Consolidated Financial Results for the Fiscal Year Ended September 30, 2017(FY9/17)

[Japanese GAAP]

November 14, 2017

Company name: Evolable Asia Corp. Stock Exchange Listing: TSE
Stock Code: 6191 (URL: http://www.evolableasia.com)
Representative: Hideaki Yoshimura, CEO
Contact: Yusuke Shibata, Director and CFO TEL: +81-(0)3-3431-6191
Scheduled date of holding of ordinary shareholders' meeting: December 22, 2017
Scheduled date of payment of dividend: December 25, 2017
Scheduled date of submission of financial reports: December 25, 2017
Preparation of supplementary documents for financial results: Yes
Holding of 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 Fiscal Year Ended September 30, 2017 (October 1, 2016 to September 30, 2017)

(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	%
Year ended September 2017	5,534	38.3	730	18.1	695	21.7	420	23.5
Year ended September 2016	4,000	45.5	618	97.7	571	87.0	340	97.3

Note: Comprehensive income (millions of yen) Year ended September 2017 :596 (63.7%)
Year ended September 2016 :364 (66.4%)

	Profit per share	Fully diluted profit per share	Return on equity	Return on assete	Operating income margin
	Yen	Yen	%	%	%
Year ended September 2017	25.06	23.77	16.6	11.3	13.2
Year ended September 2016	22.17	21.12	26.0	16.5	15.5

Reference: Equity in earnings of affiliates (millions of yen) Year ended September 2017: – Year ended September 2016: –

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 2017	7,478	3,226	37.2	163.91
As of September 2016	4,841	2,371	47.0	136.44

Reference: Shareholders' equity (millions of yen) As of Sept 2017: 2,773 As of Sept 2016: 2,276

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended September 2017	216	(1,312)	942	2,078
Year ended September 2016	604	(456)	1,476	2,225

2. Dividends

	Dividend per share					Total Dividends (Annual)	Dividend payout ratio (Consolidated)	Dividends/ Net assets (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Sep. 30, 2016	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended Sep. 30, 2017	–	0.00	–	7.00	7.00	118	27.9	4.7
Fiscal year ending Sep. 30, 2018(Estimated)	–	0.00	–	10.00	10.00		19.4	

3. Forecasts for consolidated financial results for the fiscal year ending September 2018(October 1, 2017– 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: 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)

Newly included: — companies Excluded: — companies

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

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

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

3) Changes in accounting-based estimates: None

4) Restatement: 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 September 2017: 16,919,100 shares As of September 2016: 16,682,400 shares

2) Number of treasury shares as of the end of the period
As of September 2017: – shares As of September 2016: – shares

3) Average number of shares issued during the period
Year ended September 2017: 16,763,493 shares Year ended September 2016: 15,349,286 shares

Reference: Summary of non-consolidated business results

1. Non-consolidated financial results for the fiscal year ended September 30, 2017 (October 1, 2016 - September 30, 2017)

(1) Non-consolidated results of operations (Figures in percentages denote the year-on-year change.)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended September 2017	3,976	32.4	561	10.8	518	14.3	373	32.7
Year ended September 2016	3,002	52.7	507	89.0	453	71.6	281	84.2

	Profit per share	Fully diluted profit per share
	Yen	Yen
Year ended September 2017	22.28	21.13
Year ended September 2016	18.36	17.49

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 2017	6,313	2,674	41.8	155.21
As of September 2016	4,522	2,187	48.4	131.10

Reference: Shareholders' equity: (millions of yen) As of September 2017 2,626 As of September 2016 2,187

* The financial results are not subject to auditing.

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

The forward-looking statements discussed in this material, including financial forecasts, are based on information available to the Company at the time of the announcement of this material. Please note that the actual results may differ depending on future uncertain factors.

Contents of Attachments

1. Overview of Results of Operations Etc.

(1) Overview of Results of Operations

During the fiscal year under review, the global economy posted only moderate growth, reflecting a slowdown in the Chinese economy and the United Kingdom's Brexit decision. Nonetheless, led by advanced economies, the world economy did continue its recovery.

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 2017 to September 2017 totaled 13,410,000, increasing 0.7 million from the same period of the previous fiscal year according to statistics released by the Japan National Tourism Organization (JNTO). In addition, the number of foreigners who visited Japan from January 2017 to September 2017 surpassed 21 million. 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 this year.

Under these conditions, Evolable 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 750 as of September 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 September 2017, the Company has invested in 22 companies.

As a result, the Group achieved consolidated net sales of 5,534,194 thousand yen, consolidated operating income of 730,853 thousand yen, consolidated ordinary income of 695,876 thousand yen, consolidated profit before income taxes of 695,876 thousand yen, and consolidated profit attributable to owners of parent of 420,193 thousand yen.

The Company plans to adopt the IFRS in the fiscal year ending September 30, 2018. Under the IFRS, in the fiscal year under review, the Group recorded consolidated net sales of 5,633,154 thousand yen, consolidated operating income of 1,008,390 thousand yen, and consolidated profit attributable to owners of parent of 765,350 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 3,894,626 thousand yen and segment income came to 968,012 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 1,661,001 thousand yen, and segment income totaled 163,472 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 22 and sold part of the shares it held in Kanxashi Corporation, the Group's first exit.

As a result, net sales for the Investment Business segment stood at 103,372 thousand yen, and segment income was 68,351 thousand yen.

Looking at the operating conditions for the Group, for the Online Travel Agency Business, the frequency of Internet use by travelers increased against the background of developments such as the spread of smartphones and tablet terminals. The markets for the Group also expanded in size in step with the frequency increase.

Internet sales accounted for only 0.64% of total transactions in the travel industry in 2000. Their ratio reached 9.46% in 2013, according to the Survey of Travel Market Trends 2015 published by the Japan Association of Travel Agents. The ratio is increasing exponentially.

The offshore IT development market in Vietnam is continuing to grow in size against the background of a plan to increase the number of IT engineers and the policy of strengthening the software industry adopted by the Vietnamese government. At present, offshore development by Japanese companies amounts to only about 100 billion yen, according to Trends in Software Industry and Offshore Development in Japan released by the Center of the International Cooperation for Computerization. Significant room for market expansion appears to remain in Vietnam, considering that the Japanese market for developing outsourced software is estimated at about 10 trillion yen, according to the Present State of Information Service Industry, a survey conducted by the Ministry of Economy, Trade and Industry.

Under these conditions, the Group will continue improving the usability of its direct sales websites and optimizing SEM in the key online travel agency business. At the same time, the Group aims to firmly establish "AirTrip" that has been launched as a new brand.

In the IT Offshore Development Business, the Group will seek to improve its profitability as a stock business in a sustained manner, continuing to develop clients and promote efforts to secure system engineers.

In the Investment Business, the Group will continue to promote investment in growing companies and work to develop companies that it invests in to expand operations.

(2) Overview of Financial Position

(1) State of assets, liabilities and net assets

Assets

Total assets increased 2,636,996 thousand yen from the end of the previous fiscal year, to 7,478,640 thousand yen at the end of the fiscal year under review. This result was mainly due to an increase of 281,545 thousand yen in accounts receivable – trade, a rise of 1,100,489 thousand yen in operational investment securities, a climb of 621,844 thousand yen in goodwill, and an increase of 407,020 thousand yen in software.

Liabilities

Liabilities increased 1,751,383 thousand yen from the end of the previous fiscal year, to 4,221,666 thousand yen at the end of the fiscal year under review. This result primarily reflected an increase of 430,020 thousand yen in short-term loans payable and a rise of 535,492 thousand yen in long-term loans payable.

Net Assets

Net assets rose 855,062 thousand yen from the end of the previous fiscal year, to 3,226,422 thousand yen at the end of the fiscal year under review. This result was mainly attributable to increases of 420,194 thousand yen in retained earnings, 48,522 thousand yen in subscription rights to shares, and 309,549 thousand yen in non-controlling interests.

(3) Overview of Cash Flows

Cash and cash equivalents (hereinafter “cash”) decreased 146,601 thousand yen from the end of the previous fiscal year, to 2,078,651 thousand yen at the end of fiscal year under review. The status of the respective cash flows and the major factors are as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities declined 387,959 thousand yen from the end of the previous fiscal year, to 216,877 thousand yen at the end of the fiscal year under review. Major factors in this result were posted profit before income taxes of 695,876 thousand yen, a decrease of 230,089 thousand yen in inventories, an increase of 208,206 thousand yen in notes and accounts payable – trade and an increase of 1,003,053 thousand yen in operational investment securities.

Cash Flows from Investing Activities

Net cash used in investing activities grew 856,186 thousand yen from the end of the previous fiscal year, to 1,312,298 thousand yen at the end of the fiscal year under review. Major factors in this result were purchases of property, plant and equipment of 294,567 thousand yen, purchases of intangible assets of 467,803 thousand yen, purchases of shares of subsidiaries resulting in a change in scope of consolidation of 567,753 thousand yen.

Cash Flows from Financing Activities

Net cash provided by financing activities decreased 533,928 thousand yen from the end of the previous fiscal year, to 942,928 thousand yen at the end of the fiscal year under review. Major factors in this result were proceeds from short-term loans payable of 416,900 thousand yen, proceeds from long-term loans payable of 514,500 thousand yen, and repayments of long-term loans payable of 26,322 thousand yen.

Reference: Changes in Indexes Related to Cash Flows

	Fiscal year ended September 30, 2016	Fiscal year ended September 30, 2017
Equity ratio (%)	47.0	37.2
Equity ratio on a market value basis (%)	534.1	535.6
Ratio of interest-bearing liabilities to cash flows (annual ratio)	0.55	1.53
Interest coverage ratio (times)	58.2	21.9

(Note) 1. The respective indexes are calculated as follows.

Equity ratio = shareholders’ equity / total assets

Equity ratio on a market value basis = total market capitalization / total assets

* Total market capitalization = closing share price at the end of the period x number of outstanding shares at the end of the period (excluding treasury stock)

Ratio of interest-bearing liabilities to cash flows = interest-bearing liabilities / operating cash flows

Interest coverage ratio = operating cash flows / interest payments

2. The equity ratio on a market value basis for the fiscal year ended September 30, 2015 is not stated because the Company's shares are not listed.
3. Interest-bearing liabilities include all liabilities stated in the consolidated balance sheet for which interest has been paid. Cash flows from operating activities and the amount of interest paid in the consolidated statement of cash flows are used as operating cash flows and interest payments, respectively.

(4) Outlook

In the Online Travel Business, the Company currently engages in online sales mainly based on direct sales (BtoC) through comparison websites of travel-related products and services, centered on domestic air tickets, using smartphones and PCs. It assumes that there is no established brand recognized by consumers in the domestic air ticket market. Against this background, the Company launched "AirTrip," a new brand, in the fiscal year ended September 2017 under the concept of the most cost-effective and convenient service. Consequently, in addition to an increase in the number of repeat customers, the Company aims to achieve more frequent organic inflows of traffic on the back of stronger brand awareness. Going forward, it will work to expand operations by promoting sales of new travel-related products and services, as well as domestic air tickets.

In the area of inbound travel, the Company is working to establish platforms for vacation rentals in light of the introduction of new laws, the Camping Car Rental Business for foreign tourists visiting Japan and the Money Exchange Business, in addition to its current initiatives, namely the OEM-based provisioning of the cross search and booking/sales systems for Japanese domestic air tickets to overseas travel agencies and online media in multiple languages. Through these efforts, the Company aims to further expand its operations.

In the IT Offshore Development Business, the Company will take further measures to optimize the roles of its three operation bases in Ho Chi Minh City, Hanoi and Da Nang so that they are in more line with projects, while at the same time seeking to increase the number of operation bases and expand operations to other countries. It also aims to expand the scope of projects for which it expects to receive orders by facilitating offshore system development of the upstream process (requirement definition, etc.), something that conventionally has often been done in Japan.

In the Investment Business, the Company will promote strategic M&A and capital alliances, emphasizing synergies with the existing businesses, and investment in growing companies to develop them. In this way, the Company will expand investment and enhance the value of companies in which the Company invests.

The Company forecasts that in the fiscal year ending September 30, 2018, it will post consolidated net sales of 7,050 million yen, consolidated operating income of 1,500 million yen, and consolidated profit attributable to owners of parent of 881 million yen.

The Company will voluntarily apply the International Financial Reporting Standards (IFRS) and will disclose results under the IFRS from the announcement of full-year results for the fiscal year ending September 30, 2018. The results forecasts for the fiscal year ending September 30, 2018 are based on the IFRS, and no year-on-year percentage changes are stated.

(5) Important Events Concerning the Assumption of Going Concern

Not applicable.

2. Basic Policy for the Selection of Accounting Standards

As disclosed on November 14, 2017, at a meeting of the Board of Directors held on the same day, the Company resolved to apply the International Financial Reporting Standards (IFRS) voluntarily and disclose results under the IFRS from the announcement of full-year results for the fiscal year ending September 30, 2018.

This report on consolidated financial results is prepared under the Japanese GAAP. The effect of the application of the IFRS on the results in the fiscal year ended September 30, 2017 is described in the presentation material that is disclosed on the same date as the date of disclosure of the consolidated financial results.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY9/16 (as of Sep. 30, 2016)	FY9/17 (as of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	2,356,432	2,139,151
Notes and accounts receivable - trade	1,104,591	1,386,136
Operational investment securities	–	1,100,489
Merchandise and finished goods	274,325	45,032
Deferred tax assets	19,046	78,166
Accounts receivable - other	129,823	181,394
Others	140,830	227,716
Allowance for doubtful accounts	(450)	(16)
Total current assets	4,024,599	5,158,070
Non-current assets		
Property, plant and equipment		
Buildings, net	18,662	153,550
Vehicles, net	223	105,372
Tools, furniture and fixtures, net	19,115	100,864
Construction in progress	2,500	7,123
Total property, plant and equipment	40,501	366,910
Intangible assets		
Goodwill	102,976	724,820
Software	202,742	609,762
Total intangible assets	305,719	1,334,582
Investments and other assets		
Investment securities	43,000	31,801
Deferred tax assets	6,273	12,597
Guarantee deposits	409,193	548,921
Claims provable in bankruptcy, claims provable in rehabilitation and other	37,313	25,430
Others	12,358	25,756
Allowance for doubtful accounts	(37,313)	(25,430)
Total investments and other assets	470,824	619,075
Total non-current assets	817,044	2,320,569
Total assets	4,841,644	7,478,640

(Thousands of yen)

	FY9/16 (as of Sep. 30, 2016)	FY9/17 (as of Sep. 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,293,317	1,558,350
Short-term loans payable	225,139	655,159
Accounts payable - other	311,670	487,496
Accrued expenses	87,287	155,181
Income taxes payable	134,102	188,727
Provision for bonuses	46,447	46,852
Provision for point card certificates	3,868	4,367
Provision for shareholder benefit program	15,000	26,394
Current portion of long-term loans payable	19,572	122,258
Lease obligations	—	5,574
Forward exchange contracts	4,123	—
Other	140,089	268,647
Total current liabilities	2,280,618	3,519,009
Non-current liabilities		
Long-term loans payable	87,288	622,780
Long-term guarantee deposited	102,376	81,528
Net defined benefit liability	—	5,094
Deferred tax liabilities	—	9,534
Lease obligations	—	14,270
Total non-current liabilities	189,664	733,208
Total liabilities	2,470,283	4,252,217

(Thousands of yen)

	FY9/16 (as of Sep. 30, 2016)	FY9/17 (as of Sep. 30, 2017)
Net assets		
Shareholders’ equity		
Capital stock	1,019,927	1,031,127
Capital surplus	824,927	837,092
Retained earnings	444,870	865,064
Total shareholders' equity	2,289,724	2,733,284
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2,850)	446
Valuation difference on available-for-sale securities	—	39,718
Foreign currency translation adjustment	(10,629)	(216)
Total accumulated other comprehensive income	(13,480)	39,948
Subscription rights to shares	206	48,729
Non-controlling interests	94,910	404,459
Total net assets	2,371,360	3,226,422
Total liabilities and net assets	4,841,644	7,478,640

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY9/16 (from Oct. 1, 2015 to Sep. 30, 2016)	FY9/17 (from Oct. 1, 2016 to Sep. 30, 2017)
Net sales	4,000,643	5,534,194
Cost of sales	679,014	936,946
Gross profit	3,321,628	4,597,247
Selling, general and administrative expenses	2,703,226	3,866,393
Operating income	618,402	730,853
Non-operating income		
Interest income	2,082	4,372
Dividend income	40	40
Foreign exchange gains	—	11,167
Reversal of allowance for doubtful accounts	3,369	—
Other	1,612	2,362
Total non-operating income	7,104	17,942
Non-operating expenses		
Provision of allowance for doubtful accounts	—	2,081
Interest expenses	9,875	10,265
Foreign exchange losses	15,000	—
Listing expenses	18,965	21,900
Subscription rights to shares issuance cost	—	8,012
Other	10,268	10,661
Total non-operating expenses	54,110	52,919
Ordinary income	571,396	695,876
Extraordinary income		
Gain on sales of non-current assets	1,403	—
Total extraordinary income	1,403	—
Extraordinary losses		
Loss on sales of non-current assets	763	—
Total extraordinary losses	763	—
Profit before income taxes	572,036	695,876
Income taxes - current	182,277	200,739
Income taxes - deferred	(2,989)	(38,339)
Total income taxes	179,287	162,399
Profit	392,748	533,476
Profit attributable to non-controlling interests	52,426	(113,282)
Profit attributable to owners of parent	340,321	420,193

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY9/16 (from Oct. 1, 2015 to Sep. 30, 2016)	FY9/17 (from Oct. 1, 2016 to Sep. 30, 2017)
Profit	392,748	533,476
Other comprehensive income		
Valuation difference on available-for-sale securities	—	39,718
Deferred gains or losses on hedges	(1,775)	3,297
Foreign currency translation adjustment	(26,907)	20,417
Total other comprehensive income	(28,682)	63,433
Comprehensive income	364,065	596,909
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	324,823	473,622
Comprehensive income attributable to non-controlling interests	39,241	123,287

(3) Consolidated Statements of Changes in Equity

FY9/16 (from Oct. 1, 2015 to Sep. 30, 2016)

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Deferred gains or losses on hedges	Foreign currency translation adjustment	Valuation difference on available-for-sale securities	Accumulated other comprehensive income			
Balance at beginning of period	215,000	20,000	104,548	339,548	(1,075)	3,093	–	2,018	–	55,668	397,234
Changes of items during period											
Issuance of new shares	804,927	804,927		1,609,854							1,609,854
Profit attributable to owners of parent			340,321	340,321							340,321
Change in ownership interest of parent due to transactions with non-controlling interests											
Net changes of items other than shareholders' equity					(1,775)	(13,722)	–	(15,498)	206	39,241	23,950
Total changes of items during period	804,927	804,927	340,321	1,950,175	(1,775)	(13,722)	–	(15,498)	206	39,241	1,974,126
Balance at end of period	1,019,927	824,927	444,870	2,289,724	(2,850)	(10,629)	–	(13,480)	206	94,910	2,371,360

FY9/17 (from Oct. 1, 2016 to Sep. 30, 2017)

(Thousands of yen)

	Shareholders' equity				Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity	Deferred gains or losses on hedges	Foreign currency translation adjustment	Valuation difference on available-for-sale securities	Accumulated other comprehensive income			
Balance at beginning of period	1,019,927	824,927	444,870	2,289,724	(2,850)	(10,629)	–	(13,480)	206	94,910	2,371,360
Changes of items during period											
Issuance of new shares	11,200	11,200		22,401							22,401
Profit attributable to owners of parent			420,193	420,193							420,193
Change in ownership interest of parent due to transactions with non-controlling interests		964		964							964
Net changes of items other than shareholders' equity					3,297	10,412	39,718	53,428	48,522	309,549	411,500
Total changes of items during period	11,200	12,164	420,193	443,561	3,297	10,412	39,718	53,428	48,522	309,549	855,061
Balance at end of period	1,031,127	837,092	865,064	2,733,284	446	(216)	39,718	39,949	48,729	404,459	3,226,422

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY9/16 (from Oct. 1, 2015 to Sep. 30, 2016)	FY9/17 (from Oct. 1, 2016 to Sep. 30, 2017)
Cash flows from operating activities		
Profit before income taxes	572,036	695,876
Depreciation	89,061	149,110
Increase (decrease) in provision	21,736	(4,091)
Interest and dividend income	(2,122)	(4,372)
Interest expenses	9,875	10,265
Listing-related expenses	18,965	21,900
Subscription rights to shares issuance cost	—	8,012
Loss (gain) on sales of property, plant and equipment	(639)	—
Decrease (increase) in notes and accounts receivable - trade	(488,726)	25,556
Decrease (increase) in inventories	(198,865)	230,089
Increase (decrease) in notes and accounts payable - trade	621,190	208,206
Decrease (increase) in guarantee deposits	(9,437)	(37,484)
Increase (decrease) in long-term guarantee deposits received	21,989	(29,109)
Decrease (increase) in investment securities for sale	—	(1,003,053)
Decrease (increase) in other assets	(91,135)	(59,370)
Increase (decrease) in other liabilities	176,886	171,881
Subtotal	740,814	383,417
Interest and dividend income received	2,122	4,372
Interest expenses paid	(10,387)	(9,913)
Income taxes paid	(127,920)	(160,998)
Net cash provided by (used in) operating activities	604,629	216,877
Cash flows from investing activities		
Payments into time deposits	(111,022)	—
Proceeds from withdrawal of time deposits	—	109,749
Purchase of investment securities	(39,100)	(18,644)
Purchase of property, plant and equipment	(29,080)	(294,567)
Proceeds from sales of property, plant and equipment	1,593	—
Purchase of intangible assets	(120,466)	(467,803)
Payments of loans receivable	(50,000)	(3,000)
Collection of loans receivable	—	2,400
Payments for lease deposits	(95,913)	(78,520)
Collection of lease deposits	—	15,295
Purchase of golf club memberships	(7,048)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	3,263	20,546
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(8,338)	(567,753)
Payments for transfer of business	—	(30,000)
Net cash provided by (used in) investing activities	(456,112)	(1,312,298)

(Thousands of yen)

	FY9/16 (from Oct. 1, 2015 to Sep. 30, 2016)	FY9/17 (from Oct. 1, 2016 to Sep. 30, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(95,828)	416,900
Proceeds from long-term loans payable	—	514,500
Repayments of long-term loans payable	(18,204)	(26,322)
Proceeds from issuance of common shares	1,604,566	22,401
Payments of listing-related expenses	(18,965)	(21,900)
Proceeds from issuance of subscription rights to shares	206	40,510
Proceeds from share issuance to non-controlling shareholders	—	2,000
Repayments of finance lease obligations	—	(5,161)
Net cash provided by (used in) financing activities	1,477,063	942,928
Effect of exchange rate change on cash and cash equivalents	(9,312)	5,890
Net increase (decrease) in cash and cash equivalents	1,616,267	(146,600)
Cash and cash equivalents at beginning of period	608,984	2,225,252
Cash and cash equivalents at end of period	2,225,252	2,078,651

(5) Explanatory Notes to Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Changes in accounting policies)

Not applicable.

(Changes in accounting estimates)

Not applicable.

(Segment information, etc.)

(Segment information)

1. Summary of reportable segments

(1) Decision on 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.

The Company has divisions and subsidiaries based on services, and they conduct business activities to enhance services and increase sales and profits both in Japan and abroad.

The Company therefore consists of the segments of service operations attributable to divisions and subsidiaries, and the Online Travel Agency Business, the IT Offshore Development Business and Investment Businesses are presented as reportable segments.

(2) Types of products and services belonging to the respective reportable segments

Reportable segment	Description of relevant services
Online Travel Agency Business	Online general travel agency service
IT Offshore Development Business	Laboratory-type offshore development service
Investment Businesses	Investment business

(3) Change in reportable segments

The Company has launched the Investment Business in the consolidated fiscal year under review, and the reportable segments have changed from the Online Travel Agency Business, IT Offshore Development Business, and Other businesses to the Online Travel Agency Business, IT Offshore Development Business, and Investment Business.

2. Calculation method of sales and profits (or losses), assets, liabilities, and other amounts by reportable segment

The accounting process for the reported business segments is the same as that used for the preparation of consolidated financial statements.

3. Information related to net sales and profits (losses), assets, liabilities, and other amounts for the respective reportable segments

FY9/16 (October. 1, 2015 - September 30, 2016)

(Thousands of yen)

	Reportable segments				Adjustments (Note)	Amounts posted in consolidated financial statements
	Online Travel Agency Business	IT Offshore Development Business	Other businesses	Total		
Net sales						
Sales to external customers	2,897,302	1,099,441	3,899	4,000,643	―	4,000,643
Intersegment sales and transfers	―	121,052	―	121,052	(121,052)	―
Total	2,897,302	1,220,494	3,899	4,121,695	(121,052)	4,000,643
Segment profits (losses)	943,782	82,891	(33)	1,026,640	(408,238)	618,402

(Note) 1. The adjustment of -408,238 thousand yen to the segment profits (losses) includes corporate expenses, which mainly consist of general administrative expenses that are not attributable to the reportable segments.

2. The segment assets are not presented because they are not subject to evaluations by the Chief Executive Officer in terms of financial results.

3. The segment profits (losses) are adjusted to be consistent with operating income in the consolidated financial statements.

4. Transaction prices in intersegment transactions are determined by factoring in transaction prices among independent third parties.

FY9/17 (October. 1, 2016 - September 30, 2017)

(Thousands of yen)

	Reportable segments				Other	Total	Adjustments (Note)	Amounts posted in consolidated financial statements
	Online Travel Agency Business	IT Offshore Development Business	Investment Business	Total				
Net sales								
Sales to external customers	3,894,626	1,534,221	103,372	5,532,219	1,974	5,534,194	―	5,534,194
Intersegment sales and transfers	―	126,779	―	126,779	―	126,779	(126,779)	―
Total	3,894,626	1,661,001	103,372	5,658,999	1,974	5,660,973	(126,779)	5,534,194
Segment profits (losses)	968,012	163,472	68,351	1,196,645	(16)	1,196,629	(465,775)	730,853

(Note) 1. The adjustment of -465,775 thousand yen to the segment profits (losses) includes corporate expenses, which mainly consist of general administrative expenses that are not attributable to the reportable segments.

2. The segment assets are not presented because they are not subject to evaluations by the Chief Executive Officer in terms of financial results.

3. The segment profits (losses) are adjusted to be consistent with operating income in the consolidated financial statements.

4. Transaction prices in intersegment transactions are determined by factoring in transaction prices among independent third parties.

(Relevant information)

1. Information by product and service

Not applicable because similar information is disclosed in the Segment Information.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	Asia	Total
4,098,011	1,436,182	5,534,194

(Note) The above net sales by country or region were compiled based on the locations of the operation facilities covering the respective areas.

(2) Property, plant and equipment

(Thousands of yen)

Japan	Asia	Total
246,928	119,982	366,910

(Note) The above property, plant and equipment by country or region were compiled based on the locations of the operation facilities covering the respective areas.

3. Information by key customer

Not applicable because none of the sales to external customers accounted for 10% or more of the net sales presented in the consolidated income statement.

(Per share information)

	FY9/17 under review (From Oct. 1, 2016 to Sep. 30, 2017)
Net assets per share	163.91 yen
Profit per share	25.06 yen
Fully diluted profit per share	23.77 yen

(Note) 1. Profit per share and fully diluted profit per share were calculated based on the following factors.

	FY9/17 under review (From Oct. 1, 2016 to Sep. 30, 2017)
Profit per share (yen)	25.06
Profit attributable to owners of parent (thousand yen)	420,193
Amount not attributable to common shareholders (thousand yen)	—
Profit attributable to owners of parent pertaining to common stock (thousand yen)	420,193
Average number of outstanding common shares during the period (shares)	16,763,493
Fully diluted profit per share (yen)	23.77
Adjusted profit attributable to owners of parent (thousand yen)	—
Number of common shares increased (shares)	908,643
An overview of diluted shares not included in the calculation of fully diluted profit per share due to the absence of the dilutive effect.	Acquisition rights resolved at the Board of Directors' meeting on July 7, 2017 Acquisition rights in the 9th term: 572,200 shares (5,722 acquisition rights) Acquisition rights in the 10th term: 673,200 shares (6,732 acquisition rights)

	Acquisition rights in the 11th term: 841,500 shares (8,415 acquisition rights)

(Important subsequent events)

1. NHC15 Co., Ltd. made a subsidiary through a simple share exchange

At a meeting of the Board of Directors held on September 11, 2017, the Company resolved to conduct a simple share exchange to make NHC15 Co., Ltd. a wholly owned subsidiary and implemented the share exchange on October 6, 2017.

NHC15 holds 28,682 shares in Mag2 Co., Ltd., and the Company will conduct the share exchange to acquire shares in Mag2 Co., Ltd.

After the share exchange, the Company holds 85.7% of the stock of Mag2.

(1) Overview of business combination

i. Name and business of the company acquired

Business name	NHC15 Co., Ltd.
Business	Investment business

ii. Date of business combination

October 6, 2017

iii. Legal form of business combination

Share exchange through which the Company becomes a parent company and NHC15 becomes a wholly-owned subsidiary

iv. Reason of business combination

In November 2016, the Company released AirTrip, a comprehensive travel service platform, and is expanding products and services from those related to domestic air tickets to those related to domestic hotels, overseas air tickets, vacation rentals, and overseas hotels.

To accelerate the execution of strategies in the travel business, the Company has decided to make Mag2, which plans, creates, and operates advertising media using e-mail newsletters and websites, a subsidiary. Mag2's vision is communicating what customers want to communicate to people who want to obtain information, and Mag2 provides an e-mail newsletters distribution service, Mag2, and operates Web-based media, MAG2NEWS and MONEYVOICE.

As part of the synergies between the Group and Mag2, the Company will offer AirTrip to the broad user base of Mag2. The Company is considering launching a Web-based medium specializing travel by combining the strengths of Mag2 and the Company.

v. Percentage of voting rights acquired: 100%

(2) Cost of the acquisition of the company

Market value of common stock (treasury stock) of the Company delivered on the date of business combination: 350 million yen

(3) Class of shares, exchange ratio, and the number of shares to be delivered

	The Company (Parent company)	NHC15 (Parent company)
Allocation ratio	1	4.21
Number of shares delivered	148,500	

In association with the delivery of shares in the share exchange, the Company issues new common shares.

Calculation method of the share exchange ratio

NHC15, a wholly owned subsidiary following the share exchange, is an SPC solely for the purpose of holding shares in Mag2 and does not have any other assets or liabilities. NHC15 does not conduct any business operations, either. The Company therefore considers the value of the stock of NHC15 equivalent to the value of the shares of Mag2 that NHC15 owns. For the assessment of the value of the share of Mag2, Yokoyama Accounting Firm employs the DCF (discount cash flow), which reflects the profitability and future prospects of the assessed company, and the book equity method, which is the least arbitrary assessment method.

2. N's Enterprise Inc. made a subsidiary through a simple share exchange

At a meeting of the Board of Directors held on October 10, 2017, the Company resolved to acquire shares in N's Enterprise Inc. and acquired the shares for cash on October 10, 2017. The Company made N’s a consolidated subsidiary through a share exchange on November 6, 2017.

(1) Overview of business combination

i. Name and business of the company acquired

Name	N’s Enterprise Inc.
Business	Tour business

ii. Date of business combination

Acquisition of shares for cash: October 10, 2017; share exchange: November 6, 2017

iii. Legal form of business combination

The acquisition of shares for cash and a share exchange through which the Company becomes a parent company and N’s becomes a wholly owned subsidiary

iv. Reason of business combination

In November 2016, the Company released AirTrip, a comprehensive travel service platform, and is expanding products and services from those related to domestic air tickets to those related to overseas air tickets, domestic hotels and Japanese inns, overseas hotels, and vacation rentals. The Company sold those products and services separately.

To promote sales of domestic tour packages including air tickets and accommodations through AirTrip, the Company has made N’s, an agency licensed by Japan Airlines that excels in the purchase of Japan Airlines domestic air tickets. N’s has also concluded an agency agreement with Jetstar Japan.

Customers can buy exchange tickets for tours offered by N’s through Loppi terminals at Lawson stores nationwide.

Making N’s a subsidiary, the Company will make a full-scale entry into the domestic tour package market.

v. Percentage of voting rights acquired: 100%

(2) Cost of the acquisition of the company

The acquisition price is not disclosed under a non-disclosure agreement with the counterparty.

(3) Class of shares, exchange ratio, and the number of shares to be delivered

	The Company (Parent company)	N’s (Parent company)
Allocation ratio	1	557.79
Number of shares delivered	189,600	

In association with the delivery of shares in the share exchange, the Company issues new common shares.

Calculation method of the share exchange ratio

For the assessment of the value of the share of N’s, Yokoyama Accounting Firm employs the DCF (discount cash flow), which reflects the profitability and future prospects of the assessed company, and the book equity method, which is the least arbitrary assessment method. In DCF, the Company assesses the enterprise value of N’s by calculating the present value by discounting the future cash flow that is calculated based on the five-year business plan prepared by N’s using a certain discount rate.