

September 25, 2018

Notice Concerning Postponement of the Transition to a Holding Company Structure

ARDEPRO Co., Ltd. (“the Company”), today announced that at its Board of Directors Meeting held on September 25, 2018, it resolved to postpone the transition to a holding company structure that the Company had announced in previous press releases: “Notice Concerning Transition to a Holding Company Structure,” dated May 15, 2018; “(Progress) Notice Concerning Reaching a Basic Agreement on the Acquisition of a Subsidiary Accompanying the Transition to a Holding Company Structure,” dated June 8, 2018; “(Supplemental information) Notice Concerning Reaching a Basic Agreement on the Acquisition of a Subsidiary Accompanying the Transition to a Holding Company Structure,” dated June 19, 2018; and “(Progress) Notice Concerning the Initial Preparations for the Transition to a Holding Company Structure through the Company Split and Establishment of a Successor Preparatory Company,” dated June 26, 2018.

1. Reason for Postponement of the Transition to a Holding Company Structure
Moving beyond 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 and/or the Fintech business, as well as the renewable energy business through solar power generation and biomass power generation on the premise of the acquisition of a company that already has acquired the solar FIT (Feed-in tariff) certification. For this future vision of the Company group, the Company discussed the necessity of building a framework to formulate a management strategy, optimally allocate management resources, train management human resources, strengthen corporate governance, and strengthen flexible and efficient information control. Consequently, the Company had been proceeding with the transition to a holding company structure to consolidate important functions of supervising subsidiaries with different industries into a holding company.

In preparation for the transition to a holding company structure through the company split, ARDEPRO Co., Ltd. Preparatory Corporation, a wholly owned subsidiary of the Company, was established on July 20, 2018, and applied for a Real Estate Broker’s License.

However, in the real estate business, sales of large-scale properties were unsuccessful during the fiscal year ended July 31, 2018, and the Company was unable to realize its consolidated forecast for the fiscal year ended July 31, 2018, as it announced in previous press releases: “Notice Concerning Revision of the Consolidated Financial Forecast and Announcement of the Non-Consolidated Financial Forecast,” dated July 30, 2018, and “Summary of Business Results for the Fiscal Year Ended July 2018 [Japan GAAP] (Consolidated),” dated September 14, 2018.

In view of a comprehensive examination of the financial results for the fiscal year ended July 31, 2018, the current economic situation and priority issues to be addressed in the future, the Company determined that it is too early to proceed with investing its human and material resources into the holding company structure at this time and decided to postpone the transition to the holding company structure.

Meanwhile, the Company continued to examine its options regarding future initiatives in terms of entry into the renewable energy business through solar power generation and biomass power generation business.

However, the Company does not expect the acquisition of all the investments of Kosshu management during September 2018, as it plans to acquire those at the time of entry into the renewable energy business, even though the execution of a sales agreement for September 2018 was announced in a press release, "(Supplemental information) Notice Concerning Reaching a Basic Agreement on the Acquisition of a Subsidiary Accompanying the Transition to a Holding Company Structure," dated June 19, 2018. The Company will continue due diligence but is taking enough time to address a wide range of items to be surveyed relative to the land to be secured for installing the solar power generation facilities. The Company will announce the content and timing of the acquisition once such a determination is made.

In the future, the Company plans to promote the transition to a holding company, including the renewable energy business, etc., under a new management system as outlined in a press release, "Notice Concerning Change of Directors," dated September 25, 2018.

2. Forecast

This event has a minor impact on the Company's consolidated financial results.