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Company name: APAMAN Co., Ltd.
 Representative: Koji Omura, President and CEO
 Securities code: 8889 (JASDAQ)
 Inquiries: Masahiro Takata, Deputy Executive
 Manager, Administration Division
 TEL: +81-3-3231-8020

Notice of Revisions to Consolidated Forecast

Apaman Co., Ltd. has revised its consolidated forecast announced on May 15, 2020 for the fiscal year ended September 30, 2020 based on recent results of operations. Details are as follows.

1. Revision to consolidated forecast

Fiscal year ended September 30, 2020 (October 1, 2019 to September 30, 2020)

	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)	43,700	1,200	450	150	8.43
Revised forecast (B)	44,100	840	8	165	9.27
Change (B – A)	400	(360)	(442)	15	
Percentage change (%)	0.9	(30.0)	(98.2)	10.0	
(Reference)					
Previous fiscal year results (Fiscal year ended September 30, 2019)	45,934	2,055	729	272	15.31

2. Reasons for revision

The sales forecast has been increased by 400 million yen to 44,100 million yen based on the current level of sales. In the Sharing Economy business, distributions from investment partnerships are not expected to start until the fiscal year ending on September 30, 2021. In the Platform business, sales are expected to decrease because occupancy rates at currently subleased properties have decreased more than expected. However, the sales forecast has been increased mainly because of the contribution to sales of a new subsidiary acquired through M&A.

The operating profit forecast has been reduced by 360 million yen to 840 million yen. Although the higher sales forecast contributes to earnings somewhat, the operating profit forecast is lower because of a decrease in Sharing Economy business earnings due to lower sales as described above, a decrease in subleasing gross profit in the platform business, slower than expected progress with cost reduction measures, and higher operating expenses for several reasons. One cause of these higher expenses is recruiting and other expenses for adding people needed to build a sound framework for business operations in the next fiscal year and afterward.

The ordinary profit forecast has been reduced by 442 million yen to 8 million yen. The decrease in operating profit described above is one reason. This revision also reflects a larger share of loss of entities accounted for using the equity method, the result of lower profit attributable to owners of parent at equity-method affiliate SystemSoft Corporation (as announced today by SystemSoft in a release titled “Notice of Revisions to Consolidated Forecast”), M&A fees and other items.

The forecast for profit attributable to owners of parent has been increased by 15 million yen to 165 million yen. Despite the negative effect of the lower ordinary profit forecast, the profit attributable to owners of parent forecast is higher primarily because of a decrease in income taxes and deferred income taxes due to the decline in ordinary profit, the posting of deferred tax assets (which reduces deferred income taxes) associated with a review of the tax effect schedule, which is partly the result of the start of tax effect accounting at consolidated subsidiaries, and a gain on the change in ownership of SystemSoft

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.