

August 24, 2020

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Notice of Absorptions and Mergers of Consolidated Subsidiaries and of Consolidated Deferred Tax Assets and Non-consolidated Reversal of Allowance for Doubtful Accounts

The Board of Directors of APAMAN Co., Ltd. approved a resolution today for the absorptions and mergers of consolidated subsidiaries on September 30, 2020. One is the merger of Apaman Property Co., Ltd. and Apamanshop Leasing Co., Ltd. with Apaman Property the surviving company. The other is the merger of Apaman Network Co., Ltd. and Alliance Partner Co., Ltd. with Apaman Network the surviving company.

Some information about these mergers is omitted because these actions involve consolidated subsidiaries of APAMAN.

1. Purposes of the mergers

The operations of the APAMAN Group are divided into three business segments: Platform, Cloud Technology and Sharing Economy. Group companies are using many activities for the growth of operations in these markets and higher earnings.

The purposes of these two mergers, and the resulting reorganization of associated business activities, are to increase the efficiency of business operations and raise the speed of management initiatives as part of these activities for growth.

2. Summary of mergers

(1) Method

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| Merger 1 | An absorption-type merger of Apaman Property, which will be the surviving company, and Apamanshop Leasing, which will be liquidated. |
| Merger 2 | An absorption-type merger of Apaman Network, which will be the surviving company, and Alliance Partner, which will be liquidated. |

(2) Schedule

Both mergers

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|---|--------------------------------|
| Board of Directors resolutions or decisions (Merging companies) | August 24, 2020 |
| Board of Directors resolution (APAMAN) | August 24, 2020 |
| Contract signing | August 24, 2020 (tentative) |
| Shareholders meetings to approve merger contracts (Merging companies) | September 28, 2020 (tentative) |
| Date of mergers | September 30, 2020 (tentative) |

(3) Distribution of stock associated with the mergers

For both mergers, there will be no distribution of stock, cash or other considerations because all four companies are members of the APAMAN Group.

(4) Treatment of share acquisition rights and bonds with share acquisition rights of the companies to be dissolved

Not applicable for both mergers.

3. Profiles of the merging companies

Merger 1

	Surviving company	Company to be dissolved
(1) Name	Apaman Property Co., Ltd.	Apamanshop Leasing Co., Ltd.
(2) Location	Asahi Seimei Otemachi Building, 2-6-1 Otemachi, Chiyoda-ku, Tokyo	Asahi Seimei Otemachi Building, 2-6-1 Otemachi, Chiyoda-ku, Tokyo
(3) Representative	Yoshihiro Oyama, President	Masaaki Arashiro, President
(4) Business	Platform Business Other business	Platform Business
(5) Capital	100 million yen	10 million yen
(6) Established	September 1, 2005	May 15, 2017
(7) Major shareholders	APAMAN Co., Ltd.: 99.0% SystemSoft Corporation: 1.0%	APAMAN Co., Ltd.: 100%
(8) Net assets (FY2019)	7,855 million yen	49 million yen
(9) Total assets (FY2019)	13,214 million yen	598 million yen
(10) Net sales (FY2019)	24,308 million yen	2,161 million yen

Merger 2

	Surviving company	Company to be dissolved
(1) Name	Apaman Network Co., Ltd.	Alliance Partner Co., Ltd.
(2) Location	Asahi Seimei Otemachi Building, 2-6-1 Otemachi, Chiyoda-ku, Tokyo	Asahi Seimei Otemachi Building, 2-6-1 Otemachi, Chiyoda-ku, Tokyo
(3) Representative	Shuichi Iwasaki	Kai Yamasaki
(4) Business	Cloud Technology Business Platform Business Sharing Economy Business Other business	Sharing Economy Business
(5) Capital	100 million yen	1 million yen
(6) Established	April 25, 2006	February 10, 2014
(7) Major shareholders	APAMAN Co., Ltd.: 99.0% SystemSoft Corporation: 1.0%	APAMAN Co., Ltd.: 100%
(8) Net assets (FY2019)	7,007 million yen	(1,142) million yen
(9) Total assets (FY2019)	8,144 million yen	1,666 million yen
(10) Net sales (FY2019)	8,740 million yen	1,473 million yen

4. Post-merger profiles

There will be no change in the company names, locations, representatives and capital as a result of these mergers.

5. Outlook

APAMAN is posting deferred tax assets because of the assumption of losses carried forward of the two companies to be dissolved due to these mergers. These deferred tax assets are expected to increase consolidated deferred taxes by 760 million yen. There are no revisions to the consolidated forecast for the fiscal year ending in September 2020 because the forecast already incorporates this effect of the mergers.

On the non-consolidated statement of income, APAMAN expects to post a gain of 852 million yen due to the reversal of the allowance for doubtful accounts in conjunction with these mergers. This gain will be eliminated during the consolidation process and therefore have no effect on consolidated results of operations.