

PRESS RELEASE

November 10, 2020

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)
Inquiries:
Yoshimasa Ueno
Executive Officer, General Manager of Management Department
TEL: +81-3-5298-1670

Notice of Establishment of a Subsidiary Through Joint Investment

Please be informed that at the Board of Directors meeting held on November 10, 2020, AXELL CORPORATION (the “Company”) resolved to establish a subsidiary through joint investment with FUJITSU DEVICES INC. (Headquarters: Yokohama-shi, Kanagawa; President: Masamitsu Teramoto), a wholly owned subsidiary of FUJITSU ELECTRONICS INC. (Headquarters: Yokohama-shi, Kanagawa; President & Representative Director: Junji Ogihara).

1. Background and Objective of the Establishment of the Subsidiary

AXELL CORPORATION is a cutting-edge technology company which, riding on the strength of algorithm development, designs and develops advanced LSI chips and provides solutions that take advantage of machine learning/AI, encryption and blockchain technologies. We develop and sell products, including graphics LSI and memory chips, which carry the added value of our own compression/decompression technology, targeting the pachinko and pachislot machines market. FUJITSU DEVICES INC., which develops and manufactures flash memory products, has many years of successful track record in the pachinko and pachislot machines market.

In pachinko and pachislot machines, which require high graphics-processing performance, high compatibility between graphics LSI and graphics-use memory chips is key. The two companies have worked closely together since 2014 to develop and manufacture memory products. Memory products supplied by the companies have come to command a very large market share.

In recent years, however, companies have stepped up realignment moves and withdrawal from unprofitable businesses in the semiconductor industry, affected by demand fluctuations and higher material prices. At the same time, the product life cycle has grown shorter, driven by innovation in production processes and peripheral technologies. The memory business is under a similar environment. As we also face multiple rivals, we expect to undergo an even difficult situation going forward.

In order to stably supply highly reliable memory products that can meet demand from the pachinko and pachislot machines market, we judged that we need to work in closer cooperation, taking advantage of technologies and know-how developed by the two companies, and we have decided to establish a subsidiary through joint investment.

Goals of the Subsidiary

- We design, develop, manufacture and sell next-generation memory products and aim to supply them reliably and stably.
- We aim to become a manufacturer specialized in memory products for pachinko and pachislot machines . (We will also actively cooperate in optimizing connections, conducting tests/evaluation and providing support for graphics LSI by makers other than AXELL.)
- By integrating overlapping operations and development resources of the two companies, we aim to optimize operational resources.

2. Outline of the Subsidiary (tentative)

- (1) Trade name: aimRage Inc.
- (2) Address: 10F, Akihabara UDX South Wing, 4-14-1 Sotokanda, Chiyoda-ku, Tokyo, Japan
(within AXELL CORPORATION) *Planned to move in 2021
- (3) Positions and names of representatives: Takaomi Kishimoto, President & Representative Director
(Executive Officer, General Manager of Sales & Marketing Department of AXELL CORPORATION)
Kensuke Sugita, Executive Vice President & Representative Director
(Director, FUJITSU DEVICES INC.)
- (4) Business activities: Design, development, manufacture, sale of memory products;
programming of memories; reuse service
- (5) Capital: 30 million yen (including capital reserve)
- (6) Settlement date: March 31
- (7) Established: November 2020 (tentative)
- (8) Main shareholders and shareholding ratio: AXELL CORPORATION: 70%
FUJITSU DEVICES INC.: 30%
- (9) Relationship with the Company:
- | | |
|------------------------|--|
| Capital relationship: | A subsidiary established with a 70% investment by the Company |
| Personal relationship: | Two of the three corporate officer positions at the subsidiary will be filled concurrently by employees of the Company. |
| Business relationship: | The Company will be entrusted with part of the management-related operations of the subsidiary and there will be transactions with the subsidiary involving memory products. |

3. Overview of FUJITSU DEVICES INC.

- (1) Trade name: FUJITSU DEVICES INC.
- (2) Address: 2-100-45, Shin-Yokohama, Kohoku-Ku, Yokohama-shi, Kanagawa, 222-0033, Japan
- (3) Position and name of representative: Masamitsu Teramoto, President
- (4) Business activities: Manufacture and sale of application-specific integrated circuits, design and development of software, and programming of integrated circuits, etc.

- (5) Capital: 50 million yen
- (6) Established: October 2007
- (7) Main shareholder and shareholding ratio: FUJITSU ELECTRONICS INC.: 100%
- (8) Relationship with the Company:
- | | |
|------------------------|--|
| Capital relationship: | There is no relationship required to be noted. |
| Personal relationship: | There is no relationship required to be noted. |
| Business relationship: | There is no relationship required to be noted. The Company has business relationship regarding memory products, etc. with FUJITSU ELECTRONICS INC., the parent of FUJITSU DEVICES INC. |

4. Schedule

- (1) Resolution of the Board of Directors: November 10, 2020
- (2) Establishment of the subsidiary: November 2020 (tentative)

5. Future Outlook

Expected impact from the establishment of the subsidiary on consolidated business results of the Company's group in the fiscal year ending March 2021 is negligible. If any events requiring disclosure arise regarding potential impact on business results of the fiscal year ending March 2021, we will swiftly disclose them.