

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2019 (FY9/19)
(Three Months Ended December 31, 2018)



February 14, 2019

Company name: Evolvable Asia Corp.	Stock Exchange Listing: TSE 1st
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Scheduled date of filing of Quarterly Report: February 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 First Quarter (October 1, 2018 to December 31, 2018) 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	%
Three months ended Dec. 31, 2018	4,735	191.5	Δ245	—	Δ267	—	Δ213	—	Δ264	—	Δ222	—
Three months ended Dec. 31, 2017	1,624	—	129	—	128	—	102	—	67	—	96	—

	Profit per share	Fully diluted profit per share
	Yen	Yen
Three months ended Dec. 31, 2018	Δ14.80	Δ14.80
Three months ended Dec. 31, 2017	3.94	3.79

(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 Dec. 31, 2018	25,658	5,973	5,549	21.6
As of Sep. 30, 2018	24,929	5,557	5,176	20.7

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	—	—	—	—	—
Fiscal year ending Sep. 30, 2019 (Estimated)	—	0.00	—	—	—

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)

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

3) Average number of shares issued during the period

As of Dec. 31, 2018	18,141,500	As of Sep. 30, 2018	17,708,000
As of Dec. 31, 2018	—	As of Sep. 30, 2018	—
Three months ended Dec. 31, 2018	17,859,635	Three months ended Dec. 31, 2017	17,198,651

* 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 5 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 three months of the previous fiscal year have also been restated according to IFRS for comparative analysis.

During the first 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 December 2018 totaled 18,950,000, increasing about 1,060,000 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 December 2018 surpassed 31,190,000. 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, 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 December 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 December 2018, the Company has invested in 51 companies.

In this business environment, the Group achieved consolidated net sales of 4,735 million yen (up 191.5% year on year), a consolidated operating loss of 245 million yen (compared to consolidated operating income of 129 million yen a year earlier), a consolidated loss before income taxes of 267 million yen (compared to consolidated income before income taxes of 128 million yen a year earlier), and a consolidated loss attributable to owners of parent of 264 million yen (compared to consolidated income attributable to owners of parent of 67 million yen a year earlier) in the first three months of the fiscal year under review.

In the first quarter under review, the Group posted an operating loss, reflecting strategic investments made to increase recognition of the AirTrip brand. However, the Group expects to achieve income growth on a full-year basis.

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 4,124 million yen, and segment loss came to 258 million 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 611 million yen, and segment income totaled 91 million 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 fiscal year under review, the Group had increased the number of companies in which it invests to 51. As a result, net sales for the Investment Business segment stood at 0 million yen, and segment income was 97 million yen.

(2) Explanation of Financial Position

(Assets)

Total assets increased 728 million yen from the end of the previous fiscal year, to 25,658 million yen at the end of the first quarter under review. This result was mainly due to an increase of 808 million yen in cash and deposits.

(Liabilities)

Liabilities increased 313 million yen from the end of the previous fiscal year, to 19,684 million yen at the end of the first quarter under review. This result primarily reflected an increase of 1,012 million yen in interest-bearing debt despite a decrease of 680 million yen in trade and other payables.

(Equity)

Net assets rose 415 million yen from the end of the previous fiscal year, to 5,973 million yen at the end of the first quarter under review. This result was mainly attributable to an increase of 403 million yen in capital stock and a rise of 233 million yen in share premium, despite a decrease in Retained earnings of 264 million yen.

(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)	First quarter of the fiscal year under review (as of Dec. 31, 2018)
Assets		
Current assets		
Cash and cash equivalents	5,320	6,128
Notes and accounts receivable – trade and other receivables	4,442	4,045
Other financial assets	3,889	4,170
Inventories	87	92
Income taxes receivable	132	91
Other current assets	1,331	1,400
Total current assets	15,202	15,927
Non-current assets		
Property, plant and equipment	1,111	1,095
Goodwill	5,091	5,065
Intangible assets	2,302	2,415
Other financial assets	1,055	997
Other non-current assets	83	70
Deferred tax assets	82	86
Total non-current assets	9,726	9,730
Total assets	24,929	25,658
Liabilities and equity		
Liabilities		
Current liabilities		
Operating payables and other operating payables	4,333	3,652
Interest-bearing debt	6,802	7,594
Other financial liabilities	428	386
Accrued income taxes	80	79
Other current liabilities	3,281	3,408
Total current liabilities	14,926	15,121
Non-current liabilities		
Interest-bearing debt	4,009	4,229
Other financial liabilities	61	64
Provisions	76	76
Deferred tax liabilities	288	183
Other non-current liabilities	8	8
Total non-current liabilities	4,444	4,563
Total liabilities	19,371	19,684
Equity		
Capital stock	1,100	1,504
Share premium	2,117	2,350
Retained earnings	1,953	1,689
Other items of equity	5	5
Total equity attributable to owners of parent	5,176	5,549
Non-controlling interests	380	423
Total equity	5,557	5,973
Total liabilities and equity	24,929	25,658

(2) Condensed Consolidated Statement of Income and Condensed Consolidated Statement of Comprehensive Income

Condensed Consolidated Statement of Income
For the Three-month Period

(Millions of yen)

	Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)	Three months ended December 31, 2018 (Oct. 1, 2018 – Dec. 31, 2018)
Net sales	1,624	4,735
Cost of sales	Δ490	Δ1,988
Gross profit	1,133	2,746
Selling, general and administrative expense	Δ1,129	3,086
Share of loss (profit) of entities	124	105
Other income	2	9
Other expenses	Δ0	Δ21
Operating income (loss)	129	Δ245
Finance income	3	2
Finance costs	Δ4	Δ24
Profit before income taxes (loss)	128	Δ267
Corporate income tax expenses	Δ25	54
Profit (loss)	102	Δ213
Profit attributable to		
Owners of parent	67	Δ264
Non-controlling interests	34	51
	102	Δ213
Profit per share		
Profit (loss) per share	3.94	Δ14.80
Fully diluted profit (loss) per share	3.79	Δ14.80

Condensed Consolidated Statement of Comprehensive Income
For the Three-month Period

(Millions of yen)

	Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)	Three months ended December 31, 2018 (Oct. 1, 2018 – Dec. 31, 2018)
Profit	102	Δ213
Other comprehensive income, net of tax		
Translation adjustments of foreign operations	Δ5	Δ8
Cash flow hedge	0	Δ0
Total of items that may be reclassified as profit or loss	Δ5	Δ9
Total of other comprehensive income, net of tax	Δ5	Δ9
Comprehensive income	96	Δ222
Comprehensive income attributable to		
Owners of parent	64	Δ269
Non-controlling interests	31	46

(3) Condensed Consolidated Statement of Changes in Equity

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

(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	—	—	67	—	67	34	102
Other comprehensive income	—	—	—	Δ2	Δ2	Δ2	Δ5
Total comprehensive income	—	—	67	Δ2	64	31	96
Dividends of surplus	—	—	Δ118	—	Δ118	—	Δ118
Issuance of new shares	4	4	—	—	9	—	9
Increase (decrease) by share exchanges	—	809	—	—	809	Δ112	697
Increase (decrease) through transfers and other changes	—	—	0	1	1	3	4
Total transactions with owners	4	813	Δ118	1	701	Δ109	592
As of December 1, 2017	1,035	1,629	1,088	4	3,758	325	4,084

Three months ended December 31, 2018 (Oct. 1, 2018 – Dec. 31, 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, 2018	1,100	2,117	1,953	5	5,176	380	5,557
Profit	—	—	Δ264	—	Δ264	51	Δ213
Other comprehensive income	—	—	—	Δ5	Δ5	Δ4	Δ9
Total comprehensive income	—	—	Δ264	Δ5	Δ269	46	Δ222
Dividends of surplus	—	Δ177	—	—	Δ177	—	Δ177
Issuance of new shares	403	403	—	—	807	—	807
Increase (decrease) through transfers and other changes	—	7	—	4	11	Δ3	8
Total transactions with owners	403	233	—	4	642	Δ3	638
As of December 1, 2018	1,504	2,350	1,689	5	5,549	423	5,973

(4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Three months ended December 31, 2017 (Oct. 1, 2017 – Dec. 31, 2017)	Three months ended December 31, 2018 (Oct. 1, 2018 – Dec. 31, 2018)
Cash flows from operating activities		
Profit (loss) before tax	128	△267
Depreciation and amortization expense	59	211
Investment income (loss)	△124	△105
Increase in allowance	9	△70
(Increase) decrease in trade and other receivables	54	429
Increase (decrease) in trade and other payables	△501	△851
Decrease (increase) in accounts receivable-other	75	64
Increase (decrease) in guarantee deposits received	△68	14
Decrease (increase) in investment securities for sale	△279	△144
Other	158	331
Subtotal	△488	△388
Interest and dividend income received	0	2
Interest expenses paid	△7	△25
Income taxes paid	△183	△44
Net cash provided by (used in) operating activities	△678	△456
Cash flows from investing activities		
Purchase of property, plant and equipment	△36	△49
Purchase of intangible assets	△165	△343
Payments for lease deposits	△47	△38
Collection of lease deposits	23	81
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△355	—
Other	0	△61
Net cash provided by (used in) investing activities	△580	△412
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,005	1,035
Proceeds from long-term loans payable	900	700
Repayments of long-term loans payable	△33	△681
Proceeds from issuance of common shares	9	797
Dividends paid to owners of the parent company	△117	△166
Other	△1	△2
Net cash provided by (used in) financing activities	1,762	1,683
Effect of exchange rate change on cash and cash equivalents	0	△6
Net increase (decrease) in cash and cash equivalents	504	808
Cash and cash equivalents at beginning of period	2,078	5,320
Cash and cash equivalents at end of period	2,583	6,128

(5) Notes to Condensed Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Significant changes in shareholders' equity)

During the first three 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 433,500 shares and caused capital stock and share premium to each increase by 403 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

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

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

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

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total	
	Online Travel Agency Business	IT Offshore Development Business	Investment Business	Total					
External sales revenue	1,000	523	100	1,624	0	1,624	—	1,624	
Intersegment revenue	—	40	—	40	—	40	Δ40	—	
Total sales revenue	1,000	563	100	1,664	0	1,664	Δ40	1,624	
Segment profits (losses) (Note 3)	67	64	115	248	—	248	Δ118	129	
Financial income									3
Financial expenses									Δ4
Income before income taxes									128

(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) The segment profit or loss has been adjusted to the operating income stated in the quarterly consolidated statement of income.

Three months ended December 31, 2018 (Oct. 1, 2018 – Dec. 31, 2018)

(Millions of yen)

	Reportable segments				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated Total	
	Online Travel Agency Business	IT Offshore Development Business	Investment Business	Total					
External sales revenue	4,124	611	0	4,735	0	4,735	—	4,735	
Intersegment revenue	16	108	—	124	—	124	Δ124	—	
Total sales revenue	4,140	719	0	4,860	0	4,860	Δ124	4,735	
Segment profits (losses) (Note 3)	Δ258	91	97	Δ70	Δ0	Δ70	Δ175	Δ245	
Financial income									2
Financial expenses									Δ24
Income before income taxes									Δ267

(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) The segment profit or loss has been adjusted to the operating income stated in the quarterly consolidated statement of income.

(Important subsequent events)

Not applicable.