Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending September 30, 2018 (FY9/18)
(Six Months Ended March 31, 2018)

[Japanese GAAP]

May 15, 2018

Company name:	Evolable Asia Corp.	Stock Exchange Listing: TSE
Stock code:	6191 (URL: http://www.evolableasia.com/)	
Representative:	Hideki Yoshimura, CEO	
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Scheduled date of filing of Quarterly Report: May 15, 2018
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 Second Quarter (October 1, 2017 to March 31, 2018) 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	%
Six months ended Mar. 31, 2018	3,437	37.5	(127)	–	(127)	–	(147)	–
Six months ended Mar. 31, 2017	2,498	43.5	385	32.1	359	35.2	248	55.4

Note: Comprehensive income (millions of yen) Six months ended Mar. 31, 2018: 239 (-21.6%)
Six months ended Mar. 31, 2017: 305 (75.9%)

	Profit per share	Fully diluted profit per share
	Yen	Yen
Six months ended Mar. 31, 2018	(8.52)	–
Six months ended Mar. 31, 2017	14.89	14.09

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Mar. 31, 2018	11,937	4,059	30.6
As of Sep. 30, 2017	7,478	3,226	37.2

Reference: Shareholders' equity (millions of yen) As of Mar. 31, 2018: 3,657 As of Sep. 30, 2017: 2,773

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2017	–	0.00	–	7.00	7.00
Fiscal year ending Sep. 30, 2018	–	0.00			
Fiscal year ending Sep. 30, 2018 (Estimated)			–	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 Mar. 31, 2018:	17,341,800 shares	As of Sep. 30, 2017:	16,919,100 shares

2) Number of treasury shares as of the end of the period

As of Mar. 31, 2018:	– shares	As of Sep. 30, 2017:	– shares

3) Average number of shares issued during the period

Six months ended March 31, 2018:	17,263,134 shares	Six months ended March 31, 2017:	16,683,562 shares

* 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

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.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first six months of the fiscal year under review, the Japanese economy showed a moderate economic recovery, partly due to the effects of various policies amid the improved employment and income conditions, while the uncertainty of the global economy and the impact of fluctuations in the financial and capital market demanded attention. The 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 the travel industry, the number of Japanese citizens who left Japan in the period from January to March 2018 totaled 4,620,000, increasing about 80,000 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 March 2018 surpassed 7,610,000. 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, Evolable Asia Corp. (hereinafter the “Company”) continued expanding its operations and diversifying its service lines with a focus on sales of domestic airline tickets as an online travel agency. In particular, the Company worked on increasing the recognition of its brand AirTrip and the acquisition of customers. 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 engineers hired grew to 873 as of the end of March 2018. 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 March 2018, the Company has invested in 32 companies.

In this business environment, the Company and its consolidated subsidiaries (the Group) achieved consolidated net sales of 3,437,135 thousand yen (up 37.5% year on year), consolidated operating loss of 127,315 thousand yen (down 133.0% year on year), consolidated ordinary loss of 127,645 thousand yen (down 135.5% year on year), consolidated loss before income taxes of 127,645 thousand yen (down 135.5% year on year), and consolidated loss attributable to owners of parent of 147,095 thousand yen (down 159.1% year on year) in the first six months of the fiscal year under review.

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 3,458,178 thousand yen, consolidated operating income of 808,837 thousand yen, and consolidated profit attributable to owners of parent of 522,226 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.

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)

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 2,282,704 thousand yen and segment loss came to 32,431 thousand yen in the first six 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. 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 1,053,279 thousand yen, and segment income totaled 90,113 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. At the end of the second quarter under review, the Group had increased the number of companies in which it invests to 32.

As a result, net sales for the Investment Business segment stood at 101,123 thousand yen, and segment income was 83,313 thousand yen.

(2) Explanation of Financial Position

(Assets)

Total assets increased 4,459,194 thousand yen from the end of the previous fiscal year, to 11,937,834 thousand yen at the end of the first quarter under review. This result was mainly due to an increase of 1,168,581 thousand yen in cash and deposits, a rise of 573,996 thousand yen in notes and accounts receivable - trade, an increase of 906,740 thousand yen in operational investment securities, a climb of 1,144,488 thousand yen in goodwill and an increase of 267,072 thousand yen in software.

(Liabilities)

Liabilities increased 3,626,435 thousand yen from the end of the previous fiscal year, to 7,878,653 thousand yen at the end of the first quarter under review. This result primarily reflected an increase of 435,772 thousand yen in notes and accounts payable - trade, an increase of 1,131,704 thousand yen in short-term loans payable and a rise of 2,003,814 thousand yen in long-term loans payable.

(Net Assets)

Net assets rose 832,758 thousand yen from the end of the previous fiscal year, to 4,059,181 thousand yen at the end of the first quarter under review. This result was mainly attributable to an increase of 817,628 thousand yen in capital surplus and a decrease of 265,530 yen in retained earnings.

(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)	Second quarter of FY9/18 (as of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	2,139,151	3,307,733
Notes and accounts receivable - trade	1,386,136	1,960,132
Operational investment securities	1,100,489	2,007,229
Merchandise and finished goods	45,032	39,987
Deferred tax assets	78,166	22,526
Accounts receivable - other	181,394	373,251
Other	227,716	365,081
Allowance for doubtful accounts	(16)	(128)
Total current assets	5,158,070	8,075,813
Non-current assets		
Property, plant and equipment		
Buildings, net	153,550	169,364
Vehicles, net	105,372	116,278
Tools, furniture and fixtures, net	100,864	108,967
Construction in progress	7,123	–
Total property, plant and equipment	366,910	394,611
Intangible assets		
Goodwill	724,820	1,869,308
Software	609,762	876,834
Other	–	2,244
Total intangible assets	1,334,582	2,748,388
Investments and other assets		
Investment securities	31,801	30,616
Deferred tax assets	12,597	24,213
Guarantee deposits	548,921	625,391
Claims provable in bankruptcy, claims provable in rehabilitation and other	25,430	24,274
Other	25,756	38,800
Allowance for doubtful accounts	(25,430)	(24,274)
Total investments and other assets	619,075	719,021
Total non-current assets	2,320,569	3,862,021
Total assets	7,478,640	11,937,834

(Thousands of yen)

	FY9/17 (as of Sep. 30, 2017)	Second quarter of FY9/18 (as of Mar. 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,558,350	1,994,122
Short-term loans payable	655,159	1,786,864
Accounts payable - other	487,496	586,344
Accrued expenses	155,181	82,154
Income taxes payable	188,727	25,407
Provision for bonuses	46,852	35,477
Provision for point card certificates	4,367	11,405
Provision for shareholder benefit program	26,394	27,000
Current portion of long-term loans payable	122,258	662,326
Lease obligations	5,574	5,574
Deferred tax liabilities	–	112,579
Forward exchange contracts	–	1,403
Other	268,647	424,485
Total current liabilities	3,519,009	5,755,143
Non-current liabilities		
Long-term loans payable	622,780	2,086,526
Long-term guarantee deposited	81,528	17,101
Net defined benefit liability	5,094	8,398
Deferred tax liabilities	9,534	–
Lease obligations	14,270	11,483
Total non-current liabilities	733,208	2,123,509
Total liabilities	4,252,217	7,878,653
Net assets		
Shareholders’ equity		
Capital stock	1,031,127	1,040,384
Capital surplus	837,092	1,654,720
Retained earnings	865,064	599,534
Total shareholders’ equity	2,733,284	3,294,639
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,718	377,245
Deferred gains or losses on hedges	446	(731)
Foreign currency translation adjustment	(216)	(13,966)
Total accumulated other comprehensive income	39,948	362,547
Subscription rights to shares	48,729	49,449
Non-controlling interests	404,459	352,544
Total net assets	3,226,422	4,059,181
Total liabilities and net assets	7,478,640	11,937,834

(2) Consolidated Statements of Income and Comprehensive Income

(Consolidated Statement of Income)
(For the Six-month Period)

(Thousands of yen)

	Six months ended March 31, 2017 (Oct. 1, 2016 – Mar. 31, 2017)	Six months ended March 31, 2018 (Oct. 1, 2017 – Mar. 31, 2018)
Net sales	2,498,179	3,437,135
Cost of sales	396,456	1,120,278
Gross profit	2,101,723	2,316,857
Selling, general and administrative expenses	1,715,929	2,444,173
Operating income (loss)	385,793	(127,315)
Non-operating income		
Interest income	3,690	2,761
Foreign exchange gains	3,752	11,580
Share of profit of entities accounted for using equity method	468	–
Other	991	1,913
Total non-operating income	8,903	16,255
Non-operating expenses		
Interest expenses	5,017	12,681
Provision of allowance for doubtful accounts	1,974	–
Listing expenses	21,900	–
Other	6,370	3,903
Total non-operating expenses	35,263	16,584
Ordinary income (loss)	359,433	(127,645)
Profit (loss) before income taxes	359,433	(127,645)
Income taxes	73,877	(57,871)
Profit (loss)	285,556	(69,773)
Profit (loss) attributable to non-controlling interests	37,014	77,322
Profit (loss) attributable to owners of parent	248,541	(147,095)

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

(Thousands of yen)

	Six months ended March 31, 2017 (Oct. 1, 2016 – Mar. 31, 2017)	Six months ended March 31, 2018 (Oct. 1, 2017 – Mar. 31, 2018)
Profit (loss)	285,556	(69,773)
Other comprehensive income		
Valuation difference on available-for-sale securities	–	337,527
Deferred gains or losses on hedges	4,036	(1,177)
Foreign currency translation adjustment	16,088	(26,962)
Total other comprehensive income	20,125	309,388
Comprehensive income	305,681	239,614
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	260,783	175,503
Comprehensive income attributable to non-controlling interests	44,897	64,111

(3) Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended March 31, 2017 (Oct. 1, 2016 – Mar. 31, 2017)	Six months ended March 31, 2018 (Oct. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	359,433	(127,645)
Depreciation	44,676	114,380
Amortization of goodwill	13,738	88,811
Increase (decrease) in provision	(18,047)	(3,054)
Interest and dividend income	(3,690)	(2,761)
Interest expenses	5,017	12,681
Listing expenses	21,900	–
Share of loss (profit) of entities accounted for using equity method	(468)	–
Decrease (increase) in notes and accounts receivable - trade	227,713	(538,070)
Decrease (increase) in inventories	210,821	5,044
Increase (decrease) in notes and accounts payable - trade	(118,680)	275,545
Decrease (increase) in guarantee deposits	(23,594)	(8,318)
Increase (decrease) in long-term guarantee deposits received	(14,135)	(58,747)
Decrease (increase) in investment securities for sale	(74,735)	(421,337)
Decrease (increase) in other asset	(57,922)	(100,521)
Increase (decrease) in other liability	64,936	38,327
Subtotal	636,962	(725,663)
Interest and dividend income received	3,690	2,761
Interest expenses paid	(5,003)	(14,200)
Income taxes paid	(71,219)	(175,054)
Net cash provided by (used in) operating activities	564,430	(912,156)
Cash flows from investing activities		
Purchase of investment securities	(49,000)	–
Purchase of property, plant and equipment	(131,783)	(57,162)
Proceeds from sales of property, plant and equipment	–	46,344
Purchase of intangible assets	(180,298)	(318,893)
Payments of loans receivable	(3,000)	–
Collection of loans receivable	600	1,136
Payments for lease deposits	(75,990)	(48,619)
Collection of lease deposits	13,514	21,439
Proceeds from withdrawal of time deposits	110,188	–
Payments into time deposits	–	(29,996)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	22
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(355,259)
Net cash provided by (used in) investing activities	(315,768)	(740,990)

(Thousands of yen)

	Six months ended March 31, 2017 (Oct. 1, 2016 – Mar. 31, 2017)	Six months ended March 31, 2018 (Oct. 1, 2017 – Mar. 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	7,929	906,778
Proceeds from long-term loans payable	–	2,100,000
Repayments of long-term loans payable	(9,786)	(96,186)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5,418	18,513
Payments for IPO-related expenses	(4,000)	–
Proceeds from issuance of share acquisition rights	–	720
Repayments of finance lease obligations	–	(2,787)
Repayments to non-controlling shareholders	–	(2,000)
Cash dividends paid	–	(117,765)
Net cash provided by (used in) financing activities	(437)	2,807,273
Effect of exchange rate change on cash and cash equivalents	4,142	(14,442)
Net increase (decrease) in cash and cash equivalents	252,367	1,139,684
Cash and cash equivalents at beginning of period	2,225,252	2,078,651
Cash and cash equivalents at end of period	2,477,620	3,218,335

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Significant changes in shareholders' equity)

The Company acquired the shares of EA1 Corp. through a share exchange and made it a subsidiary on October 6, 2017. As a result of this share exchange, capital surplus increased 349,934 thousand yen. In addition, the Company acquired the shares of N's Enterprise Inc. through a share exchange and made it a subsidiary on November 6, 2017. As a result of the said share exchange, capital surplus increased 459,400 thousand yen.

Consequently, at the end of the second quarter under review, capital stock stood at 1,040,384 thousand yen and capital surplus came to 1,654,720 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

Six months ended March 31, 2017 (Oct. 1, 2016 – Mar. 31, 2017)

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	1,851,631	645,776	771	2,498,179	–	2,498,179
Intersegment sales and transfers	–	49,795	–	49,795	(49,795)	–
Total	1,851,631	695,571	771	2,547,975	(49,795)	2,498,179
Segment profits (losses)	587,236	59,276	(5)	646,508	(260,714)	385,793

Notes: 1. The adjustment of -260,714 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.

Six months ended March 31, 2018 (Oct. 1, 2017 – Mar. 31, 2018)

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 consoli-dated statement of income (Note 2)
	Online Travel Agency Business	IT Offshore Develop-ment Business	Investment Business	Total				
Net sales								
Sales to external customers	2,282,704	1,053,279	101,123	3,437,107	28	3,437,135	–	3,437,135
Intersegment sales and transfers	–	80,477	–	80,477	–	80,477	(80,477)	–
Total	2,282,704	1,133,757	101,123	3,517,585	28	3,517,613	(80,477)	3,437,135
Segment profits (losses)	(32,431)	90,113	83,313	140,995	(0)	140,995	(268,310)	(127,315)

Notes: 1. The category "Other" includes the business segments not included in the reportable segments, such as advertising revenue.

2. The adjustment of -268,310 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.

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 six 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)

1. Acquisition of Destination Japan Inc. to make it a subsidiary through a simplified share exchange

At the extraordinary meeting of the board of directors held on April 17, 2018, the Company decided to acquire Destination Japan Inc. (hereinafter “Destination Japan”) and make it a subsidiary through a simple form of share exchange (without undertaking the procedures for obtaining approval at the general meeting of shareholders), as follows.

(1) Outline of the business combination

i. Name and business of the company to be acquired

Name	Destination Japan Inc.
Business description	Operation of Wi-Fi rental and media services for foreign visitors to Japan

ii. Date of the business combination

Share exchange: May 16, 2018 (scheduled)

iii. Legal form of the business combination

Share exchange with the Company as the wholly owning parent company and Destination Japan as the wholly-owned subsidiary

iv. Reasons for the business combination

The Company decided to acquire Destination Japan, which provides the “Japan Wireless” Wi-Fi rental service for foreign visitors to Japan, to make it a subsidiary in order to further expand the business in the field of foreign tourists to Japan.

In the business for travel to Japan, the Company acquired all of the shares of El Monte RV Japan Co., Ltd. in July 2016 and launched the camper rental service for foreign tourists to Japan. Subsequently, in February 2017, the Company established AirTrip Exchange Co., Ltd., a subsidiary, to launch the new money exchange business. In April 2018, the Company merged the two subsidiaries engaging in the business of travel to Japan (El Monte RV Japan Co., Ltd. and AirTrip Exchange Co., Ltd.) to expand the business in the field of foreign tourists to Japan with an eye toward the future listing of the subsidiary (IPO).

Destination Japan is a company targeting foreign tourists to Japan solely with its Wi-Fi rental service for foreign visitors to Japan, “Japan Wireless,” under the corporate philosophy “Make too many Japan-Lovers in the world.” It is the pioneer of the Wi-Fi rental service for foreign visitors to Japan, having launched the service in 2013. Its brand has been established with its long-time trust and good reputation through word of mouth.

The Group intends to expand the business of Destination Japan further by taking advantage of both the marketing and operations know-how the Company developed through the online travel agency business and the engineering resources of the IT offshore development business, among others.

In the Company’s business of foreign tourism to Japan, in addition to the existing services such as campers, money exchange and private lodging, the Company will set about the Wi-Fi rental service in earnest to increase the number of services that meet the needs of foreign tourists to Japan.

v. Ratio of voting rights acquired: 100%

(2) Acquisition cost for the company acquired

500 million yen

(3) Class and exchange ratio of shares and scheduled number of shares to be issued

	The Company (the wholly-owning parent company upon the share exchange)	Destination Japan (the wholly-owned subsidiary upon the share exchange)
Ratio of allocation in the share exchange	1	251.26
Number of the shares to be issued upon the share exchange	251,300	

In the issue of the shares upon the share exchanged described above, the Company will issue new common stocks.

Method of calculation of the share exchange ratio
Yokoyama Accounting Firm assessed and calculated the stock value of Destination Japan by using both the discount cash flow (DCF) method, which will provide assessment results reflecting the profitability and prospects of the company assessed, and the book value per share method, which will achieve assessment with the lowest possibility of arbitrary factors. In the calculation according to the DCF method, the corporate value was assessed by discounting the future cash flows calculated based on the business plan developed by Destination Japan at a certain discount rate to obtain the present value.

2. Acquisition of DeNA Travel Co., Ltd. to make it a subsidiary
The Company decided to acquire the shares of DeNA Travel Co., Ltd. (hereinafter "DeNA Travel") from DeNA Co., Ltd. at the extraordinary meeting of the board of directors held on May 14, 2018, and executed the basic share transfer agreement for share transfer (for acquisition to make it a subsidiary).

(1) Outline of the business combination
i. Name and business of the company to be acquired

Name	DeNA Travel Co., Ltd.
Business description	Provision of travel products and services, among other business

ii Main reasons for the business combination
The Company has conducted the online travel agency business by taking advantage of its strengths with domestic airline tickets.
DeNA Travel has operated the general travel site with its core strengths in the foreign travel field. DeNA Travel is the largest Japanese online travel agency company in the foreign travel field. Its transaction volume on a consolidated basis for the latest period (the fiscal year ended March 31, 2018) was around 70 billion yen.*
The decision to acquire DeNA Travel to make it a subsidiary as described above was made for the purpose of creating more synergies by taking advantage of the strengths of both companies in the travel market.
*The transaction volume described above was not audited by the audit corporation.

iii. Timing of the business combination

Date of the resolution of the board of directors	May 14, 2020
Execution of the basic agreement	May 14, 2020
Date of execution of the share transfer agreement	May 18, 2018 (scheduled)
Date of execution of the share transfer	May 31, 2018 (scheduled)

iv. Reasons for the business combination
Acquisition of shares

v. Name of the company integrated after the acquisition
Yet to be determined.

vi. Ratio of the voting rights to be acquired
100%

(2) Acquisition cost for the company to be acquired and breakdowns thereof by consideration type
Consideration for the acquisition: cash, 1,200 million yen

(3) Breakdowns and amount of major expenses related to the acquisition
Remuneration for advisory services, etc.: 10 million yen (rough estimate)

(4) Amount of goodwill realized, causes for realization of the said goodwill, and method and period of amortization of the said goodwill
Yet to be determined.

(5) Amounts of the assets and liabilities received and assumed on the date of the business combination and major breakdowns thereof
Yet to be determined.