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(Securities Code: 6730)
May 25, 2015

To Shareholders with Voting Rights:

Kazunori Matsuura
President & Director
AXELL CORPORATION
14–1, Sotokanda 4–chome,
Chiyoda–ku, Tokyo, Japan

NOTICE OF
THE 20TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 20th Ordinary General Meeting of Shareholders of AXELL CORPORATION (hereinafter "the Company"). The meeting will be held for the purposes as described below.

1. **Date and Time:** 10:00 a.m. (doors open at 9:20 a.m.) on Sunday, June 21, 2015

2. **Venue:** Banquet room "Yukyu" on second floor of Hotel Metropolitan Edmont located at 10–8, Iidabashi 3–chome, Chiyoda–ku, Tokyo, Japan

3. **Meeting Agenda:**
   Matters to be reported: Business Report and Non-consolidated Financial Statements for FY 2014 (from April 1, 2014 to March 31, 2015)

   Proposals to be resolved:
   Proposal No. 1: Distribution of Surplus
   Proposal No. 2: Election of One Audit & Supervisory Board Member

◎ Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report and Non-consolidated Financial Statements will be posted on the Company's website (http://www.axell.co.jp/).
◎ Although this Notice of Convocation will be sent via postal service on May 25, 2015, with the aim of early disclosure, it will be posted on the Company's website (http://www.axell.co.jp/) from May 21, 2015.

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Reference Documents for the General Meeting of Shareholders

Proposal No. 1: Distribution of Surplus

The Company's policy on profit sharing for shareholders is to maximize it, while at the same time taking into account adequate levels of "realizing appropriate periodic profit returns to shareholders" and "maintenance of appropriate internal reserves that will enable flexible business operations." In terms of profit sharing, based on this policy, the amount of dividends is set at 50% of net income (payout ratio of 50%) as a general rule. However, if the amount of dividends calculated at the payout ratio of 50% falls below the amount for the previous fiscal year, the amount is determined in consideration of the level of prior dividends after an adequate level of internal reserves is secured.

Based on this policy, we propose a dividend for fiscal 2014 totaling 30 yen per share.

With respect to the other distribution of surplus, in order to secure funds for the retirement of treasury stock, the Company proposes a reversal of a portion of general reserve and a corresponding transfer to retained earnings brought forward. Additionally, the Company has resolved at a Board of Directors meeting held on April 24, 2015 to acquire treasury stock (with a maximum of 2.0 billion yen or 1.25 million shares), and this distribution of surplus is in preparation for the retirement of treasury stock acquired via the above resolution and treasury stock currently held by the Company (54 shares).

1. Year-end dividend

(1) Dividend asset type
Cash

(2) Matters related to allotment of dividend assets and total amount of allotment
30 yen per share of the Company's common stock Total amount: 372,065,940 yen
Annual dividend for fiscal 2014 will be 55 yen per share, including the interim dividend of 25 yen per share already paid.

(3) Effective date of dividends from surplus
June 22, 2015

2. Other matters related to distribution of surplus

(1) Item of surplus subject to increase and the amount of such increase
Retained earnings brought forward 2,000,000,000 yen

(2) Item of surplus subject to decrease and the amount of such decrease
General reserve 2,000,000,000 yen

Proposal No. 2: Election of One Audit & Supervisory Board Member

The term of office of Audit & Supervisory Board Member Yoshiki Yoshida will have expired at the close of this General Meeting of Shareholders. We therefore propose that one Audit & Supervisory Board Member is elected.

The candidate for the position of Audit & Supervisory Board Member is as follows.

The Audit & Supervisory Board has previously given its approval on this proposal.

Name (Date of birth)	Past experience and positions in the Company (major concurrent positions)		Number of shares of the Company held
Yoshiki Yoshida (Sep. 24, 1937)	April 1962	Joined NIKON CORPORATION	9,000 shares
	June 1995	Appointed to Managing Director and General Manager of Administration Division of AVAL DATA CORPORATION	
	June 1997	Appointed to Standing Corporate Auditor of AVAL DATA CORPORATION	
	February 2001	Appointed to Full-time Audit & Supervisory Board Member of the Company (to present)	

(Notes)
1. There is no special interests between the candidate for Audit & Supervisory Board Member and the Company.
2. Mr. Yoshiki Yoshida is a candidate for Outside Audit & Supervisory Board Member. The Company has designated Mr. Yoshiki Yoshida as Independent Corporate Officer under the provisions of the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.
3. Mr. Yoshiki Yoshida is selected as candidate for Outside Audit & Supervisory Board Member based on the fact that he has a total of 6 years of experience in closing procedures and the preparation and audit of financial statements at AVAL DATA CORPORATION as Managing Director and General Manager of Administration Division from June 1995 and Standing Corporate Auditor from June 1997, and therefore has considerable degree of financial and accounting expertise. In addition, he can be expected to draw on his wealth of experience and expertise in the electric equipment industry to which the Company belongs, as well as his experience as Standing Corporate Auditor in the said industry in auditing the Company.
4. Mr. Yoshiki Yoshida is currently the Outside Audit & Supervisory Board Member of the Company, and his term of office as Audit & Supervisory Board Member will be 14 years and 4 months at the close of this General Meeting of Shareholders.
5. Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with Mr. Yoshiki Yoshida to limit his liability for damages under Article 423, Paragraph 1 of the said Act. The cap on the liability for damages under the said agreement is the sum of the amounts set forth in each item of Article 425, Paragraph 1 of the Companies Act. In the event that he is reelected, the Company plans to continue the Liability Limitation Agreement with him.

(Appendix)

Business Report

(From April 1, 2014 to March 31, 2015)

1. Company Overview

(1) Business in FY 2014

1) Business Progress and Results

During the fiscal 2014, a moderate recovery trend continued in the Japanese economy including improvements in corporate earnings, primarily in export-related companies, and the employment situation due to the government's economic policies and monetary easing measures by the Bank of Japan. However, the economic outlook remained uncertain due to the rising import prices caused by yen depreciation and the impact of the consumption tax hike.

In the pachinko and pachislot machines market, which is the primary market for the Company, while sales of the few popular models from which stable operations could be expected remained strong, the condition continued to hover at low levels overall due to the harsh profit environment for amusement facilities. Additionally, in line with changes to testing procedures for pachislot machines by the Security Communications Association in September 2014, sales of pachislot machines declined through the second half of fiscal 2014.

Under such circumstances, the Company channeled its energies into expanding business scale in the pachinko and pachislot machines market by concentrating its efforts on promoting the sale of various products, focusing on Graphics LSI products (Note 1) targeted at the pachinko and pachislot machines market, which are the Company's mainstay products (including an integrated product that fulfills multiple functions such as sound-generating and LED (Note 2) driver functions). Furthermore, the Company has been striving to expand the adoption of Graphics LSI products for customers in the embedded system market (Note 3), and also focused on sales activity of the products intended for Digital Convenience Radio market (Note 4).

As a result, for fiscal 2014, the Company recorded net sales of 11,073 million yen, operating income of 1,645 million yen, ordinary income of 1,659 million yen, and net income of 1,115 million yen.

(Note 1) "Graphics LSI" refers to LSIs that enable graphics to be shown on LCDs and other display devices.

(Note 2) "LED" is an acronym for "Light Emitting Diode." It refers to semiconductor elements that emit light when electricity is applied.

(Note 3) "Embedded system market" refers to the market relating to the manufacture of embedded systems, excluding the pachinko and pachislot machines. Embedded systems to electronic devices that have a computer embedded that carries out a particular processing specific to a certain application. Embedded systems include devices of various types and in various areas, ranging from medical devices, vending machines, to home electric appliances.

(Note 4) Concerning Digital Convenience Radio market, a subsidiary (NEWZONE CORPORATION) previously handled this business, but the Company now promotes this business under the NEWZONE brand due to a transfer of the entire business of NEWZONE CORPORATION to the Company in December 2014.

(i) LSI products targeted at the pachinko and pachislot machines market

For the pachinko and pachislot machines market, the Company sells Graphics LSI products (including integrated function products), LED driver LSI (Note 1) products, Memory–module (Note 2) products, etc. Its main products are Graphics LSI products. Furthermore, as for the sales composition by pachinko machines and pachislot machines, the share of sales composed of pachinko machines is high, corresponding to the size of each market.

As for Graphics LSI products targeted at the pachinko and pachislot machines market, sales volume during fiscal 2014 decreased by approximately 150,000 units to approximately 1,260,000 units mainly due to the increased reuse ratio of AG4, in addition to a harsh market environment. Regarding other products targeted at the pachinko and pachislot machines market, sales of both Memory–module products and LED driver LSI products exceeded those of the previous fiscal year, reflecting trends in the demand of particular customers. As stated above, the decrease in Graphics LSI products was set off by other products and net sales of LSI products targeted at the pachinko and pachislot machines market increased 0.1% year-on-year to 10,708 million yen.

(Note 1) "LED driver LSI product" refers to LSIs designed to efficiently control LED equipped in pachinko and pachislot machines.
(Note 2) "Memory–module" refers to the portion of the graphics–rendering circuit board of pachinko and pachislot machines that stores visual data.

(ii) LSI products targeted at the embedded system market

For the embedded system market, which includes medical devices and industrial equipment, the Company sells Graphics LSI products. Currently, its product lineup is comprised of "AG10", a Graphics LSI product for various embedded systems based on PC configuration, and the "AG9" series, which realize high–resolution graphic rendering in general embedded systems equipped with a relatively cheap CPU. In terms of Graphics LSI products targeted at the embedded system market, net sales decreased 11.2% year-on-year to 180 million yen due to trends in demand of manufacturers which adopt the Company's products.

(iii) Other

Other than the aforementioned LSI products, the Company develops and sells the development evaluation board and software to support the development by customers. Also, the Company engages in the development and sales of products for Digital Convenience Radio under the NEWZONE brand. Sales associated with such development–support environments and NEWZONE brand products increased by 37.1% year-on-year to 184 million yen. Net sales of NEWZONE brand products in fiscal 2014 were insignificant.

(Orders received and sales generated by product category) (In millions of yen)

Product category	Outstanding orders at beginning of FY 2014	FY 2014 Orders received	FY 2014 Net sales	Outstanding orders at end of FY 2014
Pachinko and pachislot machines market	3,024	11,912	10,708	4,229
Embedded system market	37	179	180	36
Other	12	172	184	0
Total	3,075	12,264	11,073	4,266

2) Capital investment

Capital investment in fiscal 2014 totaled 161 million yen.

It mainly consisted of investment in equipment, etc. for design and development purposes amounting to 50 million yen, equipment, etc. for management purposes amounting to 87 million yen, software, etc. for design and development purposes amounting to 16 million yen, and an increase in assets of 4 million yen resulting from new finance leases.

3) Financing

All capital investments, etc. were financed by the Company's own funds in fiscal 2014.

4) Transfer, absorption/merger, or spin–off of business

N/A

5) Assignment of other company's business

The Company took over the entire business of NEWZONE CORPORATION, a wholly owned subsidiary of the Company, on December 1, 2014.

6) Transfer of rights/obligations related to business of other corporations, etc. due to absorption/merger or spin–off

N/A

7) Acquisition or disposal of shares or other interest or stock acquisition rights, etc. of other companies

N/A

(2) Trends in Assets and Income over Past 3 Fiscal Years

Category		FY 2011	FY 2012	FY 2013	FY 2014
Orders received	(million yen)	10,161	15,021	11,859	12,264
Net sales	(million yen)	8,361	16,717	11,035	11,073
Ordinary income	(million yen)	1,433	3,340	2,070	1,659
Net income	(million yen)	917	1,944	1,045	1,115
Net income per share	(yen)	74.01	156.80	84.26	89.91
Total assets	(million yen)	13,029	15,737	14,002	14,562
Net assets	(million yen)	12,039	13,233	13,130	13,556
Net assets per share	(yen)	970.76	1,067.05	1,058.75	1,093.10

(Note) From FY 2014, business report is prepared on non-consolidated basis. Therefore, the above figures for the four fiscal years are also presented on non-consolidated basis.

(3) Material Subsidiaries

N/A

The liquidation of NEWZONE CORPORATION, which has been a consolidated subsidiary of the Company, was concluded on February 27, 2015.

(4) Issues to be Addressed

In order to realize sustained growth, the Company will address the following issues:

1) Approach to the pachinko and pachislot machines market

The pachinko and pachislot machine market is the Company's main market, and the Company recognizes that establishing a business model to secure stable profits and continuous growth in this market as an important issue.

In the pachinko and pachislot machine market, a harsh market environment persists because, in addition to a decreasing trend in the market, the reuse of pachinko and pachislot machine components is causing a contraction in demand. However, the pachinko and pachislot machine market is a huge market where approximately 3,000,000 units of pachinko and pachislot machines are sold per year. Additionally, there are still many areas in which the Company has not entered and are open to business possibilities for the Company. The Company recognizes that the pachinko and pachislot machine market will continue to be the core of the Company's business in the future.

For the amusement device market, the Company will continue to enhance the functions of Graphics LSI products, our mainstay products, and expand into the system business with such products at the core. Furthermore, the Company will diversify its business through product development for new areas in the amusement device market. Also, the Company is intent on improving the development-support environment that would alleviate customers' burden of development and providing more customer-oriented high-value-added solutions. Through the organic implementation of such measures, the Company intends to secure stable profits and achieve medium- to long-term growth in a harsh market environment.

2) Approach to markets other than the pachinko and pachislot machines market

At present, as for approach to markets other than the pachinko and pachislot machines market, the Company develops and sells products for Digital Convenience Radio, in addition to Graphics LSI products targeted at the embedded system, such as medical devices and industrial equipment.

Although stable profits has been secured, the Graphics LSI products targeted at the embedded system market remains at a small scale, as many of the devices equipped with the Company's products are characterized by high-mix, low-volume production. Concerning these products, the Company understands that the issue for the foreseeable future will be expansion in the number of companies using these products, and activities to promote installation of these products into devices with larger production volume.

Additionally, concerning products targeting Digital Convenience Radio, development of initially estimated products has concluded, and sales activities involve utilizing actual devices. In the future, the Company will aggressively promote sales activities, and understands appropriately determining the growth potential of this business to be an issue.

3) Efforts to acquire intellectual property rights and eliminate the risk of infringing the intellectual property rights of other companies

The Company recognizes that the task of preparing a framework to facilitate the acquisition of intellectual property rights for its various proprietary technologies is an important issue. The Company also believes that developing measures to prevent the infringement of intellectual property rights of other companies will become a critical issue, based on the view that the risk of infringement of other companies' rights will increase along with the expansion of its business scale. To address the aforementioned issues, the Company makes ongoing efforts, including establishing divisions in charge of intellectual property rights in general that report directly to the President, building a close relationship with its consulting patent attorneys and conducting in-house seminars on intellectual property rights. For the future, the Company will make an effort to enhance collaboration among R&D staff, divisions that oversee intellectual property rights and the consulting patent attorneys in order to further boost their effectiveness.

4) Enriching corporate governance

In order to continuously improve corporate value and realize sustainable growth, the Company believes that enriching corporate governance to be important.

In its corporate principles, the Company has set forth "Establishing a governance structure that considers all stakeholders," placing importance on corporate governance for management. In line with its corporate principles, the Company believes that, while considering all stakeholders, establishing an appropriate corporate governance structure that fit factors such as the Company's business type and business scope is an important issue.

Basic policy on corporate governance

The Company considers corporate governance to be an important management issue, and in addition to explicitly "Establishing a governance structure that accounts for all stakeholders" in the corporate Philosophy. the Company has defined the "Axell Code of Conduct" and has positioned this as an important management policy. By enhancing its corporate governance, The Company will conduct business activities as a corporate organization with high social ethics, and by increasing the soundness, transparency, and efficiency of management, the Company will aim to enhance its corporate value and attain continuous growth.

(5) Principal Business (as of March 31, 2015)

The Company is mainly engaged in the development and sales of various LSI products, circuit board products and electronic devices.

The Company's main products are as described in "1. Company Overview (1) Business in FY 2014 1) Business Progress and Results."

(6) Principal Offices and Plants (as of March 31, 2015)

Name	Address
Head Office	14–1, Sotokanda 4–chome, Chiyoda–ku, Tokyo, Japan

(7) Employees (as of March 31, 2015)

Number of employees	Increase / decrease from previous fiscal year–end	Average age	Average years of service
82 (26) persons	Increase of 8 persons (Increase of 4 temporary staffs)	40.6 years old	7.6 years

(Note) Number of employees represents the number of employees on the Company's payroll; the figure in the parentheses represents the average number of temporary staff, etc. throughout the year, and is excluded from the number of employees.

(8) Principal Lenders (as of March 31, 2015)

N/A

(9) Other Material Information on Current Status of the Company

CSR activities

The Company acknowledges the social nature of a company, and based on the view that it is an

important duty to engage in social contribution activities, it executes various CSR (Note) activities in a scale that is in line with its corporate capabilities. In fiscal 2014, the Company made social contributions, including making donations to the Environmental Restoration and Conservation Agency, the Japan Heart Foundation and the Japanese Foundation For Cancer Research. The Company also made donations through the Japanese Red Cross Society to victims of natural disasters.

Furthermore, the Company is conducting an education program for university students at the University of Tsukuba with the aim of training embedded systems engineers. To the education program, which is operated based on donations from the Company, the Company's engineers are being dispatched as lecturers. In this program, the Company hopes to train engineers who will play a leading role in Japan in the future which will, in turn, bring about further progress in embedded systems technologies, which Japan can boast to the world.

Donations made by the Company to victims of natural disasters in fiscal 2014:

7.9 Donation for Heavy Rain Disaster in Nagiso-cho

2014 Donation for Rain Storm Disaster in Hiroshima Prefecture

August 2014 Donation for Heavy Rain Disaster in Kyoto Prefecture and Tamba City, Hyogo Prefecture

2014 Donation for Disaster of Typhoon No. 11 and No. 12 Tokushima Prefecture

Emergency Relief Donation for the South Pacific Cyclone 2015

(Note) CSR is the acronym of Corporate Social Responsibility. It is a concept based on the idea that corporations should act responsibly with respect to society, environment and other such factors, in addition to economic activities, for the purpose of creating a sustainable society.

2. Status of Shares (as of March 31, 2015)

(1) Total Number of Shares Authorized to be Issued 23,112,000 shares

(2) Total Number of Shares Issued 12,402,252 shares

(3) Number of Shareholders 6,890 shareholders

(4) Major Shareholders

Name of shareholder	Number of shares held	Controlling share
Yuzuru Sasaki	1,247,100 shares	10.05%
BBH for Fidelity Low-Priced Stock Fund (Principal All Sector Sub-portfolio)	880,500	7.09
Midoriya Electric Co., Ltd.	849,000	6.84
Sumihiko Ichihara	595,800	4.80
Takayuki Shibata	594,800	4.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	523,000	4.21
Kazunori Matsuura	388,800	3.13
Tatsuaki Okumura	369,000	2.97
Kazuyoshi Moriya	368,800	2.97
AVAL DATA CORPORATION	260,000	2.09

(Note) The figures for controlling share are calculated by excluding treasury stock (54 shares).

3. Information on the Company's Stock Acquisition Rights, etc.

(1) Stock Acquisition Rights, etc. held by the Company's Officers as of March 31, 2015

N/A

(2) Stock Acquisition Rights Issued to Employees, etc. during FY 2014

N/A

(3) Other Material Information on Stock Acquisition Rights, etc.

N/A

4. Company Officers

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Title	Name	Responsibilities & material concurrent positions
Chairman	Yuzuru Sasaki	
Vice Chairman	Sumihiko Ichihara	
* President & Director	Kazunori Matsuura	
* Executive Vice President	Akihiro Saito	General Manager of Sales & Marketing Department
Director	Takayuki Shibata	
Director	Nobuhiro Sendai	General Manager of Management Department
Director	Koji Kanie	General Manager of Engineering Department
Director	Masao Suzuki	Representative Director of Strategic Capital Partners, Co., Ltd.
Full-time Audit & Supervisory Board Member	Yoshiki Yoshida	
Audit & Supervisory Board Member	Katsuya Mitsumura	Certified Public Accountant & Tax Accountant
Audit & Supervisory Board Member	Shigeo Igashima	Certified Public Accountant & Tax Accountant Outside Standing Auditor of TAIYO BUSSAN KAISHA, LTD. Outside Corporate Auditor of Shintokyo Group Co., Ltd.

(Notes) 1. Asterisk indicates Representative Director.

2. Director Masao Suzuki is an Outside Director.

3. Full-time Audit & Supervisory Board Member Yoshiki Yoshida, Audit & Supervisory Board Member Katsuya Mitsumura and Audit & Supervisory Board Member Shigeo Igashima are Outside Audit & Supervisory Board Members.

4. Full-time Audit & Supervisory Board Member Yoshiki Yoshida, Audit & Supervisory Board Member Katsuya Mitsumura and Audit & Supervisory Board Member Shigeo Igashima have considerable financial and accounting expertise as described below.

   1) Full-time Audit & Supervisory Board Member Yoshiki Yoshida has a total of 6 years of experience in closing procedures and the preparation and audit of financial statements at AVAL DATA CORPORATION as Managing Director and General Manager of Administration Division from June 1995 and Standing Corporate Auditor from June 1997, and therefore has considerable degree of financial and accounting expertise.

   2) Mr. Katsuya Mitsumura was elected as Audit & Supervisory Board Member based on his long years of experience as a certified public accountant and tax accountant and his possession of extensive knowledge of the management of business corporations.

   3) Mr. Shigeo Igashima was elected as Audit & Supervisory Board Member based on his long years of experience as a certified public accountant and tax accountant and his possession of extensive knowledge of the management of business corporations.

5. The Company has designated Director Masao Suzuki, full-time Audit & Supervisory Board Member Yoshiki Yoshida, Audit & Supervisory Board Member Katsuya Mitsumura and Audit & Supervisory Board Member Shigeo Igashima as Independent Corporate Officers under the provisions of the Tokyo Stock Exchange, and has notified the Tokyo Stock Exchange to that effect.

(2) Total Amount of Remuneration, etc. for Directors and Audit & Supervisory Board Members

Classification	Number of persons who received remuneration, etc.	Total amount of remuneration, etc.
Director (Outside Director)	8 persons (1 person)	226 million yen (6 million yen)
Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)	3 persons (3 persons)	19 million yen (19 million yen)
Total	11 persons	245 million yen

(Notes) 1. Total amount of remuneration, etc. of Directors does not include the portion of employee salary paid to Directors concurrently serving as employees.

2. The amount of remuneration of Directors is limited to the sum of: the fixed remuneration portion amounting to no more than 180 million yen per year (Outside Director portion amounting to no more than 20 million yen per year,

and not including the employee salary portion), which was approved at the 15th Ordinary General Meeting of Shareholders held on June 20, 2010 and the performance–linked remuneration portion (i.e., remuneration linked to the Company's performance) amounting to no more than 100 million yen per year (not including Outside Directors), which was approved at the 17th Ordinary General Meeting of Shareholders held on June 17, 2012. Furthermore, in line with the Company's transition to non-consolidated accounting, the standard for determination of performance–linked remuneration has been changed from "consolidated return on equity (ROE)" to "return on equity (ROE)."

3. At the Inaugural General Meeting of Shareholders held on January 30, 1996, a resolution was adopted to limit the amount of remuneration of Audit & Supervisory Board Members to 20 million yen per year.
4. In total amount of remuneration, etc. for Director, 59 million yen of the performance–linked remuneration for fiscal 2014 is included.

(3) Outside Officers

1) Concurrent position held at other companies, etc. (if officer is a business executive of other companies, etc.) and relationship between the Company and other such companies, etc.

Title	Name	Company, etc. where concurrent position is held	Description of concurrent position
Director	Masao Suzuki	Strategic Capital Partners, Co., Ltd.	Representative Director

(Note) There is no material business relationship between the Company and the aforementioned company.

2) Concurrent position held by outside officers of other companies, etc. and relationship between the Company and other such companies, etc.

Title	Name	Company, etc. where concurrent position is held	Description of concurrent position
Audit & Supervisory Board Member	Shigeo Igashima	TAIYO BUSSAN KAISHA, LTD. Shintokyo Group Co., Ltd.	Outside Standing Auditor Outside Corporate Auditor

(Note) There is no material business relationship between the Company and the aforementioned companies.

3) Main activities during FY 2014

Classification	Name	Main activities
Director	Masao Suzuki	Participated in all of the 14 Board of Directors meetings during FY 2014 and provided opinions on proposals, deliberations, etc. as necessary, from the standpoint of overall corporate management.
Full-time Audit & Supervisory Board Member	Yoshiki Yoshida	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit & Supervisory Board meetings during FY 2014, and provided opinions on proposals, deliberations, etc. as necessary, from the standpoint of overall corporate management.
Audit & Supervisory Board Member	Katsuya Mitsumura	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit & Supervisory Board meetings during FY 2014, and mainly provided expert opinions as a certified public accountant and tax accountant on proposals, deliberations, etc. as necessary.
Audit & Supervisory Board Member	Shigeo Igashima	Participated in all of the 14 Board of Directors meetings and in all of the 14 Audit & Supervisory Board meetings during FY 2014, and mainly provided expert opinions as a certified public accountant and tax accountant on proposals, deliberations, etc. as necessary.

(Note) The number of times the Board of Directors meetings had been held by written resolution was excluded.

4) Outline of Liability Limitation Agreement

Under the provision of Article 427, Paragraph 1 of the Companies Act, the Company has concluded an agreement with its Outside Director and Outside Audit & Supervisory Board Members to limit their liability for damages under Article 423, Paragraph 1 of the said Act.

The cap on the liability for damages under the said agreement is the sum of the amounts set forth in the items of Article 425, Paragraph 1 of the Companies Act.

5. Accounting Auditor

(1) Name: Ernst & Young ShinNihon LLC

(2) Amount of Fees, etc.

	Amount paid
Amount of fees, etc. for work prescribed in Article 2, Paragraph 1 of the Certified Public Accountants Law	20 million yen
Total amount of monetary and other financial benefits payable by the Company to the Accounting Auditor	20 million yen

(Note) The amount of audit fees, etc. for audits conducted under the Companies Act and the amount of audit fees, etc. for audits conducted under the Financial Instruments and Exchange Act are not clearly distinguished from each other in the audit agreement concluded between the Company and the Accounting Auditor; nor are they distinguishable in practice. Therefore, the aggregate amount of such audit fees, etc. is shown as the amount of fees, etc. for fiscal 2014.

(3) Description of Non–auditing Business

N/A

(4) Policy regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditor

At the Company, apart from termination of the Accounting Auditor by the Audit & Supervisory Board pursuant to Article 340 of the Companies Act, in the event that it is determined that it will be difficult for the Accounting Auditor to appropriately fulfill their duties, upon approval or request from the Audit & Supervisory Board, a proposal regarding the termination or nonrenewal of appointment of the Accounting Auditor may be submitted to the General Meeting of Shareholders for approval.

(Note) In line with the effectuation of the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) on May 1, 2015, the body to determine the termination or nonrenewal of appointment of the Accounting Auditor has changed from the Board of Directors to the Audit & Supervisory Board. Additionally, the above states the policy followed during the fiscal year.

(5) Outline of Liability Limitation Agreement

N/A

6. Systems to Ensure Compliance with Laws, Regulations and the Articles of Incorporation in the Execution of Duties and Other Systems to Ensure the Properness of Operations

The Board of Directors of the Company has passed a resolution on "systems to ensure the properness of operations" set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act. In addition to the systems set forth in the Companies Act, the Company acknowledges the importance of developing "systems to ensure the reliability of financial reporting" based on the Financial Instruments and Exchange Act, and accordingly makes efforts to enhance the efficiency of its internal control system through practices including periodic assessments of its development status and the implementation of remediation measures, as necessary.

(1) Systems to Ensure that Directors and Employees of the Company Comply with Laws, Regulations and the Articles of Incorporation in the Execution of Their Duties

(Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 4 of the Ordinance for Enforcement of the Companies Act)

1) The Company's Directors and employees shall not only comply with the laws, regulations, the Articles of Incorporation and the like in accordance with the Corporate Philosophy and the Code of Conduct stipulated by the Company, but shall also firmly maintain the virtues and ethics required by society based on the social significance of corporate existence.
2) The Company shall establish a unit in charge of internal control directly under the President and Representative Director, appointing the head of said unit as the Internal Audit Implementer. The Internal Audit Implementer, incorporated into the internal organization, shall conduct audits on the status of Director and employee compliance with the laws, regulations, the Articles of Incorporation and the like from a perspective independent of the business execution organization.
3) The Board of Directors shall make a decision on or approve statutory matters and various matters relating to business execution in an appropriate and timely manner in accordance with the stipulations of laws, regulations, the Articles of Incorporation, and Board of Directors Regulations, and the Directors comprising the Board of Directors shall oversee each other's execution of duties. Furthermore, highly-independent Outside Directors shall be appointed.
4) The Company shall establish an internal reporting office for reporting violations of laws or regulations and other incidents relating to compliance, as well as an external reporting office where an outside counsel directly receives information.
5) The Company, pursuant to the "Insider Trading Management Rules," shall establish a system to prevent insider trading through thorough control over important undisclosed information as well as appropriate and timely disclosures of information.
6) The Company upholds the basic policy of eliminating any relationship with anti-social forces and stipulates in its Code of Conduct that "the Company shall deal with anti-social forces in a resolute attitude and shall never share profits with them." The Company also maintains and reinforces its system of cooperation with outside specialist organizations such as jurisdictional police departments and attorneys.

(2) Systems concerning Storage and Management of Information on the Execution of Duties by Directors of the Company

(Article 100, Paragraph 1, Item 1 of the Ordinance for Enforcement of the Companies Act)

1) As regards the storage and management of information on the execution of duties by the Directors, the following information shall be appropriately stored in accordance with laws, regulations and relevant internal regulations, and shall be managed in such a manner as to allow for inspection as necessary.
   a. Minutes of the general meeting of shareholders; minutes of and relevant materials from the Board of Directors meetings;
   b. Minutes and relevant materials from significant meetings organized by a Director or an important employee; and
   c. Important documents relating to the execution of duties by Directors, such as requests for final decision and attachments thereto.
2) Important documents other than those listed above shall be appropriately stored and managed by the corresponding unit in charge in accordance with the relevant laws, regulations, and the like.
3) A backup system shall be built if information relating to the execution of duties by Directors and other important information are to be stored by electromagnetic means. The backup system built shall be enhanced in an ongoing manner.

(3) Internal Regulations and Other Systems concerning Risks of Loss of the Company

(Article 100, Paragraph 1, Item 2 of the Ordinance for Enforcement of the Companies Act)

1) Measures to avoid the risk of loss shall be devised by establishing Crisis Control Regulations. The Company shall respond promptly and appropriately, should the risk of loss materialize.
2) The teams and entities in charge comprising the Company shall continually study the risks that may arise in the course of business and report the results thereof to the GM Meeting (Note) and the Board of Directors.
3) Company–wide measures for responding to large–scale disasters and the like shall be considered from the perspective of the Business Continuity Plan.

(Note) GM Meetings are meetings held periodically by the President, Business Execution Directors, General Managers of Groups and respective leaders of teams in Groups.

(4) Systems to Ensure the Efficient Execution of Duties by Directors of the Company

(Article 100, Paragraph 1, Item 3 of the Ordinance for Enforcement of the Companies Act)

1) The Company shall establish various regulations that define office organization, organizational bodies, segregation of duties, administrative authorities, etc., for the efficient execution of business by Directors.
2) The Company shall hold a regular Board of Directors meeting once monthly with the attendance, as a general rule, of all Directors and Outside Audit & Supervisory Board Members for reports on the status of execution of duties by the Directors.
3) The Board of Directors clearly defines the job responsibilities of each Director by electing the Representative Director, the President, and Executive Officers. Further, responsibilities relating to business execution shall be clearly established through the election of Corporate Officers in charge of managing major business departments.
4) For the purpose of sharing various information on material facts concerning corporate management, the Company stipulates the participation of all Directors in the GM meetings as a general rule, in addition to requiring all final decisions among all Directors to be approved by circular and inspected by Outside Directors.
5) The Company shall formulate a medium–term business plan at the beginning of each fiscal year, pursuant to the instruction of the President and Representative Director and subject to the approval of the Board of Directors, for use as guidelines in the execution of duties.

(5) Systems to Ensure the Properness of Business Operations in the Corporate Group Consisting of the Company, its Parent Company and Subsidiaries

(Article 362, Paragraph 4, Item 6 of the Companies Act; Article 100, Paragraph 1, Item 5 of the Ordinance for Enforcement of the Companies Act)

Although the Company currently does not have any subsidiaries, in the event that it establishes subsidiaries, etc. in the future, a necessary system, etc. will be established based on regulations regarding management of subsidiaries.

(6) Matters concerning Employees to be Posted as Assistants to Audit & Supervisory Board Member(s) of the Company for the Execution of Audit Duties, Matters concerning the Independence of Said Employees from Directors and Matters concerning ensuring the Effectiveness of the Orders from Audit & Supervisory Board Member(s) to Said Employees

(Article 100, Paragraph 3, Items 1 through 3 of the Ordinance for Enforcement of the Companies Act)

1) The Company shall, upon consultation with Audit & Supervisory Board Members, appoint appropriate assistants to Audit & Supervisory Board Members, should Audit & Supervisory Board Members request the appointment of employees to assist with their duties.
2) In order to ensure the independence of assistants to Audit & Supervisory Board Members, the Company shall, upon consultation with Audit & Supervisory Board Members, make decisions on various matters relating to said independence, such as the appointment and dismissal of employees assisting such Board Members.

(7) Systems for Directors and Employees of the Company to Report to the Audit & Supervisory Board

(Article 100, Paragraph 3, Item 4 (a) of the Ordinance for Enforcement of the Companies Act)

1) Audit & Supervisory Board Members shall receive reports from the Directors and employees on the following matters:
   a. Matters subject to regular reporting

– Corporate management, business and financial status; risk management and compliance status

b. Matters subject to extraordinary reporting

– Occurrence of important facts concerning corporate management

– Fraudulent acts relating to the execution of duties by the Directors; occurrence of material facts constituting violation of laws, regulations, or the Articles of Incorporation

2) Audit & Supervisory Board Members shall attend the Board of Directors meetings in order to obtain the aforementioned information in an appropriate manner. The full-time Audit & Supervisory Board Member shall attend internal meetings of high managerial significance, in addition to inspecting such important documents as requests for final decision.

3) In the event that the content of a report to the whistleblower hotline is required for the execution of duties by an Audit & Supervisory Board Member, such reports shall be made promptly to an Audit & Supervisory Board Member.

(8) Systems to Ensure that Whistleblowers pursuant to the Preceding Item Do Not Suffer from Any Disadvantageous Treatment due to their Reports

(Article 100, Paragraph 3, Item 5 of the Ordinance for Enforcement of the Companies Act)

To ensure that whistleblowers do not receive harmful treatment as a result of making a report in the preceding Item, whistleblowers shall be appropriately protected based on the "Regulations Regarding Whistleblowing."

(9) Matters concerning the Policies for the Treatment of Expenses or Obligations to be Incurred for the Execution of Duties by Audit & Supervisory Board Member(s)

(Article 100, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act)

When an Audit & Supervisory Board Member makes a request for prepayment of expenses or processing, etc. of liabilities that arise as a result of the execution of duties, such expenses or liabilities shall be processed promptly, based on the "Axell Corporation Audit & Supervisory Board Member Auditing Standards."

(10) Other Systems to Ensure the Effectiveness of Auditing by Audit & Supervisory Board Members of the Company

(Article 100, Paragraph 3, Item 7 of the Ordinance for Enforcement of the Companies Act)

1) Directors shall endeavor to improve the environment for audits by Audit & Supervisory Board Members in recognition of the importance thereof to the Directors and employees.

2) The Company shall ensure a system that allows Audit & Supervisory Board Members to collect the necessary information by regularly organizing meetings with Audit & Supervisory Board Members and Representative Directors, organizing meetings with Business Execution Directors, arranging for interviews of employees and others, and arranging for regular opportunities for exchange of opinions with the Accounting Auditor.

(11) Systems to Ensure the Reliability of Financial Reporting

The Company, in order to ensure the reliability of financial reporting, shall establish a basic policy on internal controls over financial reporting as well as various regulations, and develop and operate systems of company–wide internal controls and individual business process controls. The Company shall also assess the effectiveness of such systems and make ongoing improvements thereto.

(Note 1) In line with factors such as the effectuation of the "Act for Partial Revision of the Companies Act" (Act No. 90 of 2014) and the "Ordinance for Partial Revision of the Ordinance for Enforcement of the Companies Act" (Ordinance of the Ministry of Justice No. 6 of 2015) on May 1, 2015, the contents have been partially revised due to the resolution of the Company's Board of Directors' meeting on April 15, 2015. The above reflects these revisions. Furthermore, the primary revisions are changes to make description more specific regarding audit systems to correspond with revisions to laws and regulations, and, in line with the transition to non-consolidated accounting in fiscal 2014, changes to systems to ensure the properness of operations for the corporate group.

(Note 2) Concerning items contained in Article 100, Paragraph 1, Item 5 (a) through (d) and Article 100, Paragraph 3, Item 4 (b) of the Ordinance for Enforcement of the Companies Act, as of the date of resolution by the Board of Directors' meeting (April 15, 2015), resolution has not been made as the Company does not have any subsidiaries.

7. Policy for Determination of Distribution of Surplus, etc.

The Company's policy on profit sharing for shareholders is to maximize it, while at the same time taking into account adequate levels of "realizing appropriate periodic profit returns to shareholders" and "maintenance of appropriate internal reserves that will enable flexible business operations." In terms of profit sharing, based on this policy, the amount of dividends is set at 50% of net income (payout ratio of 50%) as a general rule. However, if the amount of dividends calculated at the payout ratio of 50% falls below the amount for the previous fiscal year, the amount is determined in consideration of the level of prior dividends after an adequate level of internal reserves is secured. In accordance with the medium- to long-term growth strategies, internal reserves are used mainly as funds for R&D and for new business developments in an effort to continually enhance corporate value.

As an appropriate level for the scope of its business, the Company aims to hold three years of selling, general and administrative expenses as internal reserves, but also emphasizes management that recognizes capital efficiency from the standpoint of improving corporate value, and will execute capital measures that adequately consider the balance of both. Based on the above, the purchase of treasury stocks will be considered as a capital policy measure that takes into account a balance between maintenance of internal reserves and capital efficiency, while comprehensively taking into account factors such as improvement of capital efficiency and liquidity of stock.

8. Basic Policy regarding the Company's Control

Although the Company has not established basic policies on requirements of entities to control decision making over financial and business policies of the Company, it believes that entities who are in control of determining the Company's financial and business policies should be those who contribute to the Company's corporate value as well as to the common interests of the shareholders. Moreover, such entities should understand the source of the Company's corporate value and develop smooth relationships with the Company's various stakeholders.

While the Company does not intend to adopt "anti-hostile-takeover measures" at the present time, it believes that it is obligated to its shareholders in all reason to take appropriate measures to defend itself from potential acquirers who may be detrimental to the Company's corporate value and the common interests of the shareholders. In regards to the adoption of "anti-hostile-takeover measures," the Company intends to take a flexible stance on proceeding with its deliberations by keeping abreast of changes in major shareholders and assessing various social trends.

Non-consolidated Balance Sheet

(As of March 31, 2015)

(In millions of yen)

Description	Amount	Description	Amount
(Assets)		**(Liabilities)**	
Current assets	**13,689**	**Current liabilities**	**969**
Cash and deposits	8,500	Accounts payable–trade	170
Accounts receivable–trade	550	Lease obligations	1
Securities	2,999	Accounts payable–other	393
Merchandise and finished goods	1,483	Accrued expenses	93
Raw materials and supplies	0	Income taxes payable	137
Advance payments–trade	0	Accrued consumption taxes	152
Prepaid expenses	87	Deposits received	21
Deferred tax assets	66	**Non-current liabilities**	**35**
Other	0	Lease obligations	1
Non-current assets	**872**	Asset retirement obligations	33
Property, plant and equipment	**297**	**Total liabilities**	**1,005**
Buildings	103	**(Net assets)**	
Tools, furniture and fixtures	190	**Shareholders' equity**	**13,531**
Leased assets	3	**Capital stock**	**1,018**
Intangible assets	**38**	**Capital surplus**	**861**
Patent right	4	Legal capital surplus	861
Trademark right	0	**Retained earnings**	**11,650**
Software	34	Legal retained earnings	1
Investments and other assets	**536**	Other retained earnings	11,649
Investment securities	197	General reserve	10,200
Long-term prepaid expenses	21	Retained earnings brought forward	1,449
Lease and guarantee deposits	92	**Treasury shares**	**(0)**
Deferred tax assets	130	**Valuation and translation adjustments**	**25**
Other	95	Valuation difference on available-for-sale securities	25
		Total net assets	**13,556**
Total assets	**14,562**	**Total liabilities and net assets**	**14,562**

Non-consolidated Statement of Income

(From April 1, 2014 to March 31, 2015)

(In millions of yen)

Description	Amount	
Net sales		**11,073**
Cost of sales		**6,342**
Gross profit		**4,731**
Selling, general and administrative expenses		**3,086**
Operating income		**1,645**
Non-operating income		
Interest income	0	
Interest on securities	0	
Dividend income	2	
Gain on forfeiture of unclaimed dividends	1	
Dividend income of life insurance	1	
Interest on refund	3	
Gain on investments in partnership	2	
Other	1	15
Non-operating expenses		
Foreign exchange losses	0	
Loss on retirement of noncurrent assets	0	
Other	0	1
Ordinary income		**1,659**
Extraordinary losses		
Loss on valuation of membership	2	
Loss on liquidation of subsidiaries	29	32
Income before income taxes		**1,627**
Income taxes–current	313	
Income taxes–deferred	198	511
Net income		**1,115**

Non-consolidated Statement of Changes in Net Assets

(From April 1, 2014 to March 31, 2015)

(In millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings				Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		Total retained earnings		
					General reserve	Retained earnings brought forward			
Balance at beginning of current period	1,018	861	861	1	10,000	1,216	11,217	(0)	13,098
Changes of items during period									
Dividends of surplus						(682)	(682)		(682)
Provision of general reserve					200	(200)	-		-
Net income						1,115	1,115		1,115
Net changes of items other than shareholders' equity									
Total changes of items during period	-	-	-	-	200	233	433	-	433
Balance at end of current period	1,018	861	861	1	10,200	1,449	11,650	(0)	13,531

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	32	32	13,130
Changes of items during period			
Dividends of surplus			(682)
Provision of general reserve			-
Net income			1,115
Net changes of items other than shareholders' equity	(6)	(6)	(6)
Total changes of items during period	(6)	(6)	426
Balance at end of current period	25	25	13,556

Notes to Non-consolidated Financial Statements

1. Notes on significant accounting policies

(1) Valuation standards and valuation methods of assets

1) Securities

- Available-for-sale securities

Available-for-sale securities with market value

The market value method is applied, based on the market value as of the fiscal-end. The entire positive or negative valuation difference from the purchase price is booked directly as net assets, and the cost of securities sold is calculated using the moving-average method.

Available-for-sale securities without market value

Stated at cost using the moving-average method.

Contributions to investment limited partnerships and partnerships similar thereto, which are deemed as securities under Article 2-2 of Financial Instruments and Exchange Act, are posted by the method where the amount equivalent to equity is included on a net basis, based on the most recent available financial statement according to the date of statement stipulated by the partnership agreement.

2) Inventories

- Finished goods

Stated at cost using the periodic average method (balance sheets amount is calculated by writing down the book value of assets which decreased in profitability).

- Supplies

Stated at cost using the last purchase price method (balance sheets amount is calculated by writing down the book value of assets which decreased in profitability).

(2) Depreciation method of non-current assets

1) Property, plant and equipment (excluding leased assets)

Declining balance method (however, the straight-line method for buildings [excluding accompanying facilities]).

The useful lives of the assets are as follows:

Buildings:	3-15 years
Tools, furniture and fixtures:	2-20 years

2) Intangible assets (excluding leased assets)

Straight-line depreciation

Software for internal use is amortized on a straight-line basis based on its estimated useful life of 3-5 years.

3) Leased assets

Leased assets pertaining to financial leases other than those in which the title of the leased property transfers to the lessee

The straight-line method, substituting the lease term for the useful life, assuming no residual value.

(3) Other significant matters underlying the preparation of non-consolidated financial statements

-Accounting of consumption taxes

All transactions are recorded net of national and local consumption taxes.

2. Notes on changes in representation

(Non-consolidated statements of income)

"Loss on retirement of non-current assets" that was included in "Other" of Non-operating expenses for the previous fiscal year is separately posted from fiscal 2014 since the amount exceeded 10/100 of total Non-operating expenses. The amount of "Loss on retirement of non-current assets" posted for the previous fiscal year was 0 million yen.

3. Notes to non-consolidated balance sheets

(1) Accumulated depreciation of property, plant and equipment: 905 million yen

4. Notes to non-consolidated statements of income

(1) Total amount of research and development expenditures: 1,948 million yen

(2) Loss on liquidation of subsidiaries

This consists of a loss on liquidation for NEWZONE CORPORATION, a consolidated subsidiary of the Company, for which liquidation was concluded in February 2015

5. Notes to non-consolidated statements of changes in net assets

(1) Type and total number of shares issued

Type of shares	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Common stock	12,402,252	-	-	12,402,252

(2) Type and number of treasury share

Type of shares	Number of shares at beginning of year (shares)	Increase during year (shares)	Decrease during year (shares)	Number of shares at end of year (shares)
Common stock	54	-	-	54

(3) Matters related to dividends of surplus

1) Dividend payout amounts

Resolution	Type of shares	Total amount of dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 21, 2014	Common stock	372	30	March 31, 2014	June 23, 2014
Board of Directors Meeting, October 24, 2014	Common stock	310	25	September 30, 2014	November 19, 2014

2) Payout amount of dividends with reference date in FY 2014 but effective date in FY 2015

Tentative resolution	Type of shares	Total amount of dividends (millions of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Ordinary General Shareholders' Meeting, June 21, 2015	Common stock	372	Retained earnings	30	March 31, 2015	June 22, 2015

(4) Matters related to stock acquisition rights as of March 31, 2015

N/A

6. Notes on financial instruments

(1) Matters related to status of financial instruments

1) Policy for efforts directed at financial instruments

The Company holds necessary funds (bank deposits, etc.) in light of its business plan primarily to conduct the research and development of LSI products and execute the sales business. It is the Company's policy to raise funds if more funds than it currently holds is deemed necessary in consideration of the circumstances and other factors at that time.

The Company seeks to not only utilize but also protect financial assets by investing temporary surplus funds out of bank deposits and other financial assets held by the Company in highly secure financial assets. It is also the Company's policy not to engage in risky speculative transactions such as derivative transactions.

2) Description of financial instruments and risks associated with such financial instruments

Accounts receivable-trade (i.e., operating receivables) are exposed to customers' credit risk. However, the Company seeks to reduce this risk by making the settlement period as short as possible, by closing the accounts at the end of each month and settling transactions in the following month as a fundamental rule.

Securities consist of treasury discount bills purchased by using funds regarded as temporary surplus funds out of bank deposits, etc. held by the Company. The Company's policy is not to hold financial instruments that are generally riskier than treasury discount bills.

Investment securities are shares held for the purpose of confirming the tie-up with counterparty companies and also held as contributions to investment limited partnerships, and are exposed to risks of fluctuations in market price.

Accounts payable-trade (i.e., operating payables) are generally settled within one month by closing the accounts at the end of each month and settling transactions in the following month as a fundamental rule, similarly to accounts receivable-trade (i.e., operating receivables).

3) Risk management for financial instruments

・ Management of credit risk (risk of nonperformance of contract by counterparty, etc.)

The Company manages operating receivables according to the credit management rules it has established to manage such receivables. The Management Department is in charge of conducting a credit check of new counterparties upon the commencement of transactions. In conjunction with

regular checks conducted by the Management Department, the Sales and Marketing Department manages receivables from counterparties in ongoing transactions by confirming their financial position of such counterparties, as well as the due date, balance and other matters regarding receivables in transactions with such counterparties.

The Company seeks to promptly identify and reduce concerns over the collection of operating receivables mainly by managing them as described above.

Receivables comprising securities are all in the form of highly secure treasury discount bills, with negligible credit risk.

The maximum amount of credit risk as of March 31, 2015 is shown as the amount of financial assets exposed to credit risks in the balance sheets.

- **Management of market risk**

Shares of companies listed on securities exchanges and markets are held by the Company for the purpose of confirming its tie-up with counterparty companies, and are declared as investment securities in the balance sheets, along with contributions to investment limited partnerships. The Company periodically identifies the market value of the investment securities and the financial position etc. of the issuer (counterparty company) and reviews such investment securities on an ongoing basis, in consideration of such factors as the status of tie-up with the counterparty company.

- **Management of liquidity risk in financing (risk of not being able to execute payment on due date)**

The Company manages liquidity risks by executing fund settlement in consideration of security, by confirming the fund settlement status and the trends in the balance during the month, as well as the fund settlement forecast and the projected trends in the balance in the following month.

4) Supplementary explanation of market value and other matters related to financial instruments

The market value of financial instruments includes mark-to-market value, and in cases where there is no market price, it includes the value reasonably calculated. As the calculation of such market value takes variables into account, the value may change if different assumptions, etc. are adopted.

5) Concentration of credit risks

Specific large-lot customers account for 96% of operating receivables as of March 31, 2015.

(2) Matters related to market value, etc. of financial instruments

The amounts declared in the balance sheets, market value and the difference between the two as of March 31, 2015 are as follows. Please note that they do not include financial instruments, etc. in cases where identification of market value was deemed extremely difficult.

	Balance sheet amount (millions of yen)	Market value (millions of yen)	Difference (millions of yen)
(1) Cash and deposits	8,500	8,500	–
(2) Accounts receivable–trade	550	550	–
(3) Securities			–
Available-for-sale securities	2,999	2,999	–
(4) Investment securities			
Available-for-sale securities	99	99	–
Total assets	12,150	12,150	–
(1) Accounts payable–trade	170	170	–
(2) Income taxes payable	137	137	–
Total liabilities	307	307	–

* The Company does not perform any derivative transactions.

(Note 1) Calculation method of market value of financial instruments and matters related to securities

Assets

(1) Cash and deposits

Deposits are all short-term and their market value is approximately the same as the book value; therefore, the book value is stated.

(2) Accounts receivable–trade

As accounts receivable-trade are settled within about one month and their credit risk is under management, their market value is deemed to be almost the same as the book value; therefore, the book value is stated.

(3) Securities and (4) Investment securities

The securities are all in the form of treasury discount bills, and in consideration of the risks and other such factors, the market value is stated at the price presented by the corresponding financial institutions. The market value of investment securities is stated at the price quoted at the stock exchange or in other relevant markets.

Notes on securities by holding purpose are as follows. No investment securities were sold during fiscal 2014.

Liabilities

(1) Accounts payable-trade

Accounts payable-trade are settled within about one month, and their market value in view of state of finance, etc. is deemed to be almost the same as the book value; therefore, the book value is stated.

(2) Income taxes payable

Income taxes payable are settled in a short period of time, and their market value in view of state of finance, etc. is deemed to be almost the same as the book value; therefore, the book value is stated.

Available-for-sale securities with market value

	Type	Balance sheet amount (millions of yen)	Acquisition cost (millions of yen)	Difference (millions of yen)
Available-for-sale securities whose amounts recorded on the balance sheets exceed their acquisition costs	(1) Stocks	99	66	33
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	–	–	–
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	99	66	33
Available-for-sale securities whose amounts recorded on the balance sheets do not exceed their acquisition costs	(1) Stocks	–	–	–
	(2) Bonds and debentures			
	1) JGBs, municipal bonds, etc.	2,999	2,999	(0)
	2) Corporate debentures	–	–	–
	3) Others	–	–	–
	(3) Others	–	–	–
	Subtotal	2,999	2,999	(0)
Total		3,099	3,066	32

(Note 2) Financial instruments of which market value is deemed as extremely difficult to determine

Classification	Balance sheet amount
Contributions to investment limited partnerships	98 million yen

As investment limited partnerships, with no market price, is deemed as extremely difficult to determine its market value, this item is not included in “(4) Investment securities.”

(Note 3) Monetary claims and future redemption amounts of securities with maturity after settlement date

	Within 1 year (millions of yen)	Over 1 year, within 5 years (millions of yen)	Over 5 years, within 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	8,500	–	–	–
Accounts receivable–trade	550	–	–	–
Securities and investment securities				
Available-for-sale securities with maturity	3,000	–	–	–
Total	12,051	–	–	–

7. Notes on tax effect accounting

Deferred tax assets

Depreciation in excess of deductible amount	91 million yen
One-time depreciation of assets in excess of deductible amount	3 million yen
Accrued enterprise tax, currently not deductible	14 million yen
Non-deductible accrued business office tax	0 million yen
Allowance for bonuses in excess of tax limit	50 million yen
Impairment loss, currently not deductible	1 million yen
Others	55 million yen
Total deferred tax assets	218 million yen
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(12) million yen
Others	(9) million yen
Total deferred tax liabilities	(21) million yen
Net deferred tax assets	196 million yen

Valuation allowance of 5 million yen has been deducted from deferred tax assets.

8. Notes on business combination

(1) Outline of the transaction

1) Name and description of business of combined business

Name of business	Entire business of NEWZONE CORPORATION, a consolidated subsidiary of the Company
Description of business	Development and sales of semiconductors and electronics

2) Date of business combination

December 1, 2014

3) Legal form of business combination

Business transfer in which NEWZONE CORPORATION becomes business transferor and the Company becomes business transferee

4) Name of the company after business combination

AXELL CORPORATION

5) Matters regarding the outline of other transactions

NEWZONE CORPORATION has been engaged in the business development targeting the digital convenience radio field. In order to streamline and enhance efficiency of the management within the Group, the Company took over the entire business of NEWZONE CORPORATION, a consolidated subsidiary of the Company. The liquidation of NEWZONE CORPORATION was concluded on February 27, 2015.

(2) Outline of the implemented accounting procedure

Pursuant to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, announced on December 26, 2008) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, announced on December 26, 2008), the transaction was processed as a common control transaction.

9. Notes on asset retirement obligations

(1) Summary of the asset retirement obligations

They are mainly restitution obligations in line with a building lease agreement for the head office.

(2) Calculation method for the amount of the asset retirement obligations

The amount of asset retirement obligations is calculated at estimated period of use of 42.75 years to 50 years and discount rate of 1.820% to 2.301%.

(3) Increase and decrease in the total amount of the asset retirement obligations

Balance at beginning of current period	32 million yen
Adjustments over time	0 million yen
Balance at end of current period	33 million yen

10. Notes on transactions with related parties

Description is omitted due to its insignificance.

11. Notes on per share information

(1) Net assets per share	1,093.10 yen
(2) Net income per share	89.91 yen

12. Notes on major subsequent events

Acquisition of treasury stock

At the Board of Directors' meeting held on April 24, 2015, in accordance with Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the same Act, the Company resolved to acquire treasury stock.

(1) Reasons for acquisition of treasury stock

With the intent of increasing capital efficiency, the Company will acquire treasury stock in accordance with provisions of the Articles of Incorporation.

(2) Details Regarding the Acquisition

1)	Type of stock to be acquired:	Common stock of the Company
2)	Total number of shares to be acquired:	1,250,000 (maximum) (Ratio to the total number of issued shares: 10.08%)
3)	Acquisition period:	From May 1, 2015 to February 29, 2016
4)	Total share acquisition price:	2,000 million yen (maximum)
5)	Acquisition method:	Market purchase by the trust method

Accounting Auditor's Report on Non-consolidated Financial Statements

Report of Independent Auditor

April 24, 2015

To the Board of Directors
AXELL CORPORATION

Ernst & Young ShinNihon LLC

Certified Public Accountant Designated Limited Liability Partner Engagement Partner	Kaoru Kashima	[Seal]
Certified Public Accountant Designated Limited Liability Partner Engagement Partner	Toru Iizuka	[Seal]

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the non-consolidated financial statements, namely, the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, the notes to non-consolidated financial statements and the related supplementary schedules of AXELL CORPORATION (hereinafter the "Company") applicable to fiscal 2014, from April 1, 2014 to March 31, 2015.

Management responsibility in respect of non-consolidated financial statements

Management of the Company is responsible for the preparation and appropriate presentation of non-consolidated financial statements and the related supplementary schedules, pursuant to the corporate accounting standards generally accepted in Japan. This includes development and operation of internal control as deemed necessary by the management in ensuring preparation and appropriate presentation of the non-consolidated financial statements and the related supplementary schedules that are free from any material misstatements due to fraud or error.

Responsibility of Accounting Auditor

We as Accounting Auditor are responsible for expressing our opinion in respect of the non-consolidated financial statements and the related supplementary schedules from an independent standpoint, based on the audit we conducted. Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to develop audit plan and conduct our audit according to the plan in order to obtain reasonable assurance whether any material misstatement exists in the non-consolidated financial statements and the related supplementary schedules or not.

Our audit involves the procedures to obtain audit evidence that verifies if the accurate amounts were duly disclosed in the non-consolidated financial statements and the related supplementary schedules. Audit procedures are selected and applied at our discretion, based on the risk assessment of material misstatements in the non-consolidated financial statements and the related supplementary schedules due to fraud or error. Although expressing our opinion in respect of the effectiveness of the Company's internal control does not constitute the purpose of accounting audit, we examine the internal control in respect of the preparation and appropriate presentation of the non-consolidated financial statements and the related supplementary schedules, with the purpose to develop appropriate audit procedures depending on the situation, when we implement the risk assessment. Our audit also involves examination of the overall presentation of the non-consolidated financial statements and the related supplementary schedules, including assessment of the accounting policies and its application methods as adopted by the management, along with the estimates made by the management.

We believe we have obtained sufficient and appropriate audit evidence that serves as the basis for expression of our opinion.

Audit opinion

In our opinion, the non-consolidated financial statements and the related supplementary schedules referred to above present fairly, in every significant aspect, the financial position and operating results of the Company for fiscal 2014 in conformity with corporate accounting standards generally accepted in Japan.

Point of emphasis

As stated in major subsequent events, the Company resolved to acquire treasury stock at the Board of Directors' meeting held on April 24, 2015.

This event has no effect on our audit opinion.

Interest

Neither Ernst & Young ShinNihon LLC nor any of the Engagement Partners has any interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

Audit Report

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the Directors' execution of their duties during fiscal 2014, from April 1, 2014 to March 31, 2015, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof

The Audit & Supervisory Board established audit policies, audit plans, etc. and received reports from all the Audit & Supervisory Board Members regarding the execution of audits and the results thereof. In addition, we received reports, and explanations as necessary, from Directors, etc. and the Accounting Auditor regarding the execution of their duties.

In accordance with the audit policies, audit plans, etc. established by the Audit & Supervisory Board, we attended the Board of Directors' meetings and other important meetings, received reports from the Directors, the internal auditing division and other employees, etc. regarding the execution of their duties, inspected documents related to important decisions, and examined the operations and assets at the Company's head office.

Furthermore, with respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Directors with laws, regulations and the Articles of Incorporation in the execution of their duties and other systems required to ensure the properness of the operations of joint stock company (kabushiki-kaisha) as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act (Article 362, Paragraph 4 of the Revised Companies Act), as well as the system (internal control system) developed based on the resolution of the Board of Directors, we received regular reports regarding the status of formulation, operation, and revision from the Directors and other employees, sought explanations as necessary, and expressed opinion thereon.

We additionally verified internal controls over financial reporting under the Financial Instruments and Exchange Act from the Audit & Supervisory Board Members' standpoint.

With regard to the Company's subsidiary, the Audit & Supervisory Board confirmed that the business was transferred to the parent company on December 1, 2014, and that legal liquidation procedures, submissions to regulatory authorities, and disclosures, etc., were appropriately conducted. As a result, the Audit & Supervisory Board also confirmed that from fiscal 2014, the Company has become a non-consolidated Company with no consolidated subsidiaries.

Based on the foregoing methods, we examined the Business Report and the related supplementary schedules for fiscal 2014.

Moreover, we monitored and verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports, and sought explanations as necessary, from the Accounting Auditor regarding the execution of its duties, based on which we examined the non-consolidated financial statements (the non-consolidated balance sheets, the non-consolidated statements of income, the non-consolidated statements of changes in net assets, and the notes to non-consolidated financial statements) and the related supplementary schedules for fiscal 2014.

The Audit & Supervisory Board received notification from the Accounting Auditor to the effect that "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with "Quality Control Standards for Auditing" (dated October 28, 2005 by Business Accounting Council), etc.

2. Audit Results

(1) Results of Audit of Business Report, etc.

1. In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
3. We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content. We also found no matters requiring note on our part with respect to the description of the Business Report and the execution of duties by Directors concerning the said internal control system. Furthermore, there are no particular matters to add as Audit & Supervisory Board Members regarding the internal controls over financial reporting.
4. No matters requiring note on our part were found with respect to the basic policies on the composition of person to control decision making over financial and business policies of the Company stated in the Business Report.

(2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules
We found that the methods and the results of the audit conducted by Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

April 24, 2015

Audit & Supervisory Board
AXELL CORPORATION

Full-time & Outside Audit & Supervisory Board Member	Yoshiki Yoshida
Outside Audit & Supervisory Board Member	Katsuya Mitsumura
Outside Audit & Supervisory Board Member	Shigeo Igashima