

# Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2019 (FY9/19) (Nine Months Ended June 30, 2019) [IFRS]

August 14, 2019

Company name: Evolvable Asia Corp. Stock Exchange Listing: TSE 1st  
 Stock code: 6191 URL: <https://www.evolvableasia.com/>  
 Representative: Hideaki Yoshimura, CEO  
 Contact: Yusuke Shibata, Representative Director and CFO (TEL) 03 (3431)6191  
 Scheduled date of filing of Quarterly Report: August 14, 2019 Scheduled date of payment of dividend: —  
 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 Third Quarter (October 1, 2018 to June 30, 2019) of FY9/19

### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Profit before income taxes		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended March 31, 2019	16,123	154.9	183	Δ82.5	120	Δ88.4	35	Δ95.2	Δ29	Δ104.5	11	Δ98.4
Nine months ended March 31, 2018	6,324	—	1,050	—	1,041	—	751	—	661	—	740	—

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended March 31, 2019	Δ1.61	Δ1.61
Nine months ended March 31, 2018	38.20	36.85

### (2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
	Millions of yen	Millions of yen	Millions of yen	%
As of June 30, 2019	30,388	9,043	8,615	28.35
As of September 30, 2018	24,939	5,567	5,186	20.80

## 2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2018	—	0.00	—	10.00	10.00
Fiscal year ending Sep. 30, 2019	—	0.00	—		
Fiscal year ending Sep. 30, 2019 (Estimated)				—	—

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

Evolvable Asia Corp. plans to pay the year-end dividend for the fiscal year ending September 30, 2019, based on a dividend payout ratio of approximately 20%. Evolvable Asia Corp. will not disclose the dividend forecast since the full-year consolidated financial forecasts are not disclosed due to the difficulty of making reasonable estimates.

\* 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) Changes in accounting policies and accounting-based estimates, and restatements

1) Change of the accounting policy required under IFRS: None

2) Changes in accounting policies other than (i) above: None

3) Changes in accounting-based estimates: None

(3) Numbers of outstanding shares (common stock)

1) Number of shares outstanding as of the end of the period (including treasury shares)	As of June 30, 2019	19,554,500	As of Sep. 30, 2018	17,708,000
2) Number of treasury shares as of the end of the period	As of June 30, 2019	—	As of Sep. 30, 2018	—
3) Average number of shares issued during the period	Nine months ended June 30, 2019	18,482,840	Nine months ended June 30, 2018	17,327,311

\* The current quarterly financial report is exempt from the quarterly review procedures performed by certified public accountants or audit corporations.

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

Consolidated financial forecasts for the current fiscal year are not presented due to the difficulty of calculating reasonable forecasts. For the reasons for this, see “Outlook” on page 6 of the Consolidated Financial Results for the Fiscal Year Ended September 30, 2018 (FY9/18) announced on November 13, 2018.

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# 1. Qualitative Information on Quarterly Consolidated Financial Performance

## (1) Explanation of Results of Operations

Evolable Asia Corp. (hereinafter the “Company”) and its consolidated subsidiaries (hereinafter collectively the “Group”) disclosed consolidated financial statements in accordance with IFRS starting from previous fiscal year, and the figures for the first six months of the previous fiscal year have also been restated according to IFRS for comparative analysis.

During the third quarter under review, the global economy maintained a robust performance mainly driven by advanced economies. However, the global economic outlook became increasingly uncertain amid trade tensions between the US and China. The Japanese economy remained on a moderate recovery path, reflecting steady improvement in employment and income conditions. The economy continued to expand at a solid pace, supported by increased domestic demand and inbound tourist demand against the background of the upcoming Tokyo Olympics in 2020 and EXPO 2025 in Osaka.

In the travel industry, the number of Japanese citizens who left Japan in the period from January to June 2019 totaled 9.54 million, increasing about 0.75 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 June 2019 surpassed 16.63 million. The number is rising 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, the Company continued expanding its operations by seeking to diversify its service lines with a focus on sales of domestic airline tickets and international airline tickets as an online travel agency and significantly investing in advertising to raise recognition of its main brand AirTrip. The Company also continued to enhance its services for foreign visitors to Japan, 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 engineers hired grew to 1,000 as of the end of June 2019. 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 the end of June 2019, the Company has invested in 56 companies.

In this business environment, the Group achieved consolidated net sales of 16,123 million yen (up 154.9% year on year), a consolidated operating income of 183 million yen (down 82.5% year on year), a consolidated profit before income taxes of 120 million yen (down 88.4% year on year), and a consolidated loss attributable to owners of parent of 29 million yen (compared to consolidated profit attributable to owners of parent of 661 million yen a year earlier) in the first nine months of the fiscal year under review.

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 made considerable upfront investments in mass marketing, including TV commercials and train advertising, to acquire new customers and build a stable customer base in the future. 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.

The recognition of the Company’s brand AirTrip increased, and strategic pricing and the active input of branding costs were conducted to acquire customers.

- 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. In addition, like the BtoC services, measures for marketing and alliances with an emphasis on increasing customer numbers were promoted.

- BtoB services (wholesale to other travel agencies)

Net sales were solid, reflecting trends in the airline industry and policies enforced by business partners.

- 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.

- Services for foreign visitors (business of providing various BtoC services to visitors to Japan)

The Company offers various services for foreign visitors to Japan, including Wi-Fi rental, camping car rental, currency exchange and web media services. In every business line, net sales and income grew steadily due to an increase in visitors to Japan, multilingual customer service and stronger marketing.

As a result of the factors stated above, net sales for the Online Travel Agency Business segment amounted to 14,063 million yen (up 204.0% year on year), and segment income came to 60 million yen (Segment loss of 105 million yen at the end of the same period last year) in the first nine months of 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. During the consolidated fiscal year under review, an increase in the number of engineers and a rise in unit prices due to improvements in development efficiency contributed to an increase in sales.

As a result of the factors stated above, net sales for the IT Offshore Development Business segment reached 1,817 million yen (up 13.7% year on year), and segment income totaled 134 million yen (up 25.2% year on year).

## (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. During the consolidated fiscal year under review, the Group had increased the number of companies in which it invests to 56. As a result, net sales for the Investment Business segment stood at 242 million yen (up 139.6% year on year), and segment income was 473 million yen (down 65.9% year on year) in the first nine months of the fiscal year under review.

## (2) Explanation of Financial Position

### (Assets)

Total assets increased 5,459 million yen from the end of the previous fiscal year, to 30,388 million yen at the end of the third quarter under review. This result was mainly due to an increase of 3,045 million yen in cash and deposits, and an increase of 903 million yen in notes and accounts receivable – trade and other receivables.

### (Liabilities)

Liabilities increased 1,973 million yen from the end of the previous fiscal year, to 21,345 million yen at the end of the third quarter under review. This result primarily reflected an increase of 411 million yen in trade and other payables, and an increase of 862 million yen in interest-bearing debt.

### (Equity)

Net assets rose 3,475 million yen from the end of the previous fiscal year, to 9,043 million yen at the end of the third quarter under review. This result was mainly attributable to an increase of 1,819 million yen in capital stock and a rise of 1,642 million yen in share

premium.

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

Consolidated financial forecasts for the current fiscal year are not presented due to the difficulty of calculating reasonable forecasts as explained in the Consolidated Financial Results for the Fiscal Year Ended September 30, 2018 (FY9/18) announced on November 13, 2018.

## 2. Condensed Consolidated Financial Statements and Notes to the Condensed Consolidated Financial Statements

### (1) Condensed Consolidated Statement of Financial Position

(Millions of yen)

	FY9/18 (as of Sep. 30, 2018)	Third Quarter of FY9/19 (as of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	5,320	8,365
Notes and accounts receivable – trade and other receivables	4,442	5,345
Other financial assets	3,889	4,649
Inventories	87	248
Income taxes receivable	132	167
Other current assets	1,331	975
Total current assets	15,202	19,752
Non-current assets		
Property, plant and equipment	1,111	1,308
Goodwill	5,167	5,451
Intangible assets	2,236	2,533
Other financial assets	1,055	1,178
Other non-current assets	83	60
Deferred tax assets	82	103
Total non-current assets	9,736	10,636
Total assets	24,939	30,388
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Operating payables and other operating payables	4,333	4,745
Interest-bearing debt	6,802	6,801
Other financial liabilities	428	596
Accrued income taxes	80	155
Other current liabilities	3,281	3,834
Total current liabilities	14,926	16,133
Non-current liabilities		
Interest-bearing debt	4,009	4,872
Other financial liabilities	61	42
Provisions	76	82
Deferred tax liabilities	288	205
Other non-current liabilities	8	9
Total non-current liabilities	4,444	5,211
Total liabilities	19,371	21,345
Equity		
Capital stock	1,100	2,919
Share premium	2,117	3,759
Retained earnings	1,963	1,925
Other items of equity	5	11
Total equity attributable to owners of parent	5,186	8,615
Non-controlling interests	380	427
Total equity	5,567	9,043
Total liabilities and equity	24,939	30,388

(2) Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Comprehensive Income  
Condensed Consolidated Statement of Income  
For the First nine-month Period

	(Millions of yen)	
	Nine months ended June 30, 2018 (Oct. 1, 2017 – Jun. 30, 2018)	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)
Net sales	6,324	16,123
Cost of sales	Δ2,359	Δ7,014
Gross profit	3,965	9,109
Selling, general and administrative expense	Δ4,320	Δ9,540
Gain and loss on investments	1,415	430
Other income	6	225
Other expenses	Δ15	Δ41
Operating income	1,050	183
Finance income	16	14
Finance costs	Δ25	Δ77
Profit before income taxes	1,041	120
Corporate income tax expenses	Δ289	Δ85
Profit	751	35
Profit (loss) attributable to		
Owners of parent	661	Δ29
Non-controlling interests	89	65
	751	35
Profit per share		
Profit (loss) per share (Yen)	38.20	Δ1.61
Fully diluted profit (loss) per share (Yen)	36.85	Δ1.61



For the Third Quarter Period

(Millions of yen)

	Note	Third quarter of FY9/18 (April 1, 2018 – June 30, 2018)	Third quarter of FY9/19 (April 1, 2019 – June 30, 2019)
Net sales		2,875	5,505
Cost of sales		Δ1,140	Δ2,279
Gross profit		1,734	3,225
Selling, general and administrative expense		Δ1,944	Δ3,296
Gain and loss on investments		475	166
Other income		4	4
Other expenses		Δ9	Δ7
Operating income		260	92
Finance income		0	5
Finance costs		Δ12	Δ31
Profit before income taxes		247	67
Corporate income tax expenses		Δ91	Δ96
Profit		156	Δ29
Profit (loss) attributable to			
Owners of parent		148	Δ20
Non-controlling interests		7	Δ8
		156	Δ29
Profit per share			
Profit (loss) per share (Yen)		8.53	Δ1.07
Fully diluted profit (loss) per share (Yen)		8.24	Δ1.07

Condensed Consolidated Statement of Comprehensive Income  
For the First Nine-month Period

(Millions of yen)

	Nine months ended June 30, 2018 (Oct. 1, 2017 – Jun. 30, 2018)	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)
Profit	751	35
Other comprehensive income, net of tax		
Items that may be reclassified as profit or loss		
Translation adjustments of foreign operations	Δ10	Δ22
Cash flow hedge	0	Δ1
Total of items that may be reclassified as profit or loss	Δ10	Δ23
Total of other comprehensive income, net of tax	Δ10	Δ23
Comprehensive income	740	11
Comprehensive income attributable to		
Owners of parent	656	Δ42
Non-controlling interests	84	54

For the Third Quarter Period

(Millions of yen)

	Third quarter of FY9/18 (April 1, 2018 – June 30, 2018)	Third quarter of FY9/19 (April 1, 2019 – June 30, 2019)
Profit	156	Δ29
Other comprehensive income, net of tax		
Items that may be reclassified as profit or loss		
Translation adjustments of foreign operations	16	Δ16
Cash flow hedge	1	Δ0
Total of items that may be reclassified as profit or loss	17	Δ16
Total of other comprehensive income, net of tax	17	Δ16
Comprehensive income	173	Δ46
Comprehensive income attributable to		
Owners of parent	158	Δ29
Non-controlling interests	15	Δ16

### (3) Condensed Consolidated Statement of Changes in Equity

Nine months ended June 30, 2018 (Oct. 1, 2017 – Jun. 30, 2018)

(Millions of yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Other items of equity	Total		
As of October 1, 2017	1,031	815	1,139	5	2,992	402	3,394
Profit	-	-	661	-	661	89	751
Other comprehensive income	-	-	-	Δ5	Δ5	Δ5	Δ10
Total comprehensive income	-	-	661	Δ5	656	84	740
Dividends of surplus	-	-	Δ118	-	Δ118	Δ27	Δ145
Issuance of new shares	36	36	-	-	73	-	73
Increase (decrease) by business combination	-	42	-	-	42	16	59
Increase (decrease) by share exchanges	-	1,309	-	-	1,309	Δ112	1,197
Equity transactions with non-controlling interests	-	Δ126	-	-	Δ126	Δ56	Δ183
Increase (decrease) through transfers and other changes	-	-	-	7	7	Δ6	0
Total transactions with owners	36	1,261	Δ118	7	1,187	Δ186	1,001
As of June 30, 2018	1,067	2,077	1,682	7	4,836	300	5,137

Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)

(Millions of yen)

	Equity attributable to owners of parent					Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Other items of equity	Total		
As of October 1, 2018	1,100	2,117	1,963	5	5,186	380	5,567
Profit (loss)	-	-	Δ29	-	Δ29	65	35
Other comprehensive income	-	-	-	Δ12	Δ12	Δ11	Δ23
Total comprehensive income	-	-	Δ29	Δ12	Δ42	54	11
Dividends of surplus	-	Δ177	-	-	Δ177	-	Δ177
Issuance of new shares	1,819	1,819	-	-	3,638	-	3,638
Increase (decrease) through transfers and other changes	-	-	Δ8	18	9	Δ7	2
Total transactions with owners	1,819	1,642	Δ8	18	3,471	Δ7	3,463
As of June 30, 2019	2,919	3,759	1,925	11	8,615	427	9,043

## (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended June 30, 2018 (Oct. 1, 2017 – Jun. 30, 2018)	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)
Cash flows from operating activities		
Profit (loss) before tax	1,041	120
Depreciation and amortization expense	230	666
Investment income (loss)	Δ1,415	Δ430
Increase in allowance	0	Δ13
interest expense	25	71
(Increase) decrease in trade and other receivables	221	Δ335
Decrease (increase) in inventories	Δ2	Δ66
Increase (decrease) in trade and other payables	975	30
Decrease (increase) in advance payments - trade	232	445
Decrease (increase) in deposits received	217	166
Increase (decrease) in guarantee deposits received	Δ62	27
Decrease (increase) in investment securities for sale	Δ573	Δ311
Other	Δ422	Δ55
Subtotal	464	317
Interest and dividend income received	3	12
Interest expenses paid	Δ26	Δ70
Income taxes paid	Δ107	Δ28
Net cash provided by (used in) operating activities	333	230
Cash flows from investing activities		
Purchase of property, plant and equipment	Δ123	Δ241
Proceeds from sales of property, plant and equipment	46	121
Purchase of intangible assets	Δ567	Δ904
Payments for lease deposits	Δ52	Δ101
Collection of lease deposits	23	167
Purchase of shares of subsidiaries resulting in change in scope of consolidation	454	50
Purchase of shares of subsidiaries resulting in change in scope of consolidation	Δ355	-
Payments for transfer of business	-	Δ136
Other	Δ16	Δ5
Net cash provided by (used in) investing activities	Δ591	Δ1,050
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	526	Δ37
Proceeds from long-term loans payable	2,700	1,867
Repayments of long-term loans payable	Δ284	Δ1,358
Proceeds from issuance of common shares	75	3,595
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	Δ183	-
Dividends paid to owners of the parent company	Δ117	Δ176
Other	Δ32	Δ6
Net cash provided by (used in) financing activities	2,683	3,884
Effect of exchange rate change on cash and cash equivalents	Δ5	Δ19
Net increase (decrease) in cash and cash equivalents	2,419	3,045
Cash and cash equivalents at beginning of period	2,078	5,320
Increase in cash and cash equivalents resulting from merger	61	-
Cash and cash equivalents at end of period	4,560	8,365

## (5) Notes to Condensed Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Significant changes in shareholders' equity)

During the first nine months of the fiscal year under review, exercise of the Second Series, Third Series, Fourth Series, Fifth Series and Thirteenth Series of Stock Acquisition Rights caused shares outstanding to increase by 1,846,500 shares and caused capital stock and share premium to each increase by 1,819 million yen.

(Segment information, etc.)

### (1) Summary of reportable segments

The Company's reportable segments are its business units that have separate financial information available and that are subject to periodical examinations by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

Under its "One Asia" vision, the Group aims to serve as a bridge connecting various opportunities and engineers in Asia. With the Online Travel Agency Business, IT Offshore Development Business and Investment Business as its three mainstay businesses, the Group classifies these businesses, with their highly unique business models, as its main reportable business segments and draws up and determine Group strategies accordingly.

The businesses and main products belonging to each reportable segment are as follows:

Online Travel Agency Business: Online general travel agency service

IT Offshore Development Business: Lab-type offshore development services and BPO services

Investment Business: Investment in growing companies and turnarounds

### (2) Calculation method of segment income (loss) and segment performance

Transactions between reportable segments are conducted based on the same general terms and conditions that apply to external customers. Transactions between reportable segments are conducted based on the same general terms and conditions that apply to external customers.

The Group does not allocate assets or liabilities to reportable segments.

### (3) Information about segment income (loss) and segment performance

Nine months ended June 30, 2018 (Oct. 1, 2017 – Jun. 30, 2018)

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment s (Note 2)	Consolidate d Total	
	Online Travel Agency Business	IT Offshore Developme nt Business	Investment Business	Total					
External sales revenue	4,625	1,597	101	6,324	0	6,324	-	6,324	
Intersegment revenue	-	135	-	135	-	135	Δ135	-	
Total sales revenue	4,625	1,732	101	6,459	0	6,460	Δ135	6,324	
Segment profits (losses) (Note 3)	Δ105	107	1,391	1,393	Δ0	1,393	Δ342	1,050	
Financial income									16
Financial expenses									Δ25
Income before income taxes									1,041

(Note 1) The category "Other" includes the business segments not included in the reportable segments, such as advertising revenue.

(Note 2) The category "Adjustments" mainly consists of corporate expenses that do not belong to any reportable segment and intersegment transactions.

(Note 3) Segment income is adjusted with operating income in the summary consolidated statement of income.

Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment s (Note 2)	Consolidate d Total	
	Online Travel Agency Business	IT Offshore Developme nt Business	Investment Business	Total					
External sales revenue	14,063	1,817	242	16,123	0	16,123	-	16,123	
Intersegment revenue	34	382	-	416	-	416	Δ416	-	
Total sales revenue	14,098	2,200	242	16,540	0	16,540	Δ416	16,123	
Segment profits (losses) (Note 3)	60	134	473	668	Δ0	668	Δ485	183	
Financial income									14
Financial expenses									Δ77
Income before income taxes									120

(Note 1) The category “Other” includes the business segments not included in the reportable segments, such as advertising revenue.

(Note 2) The category “Adjustments” mainly consists of corporate expenses that do not belong to any reportable segment and intersegment transactions.

(Note 3) Segment income (loss) is adjusted with operating income in the summary consolidated statement of income.

Third quarter ended June 30, 2018 (Apr. 1, 2018 – Jun. 30, 2018)

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustment s (Note 2)	Consolidate d Total	
	Online Travel Agency Business	IT Offshore Developme nt Business	Investment Business	Total					
External sales revenue	2,330	544	0	2,875	0	2,875	-	2,875	
Intersegment revenue	-	54	-	54	-	54	Δ54	-	
Total sales revenue	2,330	598	0	2,929	0	2,929	Δ54	2,875	
Segment profits (losses) (Note 3)	Δ135	2	468	334	0	334	Δ74	260	
Financial income									0
Financial expenses									Δ12
Income before income taxes									247

(Note 1) The category “Other” includes the business segments not included in the reportable segments, such as advertising revenue.

(Note 2) The category “Adjustments” mainly consists of corporate expenses that do not belong to any reportable segment and intersegment transactions.

(Note 3) Segment income (loss) is adjusted with operating income in the summary consolidated statement of income.

Third quarter ended June 30, 2019 (Apr. 1, 2019 – Jun. 30, 2019)

(Millions of yen)

	Reportable segments					Other (Note 1)	Total	Adjustment s (Note 2)	Consolidate d Total
	Online Travel Agency Business	IT Offshore Developme nt Business	Investment Business		Total				
External sales revenue	4,588	675	241		5,505	0	5,505	-	5,505
Intersegment revenue	1	73	-		75	-	75	Δ75	-
Total sales revenue	4,590	749	241		5,580	0	5,580	Δ75	5,505
Segment profits (losses) (Note 3)	Δ86	22	236		172	-	172	Δ79	92
Financial income									5
Financial expenses									Δ31
Income before income taxes									67

(Note 1) The category “Other” includes the business segments not included in the reportable segments, such as advertising revenue.

(Note 2) The category “Adjustments” mainly consists of corporate expenses that do not belong to any reportable segment and intersegment transactions.

(Note 3) Segment income (loss) is adjusted with operating income in the summary consolidated statement of income.

(Important subsequent events)

Regarding making National Ryutsu Sangyo Co., Ltd. consolidated subsidiary

At the extraordinary board of directors meeting held on August 6, 2019, the Company resolved to exchange shares with the Company as the parent company of a wholly owned subsidiary for shareholder exchange and National Ryutsu Sangyo Co., Ltd. (hereinafter “National Ryutsu Sangyo”) as a wholly owned subsidiary for shareholder exchange.

Since the calculation has not been completed at this time of the fair value of acquired assets and assumed liabilities on the date when the Company acquires control, detailed information about the accounting treatment for the business combination including goodwill, acquired assets and assumed liabilities on the control acquisition date is not disclosed.

(1) Reason for business combination

As an online travel agency, the Company has expanded its operations by diversifying its service lines with a focus on sales of domestic and overseas airline tickets and airing TV commercials to improve recognition of its main brand AirTrip. The Company has made National Ryutsu Sangyo Co., Ltd. a subsidiary for the purpose of advancing this strategy.

(2) Overview of the acquired company

Name: National Ryutsu Sangyo Co., Ltd.

Business description: Sales of various gift certificates, travel coupons, etc.

(3) Scheduled control acquisition date

August 30, 2019