

November 5, 2019

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## Notice of Non-operating Expense and Revisions to Consolidated Forecast

Apaman Co., Ltd. plans to post a non-operating expense in the fiscal year that ended on September 30, 2019 for a share of loss of entities accounted for using equity method and has revised the consolidated forecast for the fiscal year that was announced on February 13, 2019 based on recent results of operations.

### 1. Non-operating expense (share of loss of entities accounted for using equity method)

SystemSoft Corporation, an equity-method affiliate of Apaman, announced today an extraordinary loss for the write-down of goodwill, a non-operating loss and revisions to its fiscal year consolidated forecast. As a result, Apaman plans to record a non-operating expense of 570 million yen for a share of loss of entities accounted for using equity method in its consolidated financial statements for the fiscal year that ended on September 30, 2019.

### 2. Revision to consolidated forecast

Fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	45,000	2,000	1,400	(100)	(5.62)
<b>Revised forecast (B)</b>	<b>45,900</b>	<b>2,050</b>	<b>700</b>	<b>250</b>	<b>14.05</b>
Change (B – A)	900	50	(700)	350	
Percentage change (%)	2.0%	2.5%	(50.0)%	-	
(Reference) Previous fiscal year's results (Fiscal year ended September 30, 2018)	41,682	1,626	881	(1,073)	(60.30)

### 3. Reasons for revision

The sales forecast is 45,900 million yen, 900 million yen higher than the previous forecast. Sales in the Platform Business decreased mainly because of activities for strengthening compliance and internal management systems at directly operated stores. Sales increased in the Cloud Technology Business because of positive web reaction and growing use of cloud technologies and services. There was also an increase in sales of the Sharing Economy Business resulting from sales of securities held for business purposes and the larger number of facilities and members.

The operating profit forecast has been raised by 50 million yen to 2,050 million yen mainly because of the higher sales forecast.

The ordinary profit forecast has been reduced 700 million yen to 700 million yen. Although the operating profit forecast was revised upward, ordinary profit will be negatively impacted by the 570 million yen share of loss of entities accounted for using equity method and a 238 million yen provision of allowance for doubtful accounts for estimated amount of uncollectible receivables.

The forecast for profit attributable to owners of parent has been raised by 350 million yen to 250 million yen. This revision reflects the operating profit forecast reduction, a gain of 2,052 million yen on sales of shares of subsidiaries and affiliates (see notes 1 and 2), a 319 million yen loss on sales of non-current assets (see note 3), a 273 million yen loss on retirement of non-current assets, and other items. In addition, an increase of 368 million yen is expected in income tax and deferred taxes.

\*Press releases concerning this gain and loss are as follows.

Notes:

1. “Notice of Sale of a Consolidated Subsidiary and Associated Extraordinary Income” announced on September 25, 2019.
2. “Notice of Memorandum with Marubeni for Joint Study of Home IoT, Sale of Stock of an Affiliate and Associated Extraordinary Income” announced on September 26, 2019.
3. “Notice of Extraordinary Loss on Sale of Non-current Assets” announced on September 30, 2019

Note: The above forecast is based on information available to Apaman management at the time this document was prepared. Actual results may differ significantly from the forecast for a number of reasons.



November 5, 2019

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## **Notice of Extraordinary Loss, Non-operating Loss and Revisions to Consolidated Forecast**

SystemSoft Corporation has recorded the following extraordinary loss for the write-down of goodwill and non-operating loss in the fiscal year that ended on September 30, 2019.

In addition, the consolidated forecast for the fiscal year that was announced on November 5, 2018 has been revised to reflect recent results of operations.

### 1. Extraordinary loss

#### (1) Impairment loss on goodwill: 1,437 million yen (Non-consolidated)

The business plan of joint venture Power Technology Co., Ltd. was reexamined based on a conservative assessment of this company's future earnings and other factors in order to determine if there is a need for an impairment charge. This reexamination resulted in the decision to write down Power Technology goodwill to the book value of the amount that can be recovered. The reduction in goodwill was recorded as an impairment loss under extraordinary loss.

#### (2) Impairment loss on goodwill: 199 million yen (Consolidated)

The earnings of subsidiary Zenkankyo Portal Site Co., Ltd. have been below the business plan and this company can no longer be expected to produce earnings as initially expected. As a result, the decision was made to write-down the entire remaining amount of goodwill of 199 million yen for this company and record this reduction as an impairment loss under extraordinary loss.

### 2. Non-operating loss

A non-operating expense (provision for shareholder benefit program) of 28 million yen was recorded for an addition to the allowance for shareholder benefit program expenses.

### 3. Revision to consolidated forecast

#### (1) Consolidated forecast for the fiscal year ended September 30, 2019 (October 1, 2018 to September 30, 2019)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	2,600	150	120	60	0.88
Revised forecast (B)	3,000	153	85	(1,724)	(25.36)
Change (B – A)	400	3	(35)	(1,784)	-
Percentage change (%)	15.3%	2.0%	(29.1)%	-	-
(Reference) Previous fiscal year's results (Fiscal year ended September 30, 2018)	2,475	(79)	(155)	(263)	(3.88)

#### (2) Reasons for revision

The sales forecast 3,000 million yen, an increase of 400 million yen. One reason is the receipt of orders for system engineering services that include assigning personnel to work at the business sites of customers. Another reason is activities to raise the value of all types of services in the system development sector. The November 2018 establishment of subsidiary DigiIT Corporation to provide services in a new business domain, and subsequent focus on the successful start-up of this company, was one part of these activities. Due to these measures, the volume of system development operations grew, including the new customers and the receipt of large orders.

There is no change in the operating profit forecast of 153 million yen, which is generally consistent with the initial plan for the fiscal year. Although sales are higher, profit margins are down because of business start-up expenses and other reasons.

The ordinary profit forecast has been lowered by 35 million yen to 85 million yen because of the recording of provision for shareholder benefit program.

The forecast for net income (loss) has been lowered to a loss of 1,724 million yen because of the extraordinary total loss of 1,637 million yen for the write-down of goodwill.

There is no change to the dividend forecast at this time. This forecast will be reexamined while taking into consideration the outlook for business operations.

Note: The above forecast is based on information available to Apaman management at the time this document was prepared. Actual results may differ significantly from the forecast for a number of reasons.