

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending September 30, 2017 (FY9/17)
(Three Months Ended December 31, 2016)

[Japanese GAAP]

February 14, 2017

Company name: Evolvable Asia Corp. Stock Exchange Listing: TSE
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Scheduled date of payment of dividend: -

Preparation of supplementary materials for quarterly financial results: Yes

Holding of quarterly financial results briefing: None

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

1. Consolidated Financial Results for the First Quarter (October 1, 2016 to December 31, 2016) of FY9/17

(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	%
Three months ended Dec. 31, 2016	1,202	44.3	198	38.7	201	45.0	147	79.4
Three months ended Dec. 31, 2015	832	-	143	-	139	-	82	-

Note: Comprehensive income (millions of yen) Three months ended Dec. 31, 2016: 199 (111.7%)

Three months ended Dec. 31, 2015: 94 (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended Dec. 31, 2016	8.86	8.48
Three months ended Dec. 31, 2015	5.84	-

Notes: 1. The Company conducted 300-for-1 and 3-for-1 stock splits on December 18, 2015 and August 1, 2016, respectively. Net income per share and fully diluted net income per share were calculated based on the assumption that these stock splits were conducted at the beginning of the previous consolidated fiscal year.

2. Year-on-year changes for the first quarter of the fiscal year ended September 30, 2016 are not presented because quarterly consolidated financial statements were not prepared for the first quarter of the fiscal year ended September 30, 2015.

3. The amount of diluted net income per share is not presented because the Company's shares were not listed as of the first quarter of the fiscal year ended September 30, 2016, and the average stock price during the year was not available.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of Dec. 31, 2016	4,512	2,570	54.2
As of Sep. 30, 2016	4,841	2,371	47.0

Reference: Shareholders' equity (millions of yen) As of Dec. 31, 2016: 2,444 As of Sep. 30, 2016: 2,276

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Sep. 30, 2016	-	0.00	-	0.00	0.00
Fiscal year ending Sep. 30, 2017	-	-	-	-	-
Fiscal year ending Sep. 30, 2017 (Estimated)	-	-	-	-	-

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

3. Consolidated Forecast for FY9/17 (October 1, 2016 to September 30, 2017)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	6,147	53.7	1,001	61.9	961	68.2	594	74.8	35.66

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

*** 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 Dec. 31, 2016: 16,684,200 shares As of Sep. 30, 2016: 16,682,400 shares

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

As of Dec. 31, 2016: - shares As of Sep. 30, 2016: - shares

3) Average number of shares issued during the period

Three months ended Dec. 31, 2016: 16,682,419 shares Three months ended Dec. 31, 2015: 14,086,252 shares

Note: The Company conducted 300-for-1 and 3-for-1 stock splits on December 18, 2015 and August 1, 2016, respectively. The number of shares outstanding was calculated based on the assumption that these stock splits were conducted at the beginning of the previous consolidated fiscal year.

* Information regarding the implementation of quarterly review procedures

The current quarterly financial report is exempt from quarterly review procedures under the Financial Instruments and Exchange Act. As at the time of disclosure, the review procedures for the quarterly financial statements have not been completed.

* 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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Evolable Asia continued to expand operations in its core Online Travel Agency Business. In addition, we leveraged the expertise gained through the OEM provision of information in our Online Travel Agency Business to promote services targeting inbound foreign visitors to Japan for Web media of overseas travel agents and inbound travel websites operated in Japan. We also sought to meet inbound customer needs with our IT Offshore development engineers.

In the IT Offshore Development Business, which was launched in 2012, the Company steadily won customers in numerous business categories and increased the number of engineers employed, focusing on the development of lab-type facilities in Vietnam. The number of hired engineers grew to about 550 as of December 2016.

In this business environment, the Company and its consolidated subsidiaries (hereinafter the “Group”) achieved a consolidated transaction volume of 7,270,122,000 yen, consolidated net sales of 1,202,073,000 yen, consolidated operating income of 198,745,000 yen, consolidated ordinary income of 201,862,000 yen, consolidated profit before income taxes of 210,862,000 yen and consolidated profit attributable to owners of parent of 147,804,000 yen in the first quarter of the fiscal year under review.

Operating results by segment are as follows.

(1) Online Travel Agency Business

The Group offers the following four services in the Online Travel Agency Business segment.

- BtoC services (operation of PC and smartphone websites for selling travel commodities directly to general consumers)

The number of service users grew favorably, chiefly reflecting contributions made by search engine marketing (SEM) buildups for winning new customers and user interface (UI) improvements for increasing repeaters.

- BtoBtoC services (travel content provision under brands owned by business partners)

Service use increased thanks to contributions made by providing services meeting the requirements of major customers and enhancing communication with customers to increase the frequency of their service use.

- BtoB services (wholesale to other travel agencies)

Trends in the airline industry and policies enforced by business partners affect these services to a certain extent. The Online Travel Agency Business for operators handling domestic airline tickets grew dynamically as a whole, with an increase in the number of domestic air routes in service. As a result, net sales for these services increased strongly.

- BTM services (centralized management of internal approval procedures and arrangements associated with corporate business trips)

These services basically adopt a business model under which net sales expand in a manner that is linked with an increase in the number of corporate customers and a rise in their usage rate. The services achieved growth attributable to initiatives taken by the Group, including the addition of salespeople and the identification of existing customers who used the services at a relatively low rate.

As a result, net sales in the Online Travel Agency Business segment amounted to 889,256,000 yen and segment income came to 297,383,000 yen in the first quarter 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, net sales for the IT Offshore Development Business segment reached 333,364,000 yen, and segment income totaled 24,948,000 yen.

(2) Analysis of Financial Position

Assets

Total assets decreased 329 million yen from the end of the previous fiscal year, to 4,512 million yen at the end of the first quarter of the fiscal year under review. This was mainly due to a decrease of 532 million yen in notes and accounts receivable—trade and increases of 72 million yen in buildings, 63 million yen in Software and 35 million yen in construction in progress.

Liabilities

Liabilities were reduced by 528 million yen from the end of the previous fiscal year, to 1,941 million yen at the end of the first quarter of the fiscal year under review. This result primarily reflected a reduction of 485 million yen in notes and accounts payable – trade and a decrease of 61 million yen in income taxes payable.

Net Assets

Net assets rose 199 million yen from the end of the previous fiscal year, to 2,570 million yen at the end of the first quarter of the fiscal year under review. The key factor contributing to this was an increase of 147 million 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, 2016 on November 14, 2016.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

While not a specified subsidiary, Evolvable Asia Global Vietnam Company Limited was founded as a subsidiary during the first quarter under review and included in the consolidation.

(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

Calculation of tax expense

Tax expenses were calculated by multiplying the rationally estimated effective tax rate after applying tax effect accounting to the profit before income taxes for the consolidated fiscal year, which includes the first quarter of the consolidated fiscal year under review, by the profit before income taxes for the quarter.

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

Not applicable.

(4) Additional Information

Operational investment securities

The Company launched its investment business during the first quarter of the fiscal year under review. In connection with this, the securities for investment development that were included in “investment securities” under non-current assets in the consolidated balance sheet in the past are now included in “operational investment securities” under current assets. Accordingly, a sum of 35 million yen has been transferred from “investment securities” at the end of the previous fiscal year to “operational investment securities.”

Application of the Implementation Guidance on Recoverability of Deferred Tax Assets

The Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016) has been applied to the consolidated results since the first quarter of the fiscal year under review.

3. Quarterly Consolidated Financial Statements**(1) Consolidated Balance Sheet**

(Thousands of yen)

	FY9/16 (as of Sep. 30, 2016)	First quarter of FY9/17 (as of Dec. 31, 2016)
Assets		
Current assets		
Cash and deposits	2,356,432	2,395,113
Notes and accounts receivable – trade	1,104,591	572,090
Operational investment securities	–	35,100
Merchandise and finished goods	274,325	200,708
Deferred tax assets	19,046	15,158
Accounts receivable - other	129,823	156,044
Other	140,830	180,084
Allowance for doubtful accounts	(450)	(315)
Total current assets	4,024,599	3,553,983
Non-current assets		
Property, plant and equipment		
Buildings, net	18,662	91,625
Vehicles, net	223	183
Tools, furniture and fixtures, net	19,115	23,013
Construction in progress	2,500	37,500
Total property, plant and equipment	40,501	152,322
Intangible assets		
Goodwill	102,976	96,107
Software	202,742	266,096
Total intangible assets	305,719	362,204
Investments and other assets		
Investment securities	43,000	8,260
Deferred tax assets	6,273	6,273
Guarantee deposits	409,193	416,905
Claims provable in bankruptcy, claims provable in rehabilitation and other	37,313	26,091
Other	12,358	12,225
Allowance for doubtful accounts	(37,313)	(26,091)
Total investments and other assets	470,824	443,665
Total non-current assets	817,044	958,192
Total assets	4,841,644	4,512,176

	(Thousands of yen)	
	FY9/16 (as of Sep. 30, 2016)	First quarter of FY9/17 (as of Dec. 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,293,317	815,952
Short-term loans payable	225,139	225,137
Accounts payable - other	311,670	314,858
Accrued expenses	87,287	134,810
Income taxes payable	134,102	72,627
Provision for bonuses	46,447	49,873
Provision for point card certificates	3,868	4,212
Provision for shareholder benefit program	15,000	4,874
Current portion of long-term loans payable	19,572	19,572
Forward exchange contracts	4,123	-
Other	140,089	113,366
Total current liabilities	2,280,618	1,755,284
Non-current liabilities		
Long-term loans payable	87,288	83,245
Long-term guarantee deposited	102,376	102,983
Total non-current liabilities	189,664	186,228
Total liabilities	2,470,283	1,941,513
Net assets		
Shareholders' equity		
Capital stock	1,019,927	1,019,967
Capital surplus	824,927	824,967
Retained earnings	444,870	592,674
Total shareholders' equity	2,289,724	2,437,609
Accumulated other comprehensive income		
Deferred gains or losses on hedges	(2,850)	4,207
Foreign currency translation adjustment	(10,629)	2,854
Total accumulated other comprehensive income	(13,480)	7,062
Subscription rights to shares	206	206
Non-controlling interests	94,910	125,784
Total net assets	2,371,360	2,570,663
Total liabilities and net assets	4,841,644	4,512,176

(2) Consolidated Statements of Income and Comprehensive Income**(Consolidated Statement of Income)****(For the Three-month Period)**

(Thousands of yen)

	Three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)	Three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)
Net sales	832,810	1,202,073
Cost of sales	159,211	194,171
Gross profit	673,598	1,007,901
Selling, general and administrative expenses	530,574	809,156
Operating income	143,023	198,745
Non-operating income		
Interest income	112	1,319
Foreign exchange gains	530	5,931
Share of profit of entities accounted for using equity method	–	360
Other	622	397
Total non-operating income	1,265	8,009
Non-operating expenses		
Provision of allowance for doubtful accounts	119	2,741
Interest expenses	2,589	1,982
Listing expenses	2,000	–
Other	343	166
Total non-operating expenses	5,051	4,891
Ordinary income	139,237	201,862
Extraordinary income		
Gain on sales of non-current assets	1,060	–
Total extraordinary income	1,060	–
Extraordinary losses		
Loss on sales of non-current assets	830	–
Total extraordinary losses	830	–
Profit before income taxes	139,467	201,862
Income taxes	46,362	36,139
Profit	93,105	165,723
Profit attributable to non-controlling interests	10,739	17,919
Profit attributable to owners of parent	82,365	147,804

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

(Thousands of yen)

	Three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)	Three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)
Profit	93,105	165,723
Other comprehensive income		
Deferred gains or losses on hedges	410	7,058
Foreign currency translation adjustment	574	26,439
Total other comprehensive income	985	33,497
Comprehensive income	94,090	199,221
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	83,203	168,346
Comprehensive income attributable to non-controlling interests	10,887	30,874

(3) Notes to Quarterly Consolidated Financial Statements

Notes on going concern assumptions

Not applicable.

Significant changes in shareholders' equity

Not applicable.

Segment information, etc.

Segment Information

Three months of FY9/16 (Oct. 1, 2015 – Dec. 31, 2015)

1. Information related to net sales and profits (losses) for the respective reportable segments

(Thousands of yen)

	Reportable segment				Adjustment (Note 1)	Amounts on the quarterly consolidated statement of income (Note 2)
	Online Travel Agency Business	IT Offshore Development Business	Other businesses	Total		
Net sales						
Sales to external customers	562,366	268,061	2,382	832,810	–	832,810
Intersegment sales and transfers	–	32,125	–	32,125	(32,125)	–
Total	562,366	300,186	2,382	864,935	(32,125)	832,810
Segment profits (losses)	216,021	18,897	(11)	234,907	(91,883)	143,023

Notes: 1. The adjustment of -91,883 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.

Three months of FY9/17 (Oct. 1, 2016 – Dec. 31, 2016)

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	889,256	312,660	155	1,202,073	–	1,202,073
Intersegment sales and transfers	–	20,703	–	20,703	(20,703)	–
Total	889,256	333,364	155	1,222,776	(20,703)	1,202,073
Segment profits (losses)	297,383	24,948	(0)	322,331	(123,586)	198,745

Notes: 1. The adjustment of -123,586 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.