

November 13, 2020

Company name: APAMAN Co., Ltd.
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Securities code: 8889 (JASDAQ)
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Notice of Transfer of a Consolidated Subsidiary and Associated Extraordinary Income

The Board of Directors of Apaman Co., Ltd. approved a resolution on November 13, 2020 to implement an absorption-type merger (simplified merger), (hereinafter referred to as the “Merger”), with January 1, 2021 as the effective date, of its consolidated subsidiary fabbit Co., Ltd. (Head office: Chiyoda-ku, Tokyo; President and CEO: Yasunari Tanaka) (hereinafter referred to as “fabbit”) and equity-method affiliate SystemSoft Corporation (Head office: Chiyoda-ku, Tokyo; President and CEO: Haruki Yoshio) (hereinafter referred to as “SS”), with SS as the surviving company and fabbit as the extinguished company. fabbit and SS signed a merger agreement on November 13, 2020. After the Merger, SS will remain as an Apaman’s equity-method affiliate.

1. Reason for the Merger

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

fabbit, as part of its Sharing Economy business, and through its role in establishing and supporting the growth of start-up companies and delivering second-launch support for small and medium-sized enterprises, creates business ecosystems through the provision of incubation programs, etc. The company also manages and operates coworking spaces and rental offices and provides various consulting services. fabbit endeavors to improve the brand value by increasing the number of both facilities and members by operating directly managed, franchised and other facilities.

SS is an equity-method affiliate that has strengths in RPA (Robotic Process Automation) solutions and AI systems development. The company also undertakes system development, operation and maintenance projects outsourced by the Apaman Group.

The Merger proposal was initiated by SS. Apaman approved the Merger after carefully considering the future of fabbit and of the entire Group. We are of the opinion that it is the best option for the Apaman Group at this point to approve the Merger because the Merger will (1) strengthen services for fabbit members by furthering the development of AI and the systemization of fabbit’s business; (2) increase the number of system development and other projects entrusted to SS by fabbit members, which will result in higher corporate value of our equity-method affiliate SS as well as of the entire Group; (3) concentrate management resources for the stability and expansion of the Platform business and Cloud Technology business; and (4) improve the Apaman Group’s liquidity position.

2. Profile of fabbit

(1) Name	fabbit Co., Ltd.
(2) Head office	Asahi Seimei Otemachi Building, 2-6-1, Otemachi, Chiyoda-ku, Tokyo
(3) Representative	Yasunari Tanaka, President and CEO
(4) Business	Provision of business ecosystems, operation of coworking facilities and consulting services
(5) Capital	10 million yen (as of September 30, 2020)
(6) Established	April 3, 2017
(7) Major shareholders and shareholding ratios (as of September 30, 2020)	Apaman Co., Ltd.: 62.30% Alliance Technology Co., Ltd. (wholly owned by SS): 20.00%

(8) Relationships between Apaman and fabbit	Capital	Apaman owns 6,230 shares.		
	Personnel	One director and 41 employees have been assigned by Apaman on secondment or to concurrently serve.		
	Business	Subleasing of coworking facilities (12 facilities) Rental of interior decoration equipment for coworking facilities (12 facilities) Outsourced operation and management of coworking facilities (4 facilities) (Apaman's consolidated subsidiaries) Outsourced investment advisory services (Apaman and its consolidated subsidiaries)		
(9) Results of operations and financial position for the last three years (Millions of yen)				
	Fiscal years ended	September 2018	September 2019	September 2020
	Net assets	72	265	162
	Total assets	532	742	564
	Net assets per share (Yen)	7,220.84	26,500.97	16,267.87
	Net sales	294	726	1,314
	Operating profit	77	314	(113)
	Ordinary profit	70	309	(130)
	Profit attributable to owners of parent	45	192	(120)
	Net income per share (Yen)	9,875.14	19,280.40	(12,059.90)
	Dividend per share (Yen)	-	-	-

* Major shareholders and shareholding ratios do not include share acquisition rights issued on June 30, 2020 to officers and employees and to third-party partners.

* fabbit conducted a 50-for-1 common stock split in April 2018.

3. Profile of SystemSoft Corporation

(1) Name	SystemSoft Corporation		
(2) Head office	2-6-1, Otemachi, Chiyoda-ku, Tokyo		
(3) Representative	Haruki Yoshio, President		
(4) Business	System development and web marketing support services		
(5) Capital	1,511 million yen		
(6) Established	September 28, 1979		
(7) Major shareholders and shareholding ratios (as of September 30, 2020)	Apaman Network Co., Ltd.:	35.06%	
	SMBC Nikko Securities Inc.:	3.56%	
	The Master Trust Bank of Japan, Ltd. (Trust Account):	3.48%	
	Michio Maruyama:	3.07%	
	Custody Bank of Japan, Ltd. (Account 5):	1.40%	
(8) Relationships between Apaman and SystemSoft Corporation	Capital	A consolidated subsidiary of Apaman owns 23,854,700 shares	
	Personnel	Two directors of Apaman concurrently serves as directors	
	Business	System development, operation and maintenance (Apaman and its consolidated subsidiaries) Outsourced business involving the sale of shares (Apaman and its consolidated subsidiaries)	
	Related parties	An equity-method affiliate and a related party.	

4. Schedule

Resolution of the Board of Directors of fabbit	November 13, 2020
Resolution of the Board of Directors of Apaman:	November 13, 2020
Date of Signing:	November 13, 2020
General Meeting of Shareholders of fabbit:	December 11, 2020 (tentative)
Effective date:	January 1, 2021 (tentative)

- Notes: 1. Since the Merger corresponds to a simplified merger to which the provisions of Article 796, Paragraph 2 of the Companies Act apply for SS, it will be implemented without obtaining the approval at the SS general meeting of shareholders for this agreement.
2. If required, the above schedule may be altered by agreement between the two companies due to the requirements of proceeding with the Merger or for other reasons.
3. There are no plans to change the name, location, title/name of the representative, business lines, or fiscal year end of SS after the Merger.

5. Allocation due to the Merger

As a result of the Merger, Apaman plans to receive 8,678,390 shares of SS common stock in exchange for 6,230 shares of fabbit common stock (the merger ratio: one fabbit share for 1,393 SS shares).

After the Merger, Apaman and its consolidated subsidiaries will hold 39.85% of SS shares.

6. Outlook

In principle, the existing contracts between Apaman and its consolidated subsidiaries and fabbit will be retained following the Merger and these contractual operations will continue. The contracts cover the subleasing of coworking facilities, the rental of interior decoration equipment, the outsourced operation and management of coworking facilities, outsourced investment advisory services, the temporary provision of Apaman employees and other activities.

The Merger includes the planned allocation to Apaman of SS stock with a value of approximately 810 million yen (based on the closing price of this stock on November 12, 2020). In accordance with the Accounting Standard for Business Divestitures, Apaman plans to post a gain on the change in ownership (extraordinary income) of approximately 150 million yen in the fiscal year ending in September 2021 (October 1, 2020 to September 30, 2021).

The effect of the Merger on Apaman's results of operations is based on the premise that this transaction will close on January 1, 2021. This effect is included in the forecast for the fiscal year ending on September 30, 2021 that was announced with the consolidated financial results for the fiscal year that ended September 30, 2020 ("*kessan tanshin*") that was released today.