

October 18, 2018

**(Progress) Notice Concerning Conclusion of the Sales Contract
Regarding the Solar FIT (feed-in tariff) Certification**

ARDEPRO Co., Ltd. (“the Company”), today announced that, at its Board of Directors Meeting held on October 18, 2018, it resolved to conclude a sales contract regarding the solar FIT (feed-in tariff) certification 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; “(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; and “Notice Concerning Postponement of the Transition to a Holding Company Structure,” dated September 25, 2018.

1. Outline of the Sales Contract

While postponing the shift to a holding company structure, the Company has continued to consider entry into new business fields, renewable energy business through solar and biomass power generation.

The Company concluded a sales contract to acquire the following FIT certification rights from Koshu Management LLC, which holds the FIT certification rights. The Company decided at this time to prioritize the earning of profits from the sales of the rights (42 MW) at an early stage rather than investing capital funds in consideration of recent business trends.

Power generation amount	Sites	Location
42 MW	80 ha	Fukushima, Fukushima Prefecture

Notes:

1. Koshu Management LLC has concluded a power connection contract with the output to be purchased at a price of 36 yen per KWh for 20 years, based on the FIT (feed-in tariff) system with Tohoku Electric Power Co., Ltd., although there is no actual record yet of power sales.
2. The above rights already have been certified “*Minashi Ninteï*” (Note 3), and the construction fee to Tohoku Electric Power Company also has been paid.
3. “*Minashi Ninteï*,” as a consequence of the “Renewable Energy Fixed Price Acquisition System,” was renewed (April 1, 2017) (hereinafter, the “New

FIT System”), and business operators certified under the former FIT system are deemed to have been accredited for the New FIT System.

(2) Schedule

Resolution of the Board of Directors

October 18, 2018

Conclusion of the sales contract

October 19, 2018

Settlement

March 31, 2019

(3) Outline of the counterparty and the transaction

The Company is acquiring the aforementioned right from Koshu Management LLC, a corporation located in Tokyo. The sales price of the property cannot be disclosed due to a nondisclosure agreement with the counterparty. The sales price is less than 30% of the amount of the Company’s consolidated net assets for the fiscal year ended July 31, 2018 (74.56 million yen).

Koshu Management LLC acquired the FIT certification rights from a domestic corporation as of March 2, 2018, submitted a confirmation letter upon change of business operator to the Ministry of Economy, Trade and Industry, and has reported to Tohoku Electric Power Company regarding the transfer of contractual status related to a contract for electric power supply and demand. The name of the domestic corporation cannot be disclosed due to a nondisclosure agreement with the counterparty.

2. Forecast

The Company plans to transfer the FIT certification rights to be acquired to third parties. This event is not included in the consolidated financial forecast for the fiscal year ending July 31, 2019, and the Company will announce promptly if any impact on the consolidated financial forecast occurs.

Moreover, regarding the acquisition of the 160-MW FIT certification rights and other biomass rights owned by Koshu Management, should the Company decide to acquire those it would announce the details.

(Reference)

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 the 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 $3.38 \text{ kwh/m}^2 \text{ (day)} \times 365 \text{ 日} = 1,233 \text{ KWh}$
 $\text{/m}^2 \times 0.85 \text{ (loss coefficients)} \cong 1048.05 \text{ KWh/m}^2$
 $1048.05 \text{ KWh/m}^2 \times 50,000 \text{ KW (capacity)} = 52,402,500 \text{ KWh/year}$
 (annual power generation amount)

(2) Average annual solar radiation $3.38 \text{ kwh/m}^2 \text{ (day)} \times 365 \text{ 日} = 1,233 \text{ KWh}$
 $\text{/m}^2 \times 0.85 \text{ (loss coefficients)} \cong 1048.05 \text{ KWh/m}^2$
 $1048.05 \text{ KWh/m}^2 \times 192,000 \text{ KW (capacity)} = 201,225,600 \text{ KWh/year}$
 (annual power generation amount)

The simple annual power sales revenue estimate in the event 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.