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(Documents to be submitted)	Quarterly report
(Legal provision)	Article 24 Paragraph 4-7 item 1 of the Financial Instrument and Exchange Act
(Submit to)	Tokai Regional Finance Bureau Head
(Submission date)	August 14, 2019
(Quarterly accounting period)	3rd quarter of 13 th accounting period (Apr. 1, 2019 – Jun. 30, 2019)
(Company name)	SHARINGTECHNOLOGY.INC
(English name)	SHARINGTECHNOLOGY.INC
(Name of position of representative)	Representative Director&Co-CEO Masayoshi Shino Representative Director&Co-CEO Nobuhiro Moriyoshi
(Location of headquarters of the shop)	JP Tower Nagoya 19F, 1-1-1, Meieki, Nakamura-ku, Nagoya, Aichi 450-6319
(Telephone number)	+81-52 (414) 6025
(Name of contact office person)	Director of Finance and Accounting Masayoshi Matsui
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(Telephone number)	+81-52 (414) 6025
(Name of contact office person)	Director of Finance and Accounting Masayoshi Matsui
(Location for inspection)	Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku Tokyo 103-8220)

Part 1 【Company Information】

1. 【Overview of Company】

1 【Transition of Principal Management Index】

		3rd quarter of 12 th Consolidated, YTD	3rd quarter of 13 th Consolidated, YTD	12 th Accounting Period
Accounting Period		From Oct.1, 2017 To Jun. 30, 2018	From Oct.1, 2018 To Jun. 30, 2019	From Oct.1, 2017 To Sep. 30, 2018
Sales revenue (3rd QTR Consolidated)	(Thousand yen)	2,808,120 (1,681,328)	5,542,712 (1,985,111)	4,727,669
Pre-tax Profit (loss)	(Thousand yen)	815,399	(615,028)	521,510
Profit (loss) attributable to the owner of the parent company (3rd QTR Consolidated)	(Thousand yen)	790,095 (784,393)	(493,572) ((119,299))	697,349
Profit (loss)	(Thousand yen)	790,095	(507,831)	697,331
Comprehensive Profit (loss) attributable to the owner of the parent company	(Thousand yen)	790,095	(515,542)	698,305
Comprehensive Profit (loss)	(Thousand yen)	790,095	(529,801)	698,287
Equity attributable to the owner of the parent company	(Thousand yen)	2,311,465	1,535,880	2,038,349
Total Assets	(Thousand yen)	10,359,443	8,997,982	10,204,579
Earnings per share (loss) (3rd QTR Consolidated)	(Yen)	44.24 (43.05)	(27.16) ((6.56))	38.85
Diluted earnings per share	(Yen)	42.67	(27.16)	37.16
Ratio of equity attributable to the owner of the parent company to total assets	(%)	22.31	17.07	19.97
Net cash provided by operating activities	(Thousand yen)	(731,276)	(709,456)	(941,729)
Net cash provided by investing activities	(Thousand yen)	(1,713,582)	235,577	(1,710,153)
Net cash provided by financing activities	(Thousand yen)	4,571,045	(724,629)	4,363,126
Cash and cash equivalents at the end of the quarter/year	(Thousand yen)	3,709,921	2,098,443	3,296,957

- (Note)
1. Since the Company has prepared Condensed Quarterly Consolidated Financial Statements, the transition of principal Management Index is not stated.
 2. Sales revenue does not include consumption tax.
 3. Above Index is based upon Condensed Consolidated Financial Statements by International Accounting Standard (IFRS)
 4. As of August 6, 2018, the Company has executed a stock split at a ratio of 3 shares per common share. Basic earnings per share and earnings per diluted share are calculated assuming that the stock split was made at the beginning of September 2018.
 5. During this 3rd quarter, the number of potentially dilutive common shares was 797,347, however, it is excluded from the calculation of diluted quarterly profit(loss) per share as they have antidilutive effect.
 6. The provisional accounting accompanied with business combination in the previous consolidated fiscal accounting year was finalized in the first quarter and this third quarter. Consequently, the principal Management Index of the previous consolidated fiscal accounting year reflected the material revision of initial allocation of acquiring cost after finalizing provisional accounting.

2 【Content of Business】

During the 3rd quarter consolidated cumulative period, there is no material change of content of business. Also, there is no material change in principal affiliates.

2. 【Overview of Business】

1 【Risk of Business】

During the 3rd quarter consolidated cumulative period, there is no new business risk. Also, there is no material change in the business risk mentioned in the annual securities report of the previous consolidated accounting fiscal year.

2 【Analysis of Financial Condition, Business Results, and Cash Flows by Management】

The forward-looking statements in the text was prepared by SHARING TECHNOLOGY Group as of the end of the 3rd quarter consolidated accounting period.

(Note) The provisional accounting accompanied with business combination in the previous consolidated fiscal accounting year was finalized in the first quarter and the third quarter. Consequently, the comparison, analysis with previous consolidated fiscal accounting year reflected the revision of provisional accounting.

(1) Business Results Overview

During the third quarter consolidated cumulative period, the Japanese economy remained on a gradual recovery trend, maintaining an improvement trend in individual earnings and the employment environment. However, recent trade friction, uncertain international economy (esp. Europe, U.S., China), geopolitical risk in the Middle East, the Korean Peninsula, and concerned impact on individual consumption by the scheduled increase of consumption tax in this October, cast a shadow on the future.

Under these circumstances, the Group has continuously allocated management resources strategically to our main WEB business, and has strengthened our operating foundations for sustainable growth.

The third quarter consolidated cumulative sales were 5,542,712 thousand yen (2,808,120 thousand yen in the same quarter cumulative last year, 97.4% increase, year-on-year), the operating loss was 579,249 thousand yen (820,430 thousand yen operating profit in the same quarter cumulative last year). The third quarter cumulative loss attributable to the owner of the parent company was 493,572 thousand yen (790,095 thousand yen profit in the same quarter cumulative last year). In the operating profit of the previous fiscal year, 1,128,339 thousand yen of Gains on acquisition of 3 affiliates at lower price than the fair value was included.

The group consists of "WEB business" and "Investment business". The results of each segment for the third quarter consolidated cumulative is as follows.

(WEB business)

The Internet business industry, which is the main business area of the WEB business, continues to expand as various services that can be done with a single smartphone spread, and easy access to Internet. While the coming unprecedented ageing society and the increase of aged persons living alone may be regarded as adverse effect on business environment, we regard them as our business growth potential in the future.

Our core WEB business model (e.g. integrated platform site "Seikatsu 110") matches users who possess "Household problems" with local professional service providers, and earns commission. We are expecting to maintain high business growth rate since there is an increasing demand for solving household troubles from elderly who have difficulties in daily life, in addition to conventional customer layer.

Meanwhile, the third quarter consolidated cumulative sales were 3,399,427 thousand yen (2,014,519 thousand yen in the same quarter cumulative last year, 68.7% increase, year-on-year), and the operating loss reached 199,287 thousand yen (120,600 thousand yen operating profit in the same quarter cumulative last year). This is attributable to prior investment for future growth such as writing contents of our portal site "Seikatsu 110", and advertisement cost (e.g. TV CM) for branding.

(Investment Business)

The manufacturing and real estate industries, which are the main business areas of the investment business, have been stable with the recovery of the moderate economy. In the business environment mentioned above, we have

worked to improve the operations of our subsidiaries and to strengthen our management system. As a result, the third quarter consolidated cumulative sales from this segment were 2,143,285 thousand yen (793,600 thousand yen in the same quarter cumulative last year, 170.1% increase, year-on-year), and operating profit was 126,722 thousand yen (942,981 thousand yen operating profit in the same quarter cumulative last year, 86.6% decrease, year-on-year) .

(2) Financial Condition Analysis

① Assets

Current assets is 4,749,745 thousand yen, decreased by 1,340,522 thousand yen compared with the end of the previous consolidated fiscal year. This is mainly due to the decrease of cash and cash equivalents by 1,198,514 thousand yen.

Non current assets were 4,248,237 thousand yen, increased by 133,925 thousand yen compared with the end of the previous consolidated fiscal year. This is mainly due to the increase of intangible asset by 264,591 thousand yen.

As a result, total assets at the end of the third quarter consolidated accounting period was 8,997,982 thousand yen, decreased by 1,206,597 thousand yen compared with the end of the previous consolidated fiscal year.

② Liabilities

Current liabilities was 3,000,246 thousand yen, decreased by 257,794 thousand yen compared with the end of the previous consolidated fiscal year. This is mainly due to the decrease of Bonds and borrowings by 271,229 thousand yen.

Non-current liabilities was 4,480,540 thousand yen, decreased by 432,075 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to the decrease of Bonds and borrowings by 452,761 thousand yen.

As a result, total liabilities at the end of the third quarter consolidated accounting period was 7,480,787 thousand yen, decreased by 689,869 thousand yen compared with the end of the previous consolidated fiscal year.

③ Capital

Capital at the end of the third quarter consolidated accounting period was 1,517,194 thousand yen, decreased by 516,727 thousand yen from the end of the previous consolidated fiscal year. This is mainly due to the decrease of retained earnings by 493,572 thousand yen.

(3) Cash Flow Situation

The balance of cash and cash equivalents (hereinafter referred to as "funds") in the third quarter was 2,098,443 thousand yen, decreased by 1,198,514 thousand yen from the end of the previous consolidated fiscal year. The status of each cash flow and their factors during the third quarter are as follows.

(Cash flows from operating activities)

As a result of operating activities, the funds decreased 709,456 thousand yen (the same quarter last year, decrease was 731,276 thousand yen). This is mainly due to an increase in other current assets of 184,764 thousand yen.

(Cash flows from investing activities)

As a result of investing activities, the funds increased 235,577 thousand yen (the same quarter last year, decrease was 1,713,582 thousand yen). The major reason is a decrease in time deposits of 317,770 thousand yen.

(Cash flows from financing activities)

As a result of financing activities, the funds decreased 724,629 thousand yen (the same quarter last year, increase was 4,571,045 thousand yen). The major reasons for decrease were expenditures of 1,564,390 thousand yen for long-term borrowings and redemption of bonds, and short-term borrowings of 314,000 thousand yen. The major reasons for the increase were due to 1,150,000 thousand yen from long-term borrowings and corporate bond issuance.

(4) Business and Financial Issues to be Treated

During the third quarter consolidated cumulative period, there is no significant changes or new occurrence of business/financial issues to be treated.

(5) R&D Development

N/A

3 【Important Contract】

During the third quarter consolidated cumulative period, there is no new important contract to be decided or concluded.

3. 【Overview of the Company】

1 【Situation of Shares】

(1) 【Number of Shares, etc.】

① 【Number of Shares】

Type of Stock	Total Number of Authorized Shares (shares)
Common Stock	60,000,000
Total	60,000,000

② 【Number of Issued Shares】

Type of Stock	3Q of FY ending (Jun. 30 2019)	As of submission date (Aug. 14, 2019)	Stock Exchange	Description
Common Stock	18,407,400	18,407,400	Tokyo Stock Exchange, Inc. (Mothers)	Shares with voting right (not restricted). Share unit: 100
Total	18,407,400	18,407,400	—	—

(Note) Shares issued by execution of share option from Aug. 1, 2019 to submission date of this report are not included in the number of issued shares as of submission date.

(2) 【Situation of Share Option】

① 【Description of Stock Option】

N/A

② 【Description of Other Share Option】

N/A

(3) 【Situation of Execution of Moving Strike Convertible Bond, etc.】

N/A

(4) 【Transition of Issued Shares, Capital】

Period	Change of Issued Shares (Share)	Balance of Issued Shares (Share)	Change of Capital (Thousand Yen)	Balance of Capital (Thousand Yen)	Change of Capital Surplus (Thousand Yen)	Balance of Capital Surplus (Thousand Yen)
Apr. 1, 2019~ Jun. 30, 2019 (Note)	900	18,407,400	91	674,685	91	639,685

(Note) Due to increase of execution of Share Option

(5) 【Large Shareholder】

Since this is the third quarter, there is no description.

(6) 【Situation of Voting Rights】

Since this is the third quarter, and it is not possible to confirm current Shareholder Registry, below attached information is based upon the most recent Shareholder Registry as of Mar. 31, 2019.

① 【Issued Shares】

as of Jun. 30, 2019

Type of Stock	Number of Shares	Number of Voting Rights	Description
Non-voting Stock	—	—	—
Restricted-voting Stock (Treasury Stock, etc.)	—	—	—
Restricted-voting Stock (others)	—	—	—
Voting Right Stock (Treasury Stock, etc.)	(Treasury Stock) Common Stock 219,400	—	—
Voting Right Stock (others)	Common Stock 18,184,900	181,849	Share unit: 100
Shares less than one unit	Common Stock 2,200	—	—
Total number of Issued Shares	Common Stock 18,406,500	—	—
Total number of Voting Rights	—	181,849	—

② 【Treasury Stock】

as of Jun. 30, 2019

Name	Address	Under Own Name (Shares)	Under Another's Name (Shares)	Total Number (Shares)	Ratio to Issued Shares (%)
(Treasury Stock) SHARING TECHNOLOGY.INC	1-1-1, Meieki, Nakamura- ku, Nagoya, Aichi	219,400	—	219,400	1.19
Total	—	219,400	—	219,400	1.19

2 【Situation of Representative Directors】

During the 3rd quarter consolidated cumulative period after submitting annual securities report of the previous fiscal year, the change of Representative Directors is as follows:

(1) Newly-appointed

N/A

(2) Resign

New position	Prior position	Name	Date of change
Director	Chairman	Keisuke Hikiji	Jun. 30, 2019

(3) Change of position

New position	Prior position	Name	Date of change
Director & Chairman	Representative Director and CEO	Keisuke Hikiji	Feb. 1, 2019
Representative Director & Co-CEO	Executive Vice President	Masayoshi Shino	Feb. 1, 2019
Representative Director & Co-CEO	Director & CFO Head of Strategy Planning Dept.	Nobuhiro Moriyoshi	Feb. 1, 2019

4. 【Overview of Accounting】

1. Preparation Methods of Condensed Quarterly Consolidated Financial Statements

(1) The Company's Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with "Ordinance of Terminology, Forms, and Preparation Methods of Quarterly Financial Statements " (Cabinet Office of Japan, Ordinance No. 64, 2007, hereafter "Regulation of quarterly financial statements"). Hence, in accordance with Article 93 of the Regulation, The Company's Condensed Quarterly Consolidated Financial Statements have been prepared in accordance with IAS No. 34.

(2) The provisional accounting accompanied with business combination in the previous consolidated fiscal accounting year ending Sep. 2018, was finalized in the first quarter and the third quarter. Consequently, the financial statements figures were retro-back adjusted.

2. Audit Certification

The Company's the third Quarterly Condensed Consolidated Financial Statements (Apr. 1, 2019 – Jun. 30, 2019) and the third Quarterly YTD Condensed Consolidated Financial Statements (Oct. 1, 2018 – Jun. 30, 2019) were covered by quarterly review by ERNST & YOUNG SHIN NIHON LLC, under Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

1 【Condensed Quarterly Consolidated Financial Statements】

(1) 【Condensed Quarterly Consolidated Statement of Financial Position】

		Previous Fiscal Year (September 30, 2018)	3rd Quarter Consolidated Accounting Period (June 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
(Assets)			
Current Assets			
Cash and cash equivalents		3,296,957	2,098,443
Trade receivables and other receivables		846,741	779,304
Inventory		845,213	876,703
Other financial assets	12	831,125	542,599
Other current assets		270,229	452,694
Total current assets		6,090,267	4,749,745
Non-current asset			
Property, plant and equipment		1,499,302	1,276,620
Investment property		464,003	454,887
Goodwill	5	619,549	619,549
Intangible asset	5	623,185	887,776
Other financial assets	12	756,397	867,421
Deferred tax asset	5	115,414	110,519
Other non-current assets		36,459	31,460
Total non-current assets		4,114,312	4,248,237
Total assets		10,204,579	8,997,982

		Previous Fiscal Year (September 30, 2018)	3rd Quarter Consolidated Accounting Period (June 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
(Liabilities and Capital)			
Current Liabilities			
Operating payables and other payables		901,266	564,854
Contract liability	8	—	329,176
Bonds and borrowings	9.12	1,960,349	1,689,120
Corporate income tax payable etc.		13,032	39,283
Allowance		25,000	—
Other current liabilities		358,392	377,811
Total current liabilities		3,258,041	3,000,246
Non-current liabilities			
Bonds and borrowings	9.12	4,651,918	4,199,156
Other financial liabilities		10,391	12,068
Allowance		81,357	108,737
Deferred tax liabilities	5	155,980	145,220
Other non-current liabilities		12,967	15,357
Total non-current liabilities		4,912,615	4,480,540
Total liabilities		8,170,657	7,480,787
Capital			
Capital		670,937	674,685
Capital surplus		666,962	676,288
Treasury stock		(290,295)	(290,295)
Retained earnings		989,789	496,217
Components of other capital		955	(21,014)
Total equity attributable to owners of the parent		2,038,349	1,535,880
Non-controlling interest		(4,427)	(18,685)
Total equity		2,033,922	1,517,194
Total liabilities and equity		10,204,579	8,997,982

(2) 【Condensed Quarterly Consolidated Statement of Income and Comprehensive Income】

【3rd Quarter YTD】

【Condensed Quarterly Consolidated Statement of Income】

		3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
Sales revenue	8	2,808,120	5,542,712
Cost of sales		711,737	2,111,603
Gross profit		2,096,382	3,431,108
Selling, general and administrative expenses		2,397,734	4,155,500
Other income	13	1,140,963	167,474
Other expenses		19,179	22,332
Operating profit(loss)		820,430	(579,249)
Financial revenue		9,319	5,226
Financial expenses		14,351	41,005
Quarterly profit (loss) before income taxes		815,399	(615,028)
Income tax expense		25,304	(107,196)
Quarterly earnings(loss)		790,095	(507,831)
Attribution of quarterly earnings(loss)			
Owner of the parent company		790,095	(493,572)
Non-controlling interest		—	(14,258)
Total		790,095	(507,831)
Quarterly earnings per share	6		
Basic quarterly earnings per share (loss) (yen)		44.24	(27.16)
Quarterly earnings per diluted share (loss) (Yen)		42.67	(27.16)

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

		3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
Quarterly earnings(loss)		790,095	(507,831)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		—	(21,969)
Other comprehensive income after tax		—	(21,969)
Quarterly comprehensive income		790,095	(529,801)
Attribution of quarterly comprehensive income			
Owner of the parent company		790,095	(515,542)
Non-controlling interest		—	(14,258)
Total		790,095	(529,801)

【3rd Quarter】

【Condensed Quarterly Consolidated Statement of Income】

		3rd Quarter of previous fiscal year, (From Apr. 1, 2018 to Jun. 30, 2018)	3rd Quarter of current fiscal year (From Apr. 1, 2019 to Jun. 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
Sales revenue	8	1,681,328	1,985,111
Cost of sales		693,523	737,402
Gross profit		987,804	1,247,709
Selling, general and administrative expenses		1,318,483	1,373,151
Other income	13	1,140,840	5,155
Other expenses		18,913	1,183
Operating profit(loss)		791,249	(121,469)
Financial revenue		9,202	2,768
Financial expenses		7,801	14,280
Quarterly profit (loss) before income taxes		792,650	(132,981)
Income tax expense		8,256	(10,912)
Quarterly earnings(loss)		784,393	(122,068)
Attribution of quarterly earnings(loss)			
Owner of the parent company		784,393	(119,299)
Non-controlling interest		—	(2,769)
Total		784,393	(122,068)
Quarterly earnings per share	6		
Basic quarterly earnings per share (loss) (yen)		43.05	(6.56)
Quarterly earnings per diluted share (loss) (Yen)		42.01	(6.56)

【Condensed Quarterly Consolidated Statement of Comprehensive Income】

		3rd Quarter of previous fiscal year, (From Apr. 1, 2018 to Jun. 30, 2018)	3rd Quarter of current fiscal year (From Apr. 1, 2019 to Jun. 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
Quarterly earnings(loss)		784,393	(122,068)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Financial assets measured at fair value through other comprehensive income		—	(13,014)
Other comprehensive income after tax		—	(13,014)
Quarterly comprehensive income		784,393	(135,083)
Attribution of quarterly comprehensive income			
Owner of the parent company		784,393	(132,314)
Non-controlling interest		—	(2,769)
Total		784,393	(135,083)

(3) 【Condensed Quarterly Consolidated Statement of Changes in Equity】
 3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)

(Unit: thousand yen)

Category	Note	Total equity attributable to owners of the parent company						Non-controlling Interests	Capital Total
		Capital	Capital Surplus	Treasury stock	Retained earnings	Components of other capital	Total equity attributable to owners of the parent company		
Balance as of October 1, 2017		570,079	542,214	—	292,440	—	1,404,734	—	1,404,734
Quarterly profit(loss)		—	—	—	790,095	—	790,095	—	790,095
Other comprehensive profit		—	—	—	—	—	—	—	—
Quarterly comprehensive profit total		—	—	—	790,095	—	790,095	—	790,095
Share-based payment transaction		97,937	118,658	—	—	—	216,595	—	216,595
Purchase of Treasury stock		—	—	(99,959)	—	—	(99,959)	—	(99,959)
Transaction amount with owner(s) Total		97,937	118,658	(99,959)	—	—	116,636	—	116,636
Balance as of Jun. 30, 2018		668,016	660,872	(99,959)	1,082,535	—	2,311,465	—	2,311,465

3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)

(Unit: thousand yen)

Category	Note	Total equity attributable to owners of the parent company						Non-controlling Interests	Capital Total
		Capital	Capital Surplus	Treasury stock	Retained earnings	Components of other capital	Total equity attributable to owners of the parent company		
Balance as of October 1, 2018		670,937	666,962	(290,295)	989,789	955	2,038,349	(4,427)	2,033,922
Quarterly profit(loss)		—	—	—	(493,572)	—	(493,572)	(14,258)	(507,831)
Other comprehensive profit		—	—	—	—	(21,969)	(21,969)	—	(21,969)
Quarterly comprehensive profit total		—	—	—	(493,572)	(21,969)	(515,542)	(14,258)	(529,801)
Share-based payment transaction		3,748	9,325	—	—	—	13,073	—	13,073
Transaction amount with owner(s) Total		3,748	9,325	—	—	—	13,073	—	13,073
Balance as of Jun. 30, 2019		674,685	676,288	(290,295)	496,217	(21,014)	1,535,880	(18,685)	1,517,194

(4) 【Condensed Quarterly Consolidated Statement of Cash Flows】

		3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Category	Note	Amount (Thousand Yen)	Amount (Thousand Yen)
Net cash provided by (used in) operating activities			
Quarterly profit (loss) before income taxes		815,399	(615,028)
Gains on acquisition of affiliates at lower price than the fair value	5	(1,128,339)	—
Depreciation and Amortization		68,470	138,868
Interest income and dividends received		(400)	(2,398)
Interest expense and corporate bond interest		14,351	26,057
Foreign exchange gains / losses (negative is profit)		(6,122)	7
Gains on revaluation of investment securities		—	(58,426)
Gains from sale of fixed assets		—	(45,969)
Increase (decrease) in trade receivables and other receivables (negative is increase)		(96,984)	(88,645)
Increase (decrease) in inventory assets (negative is increase)		98,473	(31,490)
Increase (decrease) in other current assets (negative is increase)		(7,988)	(184,764)
Increase (decrease) in operating liabilities and other obligations (negative is decrease)		284,738	26,326
Increase (decrease) of accrued expense, or consumption tax payable etc.		—	51,841
Increase (decrease) in other current liabilities (negative is decrease)		(579,984)	20,873
Other assets and liabilities		22,486	36,164
Others		—	(27,765)
Subtotal		(515,900)	(754,348)
Interest and dividend received		400	2,398
Interest paid		(15,028)	(26,345)
Income taxes paid or refund (negative is payment)		(200,748)	68,839
Net cash provided by (used in) operating activities		(731,276)	(709,456)
Net cash provided by (used in) investing activities			
Purchase of property, plant and equipment		(129,169)	(37,438)
Revenue from sales of property, plant and equipment		—	252,265
Purchase of intangible assets		(163,486)	(354,762)
Payment for business combination	5	(1,530,276)	—
Revenue from cancellation of insurance fund		—	125,186
Payment for insertion of guarantee deposit		(161,271)	(36,724)
Net (increase) decrease in time deposits (negative is increase)		305,777	317,770
Payment for purchase of shares		—	(200,001)
Revenue from sales of shares		—	156,082
Others		(35,157)	13,198
Net cash provided by (used in) investing activities		(1,713,582)	235,577
Net cash provided by (used in) financing activities			
Net increase (decrease) in short-term loans payable	9	83,400	(314,000)
Proceeds from issuance of bonds and long-term loans payable	9	5,421,670	1,150,000
Repayment of long-term loan payable and redemption of bonds	9	(1,055,045)	(1,564,390)

Proceeds from issuance of stock resulting from subscription rights to shares	—	7,405
Others	121,020	(3,643)
Net cash provided by (used in) financing activities	4,571,045	(724,629)
Increase (decrease) in cash and cash equivalents	2,126,186	(1,198,507)
Opening balance of cash and cash equivalents	1,578,846	3,296,957
Impact of foreign exchange fluctuation on cash and cash equivalents	4,888	(7)
Cash and cash equivalents at the end of the quarter	3,709,921	2,098,443

【Notes to Condensed Quarterly Consolidated Financial Statements】

1. Reporting entity

SHARINGTECHNOLOGY.INC (hereinafter referred to as the “Company”) is a business corporation located in Japan. The Company’s stock is listed in TSE(Tokyo Stock Exchange, Inc.). The registered address of Headquarter is JP Tower Nagoya 19F, 1-1-1, Meieki, Nakamura-ku, Nagoya. The Company and its subsidiaries (hereinafter referred to as the “Group”) match users who possess "Household problems" with local service providers by leveraging technology.

The Group consists of SHARINGTECHNOLOGY.INC and 6 subsidiaries.

2. Basis of preparation

(1) Compliance with IFRS

The Group prepares its Condensed Quarterly Consolidated Financial Statements in accordance with IAS No. 34 announced by International Accounting Standards Board (IASB).

The Group meets all of the requirements for a “Specified Company for the designated IFRS” to prepare its consolidated financial statements by applying the designated IFRSs as stipulated under Article 1-2 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance of Japan Regulation No. 28, 1976, hereafter “the Regulation”). Hence, in accordance with Article 93 of the Regulation, the Group’s consolidated financial statements have been prepared in accordance with IFRS.

Since the Group’s Condensed Quarterly Consolidated Financial Statements does not include all the information required by annual consolidated financial statements, it shall be utilized together with consolidated financial statements of the previous fiscal year ending Sep. 30, 2018.

(2) Basis of measurement

Except for the financial instruments that are measured at fair value, the Group’s Condensed Quarterly Consolidated Financial Statements have been prepared on the historical cost basis.

(3) Functional currency and presentation currency

The Group’s Condensed Quarterly Consolidated Financial Statements are presented in Japanese yen, which is the functional currency of the Company. Figures less than one thousand yen are rounded down to the nearest thousand yen.

(4) Early application of new standards

N/A

(5) New accounting standards not yet adopted by the Group

New or revised major standards and interpretations that were issued by the date of approval of Condensed Quarterly Consolidated Financial Statements, but were not yet adopted by the Group are as follows.

The Group is currently assessing the possible impacts of the application of IFRS 16, and "Leases," is not able to estimate reasonably at this moment.

Standards	Title	Date of mandatory adoption (Fiscal year of commencement thereafter)	Reporting periods of application by the Group	Description of new standards and amendments
IFRS 16	Leases	January 1, 2019	September, 2020	Accounting and disclosure requirements for leases

IFRS 16 requires the recognition of all lease assets and all lease liabilities under unified accounting model, instead of classification of finance lease and operating lease. Meanwhile, application of IFRS 16 is optional for short-term or small amount lease. After recognizing lease assets and lease liabilities, depreciation expense of lease assets, and interest expense of lease liabilities shall be booked.

3. Significant Accounting Policies

Important accounting policies applied to this Condensed Quarterly Consolidated Financial Statements are the same as the accounting Policies applied to the Consolidated Financial Statements for the previous fiscal year, except for the followings. The corporate income tax expense for the third quarter of current fiscal year is calculated based on the estimated average annual effective tax rate.

We have adopted the following standards from the first quarter of this fiscal year.

Standards	Title	Description of new standards and amendments
IFRS 9	Financial Instruments	Revision of classification, measurement and impairment of financial instruments, and hedge accounting
IFRS 15	Revenue from Contracts with Customers	Revision of Accounting Requirements for Revenue Recognition

(IFRS 9 Financial Instruments)

The Group has adopted IFRS 9 "Financial Instruments" (revised July 2014, hereinafter "IFRS 9") from the first quarter of this fiscal year. We recognize the cumulative effect of the start of application as amendment of retained earnings and other opening components of other capital components during the period.

(1) Classification and measurement of financial assets

Liability instruments are classified as financial assets to be measured at amortized cost if the following two requirements are met.

- Having the financial assets to collect contractual cash flows arising from financial assets.
- Cash flow from equity instruments are only payment of interest on the principal and the principal balance based on the contract.

For equity instruments, except for those held for trading purposes that must be measured at fair value through profit or loss- shall be designated as financial assets measured at fair value through profit or loss or other financial asset to be measured at fair value through comprehensive income. In accordance with the above classification, the Group classifies financial assets as financial assets at fair value through other comprehensive income, financial assets measured at fair value through profit or loss and financial assets at amortized cost. All financial assets other than financial assets measured at fair value through profit or loss are initially measured at fair value plus transaction costs. In addition, trade receivables such as accounts receivables and other contractual assets (hereinafter referred to as trade receivables, etc.) that do not include significant financial factors are initially measured at the transaction price

(2) Impairment losses on financial assets

In recognition of the impairment of financial assets measured at amortized cost, the Group changed its method to recognize allowance for doubtful accounts against expected credit losses on such financial assets. This method evaluates whether the credit risk on each financial asset has increased remarkably from the initial recognition at the end of each fiscal year and if the credit risk has not significantly increased since the initial recognition, We calculate the amount of allowance for doubtful accounts based on expected credit losses (expected credit loss of 12 months) arising from possible default within 12 months. On the other hand, if the credit risk has increased significantly from the initial recognition, additional allowance for doubtful accounts are calculated based on the expected credit loss (expected credit loss for the entire period) arising from all possible defaults over the expected life of the financial instrument. However, regardless of operating loans, etc., which do not include important financial factors, the amount of allowance for doubtful accounts is always calculated based on expected credit loss for the entire period. The application of this standard has no material impact on the Group's Condensed Consolidated Financial Statements.

(IFRS 15, Revenue from Contracts with Customers)

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" (announced in May 2014) and "IFRS 15 Clarification" (published in April 2016) (together hereinafter referred to as "IFRS 15") from the first quarter of this fiscal year. In applying IFRS 15, we have adopted a method that recognizes the cumulative effect of adopting this standard on the effective date of adoption as a transitional measure. Revenue is recognized based on the next five-step approach following the adoption of IFRS 15.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Based on the above-mentioned 5-steps, we are reviewing the performance obligation and revising the timing of satisfaction, but there is no change in the method of recognition and measurement of revenue, and as a result there is no impact. From the first quarter of current fiscal year, compared with the application of the previous accounting standards, part of the advance receipts, previously reported receipts which was previously included in the other current liabilities, is shown as contract liability.

4. Significant accounting judgments and estimates

In preparing the Condensed Quarterly Consolidated Financial Statements in accordance with IFRS, management established judgments, estimates, and assumptions that have an effect on the application of accounting policies, as well as the reported amounts of assets, liabilities, revenues, and expenses. Actual operating results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. The effects of revisions to the accounting estimates are recognized in the fiscal period in which such estimates are revised and in future fiscal periods.

Management's judgments and estimates that have a significant effect on the values of the Condensed Quarterly Consolidated Financial Statements are the same as those of consolidated financial statements ending Sep. 30, 2018.

5. Business combination

The 3rd Quarter consolidated YTD (From October 1, 2018 to June 30, 2019)

(Settlement of provisional accounting of business combination)

In the previous fiscal year, the Company reported provisional amount for uncompleted accounting items accompanied with business combination in the fiscal year ending in September 2018. Meanwhile, the provisional amounts of the following business combinations are settled in the 1st Quarter, ended in December 2018.

(1) Acquisition of Re-abroad INC.

① Goodwill

Amount of Goodwill (Thousand Yen)	77,904
Contents of Goodwill	Mainly excess of the consideration of acquisition over the fair value of identifiable assets and liabilities. None of this Goodwill is expected to be tax deductible expense.

② Assets, liabilities acquired

Fair values of assets, liabilities of Re-abroad INC. on the acquisition date

(Unit: thousand yen)

Account Title	Amount
Current assets	49,020
Non-current assets (Note 1)	116,059
Total assets	165,079
Current liabilities (Note 2)	65,200
Non-current liabilities	47,783
Total liabilities	112,983
Non-controlling interests	—
Total equity attributable to the parent company	52,095

(Note) 1. The main of non-current assets is intangible assets related to contract 105,859 thousand yen.

2. The main of current liabilities is advances received 47,758 thousand yen.

③ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisition of Re-abroad INC. (acquired on February 7, 2018) was booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 1st Quarter ended in December 2018. In terms of adjustments from the initial provisional amounts, after additional analysis on the fair value of Re-abroad INC., the increase of intangible assets, deferred tax liability increased by 105,859 thousand yen, 16,435 thousand yen, respectively. As a result, goodwill decreased by 89,423 thousand yen.

(2) Acquisition of Franchise no Madoguchi INC.

① Goodwill

Amount of Goodwill (Thousand Yen)	200,009
Contents of Goodwill	Mainly excess of the consideration of acquisition over the fair value of identifiable assets and liabilities. None of this Goodwill is expected to be tax deductible expense.

② Assets, liabilities acquired

Fair values of assets, liabilities of Franchise no Madoguchi INC. on the acquisition date
(Unit: thousand yen)

Account Title	Amount
Current assets	710
Non-current assets (Note)	48,965
Total assets	49,675
Current liabilities	5,113
Non-current liabilities	4,572
Total liabilities	9,685
Non-controlling interests	—
Total equity attributable to the parent company	39,990

(Note) The non-current assets are software 24,108 thousand yen and customer related assets 24,857 thousand yen.

③ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisition of Franchise no Madoguchi INC. (acquired on December 25, 2017) was booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 1st Quarter ended in December 2018. In terms of adjustments from the initial provisional amounts, after additional analysis on the fair value of Franchise no Madoguchi INC., the increase of customer related assets, deferred tax liability increased by 24,857 thousand yen, 4,572 thousand yen, respectively. As a result, goodwill decreased by 20,284 thousand yen.

(3) Other business combination

① Summary of business combination

(i) Name, business description of acquiree

- (a) Name of acquiree : APEXY INC.
Business description : Administration of internet website
- (b) Name of acquiree : ArchiCloud
Business description : Administration of website comparing cost estimate of interior finish work
- (c) Name of acquiree : iPhone ambulance
Business description : Administration of portal website searching iPhone repair stores
- (d) Name of acquiree : Hikkoshi Cheki
Business description : Administration of website comparing cost estimate of moving
- (e) Name of acquiree : Discover INC.
Business description : Administration of website for shopping in motion picture formats

② Goodwill

Amount of Goodwill (Thousand Yen)	341,564
Contents of Goodwill	Mainly excess of the consideration of acquisition over the fair value of identifiable assets and liabilities. None of this Goodwill is expected to be tax deductible expense.

③ Assets, liabilities acquired

Fair values of assets, liabilities on the acquisition date

(Unit: thousand yen)

Account Title	Amount
Current assets	42,433
Non-current assets (Note)	113,467
Total assets	155,900
Current liabilities	21,641
Non-current liabilities	89,618
Total liabilities	111,260
Non-controlling interests	(9,309)
Total equity attributable to the parent company	53,949

(Note) The non-current assets are technology based intangible assets 71,580 thousand yen and customer related assets 41,887 thousand yen.

④ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisitions were booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 1st Quarter ended in December 2018. In terms of adjustments from the initial provisional amounts, after additional analysis on the fair value of acquirees, the increase of technology based intangible assets, customer related assets, and deferred tax liability increased by 71,580 thousand yen, 41,887 thousand yen, 34,618 thousand yen respectively. As a result, goodwill decreased by 78,848 thousand yen.

The provisional amounts of the following business combinations are settled in the 3rd Quarter, ended in June 2019.

(4) Acquisition of DENSHI PRINT KOGYO Co., Ltd.

① Goodwill (Gains on acquisition of affiliates at lower price than the fair value)

Amount of Goodwill (Gains on acquisition of affiliates at lower price than the fair value) (Thousand Yen)	408,201
Contents of Goodwill	Sharingtechnology.INC has an M&A strategy to acquire a company whose net equity is substantially excess of consideration of acquisition, and whose business is stably operated. After Sharingtechnology.INC and the acquiree confirm each other's intention, and decide consideration of acquisition, the fair value of identifiable assets and liabilities exceeds the consideration of acquisition. As a result, gains on acquisition of affiliates at lower price than the fair value are recognized.

② Assets, liabilities acquired

Fair values of assets, liabilities of DENSHI PRINT KOGYO Co., Ltd. on the acquisition date
(Unit: thousand yen)

Account Title	Amount
Current assets (Note 1)	1,076,066
Non-current assets	563,970
Tangible fixed assets (Note 2)	560,657
Other non-current assets	3,312
Total assets	1,640,037
Current liabilities (Note 3)	636,702
Non-current liabilities	—
Total liabilities	636,702
Non-controlling interests	—
Total equity attributable to the parent company	1,003,334

(Note) 1. The main of current assets is cash and cash equivalents 705,131 thousand yen.

2. The main of tangible fixed assets is land 503,600 thousand yen.

3. The main of current liabilities is operating liabilities and other obligations 583,141 thousand yen.

4. The consideration of acquisition is allocated to asset and liability based upon the fair value on the acquisition of control date.

5. The fair value of acquired receivables is 220,023 thousand yen. The contractual value of receivables is 220,023 thousand yen. There are no uncollectible receivables.

③ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisition of DENSHI PRINT KOGYO Co., Ltd. (acquired on April 2, 2018) was booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 3rd Quarter ended in June 2019. After detail analysis on the fair value of assets, liabilities, and goodwill (Gains on acquisition of affiliates at lower price than the fair value), there was no change from provisional value, as of on the acquisition date.

(5) Acquisition of MEISHI Consultant.INC

① Goodwill (Gains on acquisition of affiliates at lower price than the fair value)

Amount of Goodwill (Gains on acquisition of affiliates at lower price than the fair value) (Thousand Yen)	305,082
Contents of Goodwill	Sharingtechnology.INC has an M&A strategy to acquire a company whose net equity is substantially excess of consideration of acquisition, and whose business is stably operated. After Sharingtechnology.INC and the acquiree confirm each other's intention, and decide consideration of acquisition, the fair value of identifiable assets and liabilities exceeds the consideration of acquisition. As a result, gains on acquisition of affiliates at lower price than the fair value are recognized.

② Assets, liabilities acquired

Fair values of assets, liabilities of MEISHI Consultant.INC on the acquisition date

(Unit: thousand yen)

Account Title	Amount
Current assets (Note 1)	2,155,422
Non-current assets	395,745
Tangible fixed assets (Note 2)	341,798
Other non-current assets	53,946
Total assets	2,551,167
Current liabilities (Note 3)	974,557
Non-current liabilities (Note 4)	571,527
Total liabilities	1,546,084
Non-controlling interests	—
Total equity attributable to the parent company	1,005,082

(Note) 1. The main of current assets is cash and cash equivalents 118,831 thousand yen, inventory 706,307 thousand yen, other financial assets (time deposits, etc.) 1,299,259 thousand yen.

2. The main of tangible fixed assets is land 223,222 thousand yen.

3. The main of current liabilities is loans payable and bonds 811,084 thousand yen.

4. The main of non-current liabilities is loans payable and bonds 548,495 thousand yen.

5. The consideration of acquisition is allocated to asset and liability based upon the fair value on the acquisition of control date.

③ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisition of MEISHI Consultant.INC (acquired on April 2, 2018) was booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 3rd Quarter ended in June 2019. After detail analysis on the fair value of assets, liabilities, and goodwill (Gains on acquisition of affiliates at lower price than the fair value), there was no change from provisional value, as of on the acquisition date.

(6) Acquisition of Shiotani Glass Co.,Ltd.

① Goodwill (Gains on acquisition of affiliates at lower price than the fair value)

Amount of Goodwill (Gains on acquisition of affiliates at lower price than the fair value) (Thousand Yen)	415,055
Contents of Goodwill	Sharingtechnology.INC has an M&A strategy to acquire a company whose net equity is substantially excess of consideration of acquisition, and whose business is stably operated. After Sharingtechnology.INC and the acquiree confirm each other's intention, and decide consideration of acquisition, the fair value of identifiable assets and liabilities exceeds the consideration of acquisition. As a result, gains on acquisition of affiliates at lower price than the fair value are recognized.

② Assets, liabilities acquired

Fair values of assets, liabilities of Shiotani Glass Co.,Ltd. on the acquisition date

(Unit: thousand yen)

Account Title	Amount
Current assets (Note 1)	509,783
Non-current assets	1,326,945
Tangible fixed assets (Note 2)	787,712
Other non-current assets	539,233
Total assets	1,836,729
Current liabilities	442,886
Non-current liabilities (Note 3)	505,827
Total liabilities	948,713
Non-controlling interests	—
Total equity attributable to the parent company	888,015

(Note) 1. The main of current assets is cash and cash equivalents 135,528 thousand yen.

2. The main of tangible fixed assets is land 731,401 thousand yen.

3. The main of non-current liabilities is loans payable and bonds 299,129 thousand yen.

4. The consideration of acquisition is allocated to asset and liability based upon the fair value on the acquisition of control date.

5. The fair value of acquired receivables is 154,329 thousand yen. The contractual value of receivables is 156,075 thousand yen. The estimate of contractual cash flow of uncollectible receivables is 4,320 thousand yen as of business combination date.

③ Adjustment to the provisional amount

Since consideration transferred was not completed to be allocated to acquired assets and assumed liabilities, the acquisition of Shiotani Glass Co.,Ltd. (acquired on June 29, 2018) was booked provisionally in the previous fiscal year. Allocation of the consideration transferred was completed during the 3rd Quarter ended in June 2019. After detail analysis on the fair value of assets, liabilities, and goodwill (Gains on acquisition of affiliates at lower price than the fair value), there was no change from provisional value, as of on the acquisition date.

6. Per share information

3rd Quarter YTD

Items	3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Quarterly profit attributable to the owner of the parent company (loss) (thousand yen)	790,095	(493,572)
Quarterly profit adjustment (thousand yen)	—	—
Quarterly earnings (loss) was used to calculate diluted earnings per share (loss) (thousand yen)	790,095	(493,572)
Average number of common shares during the period (shares)	17,860,411	18,174,586
Impact of potential common stock with dilute effect		
Subscription rights to shares (stocks)	656,839	—
Diluted average common shares (shares)	18,517,250	18,174,586
Basic quarterly earnings per share (loss) (yen)	44.24	(27.16)
Quarterly earnings per diluted share (loss) (yen)	42.67	(27.16)

(Note) 1. The average number of shares of treasury stock deducted for the purpose of calculating quarterly earnings per share (losses) and diluted earnings per share (losses) : 47,808 shares for the 3rd quarter YTD of previous fiscal year, and 219,487 shares for the 3rd quarter YTD of current fiscal year.

2. As of August 6, 2018 stock split is carried out at a ratio of 3 shares per common share. The average number of ordinary shares during the fiscal year is calculated assuming that the stock split was made at the beginning of September 2018.

3. During current 3rd quarter YTD, the number of potentially dilutive common shares was 797,347, however, it is excluded from the calculation of diluted quarterly profit(loss) per share as they have antidilutive effect.

3rd Quarter

Items	3rd Quarter of previous fiscal year, (From Apr. 1, 2018 to Jun. 30, 2018)	3rd Quarter of current fiscal year (From Apr. 1, 2019 to Jun. 30, 2019)
Quarterly profit attributable to the owner of the parent company (loss) (thousand yen)	784,393	(119,299)
Quarterly profit adjustment (thousand yen)	—	—
Quarterly earnings (loss) was used to calculate diluted earnings per share (loss) (thousand yen)	784,393	(119,299)

Average number of common shares during the period (shares)	18,221,644	18,187,349
Impact of potential common stock with dilute effect		
Subscription rights to shares (stocks)	447,733	—
Diluted average common shares (shares)	18,669,393	18,187,349

Basic quarterly earnings per share (loss) (yen)	43.05	(6.56)
Quarterly earnings per diluted share (loss) (yen)	42.01	(6.56)

- (Note) 1. The average number of shares of treasury stock deducted for the purpose of calculating quarterly earnings per share (losses) and diluted earnings per share (losses) : 113,100 shares for the 3rd quarter of previous fiscal year, and 219,487 shares for the 3rd quarter of current fiscal year.
2. As of August 6, 2018 stock split is carried out at a ratio of 3 shares per common share. The average number of ordinary shares during the fiscal year is calculated assuming that the stock split was made at the beginning of September 2018.
3. During the 3rd quarter of current fiscal year, the number of potentially dilutive common shares was 379,133, however, it is excluded from the calculation of diluted quarterly profit(loss) per share as they have antidilutive effect.

7. Segment information

(1) Reporting Segment

Our reporting segment, the separated financial information of the Group's constituent units is available, and the Board of Directors decides on the allocation of management resources and evaluates performance on a regular basis. The Group consists of segments that are classified according to the business, and the reporting segments are the "WEB business" and "Investment business". We do not aggregate business segments.

"WEB business" . . . We have matching life service to solve "each household problems" held by our users. Our Company offers service to everyday problem, such as sharing the language schools abroad with users who wish to study abroad and make best match using web technology.

"Investment business" . . . In order to accelerate the growth speed of the WEB business, in addition to conducting management guidance etc. by directly holding the shares of the subsidiary, considering a certain investment efficiency, we optimize our business portfolio through new business such as operation.

The accounting methods of reported business segments are the same as those adopted for preparation of consolidated financial statements.

(2) Sales, profits, and other items of reporting segments

3rd quarter YTD of the previous fiscal year (Oct. 1, 2017 to Jun. 30, 2018)

(Unit: thousand yen)

	Reportable segments			Reconciling items (Note2)	Condensed Quarterly Statement of Income Amount Recorded
	WEB business	Investment business	Total		
Sales revenue					
Revenues from external customers	2,014,519	793,600	2,808,120	—	2,808,120
Inter-segment internal revenue or transfer	—	—	—	—	—
Total	2,014,519	793,600	2,808,120	—	2,808,120
Segment profit(loss) (Note 1)	120,600	942,981	1,063,582	(243,151)	820,430
Financial revenue					9,319
Financial expenses					14,351
Quarterly profit before income tax					815,399

(Note) 1. Segment profit(loss) is the same as operating profit in the condensed quarterly consolidated income statement.

2. Reconciling items are mainly company-wide expense which is not allocated to Reportable segments. Company-wide expense is mainly the expense of administration departments which do not belong to Reportable segments.

3rd quarter YTD of the current fiscal year (Oct. 1, 2018 to Jun. 30, 2019)

(Unit: thousand yen)

	Reportable segments			Reconciling items (Note2)	Condensed Quarterly Statement of Income Amount Recorded
	WEB business	Investment business	Total		
Sales revenue					
Revenues from external customers	3,399,427	2,143,285	5,542,712	—	5,542,712
Inter-segment internal revenue or transfer	—	—	—	—	—
Total	3,399,427	2,143,285	5,542,712	—	5,542,712
Segment profit(loss) (Note 1)	(199,287)	126,722	(72,564)	(506,684)	(579,249)
Financial revenue					5,226
Financial expenses					41,005
Quarterly profit before income tax					(615,028)

(Note) 1. Segment profit(loss) is the same as operating profit in the condensed quarterly consolidated income statement.

2. Reconciling items are mainly company-wide expense which is not allocated to Reportable segments. Company-wide expense is mainly the expense of administration departments which do not belong to Reportable segments.

8. Sales Revenue

All sales revenue comes from contracts with customers. The classification is as follows:

(Unit: thousand yen)

Segment	Contents of sales revenue	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
WEB business	Revenue from Vertical Media Site and Portal Platform Site	2,649,304
	Others	750,122
	Total	3,399,427
Investment business	—	2,143,285
Total		5,542,712

(Unit: thousand yen)

Segment	Contents of sales revenue	3rd Quarter of current fiscal year (From Apr. 1, 2019 to Jun. 30, 2019)
WEB business	Revenue from Vertical Media Site and Portal Platform Site	986,161
	Others	328,008
	Total	1,314,169
Investment business	—	670,942
Total		1,985,111

The Group operates "WEB business" and "Investment business". Each standard of sales revenue recognition is as follows.

(WEB business)

The Group offers mainly on-line service to introduce homeowners with household problems to local service providers through vertical media site and portal platform site. We recognize sales revenue when we have received service completion report in specified format from service providers, or we have introduced customers to service providers after matching.

Among "Others", main one is our service to share the language schools abroad with users who wish to study abroad and make best match using web technology. Sales revenue of this business is recognized when users have entered language schools abroad. Advance payment received before entering schools is recognized as liability from contract.

(Investment business)

Investment business includes manufacturing, real estate, and vacation rental hotel business. We recognize sales revenue of manufacturing, real estate, vacation rental hotel business, when goods are delivered to customers, when delivery condition defined in the contract is satisfied, and when accommodation is offered to hotel guest in accordance with contract, respectively. Advance payment received before rendering service is recognized as liability from contract.

9. Bonds and borrowings

The breakdown of "Bonds and Borrowings" is as follows:

(Unit: thousand yen)

	Previous fiscal year (Sep. 30, 2018)	3rd Quarter of current fiscal year (Jun. 30 2019)	Average Interest Rate (%) (Note)	Maturity date
Short-term borrowings	514,000	200,000	1.73	Dec., 2019
Current portion of long-term borrowings	1,051,349	1,014,120	0.58	—
Current portion of Corporate Bonds	395,000	475,000	0.24	—
Long-term borrowings	2,942,398	2,572,737	0.59	Nov. 2020 ~ Jul. 2024
Corporate Bonds	1,709,520	1,626,419	0.23	Nov. 2020 ~Mar. 2024
Total	6,612,268	5,888,276	—	—
Current liability	1,960,349	1,689,120	—	—
Non-current liability	4,651,918	4,199,156	—	—
Total	6,612,268	5,888,276	—	—

(Note) Average interest rate indicates the weighted-average interest rates applicable to borrowings at each fiscal yearend.

(Unit: thousand yen)

	Previous fiscal year (Sep. 30, 2018)	3rd Quarter of current fiscal year (Jun.30, 2019)
Assets pledged as security		
Property, plant and equipment	460,100	459,707
Total	460,100	459,707

(Unit: thousand yen)

	Previous fiscal year (Sep. 30, 2018)	3rd Quarter of current fiscal year (Jun.30, 2019)
Liability with collateral		
Current portion of long-term borrowings	122,276	74,840
Current portion of Corporate Bonds	—	—
Long-term borrowings	143,427	243,640
Corporate Bonds	—	—
Total	265,703	318,480

10. Change of Liability from Financing Activities

Change of Liability from Financing Activities is as follows:

3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)

(Unit: thousand yen)

	Borrowings (Note)	Corporate Bonds (Note)
Oct. 1, 2017	135,000	229,219
Cash flows	2,733,574	1,716,450
Newly consolidated	1,645,836	180,000
Non-monetary transfer	—	3,280
Jun. 30, 2018	4,514,410	2,128,950

(Note) Includes the balance of Current portion of long-term borrowings and Current portion of Corporate Bonds

3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)

(Unit: thousand yen)

	Borrowings (Note)	Corporate Bonds (Note)
Oct. 1, 2018	4,507,747	2,104,520
Cash flows	(720,890)	(7,500)
Newly consolidated	—	—
Non-monetary transfer	—	4,399
Jun. 30, 2019	3,786,857	2,101,419

(Note) Includes the balance of Current portion of long-term borrowings and Current portion of Corporate Bonds

11. Approval of Condensed Quarterly Consolidated Financial Statements

The Group's Condensed Quarterly Consolidated Financial Statements were approved on August 8, 2019 by Board of directors.

12. Financial instruments

The fair value hierarchy of financial instruments is categorized within the following three levels.

Level 1: Fair value measured via market prices in active markets.

Level 2: Fair value measured via observable prices, either directly or indirectly, other than those categorized within Level 1.

Level 3: Fair value measured via inputs not based on observable market data.

Transfers between fair value hierarchy levels are deemed to have occurred at the beginning of each quarter.

(1) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

The fair value hierarchy of financial instruments measured at fair value is as follows:

(All financial assets and liabilities are measured at fair value.)

Previous fiscal year-end (Sep. 30, 2018)

(Unit: thousand yen)

	Book Value	Level 1	Level 2	Level 3	Total
Other financial assets					
Financial assets available for sale					
Shares	80,376	80,376	—	—	80,376
Financial assets measured at fair value through profit or loss					
Insurance funds	121,259	—	—	121,259	121,259
Other financial assets	109,719	—	11,300	98,419	109,719
Total	311,355	80,376	11,300	219,679	311,355

Current 3rd quarter-end (Jun. 30, 2019)

(Unit: thousand yen)

	Book Value	Level 1	Level 2	Level 3	Total
Other financial assets					
Other financial assets measured at fair value through comprehensive income					
Shares	268,788	68,387	400	200,001	268,788
Other financial instruments	2,271	—	—	2,271	2,271
Financial assets measured at fair value through profit or loss					
Insurance funds	—	—	—	—	—
Shares	115,704	—	—	115,704	115,704
Other financial assets	37,657	—	9,009	28,647	37,657
Total	424,420	68,387	9,409	346,624	424,420

(2) Financial instruments measured at amortized cost

Financial assets and liabilities which are not measured at fair value, but which are required to disclose in the Condensed Quarterly Consolidated Financial Statements is as follows:

(When the book value of financial instruments is rationally approximate with fair market value, the disclose is omitted, mainly cash or time deposit not included in cash equivalents.)

Previous fiscal year-end (Sep. 30, 2018)

(Unit: thousand yen)

	Book Value	Level 1	Level 2	Level 3	Total
Financial assets					
Guarantee deposit	343,096	—	340,867	—	340,867
Total	343,096	—	340,867	—	340,867
Financial liabilities					
Bonds and borrowings	6,612,268	—	6,614,737	—	6,614,737
Total	6,612,268	—	6,614,737	—	6,614,737

Current 3rd quarter-end (Jun. 30, 2019)

(Unit: thousand yen)

	Book Value	Level 1	Level 2	Level 3	Total
Financial assets					
Guarantee deposit	370,301	—	372,689	—	372,689
Total	370,301	—	372,689	—	372,689
Financial liabilities					
Bonds and borrowings	5,888,276	—	5,915,219	—	5,915,219
Total	5,888,276	—	5,915,219	—	5,915,219

(Measurement of Fair Values)

- The fair values of guarantee deposit are the present value calculated by discounted cash flows by market interest rate.
- The fair values of marketable shares are those at the stock exchange. The fair values of unlisted shares and other equity securities are determined by using the most appropriate method such as recent transaction price, comparison with similar corporation, the adjusted market value method with adjustments to the market value using the PBR, present value calculated by discounted cash flows, etc.
- The fair values of bonds and borrowings at fixed interest rate are calculated based on the present value, which is obtained by discounting the sum of the principal and interest by the interest rate assumed in a case where the same loan would be newly made.
- Borrowings at the variable interest rate are book values, since the variable interest rate reflects short-term market interest rate, credit rating does not materially change after borrowing, hence fair values are nearly equal to book value.
Short-term borrowings are measured at book value, since they are repaid in short-term, hence fair values are equal to book value.

(3) Evaluation Process

The fair values of financial instruments of Level 3 are measured in accordance with related internal policies. In

measuring of fair values, the most appropriate method and input to reflect the characteristics and risk of financial instruments, are employed. The result of measurement of fair values are reviewed by supervisors.

(4) The increase or decrease of financial instruments that are classified in Level 3 is as follows:

(Unit: thousand yen)

	3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Beginning balance	—	219,679
Purchases	40,077	201,239
Total recognized gains and losses		
Net gain/loss	—	44,699
Sales or Disposal	—	(118,994)
Increase (Decrease) due to change of scope of consolidation	307,607	—
Ending balance	347,684	346,624

13. Other income

The breakdown of "Other income" is as follows:

(Unit: thousand yen)

	3rd Quarter of previous fiscal year, YTD (From Oct. 1, 2017 to Jun. 30, 2018)	3rd Quarter of current fiscal year, YTD (From Oct. 1, 2018 to Jun. 30, 2019)
Gains from sales of fixed assets	—	45,969
Gains from revaluation of investment securities	—	58,426
Insurance proceeds	—	15,048
Gains on acquisition of affiliates at lower price than the fair value	1,128,339	—
Others	12,623	48,029
Total	1,140,963	167,474

2 [Etc.]

N/A

Part 2 【Information of Surety Company of the Company】

N/A