



TRANSLATION FOR REFERENCE ONLY

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Notification: Shift from an investment-based to recoup-based business structure, and the closure of non-profitable departments to restore profitability

Aplix IP Holdings Corporation announced that at a meeting on September 30, 2016, its Board of Directors resolved to close non-profitable departments in order to make the shift from an investment-based to recoup-based business structure so that it can accelerate growth in the IoT solutions business. Details are as follows.

1. Business restructuring in IoT solution business

In the IoT solution business, which is one of Aplix's core operations, it appears that many Japanese customers and customers overseas have started to adopt Aplix's IoT solution, and there is reason to believe that customer segments will continue to expand rapidly in the future. In the domestic market, however, the number of manufacturers of home appliances is declining and production in Japan is consequently falling. Faced with these developments, Aplix evaluated the cost of sales activities to land new accounts other than domestic customers, who are already considering adopting the IoT solution. Thus, the domestic sales department that was working to find potential Japanese customers will be closed. The development teams will take over the responsibilities for the customers who have already considered adopting the IoT solution. With regard to the sales activities to land new accounts, Aplix will now work through its sales representatives overseas and work to land new accounts in other countries.

The IoT market is still in its infancy, and thus not many solutions that take advantage of IoT have been created. Over the years Aplix has employed a trial and error approach to design, and has developed products for different industries. It has also planned for various industries services that it independently created from scratch. Today, however, there are already manufacturers in various industries who have adopted Aplix's IoT solution, so rather than developing products and solutions on its own, Aplix can now achieve shorter delivery times and provide more competitive services sooner by using the production knowledge and industry knowledge of customers derived from their own business experience in their industry. Because Aplix's aim is to help further boost growth of profits, it decided to close the production and planning department that provided products and solutions developed through its trial-and-error, built-from-scratch approach.

Aplix believes that it can accelerate the growth of IoT solution business in the future by creating next generation IoT solutions through its commissioned development business. It will rapidly secure profitability by working in close cooperation with domestic and overseas customers in various industries who have started using Aplix's IoT solution. In regards to the employees who do not want to transfer to the overseas sales department or a development department such as those for applications, firmware, or servers, Aplix will help them find another field.

The departments to be closed and number of employees affected are as follows.

- (a) The department to be closed: Domestic sales department, the production and planning department of Aplix's IoT solution business
- (b) Number of employees: 23

The 23 employees affected by this closure account for 49 percent of all employees (47 people) in the IoT solution business.

2. Future prospects

The effects these decisions will have on the financial performance of Aplix IP Holdings Corporation for the quarter ending December 2016 are currently being studied.

Aplix will promptly disclose information in the future when there is a need to record expenses as a result of carrying out these decisions, as well as when it recognizes that these changes may have a significant impact on the group's performance.

Although Aplix is still studying the effect these decisions may have on group performance in the next year and beyond, it expects the closure of non-profitable departments to help reduce fixed costs. If circumstances that need to be announced arise, Aplix will promptly disclose the related information.

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