of the stock acquisition rights by transfer
An approval by resolution of the Board of Directors of the Restructured Company is required for the acquisition of the stock acquisition rights by transfer.
- (8) Acquisition terms of the stock acquisition rights
To be determined in accordance with the provisions of 9. above.
- (9) Other conditions for the exercise of the stock acquisition rights
To be determined in accordance with the provisions of 12. below.

11. Treatment of fractional shares that arise from the exercise of the Stock Acquisition Rights
Any fractional shares resulting from the delivery of shares upon the exercise of Stock Acquisition Rights by a Stock Acquisition Rights Holder shall be discarded.
12. Other conditions for the exercise of the Stock Acquisition Rights
If a Stock Acquisition Rights Holder waives his/her Stock Acquisition Rights, the said Stock Acquisition Rights may not be exercised.
13. Amount payable for the Stock Acquisition Rights
No monetary consideration is payable for the Stock Acquisition Rights.
14. Date of allotment of the Stock Acquisition Rights
January 6, 2020
15. The nature and number of recipients of the allotment of Stock Acquisition Rights and the number of Stock Acquisition Rights to be allotted

Recipients of the allotment	Number of recipients	Number of Stock Acquisition Rights to be allotted
Employees of the Company	85	850