



PRESS RELEASE

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Notice on Issuance of New Shares as Restricted Stock Remuneration

Please be informed that at a meeting of its Board of Directors held today on July 27, 2020, AXELL CORPORATION (the “Company”), resolved to issue new shares as restricted stock remuneration (hereinafter, “New Share Issuance”) as follows.

1. Overview of the Issuance

(1) Payment due date	August 11, 2020
(2) Class and number of shares to be issued	24,240 shares of the Company’s common stock
(3) Issue price	825 yen per share
(4) Total issue amount	19,998,000 yen
(5) Allottees	Directors* of the Company; 4 Directors, 24,240 shares *excluding Directors serving as Audit and Supervisory Committee Members
(6) Other	A written notice on securities based on the Financial Instruments and Exchange Act has been submitted regarding the New Share Issuance.

2. Purpose and Reasons for the Issuance

At the 25th Ordinary General Meeting of Shareholders held on June 30, 2020, in order that Directors of the Company (excluding Directors serving as Audit and Supervisory Committee Members; hereinafter, “Eligible Directors”) 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, the Company received approval to introduce a stock remuneration system granting restricted stock to Eligible Directors (hereinafter, “the System”) and, based on the System, to set the total amount of monetary remuneration claims to be paid to Eligible Directors as remuneration, etc. for granting Restricted Stock at a maximum of 30 million yen per year. The Company also received approval to set the maximum number of Restricted Stock to be allotted to Eligible Directors each fiscal year at 37,500 shares in total, and for the transfer restriction period for Restricted Stock to be a period stipulated by the Board of Directors of the Company ranging from 20 years to 30 years.

At its meeting held today on July 27, 2020, the Board of Directors of the Company resolved to pay total monetary remuneration claims of 19,998,000 yen as restricted stock remuneration during the period from the Company's 25th Ordinary General Meeting of Shareholders to the Company's 26th Ordinary General Meeting of Shareholders scheduled to be held in June 2021 to four Eligible Directors who are scheduled to receive the allotted shares (hereinafter, "Allotees"), and that the Allotees shall receive allotment of 24,240 shares of the Company's common stock as specified restricted stock upon paying all monetary remuneration claims as contribution in kind. The amount of monetary remuneration claims for each Allottee shall be determined by comprehensively considering various factors such as the degree of contribution of each Allottee to the Company. Additionally, the payment of the monetary remuneration claims is subject to each Allottee signing a Restricted Stock allotment agreement with the Company that includes the details specified below (hereinafter, "Allotment Agreement"), among others. In order to realize the purpose of introducing the System, which is that Allotees share the merits and risks of stock price fluctuations with shareholders and further increase their motivation to contribute to the rise in stock prices and improving corporate value, for the longest possible time, the transfer restriction period shall be 30 years.

3. Overview of the Allotment Agreement

(1) Transfer Restriction Period

August 11, 2020 to August 10, 2050

Allotees 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 them (hereinafter, the "Allotted Shares") during the transfer restriction period stipulated above (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 Allotees 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 at the time of said retirement or resignation.

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 (hereinafter, "Restriction Expiry"), the Company shall acquire the Allotted Shares without consideration as a matter of course immediately after the Restriction Expiry.

(3) Lifting the Transfer Restrictions

The Company shall lift Transfer Restrictions on all Allotted Shares at the time Allotees 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 or 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 Allottee remained in the position of Director, Executive Officer or employee of the Company or its subsidiaries continuously until the Restriction Expiry, the Transfer Restrictions shall not be lifted for any of the Allotted Shares held at that time.

In addition, in cases where Allotees 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 Transfer Restrictions shall be lifted on the Allotted Shares obtained by multiplying the number of months from July 2020 until the month including the day that the Allottee retires or resigns from all positions as Director, Executive Officer and employee of the Company and its subsidiaries divided by 12 (however, if the result of the calculation exceeds 1, the number shall be 1) by the number of Allotted Shares held by the Allottee at that time (however, any fractions less than 1 share resulting from the calculation shall be rounded down), immediately after the said retirement or resignation.

(4) Provisions regarding share management

Allottees shall complete the opening of an account with SMBC Nikko Securities Inc. by a method prescribed by the Company to state or record the Allotted Shares, and shall keep and maintain the Allotted Shares in said account during such time until Transfer Restrictions are lifted.

(5) 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 Shareholders of the Company (or at a Board of Directors meeting if the organizational restructuring, etc. does not require approval by the General Meeting of Shareholders of the Company), (provided that the effective date of the organizational restructuring, etc. arrives before the Restriction Expiry; hereinafter, the “Approval of Organizational Restructuring”) and Allottees retire or resign from all positions as Director, Executive Officer and employee of the Company and its subsidiaries due to said organizational restructuring, etc., by resolution of the Board of Directors, Transfer Restrictions shall be lifted on the Allotted Shares obtained by multiplying the number of months from July 2020 until the month including the day of said approval divided by 12 (however, if the result of the calculation exceeds 1, the number shall be 1) by the number of Allotted Shares held by the Allottee on the day of said approval (however, any fractions less than 1 share resulting from the calculation shall be rounded down), immediately prior to the business day preceding the effective 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 the effective date of the organizational restructuring, etc.

4. Basis for Calculation and Specific Details of the Payment Amount

For the issue price for the New Share Issuance to be obtained free from arbitrary decisions, it shall be 825 yen, which is 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 (July 22, 2020). This is the market share price for the day immediately preceding the resolution by the Board of Directors of the Company, and is considered to be a price that is reasonable and not particularly advantageous.