

**Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending September 30, 2020  
(FY9/20) (Nine Months Ended June 30, 2020) [IFRS]**

August 14, 2020

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 Scheduled date of filing of Quarterly Report: August 14, 2020 Scheduled date of payment of dividend: —  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly financial results briefing: Yes (for institutional investors and securities analysts)

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

**1. Consolidated Financial Results for the Third Quarter (October 1, 2019 to June 30, 2020) of FY9/20**

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

	Net sales		Operating income		Profit before income taxes		Profit		Profit attributable to owners of parent		Total comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended Jun. 30, 2020	19,212	18.9	△1,147	—	△1,269	—	△1,215	—	△1,167	—	△1,224	—
Nine months ended Jun. 30, 2019	16,148	155.3	270	△74.2	208	△80.0	122	△83.7	57	△91.3	99	△86.6

	Profit per share	Fully diluted profit per share
	Yen	Yen
Nine months ended Jun. 30, 2020	△58.36	△58.36
Nine months ended Jun. 30, 2019	3.11	3.01

(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 Jun. 30, 2020	30,951	9,173	8,836	28.55
As of Sep. 30, 2019	31,253	10,099	9,716	31.09

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2019	—	0.00	—	10.00	10.00
Fiscal year ending Sep. 30, 2020	—	0.00	—		
Fiscal year ending Sep. 30, 2020 (Estimated)				—	—

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

**3. Full-year consolidated financial forecast for FY9/20 (October 1, 2019 – September 30, 2020)**

(Percentages represent year-on-year changes.)

	Net sales		Operating income		Profit before income taxes		Profit attributable to owners of parent		Profit per share
	Millions of yen —	% —	Millions of yen —	% —	Millions of yen —	% —	Millions of yen —	% —	Yen —
Full-year									

Note: Revision to the most recently announced forecast: None

Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5, which describes currently available information believed to be useful for forecasting future performance.

\* 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 1) above : None

3) Changes in accounting-based estimates : None

(3) Numbers of outstanding shares (common stock)

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

As of June 30, 2020	20,119,800	As of Sep. 30, 2019	19,801,300
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2) Number of treasury shares as of the end of the period

As of June 30, 2020	35	As of Sep. 30, 2019	35
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3) Average number of shares issued during the period

Nine months ended June 30, 2020	20,009,407	Nine months ended June 30, 2019	18,482,840
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\* 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

The forward-looking statements contained in this material are made based on information currently available to the Company and certain assumptions considered reasonable as of the date of this material. The Company’s actual results may differ significantly from these forward-looking statements due to a variety of factors. The consolidated financial forecast for the fiscal year ending September 30, 2020 has yet to be determined due to the difficulties of making a reasonable calculation of the forecast amid the dramatic changes in the Company’s business environment caused by the COVID-19 pandemic. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 5, which describes currently available information believed to be useful for forecasting future performance.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

During the first nine months of the fiscal year under review, the Japanese economic outlook was uncertain due to the stagnation of economic activity caused by the COVID-19 pandemic, as well as the trade tensions between the US and China and economic slowdown in China and Europe seen since the previous fiscal year.

In the travel industry, the number of foreign visitors to Japan in the period from January to June 2020 dropped 76.3% from the same period of the previous year and the number of Japanese citizens who left Japan in the same period fell 68.7% year on year, according to the statistics released by the Japan National Tourism Organization (JNTO). These figures reflect the international travel restrictions, lockdowns and other measures introduced by many countries due to the COVID-19 pandemic as well as the measures taken in Japan, such as stricter quarantine and the invalidation of visas, and travel demand is currently stagnating all over the world. The Company believes it is necessary to monitor future market trends as well as developments in the COVID-19 pandemic.

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 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.

Other operating expenses for nine months of the fiscal year under review include impairment losses of 1,044 million yen, reflecting writedown of the carrying amount of noncurrent assets (goodwill, tangible and intangible assets, etc.) to their fair market value based upon an assessment of recoverability carried out in response to indications of impairment due to decline in the profitability of the Online Travel Agency Business. Determination of fair market value required future projections to be made about the affected business and these were based on certain assumptions considered reasonable as of the date of this material.

In the IT Offshore Development Business, which was launched in 2012, the Company steadily won customers in numerous business categories and increased the number of engineers employed, focusing on the development of lab-type facilities in Vietnam. The number of engineers hired grew to 1,000 as of the end of June 2020. In the Investment Business, which has been developing in earnest since the stock was listed, the Company has been investing in growing companies. As of the end of June 2020, the Company has invested in 64 companies.

In this business environment, during first nine months of the fiscal year under review, the Group achieved consolidated net sales of 19,212 million yen, a consolidated operating loss of 1,147 million yen, a consolidated loss before income taxes of 1,269 million yen, and a consolidated loss attributable to owners of parent of 1,215 million yen.

Operating results by segment are as follows.

#### (1) Online Travel Agency Business

The Group offers the following five 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 implemented measures such as conducting mass marketing, strengthening SEM and overhauling its backbone systems to acquire new customers and improving 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 Company enhanced development of alliances with major partners, provided services to match the needs of major partners, and enhanced communication with partners. In addition, like the BtoC services, measures for marketing and alliances with an emphasis on increasing customer numbers were promoted.

- 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 steady 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 serves. Results in every business line reflect an increase in visitors to Japan, multilingual customer service and stronger marketing.

- Life innovation businesses and services

The Company is leveraging the knowledge of various travel-related services it has built up through its AirTrip brand to launch new business lines aimed at improving convenience in many different aspects of customers' lives. Current business lines include e-mail magazines, the manufacture, sale and rental of travel carry cases, and the tea-processing business, and life innovation businesses and services are expected to expand significantly in the future with the addition of new services.

As a result of the factors stated above, net sales for the Online Travel Agency Business segment amounted to 17,198 million yen, and segment loss came to 289 million yen in the first nine months of the fiscal year under review.

## (2) IT Offshore Development Business

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

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

In addition, these services basically adopt a business model under which customers are billed on the basis of man-months and the number of workers. 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 1,461 million yen, and segment income totaled 76 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 third quarter under review, the Group had increased the number of companies in which it invests to 64.

As a result, net sales for the Investment Business segment stood at 553 million yen, and segment loss was 79 million yen.

## (2) Explanation of Financial Position

### (Assets)

Total assets decreased 301 million yen from the end of the previous fiscal year, to 30,951 million yen at the end of the third quarter under review. This result was mainly due to an increase of 4,563 million yen in right-of-use assets and a rise of 1,222 million yen in inventories, offsetting a decrease of 3,253 million yen in cash and cash equivalents.

### (Liabilities)

Liabilities increased 624 million yen from the end of the previous fiscal year, to 21,777 million yen at the end of the third quarter under review. This result primarily reflected increases of 4,678 million yen in lease liabilities, which offset a decrease of 1,828 million yen in other current liabilities and 1,840 million yen in operating payables and other operating payables.

### (Equity)

Equity fell 925 million yen from the end of the previous fiscal year, to 9,173 million yen at the end of the third quarter under review. This result was mainly attributable to a decrease in retained earnings of 1,205 million yen.

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

Consolidated net sales amounted to 7,980 million yen in the first quarter, 7,400 million yen in the second quarter and 3,820 million yen in the third quarter and totaled 19, 210 million for the first nine months.

Operating income (loss) before recognition of impairment losses was income of 800 million yen in the first quarter, a loss of 420 million yen in the second quarter, and a loss of 480 million yen in the third quarter, resulting in a loss of 100 million for the first nine months.

In the second quarter, the Company recognized impairment losses of 1,040 million yen and operating income (loss) after recognition of impairment losses was a loss of 1,140 million yen for the first nine months. The decline in travel demand and the instability of financial markets caused by the COVID-19 pandemic since the second quarter in particular has affected the Group's consolidated financial performance.

Under such conditions, the Group is focusing on initiatives such as downsizing its operations through the radical reduction of costs, rebuilding the business portfolio through new M&A and the sale of certain subsidiaries and tapping into domestic demand in light of the GoTo Travel Campaign.

The full-year financial forecast is still difficult to determine at the present time due to the impact of COVID-19 and continued uncertainty over the timing of materialization of the effects of the abovementioned measures.

However the Company expects that consolidated net sales for the fiscal year ending September 30, 2020 will be in the range 22,500 million yen to 24,000 million yen and that operating (income) loss before recognition of impairment losses will be in the range between a loss of 600 million yen to income of 400 million yen. The Company does not expect to recognize any further impairment losses at the present time.

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

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

(Millions of yen)

	FY9/19 (as of Sep. 30, 2019)	Third Quarter of FY9/20 (as of June 30, 2020)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	8,997	5,744
Notes and accounts receivable - trade and other receivables	5,239	2,693
Other financial assets	4,606	4,224
Inventories	428	1,650
Other current assets	868	738
Total current assets	20,140	15,052
Non-current assets		
Property, plant and equipment	1,324	1,771
Right-of-use assets	-	4,563
Goodwill	5,770	5,480
Intangible assets	2,628	2,379
Other financial assets	1,103	1,309
Other non-current assets	59	39
Deferred tax assets	226	355
Total non-current assets	11,112	15,899
Total assets	31,253	30,951
<b>Liabilities and equity</b>		
Liabilities		
Current liabilities		
Operating payables and other operating payables	4,414	2,573
Interest-bearing debt	7,519	7,386
Lease liabilities	-	509
Other financial liabilities	368	264
Accrued income taxes	189	159
Other current liabilities	3,224	1,395
Total current liabilities	15,717	12,289
Non-current liabilities		
Interest-bearing debt	5,111	5,022
Lease liabilities	-	4,169
Other financial liabilities	41	18
Provisions	85	109
Deferred tax liabilities	175	96
Other non-current liabilities	22	71
Total non-current liabilities	5,436	9,488
Total liabilities	21,153	21,777
Equity		
Capital stock	2,922	2,936
Capital surplus	4,175	4,479
Retained earnings	2,598	1,392
Treasury shares	△0	△0
Other items of equity	19	28
Total equity attributable to owners of parent	9,716	8,836



Non-controlling interests	382	336
Total equity	10,099	9,173
Total liabilities and equity	31,253	30,951

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

	(Millions of yen)	
	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)	Nine months ended June 30, 2020 (Oct. 1, 2019 – Jun. 30, 2020)
Net sales	16,148	19,212
Cost of sales	△7,014	△12,013
Gross profit	9,134	7,199
Selling, general and administrative expense	△9,478	△7,671
Gain (loss) on investments	430	△568
Other income	225	1,016
Other expenses	△41	△1,122
Operating income (loss)	270	△1,147
Finance income	14	13
Finance costs	△77	△136
Profit (loss) before income taxes	208	△1,269
Corporate income tax expenses	△85	53
Profit (loss)	122	△1,215
Profit (loss) attributable to		
Owners of parent	57	△1,167
Non-controlling interests	65	△48
Profit (loss)	122	△1,215
Profit per share		
Profit (loss) per share (Yen)	3.11	△58.36
Fully diluted profit (loss) per share (Yen)	3.01	△58.36

For the Third Quarter Period

(Millions of yen)

	Note	Three months ended June 30, 2019 (Apr. 1, 2019 – Jun. 30, 2019)	Three months ended June 30, 2020 (Apr. 1, 2020 – Jun. 30, 2020)
Net sales		5,505	3,829
Cost of sales		△2,279	△2,433
Gross profit		3,225	1,395
Selling, general and administrative expense		△3,296	△1,603
Gain (loss) on investments		166	△298
Other income		4	75
Other expenses		△7	△55
Operating income (loss)		92	△486
Finance income		5	2
Finance costs		△31	△25
Profit (loss) before income taxes		67	△509
Corporate income tax expenses		△96	73
Profit (loss)		△29	△436
Profit (loss) attributable to			
Owners of parent		△20	△426
Non-controlling interests		△8	△9
		△29	△436
Profit per share			
Profit (loss) per share (Yen)		△1.07	△21.20
Fully diluted profit (loss) per share (Yen)		△1.07	△21.20

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

(Millions of yen)

	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)	Nine months ended June 30, 2020 (Oct. 1, 2019 – Jun. 30, 2020)
Profit (loss)	122	△1,215
Other comprehensive income, net of tax		
Items that may be reclassified as profit or loss		
Translation adjustments of foreign operations	△22	△8
Cash flow hedge	△1	△0
Total of items that may be reclassified as profit or loss	△23	△8
Total of other comprehensive income, net of tax	△23	△8
Comprehensive income	99	△1,224
Comprehensive income attributable to		
Owners of parent	44	△1,172
Non-controlling interests	54	△52

For the Third Quarter Period

(Millions of yen)

	Three months ended June 30, 2019 (Apr. 1, 2019 – Jun. 30, 2019)	Three months ended June 30, 2020 (Apr. 1, 2020 – Jun. 30, 2020)
Profit (loss)	△29	△436
Other comprehensive income, net of tax		
Items that may be reclassified as profit or loss		
Translation adjustments of foreign operations	△16	3
Cash flow hedge	△0	-
Total of items that may be reclassified as profit or loss	△16	3
Total of other comprehensive income, net of tax	△16	3
Comprehensive income	△46	△432
Comprehensive income attributable to		
Owners of parent	△29	△424
Non-controlling interests	△16	△8

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

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

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Other items of equity	Treasury shares	Total		
As of October 1, 2018	1,100	2,117	1,876	5	-	5,099	380	5,480
Profit (loss)	-	-	57	-	-	57	65	122
Other comprehensive income	-	-	-	△12	-	△12	△11	△23
Total comprehensive income	-	-	57	△12	-	44	54	99
Dividends of surplus	-	△177	-	-	-	△177	-	△177
Issuance of new shares	1,819	1,819	-	-	-	3,638	-	3,638
Increase (decrease) through transfers and other changes	-	-	△8	18	-	9	△7	2
Total transactions with owners	1,819	1,642	△8	18	-	3,471	△7	3,463
As of June 30, 2019	2,919	3,759	1,925	11	-	8,615	427	9,043

Nine months ended June 30, 2020 (Oct. 1, 2019 – Jun. 30, 2020)

(Millions of yen)

	Equity attributable to owners of parent						Non-controlling interests	Total equity
	Capital stock	Capital surplus	Retained earnings	Other items of equity	Treasury shares	Total		
As of October 1, 2019	2,922	4,175	2,598	19	△0	9,716	382	10,099
Adjustment for changes in accounting policies	-	-	△34	-	-	△34	△18	△52
Balance after retrospective restatement	2,922	4,175	2,564	19	△0	9,682	363	10,046
Profit (loss)	-	-	△1,167	-	-	△1,167	△48	△1,215
Other comprehensive income	-	-	-	△4	-	△4	△3	△8
Total comprehensive income	-	-	△1,167	△4	-	△1,172	△52	△1,224
Dividends of surplus	-	△198	-	-	-	△198	-	△198
Issuance of new shares	13	13	-	-	-	26	-	26
Increase (decrease) by share exchanges	-	510	-	-	-	510	-	510
Increase (decrease) through transfers and other changes	-	△22	△3	13	-	△12	24	11
Total transactions with owners	13	303	△3	13	-	326	24	351
As of June 30, 2020	2,936	4,479	1,392	28	△0	8,836	336	9,173

## (4) Condensed Consolidated Statement of Cash Flows

(Millions of yen)

	Nine months ended June 30, 2019 (Oct. 1, 2018 – Jun. 30, 2019)	Nine months ended June 30, 2020 (Oct. 1, 2019 – Jun. 30, 2020)
Cash flows from operating activities		
Profit (loss) before tax	208	△1,269
Depreciation and amortization expense	666	1,092
Loss (gain) on investments	△430	568
Negative goodwill	△209	△755
Impairment losses	-	1,044
(Increase) decrease in trade and other receivables	△335	1,313
Decrease (increase) in inventories	△66	108
Increase (decrease) in trade and other payables	30	△2,299
Decrease (increase) in advance payments - trade	445	160
Decrease (increase) in guarantee deposits	13	△187
Decrease (increase) in investment securities for sale	△311	△315
Other	305	352
Subtotal	317	△187
Interest and dividend income received	12	6
Interest expenses paid	△70	△143
Income taxes paid	△28	△239
Net cash provided by (used in) operating activities	230	△563
Cash flows from investing activities		
Purchase of investment securities	△10	△111
Purchase of property, plant and equipment	△241	△191
Proceeds from sale of property, plant and equipment	121	73
Purchase of intangible assets	△904	△554
Payments for lease deposits	△101	-
Collection of lease deposits	167	66
Proceeds from withdrawal of time deposits	3	52
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	50	553
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	△233
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	157
Payments for transfer of business	△136	△150
Other	0	△25
Net cash provided by (used in) investing activities	△1,050	△361
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	△37	△333
Proceeds from long-term loans payable	1,867	-
Repayments of long-term loans payable	△1,358	△1,451
Proceeds from issuance of common shares	3,595	26
Repayments of lease obligations	-	△367
Dividends paid to owners of the parent company	△176	△197
Other	△6	△5
Net cash provided by (used in) financing activities	3,884	△2,328
Effect of exchange rate change on cash and cash equivalents	△19	0
Net increase (decrease) in cash and cash equivalents	3,045	△3,253
Cash and cash equivalents at beginning of period	5,320	8,997
Cash and cash equivalents at end of period	8,365	5,744

## (5) Notes to Condensed Consolidated Financial Statements

(Notes on going concern assumptions)

Not applicable.

(Changes in accounting policies)

### Application of IFRS 16 *Leases*

The Group applied IFRS 16 *Leases* (issued in January 2016) (hereinafter referred to as “IFRS 16”) starting from the first three months of this consolidated fiscal year. On applying IFRS 16, the Group chose the method of recognizing the cumulative effect of application of the standard at the date of initial application (October 1, 2019), which is permitted under transition provisions, and not retrospectively restating comparative information.

#### (i) Definition of lease

As a result of the application of IFRS 16, at the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A *contract* is, or *contains*, a *lease* if it conveys the *right to control* the *use* of an identified *asset* for a period of time in *exchange* for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group considers whether a contract includes use of an identified asset, whether the Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use, and whether the Group has the right to direct use of the asset.

#### (ii) Accounting for leases

##### Leases as lessee

At the commencement of the lease, with respect to the lease components of leases except for short-term leases and low value asset leases, the Group recognizes a right-of-use asset and the related lease liability. At the commencement date, the Group measures the right-of-use asset at cost and measures the lease liability at the *present value* of the *lease payments* that are *not paid* at that date.

The cost of the right-of-use asset consists of the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made before the commencement date and other adjustments. The discount rate used to determine the present value of leases payment is the interest rate implicit in the lease, if that rate can be readily determined, and if that rate cannot be readily determined, the Group uses the Group’s incremental borrowing rate.

The lease term is the noncancellable period of the lease including the period covered by the option to extend the lease (when the Group is reasonably certain to exercise an option to extend the lease) and the period covered by the option to terminate the lease (when the Group is reasonably certain not to exercise the option to terminate the lease).

After the commencement date, the right-of-use asset is measured at cost less *accumulated* depreciation and impairment losses. When depreciating right of use assets, the Group *applies* the *depreciation requirements* in *IAS 16 Property, Plant and Equipment*. The Group also applies *IAS 36 Impairment of Assets* when assessing whether to depreciate right-of-use assets and when accounting for identified impairment losses.

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the Group is reasonably certain to exercise the lessee’s purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset by the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

After the commencement date, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability and reduces the carrying amount to reflect the lease payments made. The Group also remeasures the carrying amount to reflect any fluctuation of lease payments or lease modifications or to reflect revised in-substance fixed lease payments.

The Group expenses lease payments related to short-term leases and low value leases by the straight-line method.



## Accounting on transition

On applying IFRS 16, the Group applies the practical expedient that does not require it to reassess whether existing contracts contain a lease. Accordingly, assessment of leases in accordance with the definition of a lease under IFRS 16 applies only to contracts concluded or amended on or after October 1, 2019.

### Leases as lessee

(Leases classified as an operating lease under IAS 17)

A lease liability at transition is measured at present value of the remaining lease payments as of the transition date discounted at the Group's incremental borrowing rate as of October 1, 2019. A right-of-use asset at transition is measured by one of the methods shown below:

- carrying value as if IFRS 16 had always been in place calculated from lease commencement; provided, however, that the discount rate is the lessee's incremental borrowing rate as of the date of initial application; or
- set equal to the lease liability, adjusted for any prepaid or accrued lease payments.

When applying IFRS 16 to leases previously classified as operating leases under IAS 17, the Group applies the practical expedients shown below:

- apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- account for leases for which the lease term ends within 12 months of the date of initial application by the same method used for short-term leases;
- exclude initial direct costs from the measurement of the right-of-use asset as of the date of initial application; and
- use hindsight with respect to contracts with options to extend or cancel when determining the lease term, etc.

(Lease classified as a finance lease under IAS 17)

The carrying value of the right-of-use asset and the lease liability is determined based on the carrying value of the lease asset and lease liability under IAS 17 immediately before the date of initial application.

### (iii) Impact on the condensed quarterly consolidated financial statements

On application of IFRS 16, in the condensed quarterly consolidated statements of financial position at the beginning of the period, the Group additionally recognized right-of-use assets of 4,819 million yen and lease liabilities of 4,871 million yen, and recognized decreased of 34 million yen in retained earnings and 18 million yen in non-controlling interests.

The weighted average of the lessee's incremental borrowing rates applied to lease liabilities recognized in the condensed quarterly consolidated statements of financial position as of the date of initial application is 0.7% to 4.8%.

(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: AirTrip travel agency services, services for foreign visitors in Japan, life innovation services

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.

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

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

(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	14,088	1,817	242	16,148	0	16,148	-	16,148	
Intersegment revenue	34	382	-	416	-	416	△416	-	
Total sales revenue	14,123	2,200	242	16,565	0	16,565	△416	16,148	
Segment profits (losses) (Note 3)	147	134	473	756	△0	756	△485	270	
Financial income									14
Financial expenses									△77
Income before income taxes									208

(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 condensed quarterly consolidated statement of income.

Nine months ended June 30, 2020 (Oct. 1, 2019 – Jun. 30, 2020)

(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	17,198	1,461	553	19,212	0	19,212	-	19,212	
Intersegment revenue	-	585	-	585	-	585	△585	-	
Total sales revenue	17,198	2,046	553	19,798	0	19,798	△585	19,212	
Segment profits (losses) (Note 3)	△289	76	△79	△292	△0	△292	△854	△1,147	
Financial income									13
Financial expenses									△136
Income (loss) before income taxes									△1,269

(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 loss stated in the condensed quarterly consolidated statement of income.

(Note 4) Segment profits (losses) for the Online Travel Agency Business include negative goodwill of 755 million yen due to the acquisition of Hikawa Co., Ltd. and impairment losses of 1,044 million yen.

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

(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	4,588	675	241	5,505	0	5,505	-	5,505	
Intersegment revenue	1	73	-	75	-	75	△75	-	
Total sales revenue	4,590	749	241	5,580	0	5,580	△75	5,505	
Segment profits (losses) (Note 3)	△86	22	236	172	-	172	△79	92	
Financial income									5
Financial expenses									△31
Income before income taxes									67

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

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

(Note 3) The segment profit or loss has been adjusted to the operating income stated in the condensed quarterly consolidated statement of income.

Third quarter ended June 30, 2020 (Apr. 1, 2020 – Jun. 30, 2020)

(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	2,902	444	481	3,829	0	3,829	-	3,829	
Intersegment revenue	-	160	-	160	-	160	△160	-	
Total sales revenue	2,902	605	481	3,989	0	3,989	△160	3,829	
Segment profits (losses) (Note 3)	△488	22	164	△302	△0	△302	△184	△486	
Financial income									2
Financial expenses									△25
Income (loss) before income taxes									△509

(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 loss stated in the condensed quarterly consolidated statement of income.

(Important subsequent events)

Transfer of business

On June 30, 2020, the Company concluded an agreement to transfer the business of operating call centers and other facilities of its AirTrip Travel Agency Business to Upsell-Technologies Inc. and completed the business transfer with effect July 1 based on the business transfer agreement concluded on said date.

(1) Reason for the business transfer

By transferring the business of operating calls centers and other facilities, which was previously done predominantly inhouse, the Company can adjust its human resources to the optimal level according to work volume which is subject to seasonal fluctuation and to optimize operating costs, and can build a system for placing orders which takes busy and slack periods into account.

(2) Name of transferee company

Upsell-Technologies Inc.

(3) Description of business to be transferred

Business of operating call centers and other facilities of the Company's travel agency business

(4) Date of transfer

July 1, 2020

The impact of the business transfer on the consolidated financial statements is insignificant.