



# PRESS RELEASE

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## **Notice on Revision of the Amount of Remuneration, etc. for Directors and Introduction of a Restricted Stock Remuneration System**

Please be informed that at a meeting of its Board of Directors held on May 28, 2020, AXELL CORPORATION (the “Company”) reviewed its executive remuneration system and resolved to revise the amount of remuneration, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) (hereinafter, the “Revision”), to introduce a restricted stock remuneration system (hereinafter, the “System”), and to submit proposals regarding the Revision and the System to the 25th Ordinary General Meeting of Shareholders of the Company to be held on June 30, 2020 (hereinafter, the “General Meeting”).

### **1. Purpose, etc. of the Revision**

The amount of remuneration, etc. of Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company comprises the payment of the fixed remuneration portion capped at 100 million yen per year, the performance-linked remuneration portion (short-term performance-linked remuneration) capped at 65 million yen per year (excluding non-executive Directors) and the performance-linked remuneration portion (mid- to long-term performance-linked remuneration) capped at 50 million yen per year, provided that the average return on equity (ROE) for the three most recent fiscal years is 10% or greater, which is limited to Executive Directors that were in office for the entire period of the three most recent fiscal years, as approved at the 21st Ordinary General Meeting of Shareholders held on June 18, 2016.

While remuneration will be composed of the fixed remuneration portion and performance-linked remuneration portion same as before, as part of efforts to review the executive remuneration system, the Company plans to submit proposals to the General Meeting to: i) increase the fixed remuneration portion to a maximum of 150 million yen per year in order to prepare for future increases in executive headcount; and for the performance-linked remuneration portion, ii) change short-term performance-linked remuneration to a remuneration system considerate of capital costs, capped at 50 million yen per year if return on equity (ROE: based on consolidated financial results instead of non-consolidated financial results) is greater than 8% but less than 12%, 80 million yen if it is greater than 12% but less than 16%, and additional 20 million yen for every 4% increase if it is greater than 16%; and iii) replace the current mid- to long-term performance-linked remuneration with a new restricted stock remuneration system, as described in “2. Purpose, etc. of Introducing the System” below.

## **2. Purpose, etc. of Introducing the System**

### **(1) Purpose of introducing the System**

The Company will introduce a remuneration system that allots to Directors (excluding Directors serving as Audit and Supervisory Committee Members) of the Company (hereinafter, “Eligible Directors”) restricted stock (hereinafter, “Restricted Stock”) to have them share the merits and risks of stock price fluctuations with shareholders, and to further increase their motivation to contribute to the rise in stock prices and improving corporate value.

### **(2) Conditions for introducing the System**

Under the System, monetary remuneration claims will be paid to Eligible Directors as remuneration for granting Restricted Stock. Therefore, the introduction of the System is subject to the approval of shareholders at the General Meeting regarding the Revision and the payment of remuneration under the System. At the General Meeting, the Company plans to seek the approval of shareholders for setting the total amount of monetary remuneration claims to be paid to Eligible Directors as remuneration, etc. for granting Restricted Stock instead of the mid- to long-term performance-linked remuneration of the performance-linked remuneration portion at a maximum of 30 million yen per year, separately from the amount of remuneration, etc. for Directors (excluding Directors serving as Audit and Supervisory Committee Members) described above, comprehensively taking into account factors such as Eligible Directors’ contributions to the Company, as described in “1. Purpose, etc. of the Revision” above.

## **3. Overview of the System**

### **(1) Allotment of Restricted Stock and payment**

Based on the resolution of the Board of Directors, the Company will provide Eligible Directors with remuneration, etc. for granting Restricted Stock as monetary remuneration claims within the above annual amount. Each Eligible Director shall pay all monetary remuneration claims as contribution in kind, and shall receive allotment of Restricted Stock.

The amount to be paid in for Restricted Stock shall be based on the closing price of the Company’s common stock on the Tokyo Stock Exchange for the business day immediately preceding the resolution by the Board of Directors of the Company for the issuance or disposal (if trading did not occur on that day, then the closing price on the most recent preceding trading day) and ranged in an amount not particularly advantageous to Eligible Directors receiving Restricted Stock, determined by the Board of Directors of the Company.

Additionally, the payment of the above monetary remuneration claims is subject to the Eligible Directors’ consent to the above-mentioned in-kind contribution and their signing of a Restricted Stock allotment agreement including the details specified in (3) below.

### **(2) Total number of Restricted Stock**

The maximum number of Restricted Stock to be allotted each fiscal year shall be 37,500 shares in total which are to be allotted to Eligible Directors.

However, in the event that the Company conducts a stock split (including a gratis allotment of common stock of the Company) or reverse stock split of common stock or any other events that require an adjustment to the total number of Restricted Stock to be allotted, on or after the date of the resolution of this proposal, the Company may reasonably adjust the total number of Restricted Stock.

### **(3) Details of the Restricted Stock allotment agreement**

In allotting the Restricted Stock, based on the resolution by the Board of Directors of the Company, the Company and Eligible Directors receiving allotment of Restricted Stock will enter into a Restricted Stock allotment agreement including the following details:

1) Details of transfer restriction

The Eligible Director who received allotment of Restricted Stock, may not transfer to a third party, pledge, establish security rights on, gift inter vivos, bequeath or otherwise dispose of (hereinafter, the “Transfer Restrictions”) Restricted Stock allotted to the Eligible Directors (hereinafter, the “Allotted Shares”) during the period stipulated by the Board of Directors of the Company ranging from 20 years to 30 years (hereinafter the “Transfer Restriction Period”).

2) Acquisition of Restricted Stock without consideration

Excluding cases where there are reasons deemed justified by the Board of Directors of the Company, if Eligible Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries on or after the starting date of the Transfer Restriction Period by the day before the first subsequent Ordinary General Meeting of Shareholders of the Company, the Company shall acquire the Allotted Shares without consideration as a matter of course.

Additionally, if there are Allotted Shares with Transfer Restrictions that have not been lifted based on the reason for lifting Transfer Restrictions in 3) below at the expiry of the Transfer Restriction Period in 1) above, the Company shall acquire the Allotted Shares without consideration as a matter of course.

3) Lifting the Transfer Restrictions

The Company shall lift Transfer Restrictions on all Allotted Shares at the time immediately after Eligible Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries provided that they remained in the position of Director, Executive Officer, or employees of the Company and its subsidiaries, continuously from the starting date of the Transfer Restriction Period up to the date of the first subsequent Ordinary General Meeting of Shareholders. However, if the Eligible Director remained in the position of Director, Executive Officer or employee of the Company and its subsidiaries continuously until the expiry of the Transfer Restriction Period, the Transfer Restrictions shall not be lifted for any of the Allotted Shares held at expiry.

In addition, in cases where Eligible Directors retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries before the expiry of the Transfer Restriction Period for reasons deemed justified by the Board of Directors of the Company, the number and timing of lifting Transfer Restrictions shall be reasonably adjusted as necessary.

4) Treatment in the event of organizational restructuring, etc.

If, during the Transfer Restriction Period, a merger agreement where the Company will be the disappearing company, share exchange agreement or share transfer plan where the Company will become a wholly owned subsidiary, or other proposals on organizational restructuring, etc. is approved at a General Meeting of the Company (or at a Board of Directors meeting if the organizational restructuring, etc. does not require approval by the General Meeting of the Company), (provided that the effective date of the organizational restructuring, etc. arrives before the expiry of the Transfer Restriction Period; hereinafter, the “Approval of Organizational Restructuring”) and Eligible Directors who received allotment of Restricted Stock retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries due to the said organizational restructuring, etc., the

Company shall lift Transfer Restrictions ahead of the effective date of the organizational restructuring, etc. for a number of Allotted Shares reasonably determined taking into consideration the period from the starting date of the Transfer Restriction Period to the approval date of the organizational restructuring, etc.

Additionally, at the Approval of Organizational Restructuring, the Company shall acquire without consideration as a matter of course any Allotted Shares with Transfer Restrictions that are not lifted on the business day preceding to the effective date of the organizational restructuring, etc.