

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2018 (FY9/18)
(Three Months Ended December 31, 2017)

[Japanese GAAP]

February 14, 2018

Company name: Evolvable Asia Corp. Stock Exchange Listing: TSE
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Scheduled date of filing of Quarterly Report: February 14, 2018

Scheduled date of payment of dividend: December 25, 2018

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (October 1, 2017 to December 31, 2017) of FY9/18

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended Dec. 31, 2017	1,606	33.6	87	(55.9)	86	(57.0)	39	(73.5)
Three months ended Dec. 31, 2016	1,202	44.3	198	38.7	201	45.0	147	79.4

Note: Comprehensive income (millions of yen) Three months ended Dec. 31, 2017: 132 (-33.6%)
Three months ended Dec. 31, 2016: 199 (111.7%)

	Profit per share		Fully diluted profit per share	
	Yen		Yen	
Three months ended Dec. 31, 2017	2.27		2.18	
Three months ended Dec. 31, 2016	8.86		8.48	

(2) Consolidated financial position

	Total assets		Net assets		Equity ratio	
	Millions of yen		Millions of yen		%	
As of Dec. 31, 2017	9,969		3,951		35.8	
As of Sep. 30, 2017	7,478		3,226		37.2	

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2017: 3,575 As of Sep. 30, 2017: 2,773

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen				
Fiscal year ended Sep. 30, 2017	–	0.00	–	7.00	7.00
Fiscal year ending Sep. 30, 2018	–	–	–	–	–
Fiscal year ending Sep. 30, 2018 (Estimated)	–	0.00	–	10.00	10.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for FY9/18 (October 1, 2017 to September 30, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Profit attributable to owners of parent		Profit per share	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen	
Full year	7,050	–	1,500	–	881	–	52.09	

Note: Revision to the most recently announced consolidated forecast: None

: The Company has decided to voluntarily apply the International Financial Reporting Standards (IFRS) to the accounting of results from the announcement of full-year results for the fiscal year ending September 30, 2018. The consolidated results forecasts for the fiscal year ending September 30, 2018 are thus prepared based on the IFRS, and no year-on-year percentage changes are stated.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly included: – companies Excluded: – companies

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding as of the end of the period (including treasury shares)

As of Dec. 31, 2017:	17,324,700 shares	As of Sep. 30, 2017:	16,919,100 shares
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2) Number of treasury shares as of the end of the period

As of Dec. 31, 2017:	– shares	As of Sep. 30, 2017:	– shares
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3) Average number of shares issued during the period

Three months ended Dec. 31, 2017:	17,198,651 shares	Three months ended Dec. 31, 2016:	16,682,419 shares
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* The current quarterly financial report is exempt from quarterly review procedures.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on information currently available to the Company. Consequently, these statements incorporate many uncertainties. Please note that actual performance may differ from these forecasts due to changes in internal or external factors affecting business operations and other factors.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter under review, the global economy generally posted moderate economic growth, reflecting a slowdown in the Chinese economy and a recovery in the economies of advanced and resource-rich countries as well as in Asia, support from domestic demand in ASEAN, and a recovery in India.

The Japanese economy continued to expand at a steady pace, supported by increased domestic demand and inbound tourist demand against the background of the upcoming Tokyo Olympics in 2020, in addition to improvements in employment and corporate profits.

In the travel industry, the number of Japanese citizens who left Japan in the period from January to December 2017 totaled 17,880,000, increasing about 0.77 million from the same period of the previous fiscal year according to the statistics released by the Japan National Tourism Organization (JNTO). In addition, the number of foreigners who visited Japan from January to December 2017 surpassed 28,690,000. Their number rose steadily toward 40 million, the target for 2020 set in the Tourism Vision to Support the Future of Japan, which the Japanese government adopted in March 2016.

Under these conditions, Evolvable Asia Corp. (hereinafter the “Company”) continued expanding its operations, diversifying its service lines, with a focus on sales of domestic airline tickets as an online travel agency. The Company also continued to enhance its services for foreign visitors, making the most of its online travel business expertise.

In the IT Offshore Development Business, which was launched in 2012, the Company steadily won customers in numerous business categories and increased the number of engineers employed, focusing on the development of lab-type facilities in Vietnam. The number of hired engineers grew to about 800 as of December 2017. In the Investment Business, which has been developing in earnest since the stock was listed, the Company has been investing in growing companies. As of December 2017, the Company has invested in 29 companies.

As a result, the Group achieved consolidated net sales of 1,606,806 thousand yen (up 33.6% year on year), consolidated operating income of 87,555 thousand yen (down 55.9% year on year), consolidated ordinary income of 86,606 thousand yen (down 57.0% year on year), consolidated profit before income taxes of 86,606 thousand yen (down 57.0% year on year), and consolidated profit attributable to owners of parent of 39,091 thousand yen (down 73.5% year on year).

The Company plans to adopt the IFRS in the fiscal year ending September 30, 2018. Under the IFRS, in the three months under review, the Group recorded consolidated net sales of 1,630,654 thousand yen, consolidated operating income of 137,081 thousand yen, and consolidated profit attributable to owners of parent of 79,440 thousand yen (unaudited reference values).

Operating results by segment are as follows.

(1) Online Travel Agency Business

The Group offers the following four services in the Online Travel Agency Business segment.

- BtoC services (operation of PC and smartphone websites for selling travel commodities directly to general consumers)

The Company improved mass marketing and search engine marketing and renewed mission-critical systems significantly to acquire new customers. The Company also improved user interfaces to increase the number of repeat customers. These contributed to a steady increase in the number of service users.

- BtoBtoC services (travel content provision under brands owned by business partners)

The enhanced development of alliances with major partners, the provision of services to match the needs of major partners, and enhanced communication with partners contributed to an increase in service use.

- BtoB services (wholesale to other travel agencies)

Trends in the airline industry and policies enforced by business partners affect these services to a certain extent. The online travel agency business for operators handling domestic airline tickets grew dynamically as a whole, with an increase in the number of domestic air routes in service. As a result, net sales for these services increased strongly.

- BTM services (centralized management of internal approval procedures and arrangements associated with corporate business trips)

These services basically adopt a business model under which net sales expand in a manner that is linked with an increase in the number of corporate customers and a rise in their usage rate. The services achieved growth attributable to initiatives taken by the Group, including the addition of salespeople and the identification of existing customers who used the services at a

relatively low rate.

As a result of the factors stated above, net sales for the Online Travel Agency Business segment amounted to 982,759 thousand yen and segment income came to 58,426 thousand yen in the fiscal year under review.

(2) IT Offshore Development Business

In the IT Offshore Development Business segment, the Group offers lab-type facility development services to customers consisting mainly of e-commerce operators, web solution providers, and game and system developers in Ho Chi Minh, Hanoi and Da Nang in Vietnam.

The Company's lab-type facility development model is distinctive in that a team is formed with new dedicated staff members hired for each customer. The model also enables customers to confirm the state of lab-type facility development on demand. The Company assumes the assignment of dedicated staff members to each team on a medium- to long-term basis. For that reason, the success or failure of development depends on employing workers suited to customer demands and motivating the respective engineers more.

In addition, these services basically adopt a business model under which customers are billed on the basis of man-months and the number of workers. The number of engineers supplied to clients and the man-months affect net sales for them significantly. An increase in the number of engineers and a rise in the unit cost due to development streamlining contributed to sales growth in the fiscal year under review.

As a result of the factors stated above, net sales for the IT Offshore Development Business segment reached 563,909 thousand yen, and segment income totaled 57,283 thousand yen.

(3) Investment Business

In the Investment Business segment, the Group emphasizes synergies with the existing businesses and expands service lines through aggressive M&A and capital alliances. The Group is pursuing investment in growing companies to improve profitability. In the fiscal year under review, the Group expanded the number of companies that it invests in to 29.

As a result, net sales for the Investment Business segment stood at 100,571 thousand yen, and segment income was 90,301 thousand yen.

(2) Explanation of Financial Position

(Assets)

Total assets increased 2,491,008 thousand yen from the end of the previous fiscal year, to 9,969,649 thousand yen at the end of the first quarter under review. This result was mainly due to an increase of 504,899 thousand yen in cash and deposits, a rise of 374,431 thousand yen in operational investment securities, and a climb of 1,210,123 thousand yen in goodwill.

(Liabilities)

Liabilities increased 1,766,202 thousand yen from the end of the previous fiscal year, to 6,018,420 thousand yen at the end of the first quarter under review. This result primarily reflected an increase of 1,239,162 thousand yen in short-term loans payable and a rise of 686,907 thousand yen in long-term loans payable.

(Net Assets)

Net assets rose 724,805 thousand yen from the end of the previous fiscal year, to 3,951,228 thousand yen at the end of the first quarter under review. This result was mainly attributable to an increase of 813,953 thousand yen in capital surplus.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

No changes have been made to the full-year forecasts for consolidated financial results announced in the Consolidated Financial Results for the Fiscal Year Ended September 30, 2017 on November 14, 2017.

2. Quarterly Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Thousands of yen)

	FY9/17 (as of Sep. 30, 2017)	First quarter of the fiscal year under review (as of Dec. 31, 2017)
Assets		
Current assets		
Cash and deposits	2,139,151	2,644,050
Notes and accounts receivable - trade	1,386,136	1,385,419
Operational investment securities	1,100,489	1,474,920
Merchandise and finished goods	45,032	20,968
Deferred tax assets	78,166	28,136
Accounts receivable - other	181,394	236,016
Other	227,716	312,305
Allowance for doubtful accounts	(16)	(121)
Total current assets	5,158,070	6,101,695
Non-current assets		
Property, plant and equipment		
Buildings, net	153,550	192,584
Vehicles, net	105,372	118,679
Tools, furniture and fixtures, net	100,864	117,338
Construction in progress	7,123	-
Land	-	31,182
Total property, plant and equipment	366,910	459,785
Intangible assets		
Goodwill	724,820	1,934,943
Software	609,762	761,813
Other	-	2,244
Total intangible assets	1,334,582	2,699,001
Investments and other assets		
Investment securities	31,801	33,012
Deferred tax assets	12,597	24,213
Guarantee deposits	548,921	618,113
Claims provable in bankruptcy, claims provable in rehabilitation and other	25,430	25,480
Other	25,756	33,826
Allowance for doubtful accounts	(25,430)	(25,480)
Total investments and other assets	619,075	709,166
Total non-current assets	2,320,569	3,867,953
Total assets	7,478,640	9,969,649

	(Thousands of yen)	
	FY9/17 (as of Sep. 30, 2017)	First quarter of the fiscal year under review (as of Dec. 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,558,350	1,217,235
Short-term loans payable	655,159	1,894,322
Accounts payable - other	487,496	564,506
Accrued expenses	155,181	93,686
Income taxes payable	188,727	17,728
Provision for bonuses	46,852	76,413
Provision for point card certificates	4,367	6,303
Provision for shareholder benefit program	26,394	5,000
Current portion of long-term loans payable	122,258	302,258
Lease obligations	5,574	5,574
Other	268,647	493,158
Total current liabilities	3,519,009	4,676,187
Non-current liabilities		
Long-term loans payable	622,780	1,309,687
Long-term guarantee deposited	81,528	13,264
Net defined benefit liability	5,094	6,404
Deferred tax liabilities	9,534	-
Lease obligations	14,270	12,876
Total non-current liabilities	733,208	1,342,232
Total liabilities	4,252,217	6,018,420
Net assets		
Shareholders' equity		
Capital stock	1,031,127	1,035,744
Capital surplus	837,092	1,651,045
Retained earnings	865,064	785,722
Total shareholders' equity	2,733,284	3,472,512
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,718	105,464
Deferred gains or losses on hedges	446	515
Foreign currency translation adjustment	(216)	(3,107)
Total accumulated other comprehensive income	39,948	102,872
Subscription rights to shares	48,729	48,729
Non-controlling interests	404,459	327,114
Total net assets	3,226,422	3,951,228
Total liabilities and net assets	7,478,640	9,969,649

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statement of Income)****(For the Three-month Period)**

(Thousands of yen)

	Three months ended December 31, 2016 (Oct. 1, 2016 – Dec. 31, 2016)	Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)
Net sales	1,202,073	1,606,806
Cost of sales	194,171	391,369
Gross profit	1,007,901	1,215,437
Selling, general and administrative expenses	809,156	1,127,881
Operating income	198,745	87,555
Non-operating income		
Interest income	1,319	542
Foreign exchange gains	5,931	1,889
Share of profit of entities accounted for using equity method	360	–
Other	397	2,031
Total non-operating income	8,009	4,463
Non-operating expenses		
Provision of allowance for doubtful accounts	2,741	49
Interest expenses	1,982	5,149
Other	166	214
Total non-operating expenses	4,891	5,412
Ordinary income	201,862	86,606
Profit before income taxes	201,862	86,606
Income taxes	36,139	13,849
Profit	165,723	72,756
Profit attributable to non-controlling interests	17,919	33,664
Profit attributable to owners of parent	147,804	39,091

(Consolidated Statement of Comprehensive Income)
(For the Three-month Period)

(Thousands of yen)

	Three months ended December 31, 2016 (Oct. 1, 2016 – Dec. 31, 2016)	Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)
Profit	165,723	72,756
Other comprehensive income		
Valuation difference on available-for-sale securities	–	65,746
Deferred gains or losses on hedges	7,058	69
Foreign currency translation adjustment	26,439	(5,668)
Total other comprehensive income	33,497	60,146
Comprehensive income	199,221	132,902
Comprehensive income attributable to owners of parent	168,346	102,015
Comprehensive income attributable to non-controlling interests	30,874	30,887

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Notes on going concern assumptions

(Significant changes in shareholders' equity)

The Company implemented a share exchange with the effective date of October 6, 2017, with the Company being a wholly owning parent company and EA1 Corp. being a wholly owned subsidiary. In addition, upon the acquisition of shares on October 10, 2017 and the exchange of shares on November 6, 2017, N's Enterprise Inc. was made a wholly owned subsidiary. As a result, for the first quarter under review, capital surplus increased 349,934 thousand yen upon the exchange of the shares of EA1 Corp., and capital surplus increased 459,400 thousand yen upon the exchange of the shares of N's Enterprise Inc. Capital surplus at the end of the first quarter under review was 1,651,045 thousand yen.

(Application of special accounting methods for presenting quarterly consolidated financial statements)

(Calculation of tax expenses)

The tax expenses are calculated by obtaining a reasonable estimate of the effective tax rate on profit before income taxes for the fiscal year, which includes the first quarter under review, after the application of the tax effect accounting, and multiplying the profit before income taxes by the said estimated effective tax rate.

(Changes in accounting policies)

Not applicable.

(Changes in accounting estimates)

Not applicable.

(Segment information, etc.)

Segment Information

Three months ended December 31, 2016 (Oct. 1, 2016 – Dec. 31, 2016)

1. Information related to net sales and profits (losses) for the respective reportable segments

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Online Travel Agency Business	IT Offshore Development Business	Other businesses	Total		
Net sales						
Sales to external customers	889,256	312,660	155	1,202,073	–	1,202,073
Intersegment sales and transfers	–	20,703	–	20,703	(20,703)	–
Total	889,256	333,364	155	1,222,776	(20,703)	1,202,073
Segment profits (losses)	297,383	24,948	(0)	322,331	(123,586)	198,745

- Notes: 1. The adjustment of -123,586 thousand yen to the segment profits (losses) includes corporate expenses which mainly consist of general and administrative expenses that are not attributable to the reportable segments.
2. The segment profit or loss has been adjusted to the operating income stated in the quarterly consolidated statement of income.

2. Information about impairment loss of property, plant and equipment or goodwill, etc. by reportable segment

(Material impairment loss related to property, plant and equipment)

Not applicable.

(Material change in the amount of goodwill)

Not applicable.

(Material gain on bargain purchase)

Not applicable.

Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)

1. Information related to net sales and profits (losses) for the respective reportable segments

(Thousands of yen)

	Reportable segment				Other	Total	Adjustment (Note 1)	Amount on quarterly consolidated statement of income (Note 2)
	Online Travel Agency Business	IT Offshore Develop- ment Business	Other businesses	Total				
Net sales								
Sales to external customers	982,759	523,446	100,571	1,606,778	28	1,606,806	–	1,606,806
Intersegment sales and transfers	–	40,463	–	40,463	–	40,463	(40,463)	–
Total	982,759	563,909	100,571	1,647,241	28	1,647,270	(40,463)	1,606,806
Segment profits (losses)	58,426	57,283	90,301	206,011	(0)	206,010	(118,455)	87,555

- Notes: 1. The category “Other” includes the business segments not included in the reportable segments, such as advertising revenue.
2. The adjustment of -118,455 thousand yen to the segment profits (losses) includes corporate expenses which mainly consist of general and administrative expenses that are not attributable to the reportable segments.
3. The segment profit or loss has been adjusted to the operating income stated in the quarterly consolidated statement of income.

statement of income.

2. Matters regarding change of reportable segments

The Company launched the Investment Business in the previous consolidated fiscal year under review, and the reportable segments were changed from the Online Travel Agency Business, the IT Offshore Development Business, and Other Businesses to the Online Travel Agency Business, the IT Offshore Development Business, and the Investment Business. Because of the lack of importance of the Investment Business for the first three months of the previous fiscal year, no reclassification was carried out.

3. Information about impairment loss of property, plant and equipment or goodwill, etc. by reportable segment
(Material impairment loss related to property, plant and equipment)

Not applicable.

(Material change in the amount of goodwill)

In the Online Travel Agency Business, goodwill was posted upon the acquisition of the shares of consolidated subsidiaries, N's Enterprise Inc. and EA1 Corp. The goodwill posted upon these events was 997,395 thousand yen and 237,887 thousand yen, respectively. These amounts of goodwill were tentatively determined because the appropriation of the acquisition cost is not completed.

(Material gain on bargain purchase)

Not applicable.

(Important subsequent events)

Not applicable.