

TRANSLATION FOR REFERENCE ONLY

FY2017Q2 Consolidated Financial Results

Aplix Corporation
14th August 2017

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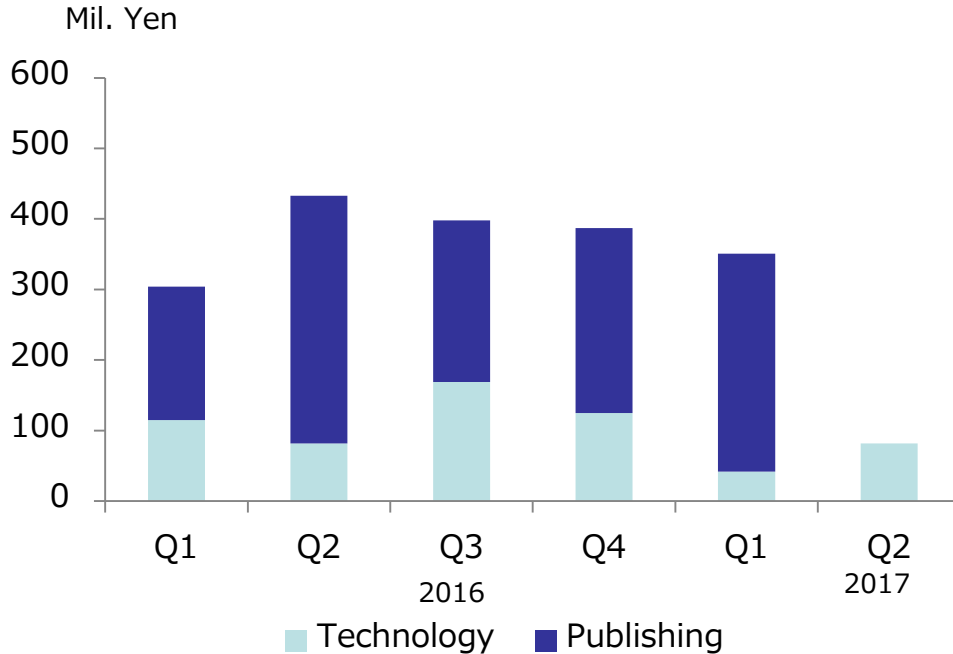
FY2017Q2 P/L Statement (Consolidated)



| (Million Yen) | Revenues | Operating Profit | Recurring Profit | Net income attributable to parent company shareholders |
|--------------------------|--------------|------------------|------------------|--|
| FY16Q2 Actual (A) | 739 | -590 | -608 | -618 |
| FY17Q2 Actual (B) | 434 | -201 | -218 | -707 |
| Change (B – A) | -305 | +389 | +390 | -89 |
| Change (%) | -41.3 | – | – | – |

- Operating Loss improved +389mil. Yen by continuous cost reduction.
- Net loss decreased by -89mil. Yen due to extra loss of 463mil. Yen of stock transfer loss of 3 publishing companies.

FY2017Q2 Revenues by Segment

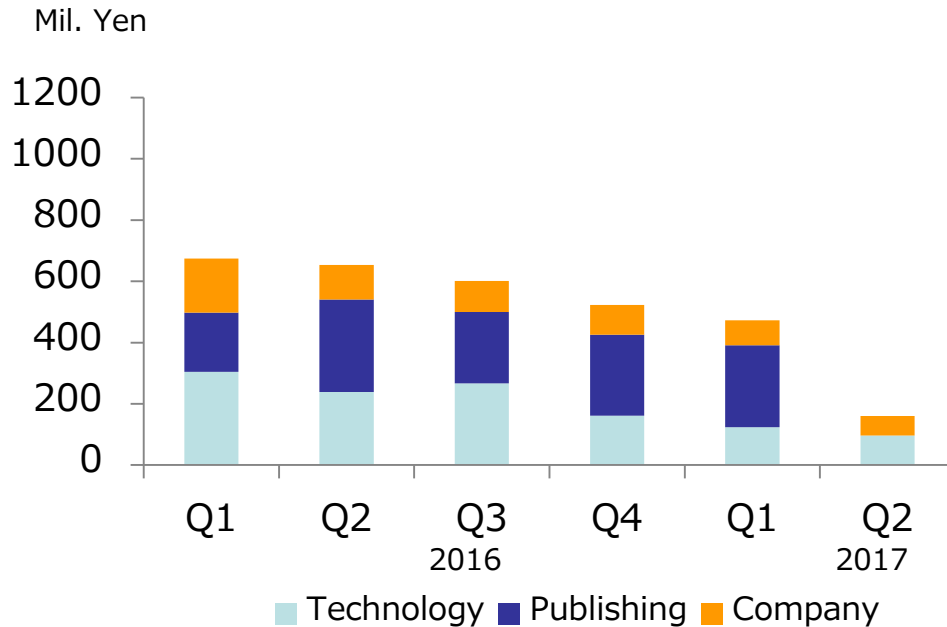


| (Million Yen) | FY16 Q2 | FY17 Q2 | Change |
|------------------|------------|------------|---------|
| Technology | 82 | 82 | ± 0 % |
| Publishing | 351 | 0 | - |
| (Total Revenues) | 433 | 82 | -81.0 % |

- Technology Division sales was same level of Q2FY16
Compare to Q1FY17, sales was increased due to sales promotion by new management.

*Publishing business related Stock of Aplix IP Publishing, Flex Comix and HOLP SHUPPAN, Publishing has been all transferred on 31st Mar 2017.

FY2017Q2 Operating Cost by Segment

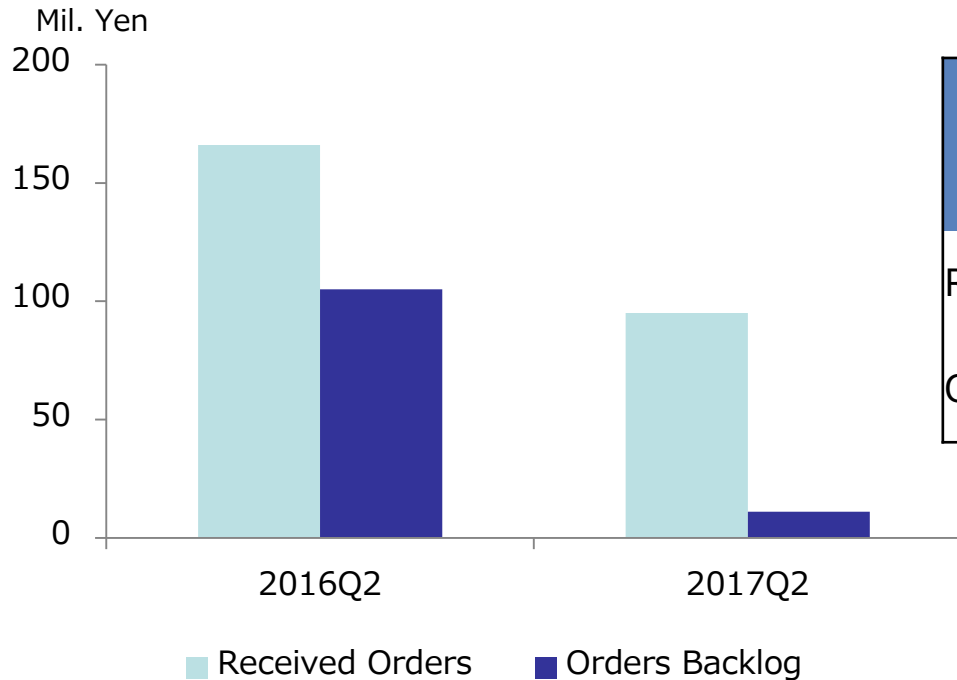


| (Million Yen) | FY16 Q2 | FY17 Q2 | Change |
|---------------|------------|------------|--------|
| Technology | 239 | 97 | -59.4% |
| Publishing | 302 | 0 | — |
| Company | 112 | 63 | -43.7% |
| (Total Cost) | 655 | 160 | -75.6% |

- Due to stock transfer of 3 publishing companies, operating cost was reduced in Q2FY17
- In addition, cost reduction e.g. office rent reduce and fix cost was another factor

Operating Cost was reduced YoY -75.6%

FY17Q2 Received Orders and Orders Backlog



| (Million Yen) | FY16 Q2 | FY17 Q2 | Change |
|-----------------|------------|------------|--------|
| Received Orders | 166 | 95 | -42.8% |
| Orders Backlog | 105 | 11 | -89.5% |

- Received Orders and Orders Backlog were decreased YoY 42.8% and YoY -89.5%
- The decrease was derived from big software development project was accounted in last year

FY2017 Forecast (Consolidated)



| (Million Yen) | Revenues | Operating Profit |
|----------------------------|---------------|------------------|
| FY2016 (A) | 1,526 | -929 |
| FY2017 Forecast (B) | 1,054 | 12 |
| Change (B – A) | -472 | +941 |
| Change (%) | -30.9% | – |

Growth Strategy

FY17Q2 Results

- ✓ Drastic Cost reduction so far : Shutdown of Patent division, SoC division, stock transfer of publishing business and rent cost down.
We have finished “surgery”

- ✓ Next Growth Strategy
 - 1 . Expansion Revenues on IoT Solutions business
 - 2 . Re-organize internal corporate structure to monetize IoT solution

Growth Strategy: 1. Expansion Revenues



Expansion Revenues utilizing Aplix competence

① Embedded Software Technology

② Advanced Project Experiment in USA

③ Development & Operation of Large Scale IoT Platform

① Embedded Software Technology

- ✓ IoT requires “embedded”: Aplix has been developing over 30 years of embedded software development e.g. car navigation, cellular phone, consumer electronics. We have fundamental competence for embedded technology
- ✓ Current : Already shipped commercial products from Water Purifier Solution (Franke, Aquasana) in US and Japanese Manufacturer
- ✓ Next : Expanding existing customer and launch a new PoC with new customer

② Advanced Project Experiment in USA

- ✓ Aplix continues to operate US sales and marketing over 10 years. We archived advanced project experiment e.g. Air purifier with Amazon Alexa (Guardian Technologies) and water filter shortage notification (Aquasana)
- ✓ Current : Continues orders from water purifier vendors and expansion of Amazon Alexa solution in US
- ✓ Next : Preparation for Amazon Alexa Japanese Service (currently not released yet)

③ Development & Operation of Large Scale IoT Platform

- ✓ Aplix has been developing & operating NESCAFE GOLDBLEND Barista i app & cloud service
- ✓ Current : Still developing and operating NESCAFE GOLDBLEND Barista-i service
- ✓ Next : Expanding another customer to utilize our competence

- ✓ Background: new management team has been started from April and re-organize internal structure to provide better service to customer
 1. **Joint sales & development function** : both sales and development team face to customer and propose better solution to customer
 2. **Corporate Officer** : Appointed corporate officers on firmware/server area, app development area and sales area
 3. **Working Style** : Introduction of remote working

■ Appointed Corporate Officer

<Management Team>

Representative Director

Director of the Board

Outside Director of the Board

Audit & Supervisory Board Member

Outside Audit & Supervisory Board Member

Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

Corporate Officer

Kengo Nagahashi

Kunihiro Ishiguro □

Kozo Hiramatsu

Shinobu Nemoto

Yoshio Nitta

Kengo Nagahashi

Kunihiro Ishiguro

Ken Takagi (Sales)

Takahiro Shirakawa (Server & Firmware)

Nobushige Yamada (App development) □

IoT Solution Business

$$\text{Revenues} = \text{Region} \times \text{Category}$$

| | | | |
|---|-------|---|---------------|
| [| Japan | [| Beacon |
| | USA | | Service |
| | | | Revenue Share |



Beacon

Providing Location Beacon as MyBeacon®

Increase Price in Dec. 2016 (1,200Yen → 2,500Yen)

Notification beacon is for Consumer Electronics

Service

Providing App & Cloud solution

Retails: To meet demands by understanding customer behavior using IoT Solution

Telematics: Tie up with Car Insurance company to track driver's situation

Aplix Corporation of America (California USA) providing IoT solutions mainly for USA and EU region

Beacon

Expanding existing customer and new customer mainly water purifier , air purifier and consumer electronics



Service

Water Purifier : Already shipment e.g. Aquasana and expanding solutions to new customers

Pet and Air Purifier : Continues business from existing customers e.g. OurPet's, Guardian Technologies and expanding customers to adapt new technologies e.g. Alexa Skill on Amazon.com

Focus on IoT Solution Business

- Focusing on IoT solution business and transferring 3 publishing companies stock (Aplix IP Publishing, Flex Comix and HOLP SHUPPAN, Publishing) on 31st Mar 2017 and closed oversea department excluding USA and also closed Intellectual Property division and Semiconductor division

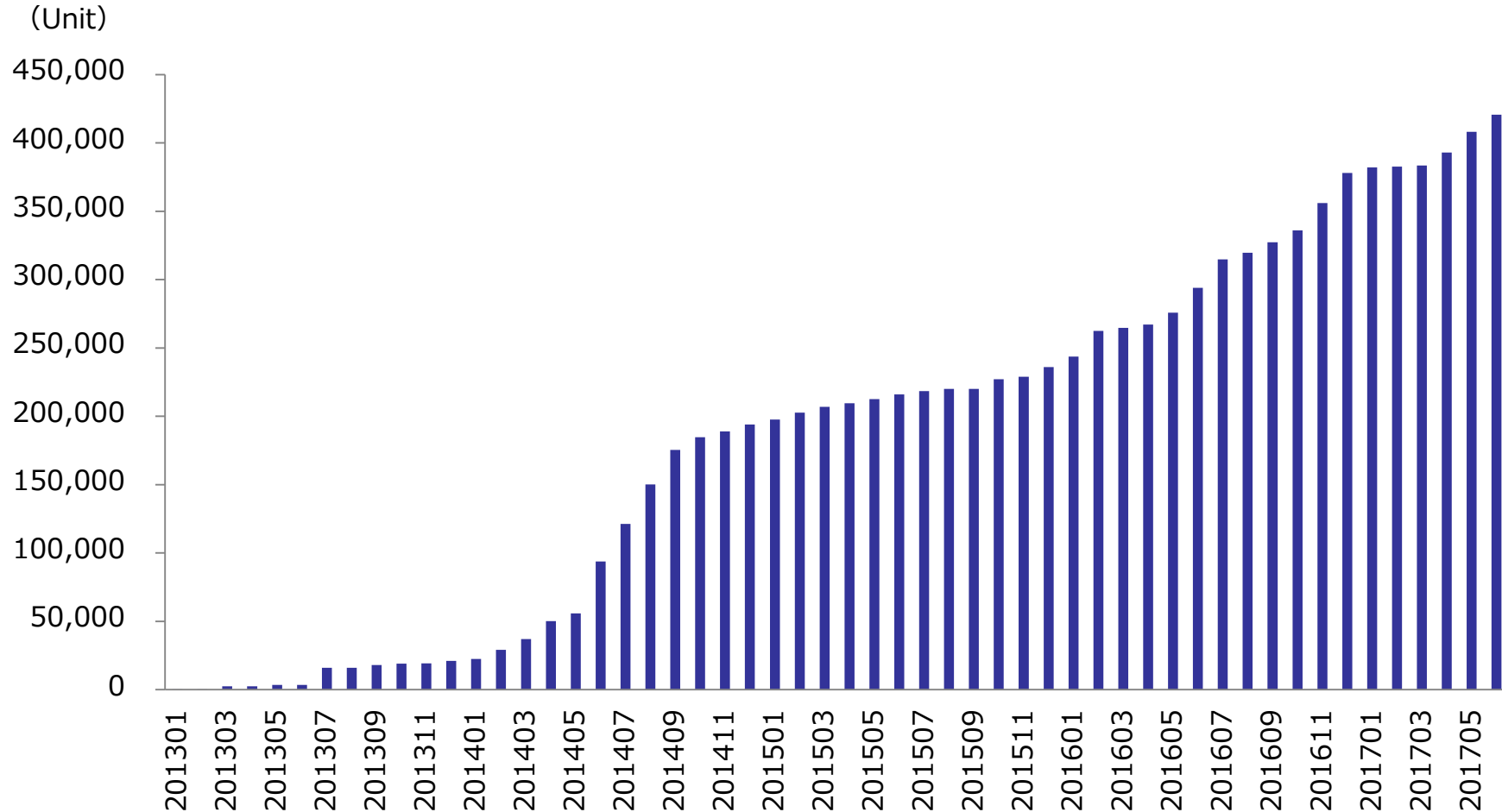
Cost Reduction

- Drastic cost reduction for all fixed cost e.g. office rent and subcontracted fees

BLE module shipment



Accumulated 420 thousands BLE modules shipment in June 2017



Source: Company Data

BLE modules include JM Series MyBeacon Series and Others.

Appendix

Company Name

Aplix Corporation

Headquarter Address

2-20-9, Nishi-waseda, Shinjuku-ku, Tokyo
169-0051, Japan

Founded

February 22, 1986

Capital

1,861 million yen (as of March 31, 2017)

Revenue

1,526 million yen (Consolidated, As of Dec.
31, 2016)

Number of Employees

37 (Consolidated, as of June 30, 2017)

Market

Tokyo Stock Exchange Mothers

Code

JP:3727

Business Services

IoT Solution
(Security, Hardware, Software, Cloud)

Group Company

Aplix Corporation of America

Management Team

- Representative Director
- Director of the Board
- Outside Director of the Board
- Audit & Supervisory Board Member
- Outside Audit & Supervisory Board Member
- Outside Audit & Supervisory Board Member
- Corporate Officer
- Corporate Officer
- Corporate Officer
- Corporate Officer
- Corporate Officer

Kengo Nagahashi

Kunihiro Ishiguro□

Kozo Hiramatsu

Shinobu Nemoto

Yoshio Nitta

Masato Yamada□

Kengo Nagahashi

Kunihiro Ishiguro

Ken Takagi

Takahiro Shirakawa

Nobushige Yamada

Kengo Nagahashi (Representative Director)

Received BA and MS from Keio University and Ph.D in Computer Science from the University of Tokyo. He experienced Visiting Researcher at Computer Laboratory in University of Cambridge UK and joined Nikko Citigroup as a sell side analyst covering IT service software in 2006. After leaving Citigroup, he launched Future Bridge Partners Corporation and became Director CFO of Aplix from Mar. 2015 and Representative Director from Feb. 2017 of Aplix.

Kunihiro Ishiguro (Director, CTO)

After graduating from Hokkaido University's Faculty of Agriculture, after going through SRA Corporation by development of UNIX software, operation of Internet routing control, realizing route control by open source ware GNU Developed "Zebra". In October 1999, he founded IP Infusion in the US in order to develop and sell "ZebOS" which is commercial software based on "Zebra". "ZebOS" is adopted by routers and switch makers all over the world. After working as CTO Director of ACCESS Co., Ltd., he became CTO of Aplix from Apr. 2015 and Director from Mar. 2016.



Aplix Corporation
<http://www.aplix.co.jp/>

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