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Notice of Extraordinary Loss/Income and Reduction in Director Remuneration Due to the Explosion in Sapporo

An explosion occurred at about 20:30 on December 16, 2018 in Sapporo at the Apamanshop Hiragishi Ekimae store operated by Apamanshop Leasing Hokkaido Co., Ltd. (Head office: Sapporo; CEO: Taiki Sato), which is a consolidated subsidiary of Apaman Co., Ltd., Apaman extends its sincere apology to people who were injured, residents of the neighborhood and all others who were affected by this accident.

Apaman has recorded an extraordinary loss and income as follows in association with this accident.

In addition, due to the seriousness of this incident, the Board of Directors approved a resolution today to reduce the remuneration of directors to reflect the impact on results of operations and other effects of the explosion.

1. Summary of the accident

At about 20:30 on December 16, 2018, employees of the Apamanshop Hiragishi Ekimae store, which is operated by Apamanshop Leasing Hokkaido, emptied a large number of deodorizer spray cans inside the shop and the fumes were ignited when a water heater switched on. According to the authorities in Sapporo, this accident injured 52 people, including the two employees. Also, the explosion damaged 41 buildings and 32 vehicles. Apaman deeply regrets the injuries and damages that occurred among nearby residents, pedestrians, stores and others.

Apaman opened an office near the site of the accident on December 19 where people and businesses could submit claims for damages. Approximately 80 people were assigned to this office and a call center for receiving information from people and businesses affected by the accident. Apaman received claims for damages from about 200 people and businesses. Discussions were held with each party concerning payments to apologize for the accident and cover losses. At this time, full or partial payments have been made to 150 people and businesses.

2. Extraordinary loss and extraordinary income

The estimate for total damages is 1,007 million yen, which includes compensation payments made, the estimated cost for repairing buildings and other items. This amount was posted as an extraordinary loss in the first quarter of the fiscal year ending in September 2019. This loss includes payments that have been made or are to be made to people and companies affected by the explosion, the cost of canceling TV commercials following this incident, the cost of personnel assigned to handle payments and other matters, and other expenses. Apaman does not expect the final extraordinary loss to differ significantly from this amount. An announcement will be made if there is a material change in the outlook for these expenses.

Apaman has insurance policies with total coverage of 310 million yen. Apaman has confirmed with insurance companies that these policies cover payments for damages caused by this accident. At this time, Apaman has received insurance payments of 87 million yen and this amount has been recorded as an extraordinary income in the first quarter of this fiscal year. Apaman expects to receive reports and other information regarding insurance coverage once the insurance investigation of this incident has been completed. Apaman plans to post more extraordinary income for the receipt of insurance payments in the second quarter and afterward as these payments are received.

3. Reductions in remuneration of directors

Representative director 30% reduction in monthly director remuneration

Managing director 20% reduction in monthly director remuneration

These reductions apply to the three-month period starting in March 2019.

4. Outlook

Apaman expects this accident to have an impact of 697 million yen on consolidated results of operations, which is the difference between estimated expenses of 1,007 million yen and insurance payments of 310 million yen. A revised forecast for the fiscal year ending in September 2019 has been announced separately today in a release titled “Notice of Revisions to Consolidated Forecast.”