

*June 19, 2018*

**(Supplemental information) Notice Concerning Reaching a Basic Agreement on the Acquisition of a Subsidiary Accompanying the Transition to a Holding Company Structure**

ARDEPRO Co., Ltd. (“the Company”), announces supplemental information on the subsidiary to be acquired.

**1. Purpose of acquisition of investments**

As announced in a press release, “Notice Concerning Transition to a Holding Company Structure,” dated May 15, 2018, following approval at the Company’s ordinary general meeting of shareholders to be held in late October, the Company will transition officially to a holding company structure. Moreover, from the business activities of the real estate business alone, the Company intends to enter the Minpaku (private lodging) business utilizing real estate for sale owned by the Company group and properties to be acquired in the future, the Fintech business and/or the renewable energy business through solar power generation and biomass power generation.

To enter the renewable energy business as a part of the above plan, the Company reached a basic agreement on the acquisition of all the investments of Koshu management, LLC, which already has obtained certification for renewable energy generation equipment from the Ministry of Economy, Trade and Industry, from Dragon Power Co., Ltd.

**2. Supplemental information on the subsidiary to be acquired**

Koshu management, LLC, has certified power generation equipment, for which the output is to be purchased at a price of 36 yen per KWh for 20 years, based on the FIT (feed-in tariff) system. Moreover, the capacity of power generation equipment that the Company plans to construct in the future is huge: 202 MW in total including 42 MW and 160 MW from respective power plants in Fukushima Prefecture.

For this renewable energy business, the Company plans to adopt the solar sharing method, which uses the same area simultaneously for both agriculture and power generation. Koshu management, LLC, owns 49% of the shares of a farming corporation.

The 202-MW scale of the solar sharing method will be the largest solar business in Japan when it is realized. In addition, the Company is working jointly with domestic corporations experienced in this business.

	Site (Note 1)	Power generation amount	Annual power generation amount (expected) (Note 2)
(1) Power plant in Fukushima Prefecture	80 ha	42 MW	52,402,500 KWh
(2) Power plant in Fukushima Prefecture	288 ha	160 MW	201,225,600 KWh

Notes:

1. Sites totaling 110 ha have been secured either owned or leased. A farming corporation, an affiliated company of Koshu management, will continue land acquisition and the leasing of sites.
2. The above annual power generation amount is based only on an estimate after the sites are secured and completion of the power generation plant. In addition, equipment is planned for installation in the future, and there is no actual record yet of power sales. Solar facilities and power transmission equipment are assumed to be acquired via operating leases.
3. The calculation methods used are those from the NEDO (New Energy and Industrial Technology Development Organization) Solar Radiation Database:

(1) Average annual solar radiation  $3.38 \text{ kWh/m}^2 \text{ (day)} \times 365 \text{ 日} = 1,233 \text{ KWh/m}^2$   
 $1,233 \text{ KWh/m}^2 \times 0.85 \text{ (loss coefficients)} \doteq 1,048.05 \text{ KWh/m}^2$   
 $1,048.05 \text{ KWh/m}^2 \times 50,000 \text{ KW (capacity)} = 52,402,500 \text{ KWh/year (annual power generation amount)}$

(2) Average annual solar radiation  $3.38 \text{ kWh/m}^2 \text{ (day)} \times 365 \text{ 日} = 1,233 \text{ KWh/m}^2$   
 $1,233 \text{ KWh/m}^2 \times 0.85 \text{ (loss coefficients)} \doteq 1,048.05 \text{ KWh/m}^2$   
 $1,048.05 \text{ KWh/m}^2 \times 192,000 \text{ KW (capacity)} = 201,225,600 \text{ KWh/year (annual power generation amount)}$

The simple annual power sales revenue estimate in the case that the total amount of power can be sold based on the above is as follows:

- (1)  $52,402,500 \text{ KWh/year} \times 36 \text{ yen (FIT)} = 1,886,490,000 \text{ yen (year)}$
- (2)  $201,225,600 \text{ KWh/year} \times 36 \text{ yen (FIT)} = 7,244,121,600 \text{ yen (year)}$

At present, the Company recognizes that the prospects for profitability are high based on the above estimate. Electric power generation equipment expenses are approximately 42.3 billion yen, including roughly 34 billion yen for panel installation, 8 billion yen for transmission equipment installation and 300 million yen for securing sites. (Note 4)

4. Electric power generation equipment expenses are an approximation at this time. Moreover, equipment is assumed to be acquired via operating leases, but the concrete method of procuring funds has yet to be determined.

3. Schedule

- (1) Reaching a basic agreement  
June 8, 2018

(2) Exercising due diligence (in progress)

June 8, 2018

(3) Execution of a sales agreement

September 2018 (planned)

#### 4. Forecast

This event has a minor impact on the Company's consolidated financial results for the year ending July 31, 2018.

Completion of power generation facilities is projected for October 2020, and revenue recognition from power sales is expected after October 2020.