

Company: BroadBand Tower, Inc.

Representative: Hiroshi Fujiwara, President,
Chairman of the Board of Directors and CEO

(Company Code: 3776)

Contact person: Mieko Nakagawa, Executive Director
& Member of the Board, Legal & Accounting Group

(Tel: +81-3-5202-4800 (Main switchboard))

Notice regarding the Change in Subsidiaries (through Share Transfer)

BroadBand Tower, Inc. (the "Company") has resolved at the Board of Director's meeting held on December 21, 2018 that the Company will transfer all of the shares of IoT Square, Inc. ("IoT Square"), a subsidiary of the Company, held by the Company to Internet Research Institute, Inc. ("IRI") as described below (the "Share Transfer"). As a result of the Share Transfer, IoT Square will be excluded from the scope of consolidated subsidiaries of the Company beginning from the next fiscal year.

1. Reason of the Share Transfer

As informed through the Company's Press Release "Notice regarding the Simplified Incorporation-type Company Split for the Establishment of a New Subsidiary" dated August 18, 2017, the Company have split up a part of its businesses, namely its global IoT business, consumer business and new business which the Company is developing, to establish a foundation of those businesses and to prepare for the future expansion of the IoT market, etc., and established IoT Square through such split-up for the purpose of developing IoT (Internet of Things) business aimed at future generation and integrated business of IoT and AI (Artificial Intelligence).

However, IoT Square is under a difficult financial condition due to increases in necessary funds for system development and sales and general administrative expenses, and its financial restructuring through an additional fund injection from the Company is also difficult because the Company is applying its funds to the new data center. After considering potential transferees of IoT Square, the Company has decided to transfer the IoT Square shares to IRI based on a valuation by a third party, following a transfer of Minakami solar power business, a part of IoT Square's assets, to the Company without compensation, seeking to reconstruct IoT Square thereafter through the injection of funds by IRI.

2. Summary of the Changing Subsidiary

(1) Name	IoT Square, Inc.	
(2) Address	2-1-6 Uchisaiwaicho, Chiyoda-ku, Tokyo	
(3) Name and Title of Representative	Hiroshi Fujiwara, President and CEO	
(4) Business	IoT business, consumer business and new business, etc.	
(5) Capital	JPY 150 million	
(6) Date of Establishment	October 2, 2017	
(7) Major Shareholder and Shareholding Ratio	100% owned by the Company	
(8) Relationship between the listed Company and the Relevant Company	Capital relationship	100% invested by the Company
	Personnel relationship	The Company dispatches two (2) members to the Board of Directors of the relevant company.
	Transactional relationship	IoT Square entrusts internal systems to the Company and the Company entrusts operations and operations of solar power business to IoT Square.
	Status of relationship with related parties	100% subsidiary of the Company
(9) Results of Operations and Financial Condition of the Relevant Company in Past Three (3) years (Non-consolidated)		
Fiscal Year	Period ended June 2018	
Net Asset	JPY 360 million	
Total Asset	JPY 715 million	
Net Asset per Share	JPY 40,099.14	
Sales	JPY 160 million	
Operating Income (loss)	(JPY 263 million)	
Ordinary Income (loss)	(JPY 270 million)	
Net Income (loss)	(JPY 270 million)	
Net Income (loss) per Share	(JPY 30,100.51)	
Dividend per Share	JPY 0	

(Note) 1. The fiscal period ended June 2018 is 9 months period because IoT Square was established on October 2, 2017.

2. Minakami solar power business was transferred to the Company without compensation on

November 2018 and its net asset as of the end of December 2018 was approximately JPY 36 million.

3. Summary of Transferee of the Share Transfer

(1) Name	Internet Research Institute, Inc.	
(2) Address	1-6-1 Nishishinjuku, Shinjuku-ku, Tokyo	
(3) Name and Title of Representative	Hiroshi Fujiwara, President and CEO	
(4) Business	Consulting business, management of investee companies, etc.	
(5) Capital	JPY 100 million	
(6) Establishment	October 5, 2017	
(7) Net Asset	JPY 1,107 million (end of September 2018, consolidated)	
(8) Total Asset	JPY 1,339 million (end of September 2018, consolidated)	
(9) Major Shareholder and Shareholding Ratio	Internet Research Institute Ltd 100% (Note)	
(10) Relationship between the listed Company and the Relevant Company	Capital relationship	The relevant company is the largest shareholder of the Company holding approximately 21% of the Company's shares.
	Personnel relationship	Two (2) members of the Board of Directors of the Company are from the relevant company.
	Transactional relationship	The Company provides data center services, etc. to the relevant company.
	Status of relationship with related parties	The Company is an affiliate of the relevant company accounted for by the equity method.

* Internet Research Institute Ltd is listed on the Tel Aviv Stock Exchange of Israel.

4. Number of Shares to be Transferred, Amount of Transfer and Status of Shareholding Before and After Transfer

(1) Number of Shares Held Before Transfer	9,000 shares (Number of Voting Rights: 9,000) (Ownership Ratio of Voting Rights: 100%)
(2) Number of Shares to be	9,000 shares

Transferred	(Number of Voting Rights: 9,000)
(3) Amount of Transfer	JPY 7,650,000
(4) Number of Shares Held After Transfer	0 shares (Number of Voting Rights: 0) (Ownership Ratio of Voting Rights: 0%)

5. Schedule

(1) Date of Resolution of the Board of Directors	December 21, 2018
(2) Date of Execution of the Agreement	December 21, 2018
(3) Closing Date of Share Transfer	January 4, 2019 (scheduled)

6. Future Outlook

In the future, the Company expects to record a loss on valuation of shares of subsidiaries on its non-consolidated results for the fiscal period ending December 2018. Also, the effect on consolidated results for the fiscal period ending December 2018 is currently under review and the Company will inform promptly if such effect occurs.

- End -