

September 26, 2019

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Notice of Memorandum with Marubeni for Joint Study of Home IoT, Sale of Stock of an Affiliate and Associated Extraordinary Income

The Board of Directors of Apaman Co., Ltd. and wholly owned subsidiary Apaman Property Co., Ltd. approved resolutions on September 26, 2019 to sign a memorandum with Marubeni Corporation (Head office: Chuo-ku, Tokyo; President: Masumi Kakinoki) concerning joint studies about home IoT services and the sale of part of the shares of Grandouce Inc., an Apaman equity-method affiliate operating a minpaku (short-term stays in private residence) business, to Marubeni and Marubeni Real Estate Management Co., Ltd. Apaman and Marubeni have been holding discussions for some time regarding new services involving the sharing economy and real estate technology. Following the sale of this stock, Grandouce will no longer be an Apaman equity-method affiliate. Apaman expects to post as extraordinary income a gain on the sale of this stock.

1. Reason for this alliance with Marubeni

The Apaman Group has three business segments: Sharing Economy, Platform and Cloud Technology.

The Apaman Group has business operations in its Sharing Economy Business segment that support the goals of the Japanese government's Japan Revitalization Strategy 2016. One is "fabbit," which supports the "second founding" of startup companies, venture capital-backed companies, and small and midsize companies. fabbit also enables the matching the of business activities of these companies. The other is a business for the provision of shared parking areas for automobiles.

In the Platform Business segment, the Apaman Group provides directly and indirectly services concerning the rental of many types of real estate. These services encompass about 200,000 property owners and one million residences (both including franchised Apaman shops). The Cloud Technology Business segment provides numerous cloud services and AI systems.

Marubeni is a diversified trading company with operations that include lifestyle products and services, ICT services, real estate, forest products, food, agriculture, chemicals, electric power, energy, metals, industrial plants, aerospace, ships, financial and leasing services, construction, automobile and industrial machineries, next-generation businesses, and many other business sectors. In these businesses, Marubeni handles transactions within Japan, exports and imports, and offshore transactions. Operations span a broad spectrum of services as well as investments in Japan and other countries, resource development projects, and other activities. In the real estate sector, Marubeni has development projects in Japan and other countries, an asset management business, a property management business, and other activities.

This agreement for joint studies concerning home IoT is the result of prior discussions aimed at using the platforms of Apaman and Marubeni for the purpose of providing new services. Examples are the joint development of home IoT services and the provision of products and services that use the resources of both companies. This agreement also includes the sale of part of Apaman's Grandouce stock to Marubeni. Further announcements will be made if discussions between Apaman and Marubeni result in other alliances or other

forms of cooperation.

2. Reason for the sale of Grandouce stock

Grandouce was established by trust-one Inc. (Head office: Nishi-ku, Osaka; President: Keisuke Shibata) and Apaman Property Co., Ltd., a wholly owned subsidiary of Apaman. The company has been increasing the number of its minpaku locations with the goal of becoming Japan's largest provider of minpaku lodging. To further increase the value of Grandouce and enable Apaman to focus its resources on "fabbit," a sharing economy business that involves the operation of coworking locations and the provision of business ecosystems, the decision was made to sell some Grandouce stock to Marubeni and Marubeni Real Estate Management in addition to establishing this business alliance.

2. Profile of Grandouce

(1) Name	Grandouce Inc.			
(2) Head office	1-5-7, Shinmachi, Nishi-ku, Osaka			
(3) Representative	Keisuke Shibata, President			
(4) Business	Operation of minpaku, hotel, ryokan and simple lodging facilities Operation of hotels and other lodging facilities for foreigners, established in accordance with the National Strategic Special Zone Act			
(5) Capital	76,000 thousand yen			
(6) Established	March 31, 2017			
(7) Major shareholders and shareholding ratios	trust-one Inc. 51.0% Apaman Property Co., Ltd. (Apaman subsidiary) 49.0%			
(8) Relationships between Apaman and Grandouce	Capital	Apaman Property owns 49.0% of the voting rights of Grandouce. Also, an Apaman consolidated subsidiary owns 15,000 shares of Grandouce preferred stock without voting rights.		
	Personnel	One Grandouce director is from Apaman.		
	Business	Apaman leases properties to Grandouce and an Apaman consolidated subsidiary outsources minpaku operations to Grandouce.		
(9) Results of operations and financial position for the last three years (Millions of yen)				
	Fiscal years ended	September 2017*	September 2018	-
	Net assets	78	(29)	-
	Total assets	79	354	-
	Net assets per share (Yen)	(2,102.1)	(17,939.7)	-
	Net sales	16	350	-
	Operating profit	(21)	(165)	-
	Ordinary profit	(21)	(170)	-
	Profit attributable to owners of parent	(22)	(171)	-
	Net income per share (Yen)	(2,202.1)	(17,163.9)	-
	Dividend per share (Yen)	-	-	-

* Only two fiscal years are shown because Grandouce was established on March 31, 2017 and has a September fiscal year end.

* The fiscal year ended September 2017 is a six-month period from March 31, 2017, when Grandouce was established, to September 30, 2017.

3. Profile of Marubeni Corporation and Marubeni Real Estate Management

(1)	Name	Marubeni Corporation	
(2)	Head office	Tokyo Nihombashi Tower, 2-7-1, Nihombashi, Chuo-ku, Tokyo	
(3)	Representative	Masumi Kakinoki, President	
(4)	Business	Import/export/offshore transactions, transactions within Japan, services, investments in Japan and other countries, resource development and other activities involving lifestyle products and services, ICT services, real estate, forest products, food, agriculture, chemicals, electric power, energy, metals, industrial plants, aerospace, ships, financial and leasing services, construction, automobile and industrial machineries, next-generation businesses, and many other business sectors	
(5)	Capital	262,686 million yen (as of April 1, 2019)	
(6)	Established	December 1, 1949	
(7)	Major shareholders and shareholding ratios	The Master Trust Bank of Japan, Ltd. (Trust Account) 6.79% Japan Trustee Services Bank, Ltd. (Trust Account) 5.61% Meiji Yasuda Life Insurance Company 2.41% Japan Trustee Services Bank, Ltd. (Trust account 5) 2.20% Japan Trustee Services Bank, Ltd. (Trust account 9) 1.90% (as of March 31, 2019)	
(8)	Relationships between Apaman and Marubeni	Capital	Not applicable.
		Personnel	Not applicable.
		Business	Not applicable.
		Related parties	Not applicable.

(1)	Name	Marubeni Real Estate Management Co., Ltd.	
(2)	Head office	3F-4F Shiba 520 Building, 5-20-6, Shiba, Minato-ku, Tokyo	
(3)	Representative	Ryutaro Yoshida, President and CEO	
(4)	Business	- Real estate rental, management, property management and operations for other companies and security and other services for other companies - Purchases and sales, exchanges, leasing, brokerage and intermediary services, agency services, and consulting concerning real estate and equipment involving real estate - Design, supervision and subcontracting for construction projects	
(5)	Capital	100 million yen	
(6)	Established	August 10, 1960	
(7)	Major shareholders and shareholding ratios	Marubeni Corporation 100%	
(8)	Relationships between Apaman and Marubeni Real Estate Management	Capital	Not applicable.
		Personnel	Not applicable.
		Business	Not applicable.
		Related parties	Not applicable.

4. Number of shares to be transferred, transfer price and share ownership before and after the transfer

(1)	Number of shares owned before transfer	Common stock: 4,900 shares; Class A preferred stock: 15,000 shares (Voting rights: 4,900 units) (Ownership: 49%)
(2)	Number of shares to be transferred	Common stock: 4,400 shares (Marubeni: 1,760 shares; Marubeni Real Estate Management: 2,640 shares) (Voting rights: 4,400 units)
(3)	Transfer price	The price cannot be disclosed due to a confidentiality agreement with Marubeni Corporation and Marubeni Real Estate Management. The price was determined by discussions with these companies and takes into consideration a valuation calculated by a third party.
(4)	Number of shares owned after transfer	Common stock: 500 shares; Class A preferred stock: 15,000 shares (Voting rights: 500 units) (Ownership: 5.0%)

5. Schedule

Resolution of the Board of Directors:	September 26, 2019
Signing of memorandum for joint studies:	September 26, 2019
Signing of share transfer agreement:	September 26, 2019
Settlement for share transfer:	September 27, 2019 (tentative)

6. Outlook

In the fiscal year ending in September 2019, Apaman expects to post extraordinary income of approximately 380 million yen as a gain on sales of shares of subsidiaries and associates (after deducting book value and various expenses from the sales price) due to the sale of Grandouce. In addition, Apaman plans to record approximately 130 million yen of income taxes and deferred income taxes in conjunction with the sale of Grandouce.

Apaman is currently examining the effect of this sale and other items on its results of operations and will make an announcement concerning the forecast for the fiscal year ending in September 2019 promptly once this forecast has been finalized.