INTERNET RESEARCH INSTITUTE LTD

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

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INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	USD (In thousands) 31 December 2017	2018
ASSET			
CURRENT ASSETS			
Cash and cash equivalents	3,15,18	8,949	11,282
Trade receivables	3,15	10	21
Contract assets	2,5	-;-	267
Related parties	2,3,15,16	1	50
Income tax receivables		153	511
Other current financial assets	3,15	94	-;-
Other current assets	2,3,15,16,17	802	567
TOTAL CURRENT ASSETS		10,009	12,698
NON-CURRENT ASSETS			
Other financial assets	3,15	777	1,087
Investments accounted for using the equity method	14	17,878	17,531
Property, plant and equipment	13	262	724
Intangible assets		11	15
Deferred tax assets	2,24	524	147
TOTAL NON-CURRENT ASSETS		19,452	19,504
TOTAL ASSETS		29,461	32,202
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payable	3,15	180	147
Accruals and other payables	2,20	4,446	1,500
Contract liabilities	2,5	-;-	2,947
Obligations under finance leases	3,23	12	12
Related parties	2,3,15,16	38	6
TOTAL CURRENT LIABILITIES		4,676	4,612
NON-CURRENT LIABILITIES			
Obligations under finance leases	3,23	8	65
Provisions	22	196	209
Contingencies and commitments	25	-;-	-;-
TOTAL NON-CURRENT LIABILITIES		204	275
TOTAL LIABILITIES		4,880	4,886
EQUITY			
Share capital	3,19	-;-	-;-
Capital surplus	3,19	9,604	14,845
Retained earnings	19	13,752	10,624
Accumulated other comprehensive income	19	373	352
Exchange differences on translation from functional currency to presentation currency	19	852	1,495
TOTAL EQUITY		24,581	27,316
TOTAL LIABILITIES AND EQUITY		29,461	32,202

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF INCOME

	Note	USD (In thousands) Year ended 31 December 2016	2017	2018
Revenue	2,5	7,959	9,121	10,455
Operating costs and expenses:				
Cost of sales	2	(2,727)	(3,100)	(3,455)
Selling, general and administrative	2,7	(5,301)	(8,942)	(9,771)
Research and Development expenses	7	(16)	(130)	(33)
Other operational incomes (expenses), net	6	6	(23)	16
Total operating costs and expenses		(8,038)	(12,195)	(13,243)
Operating loss		(79)	(3,074)	(2,788)
Other expenses	6	-;-	-;-	(955)
Finance income	9	2	2	90
Finance expense	9	(8)	(1)	(8)
Finance income (expense), net		(6)	1	82
Share of profit of investments accounted for using the equity method	14	1,455	1,457	993
Gain on change in share of investments accounted for using equity method	14	453	123	112
Loss before income taxes		1,823	(1,493)	(2,556)
Income tax expense	10	(443)	(330)	(259)
Loss for the year		1,380	(1,823)	(2,815)
Loss for the period attributable to:				
Owners of the parent		1,380	(1,823)	(2,815)
Loss for the year				
Other comprehensive income, net of tax:				
Items that may be reclassified to profit or loss				
Differences from translation of financial statements from functional currency to presentation currency		373	578	657
Share of other comprehensive income of investments accounted for using equity method, net of tax		(491)	133	34
Change in fair value of available-for-sale financial assets		8	(9)	-;-
Items that will not be classified to profit or loss				
Differences from translation of financial statements from functional currency to presentation currency		-;-	-;-	(13)

Change in fair value of equity securities at FVOCI		-;-	-;-	5
Share of other comprehensive income (loss) of investments accounted for using equity method, net of tax		-;-	-;-	394
Total other comprehensive income, net of tax		(110)	702	1,077
Comprehensive income (loss) for the year		1,270	(1,121)	(1,738)
Earnings per share attributable to owners of the parent				
Basic (USD)	11	0.051	(0.057)	(0.071)
Diluted (USD)	11	0.051	(0.057)	(0.071)

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share capital	Capital surplus	Retained earnings	Accumulated other comprehensive income (loss)	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 31 December,2017		-;-	9,604	13,752	373	852	24,581
Adjustment on adoption of new accounting standards	2	-;-	-;-	561	(454)	(1)	106
Balance as of 1 January,2018 (restated)		-;-	9,604	14,313	(81)	851	24,687
Loss for the year		-;-	-;-	(2,815)	-;-	-;-	(2,815)
Other comprehensive loss, net of tax		-;-	-;-	-;-	433	644	1,077
Total comprehensive income (loss) for the period		-;-	-;-	(2,815)	433	644	(1,738)
Shares IPO, net of IPO expenses		-;-	4,367	-;-	-;-	-;-	4,367
Transfer to capital from retained earnings	19	-;-	874	(874)	-;-	-;-	-;-
Total transaction with owners and other		-;-	5,241	(874)	-;-	-;-	4,367
Balance as of 31 December,2018		-;-	14,845	10,624	352	1,495	27,316

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		USD (In thousands)						
		Equity attributable to owners of the parent						
	Note	Share capital	Capital surplus	Retained earnings	Accumulated other comprehensive income	Other reserve	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 1 January, 2017		837	-;-	15,575	249	270	274	17,205
Loss for the year		-;-	-;-	(1,823)	-;-	-;-	-;-	(1,823)
Other comprehensive income, net of tax		-;-	-;-	-;-	124	-;-	578	702
Total comprehensive income (loss) for the period		-;-	-;-	(1,823)	124	-;-	578	(1,121)
Transaction with owners and other								
Issuance of common shares	17	4,244	4,244	-;-	-;-	-;-	-;-	8,488
Share based expenses related to issuance of common shares	20	-;-	9	-;-	-;-	-;-	-;-	9
Decrease by merger		(5,081)	5,081	-;-	-;-	-;-	-;-	-;-
Lapse of subscription rights to shares	17,19	-;-	270	-;-	-;-	(270)	-;-	-;-
Total transaction with owners and other		(837)	9,604	-;-	-;-	(270)	-;-	8,497
Balance as of 31 December,2017		-;-	9,604	13,752	373	-;-	852	24,581

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		USD (In thousands)						
		Equity attributable to owners of the parent						
	Note	Share capital	Capital surplus	Retained earnings	Accumulated other comprehensive income	Other reserve	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 1 January, 2016		837	-;-	14,732	732	-;-	(99)	16,202
Profit for the year		-;-	-;-	1,380	-;-	-;-	-;-	1,380
Other comprehensive income, net of tax		-;-	-;-	-;-	(483)	-;-	373	(110)
Total comprehensive income (loss) for the period		-;-	-;-	1,380	(483)	-;-	373	1,270
Transaction with owners and other								
Acquisition of NOM		-;-	-;-	(537)	-;-	-;-	-;-	(537)
Lapse of subscription rights to shares	17,19	-;-	-;-	-;-		270	-;-	270
Total transaction with owners and other		-;-	-;-	(537)	-;-	270	-;-	(267)
Balance as of 31 December,2016		837	-;-	15,575	249	270	274	17,205

		USD (In thousands) Year Ended 31 December		
	Note	2016	2017	2018
Cash flows from operating activities:				
Profit (loss) before income taxes		1,823	(1,493)	(2,556)
Depreciation and amortization		36	35	117
Share of profit of investments accounted for using equity method		(1,455)	(1,457)	(993)
Gain on change in share of investments accounted for using equity method		(453)	(123)	(112)
Finance income and finance expense, net		6	(1)	1
Share-based compensation expenses		270	9	-;-
IPO related costs with regards to issuance cost		-;-	175	-;-
Change in assets and liabilities				
Trade receivables		2	-;-	412
Contract assets		-;-	-;-	(81)
Trade payable		31	109	(38)
Accruals and other payables		1,008	1,687	(283)
Contract liabilities		-;-	-;-	184
Others		(2)	(406)	(372)
Dividends received		310	1,101	2,540
Interest received		-;-	7	-;-
Interest paid		(134)	(1)	(1)
Income taxes paid		(20)	(303)	(352)
Net cash provided by operating activities		1,422	(661)	(1,534)
Cash flows from investing activities:				
Acquisitions of property, plant and equipment		(3)	(51)	(486)
Acquisitions of intangible assets		(3)	(8)	(7)
Acquisition of NOM, net		730	-;-	
Acquisition of Investment Securities		-;-	-;-	(282)
Proceeds from collection of loan to related parties	26		288	-;-
Loans to related parties		(276)	-;-	-;-
Payments for restricted deposits			(757)	-;-
Acquisition of other financial assets		(1)	(2)	(2)
Proceeds from collection of restricted deposits			-;-	96
Net cash used in investing activities		447	(530)	(681)
Cash flows from financing activities:				
Short-term financing liabilities, net		(549)		
Repayments of long-term financing liabilities		(111)	(62)	-;-
Proceeds from issuance of common shares			8,488	4,367
Payment for IPO related cost			(350)	-;-
Repayments of obligations under finance leases		(12)	(12)	(46)
Net cash provided by financing activities		(672)	8,064	4,321
Net change in cash and cash equivalents		1,197	6,873	2,106
Cash and cash equivalents at beginning of year		885	2,095	8,949
Capital fund from translation differences		13	(19)	227
Cash and cash equivalents at end of year		2,095	8,949	11,282

NOTE 1 – GENERAL

1.1 General Information

Internet Research Institute Ltd (hereinafter - the Company) was incorporated and registered in Israel as a private company on August 8, 2017. The Company listed shares of its common stock on the Tel-Aviv Stock Exchange on August 9, 2018. The Company wholly holds in Internet Research Institute, Inc. (hereinafter – IRI Japan), a private company that was incorporated in Japan on December 9, 1996. IRI Japan registered address is in Tokyo, Japan.

The Company's operations, via IRI Japan and its subsidiaries (hereinafter – the Group), are focused on Internet technologies (and, in particular, IoT), cyber security and AI (see the definitions of these terms above), and include consultation, research, investments, and production of conferences and events in these fields.

Upon its incorporation in Israel, the Company was wholly owned by Dr. Hiroshi Fujiwara. After the Company's incorporation, Dr. Fujiwara set up a company that was wholly owned by him, which was incorporated under Japanese law (the "New IRI Japan") the entire issued capital of which was transferred by Dr. Fujiwara to the Company immediately following its incorporation. Just prior to the date of the incorporation, a merger transaction (under Japanese law, hereinafter: the "Merger") was effected, in which the following actions were performed at the same time: (i) Dr. Fujiwara transferred 34,786 shares of the Company (out of the 34,787 shares existing in the issued capital of the Company) to the New IRI Japan; (ii) the operations of (the original) IRI Japan were merged into the New IRI Japan; and (iii) the New IRI Japan transferred the shares of the Company to the shareholders of (the original) IRI Japan at a ratio of 1:2 (i.e., two shares of the Company for each share of the original IRI Japan). For the purpose of the merger, 756 ordinary A shares of (the original) IRI Japan were converted for ordinary shares of (the original) IRI Japan, at a ratio of 1:1.

As a result of the above, after the completion of the above mentioned merger, the shareholders of the Company were the persons who were the shareholders of (the original) IRI Japan.

Pursuant to the law that is applicable in Japan, on the date of the merger, the New IRI Japan, as the recipient corporation in the merger, accepted all of the assets and liabilities of the original IRI Japan as such had been on the date of the merger. Therefore, in this financial statements, the term "IRI Japan" shall refer to the original IRI Japan and to the New IRI Japan, without distinction.

After completing the foregoing merger, the Company allotted bonus shares to its shareholders, so that an additional 999 shares were allotted for each share of the Company.

All references in the financial statements to the number of shares outstanding of the Company have been adjusted to reflect the effect of the triangle merger and allotted bonus shares.

1.2 Terms

In this financial statements:

The Company, IRI Israel –Internet Research Institute Ltd.

IRI Japan – Internet Research Institute, Inc., a private company that is wholly owned by the Company, and that was incorporated in Japan.

NOM – Nano-Opt Media, Inc., a private company that is wholly owned by IRI Japan, which was incorporated in Japan.

BBT – BroadBand Tower, Inc., a public company incorporated in Japan, the shares of which are listed for trading on the Tokyo Stock Exchange, in which IRI Japan holds 21.86% of the issued and paid up share capital.

MIC – Mobile Internet Capital, Inc., a private company incorporated in Japan in which IRI Japan holds 30% of the issued and paid up share capital.

The Group – the Company and its subsidiaries and its affiliates.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied through the years ended 31 December 2017 and 2018, unless otherwise stated.

The consolidated financial statements are measured in thousands of Japanese YEN ("¥"), which is the Group's functional currency as it is the currency of the primary economic environment in which the Group operates. And the consolidated financial statements are presented in thousands of U.S. Dollars (USD or $ or dollar), unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group ("the financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standard Board (the "IASB") for the purpose of preparation for the consolidated financial statements of IRI Israel. The financial statements were included in the consolidated financial statements of IRI Israel which were approved by Representative Director, President Hiroshi Fujiwara and Chief executive officer, Mirei Kuroda, and external Director, Elchanan Harel, on March 31, 2019.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4.

Also note that all comparative financial information for the year ended December 31 2017 were presented in this financial statements, which were prepared at IRI Israel's consolidated basis, whereas all current financial information for the year ended December 31 2018 were prepared at IRI Japan's sub consolidated basis.

2.1.1. New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The group also elected to adopt the following amendments early:

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9 and IFRS 15. Those are disclosed in Note 2.19. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2.1.2. New standards and amendments to existing standards not yet adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. The Group's assessment of the impact of these new standards and interpretations are still in-progress, however, the Group assessed the impact by adoption of IFRS 16 Leases as follows.

IFRS 16 Leases

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.
IFRS 16 is effective for annual periods beginning on or after 1 January 2019, although early adoption is permitted if IFRS 16 is also applied. Even though, the Group determined not to early adopt the standard for this year ended 31 December 2018, the Group has started an assessment of the potential impact on its financial statements.
The Group assessed that the new standard will result in a change to the accounting treatment over the office lease transaction in IRI Japan and NOM mainly.
Under the previous standard, the lease transaction is classified as "Operating lease" and relevant rent fees are recognized as operating expenses over the lease period. On the other hand, under IFRS 16, the Group will recognize a right-of-use asset and corresponding liability. The liability will be measured at the present value of the remaining lease payments. Each lease payment will be allocated between the liability and finance cost, and the finance cost will be charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The associated right-of-use asset will be measured at the amount equal to the lease liability and amortized over the estimated lease term on a straight-line basis.
The Group plans to use the modified retrospective method as the simplified transition approach which is to record cumulative amount of the impact at the beginning balance of the retained earnings upon adoption.
As a result of the change, the Group estimated the tentative impact as increase of right-of-use assets of 6,153 thousand USD and increase of lease liabilities of USD 6,153 thousand USD in the balance sheet on 1 January, 2019.
In terms of impact of adoption of the new standard by each affiliate, especially BBT group will have an impact by considering the nature of the services provided by them such as data center business and dedicated platform services. The assessment on the impacts is disclosed in Note. 30. The affiliates' assessment of the impact of these new standards and interpretations are still in-progress, however, they assessed the impact by adoption of IFRS 16 Leases in Note 29.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.
Others

2.2 Basis of consolidation

(a) Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(b) Associates

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity, unless it can be clearly demonstrated that it is not the case.
The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost and the carrying amount is adjusted to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition, including its share in the associate's other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.
If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.
Changes in ownership interests in associates that do not change the significant influence status in such associate, are accounted for as follows: the difference between any consideration received for sale of the associate shares, and the change in the carrying amount of the investment, is carried to income; a proportionate share of the associate's other comprehensive income is reclassified to profit or loss.

(c)Business combinations under common control

On 18 October, 2017, Internet Research Institute, Inc. (“original IRI Japan”) which was established as a limited company in Japan under the Japanese Companies Ordinance on 9 December 1996, entered into a merger agreement with IRI Japan.
The merger is Absorption-Type Merger under the Japanese law and IRI Japan is a surviving company and original IRI Japan is a merging company, and IRI Japan succeeded to all rights and obligation of old IRI Japan and continue to exist while original IRI Japan dissolved on 20 November, 2017 in accordance with the agreement.
In advance of the merger, 34,786 shares of IRI Israel was transferred from Hiroshi Fujiwara to IRI Japan on 11 October, 2017. Also, original IRI Japan acquired its 756 ordinary A shares from its shareholders and issued 756 ordinary shares to them as a compensation for the acquisition on 19 November, 2017, and then original IRI Japan retired 756 ordinary A shares on the same date.
Through this merger, IRI Japan transferred 34,786 shares of IRI Israel to the shareholders of original IRI Japan at ratio of 1:2 (i.e., two shares of the Company for each share of original IRI Japan) as a compensation for the merger. Also, IRI Japan delivered to the holders of original IRI Japan’s Series 1 Share Options, in exchange for their Series 1 Share Options at ratio of 1:1 on the merger date. After that, IRI Japan entered into the waiver letter with the holders of their Series 1 Share Options on 24 November, 2017 and it resulted that the Options were cancelled.
As a result of these transactions, IRI Japan became a wholly subsidiary of IRI Israel and the prior shareholders of original IRI Japan became the shareholders of IRI Israel as well.
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and in which control is not transitory. Accordingly, the triangle merger was accounted for as business combinations under common control. The Group has accounted for the acquisition of IRI, Inc. based on the carrying amounts recorded in the stand alone financial statements of IRI, Inc.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Operating Decision-Maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO of the Group that makes strategic decisions.

2.4 Property, plant and equipment

Property, plant and equipment are measured on a historical cost basis, less accumulated depreciation and accumulated impairment losses. Historical cost includes costs directly attributable to the acquisition of the asset and the initial estimated costs related to disassembly, retirement and site restoration.
Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Leasehold improvement	8 years
- Equipment	4 to 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.
An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.
Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognized within "Other (expenses)/incomes, net" in the profit or loss.

2.5 Intangible assets

Computer software
Computer software is stated at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost over their estimated useful lives, which does not exceed five years.

2.6 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial assets

The IASB issued the final version of IFRS 9 Financial Instruments which sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is the new standard for the financial reporting of financial instruments that is principles-based and brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics including new impairment requirements that are based on a more forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. The Group has applied the following accounting policies in accordance with IFRS 9 commencing on 1 January, 2018.

(a) Classification of financial assets

Based on the Group's business model for managing the financial assets and the characteristics of contractual cash flow of the financial assets, the Group classifies the financial assets by following categories. Gains and losses arising from assets measured at fair value are either recorded in profit or loss or other comprehensive income, depending on the Group's intention.

i. Financial assets as amortized cost

Financial assets measured at amortized cost are debt instruments held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

ii. Financial assets at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are debt instruments whose contractual cash flows represent solely payments of principal and interest on the principal amount outstanding and which are held within a business model both to collect contractual cash flows and sell and equity instruments which the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

Subsequent to initial recognition, financial assets are measured at fair value. A gain or loss on debt instruments which is not part of a hedging relationship is recognized in profit or loss.

(b) Measurement of financial assets

Initial measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset at fair value through other comprehensive income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Subsequent measurement

Debt instruments:

i. Amortized cost

Financial assets at amortized cost are measured at amortized cost using the effective interest method, and related interest income is included in finance income. When the asset is derecognized or impaired, a gain or loss on a debt investment is recognized in profit or loss.

ii. Fair value through other comprehensive income (FVOCI)

Subsequent to initial recognition, financial assets are measured at fair value and gains or losses arising from changes in the fair value are recorded in other comprehensive income, except for the recognition of interest revenue, foreign exchange gains or losses and expected credit losses which are recognized in profit or loss.

iii. Fair value through profit or loss

Subsequent to initial recognition, financial assets are measured at fair value. A gain or loss on debt instruments which is not part of a hedging relationship is recognized in profit or loss.

Equity instruments:

Where the Group has irrevocably elected to designate equity instruments as financial assets measured at fair value through other comprehensive income, movements in the carrying amount by fair value measurement are recognized as other comprehensive income.
There is no subsequent reclassification of cumulative gains or losses previously recognized in other comprehensive income to profit or loss. Where the Group has not elected to designate equity instruments as financial assets at fair value through other comprehensive income, movements in the carrying amount by fair value measurement are recognized in profit or loss. Dividends from equity investments are recognized in profit or loss as “Finance income” when the Group’s right to receive payments is established.

(c) De-recognition of a financial asset

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

(d) Financial Liabilities

The Group recognizes financial liabilities in the Consolidated Statements of Financial Position when the Group becomes a party to the contractual provisions of the financial liability. At the date of initial recognition, financial liabilities are measured at fair value, net of transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liabilities from the Consolidated Statements of Financial Position when it is extinguished (i.e. when the obligation specified in the contract is discharged, canceled or expires).

(e) Impairment of financial assets

The Group assesses the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables only, the Group applies the simplified approach permitted by IFRS9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

2.8 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months. In the consolidated statements of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.9 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. Trade and other receivables are recognized initially at fair value less provision for impairment. At the end of each reporting period, the Group assesses the recognition of any impairment of financial assets on whether there is a significant increase in credit risk from the initial recognition.

2.10 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary shares of business from suppliers. Accounts payable are classified as current liabilities if payable is due within one year or less. Trade payable are recognized initially at fair value, and subsequently measured at amortized cost.

2.11 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statements of financial position date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred tax is recognized using the asset-liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. A deferred tax liabilities is recognized for all temporary differences. A deferred tax asset is recognized for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries and associates, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax assets to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The

measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow, in a manner that the Group expects, at the end of the reporting period to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied on the same taxable entity by the same tax authority.

2.12 Employee benefits

(a) Profit-sharing and bonus plans

The Group recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company’s shareholders after certain adjustments. The Group recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the year-end date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

(c) Share-based payments

The Group has granted stock options to directors and employees. The fair values of the stock options are measured at the grant dates. Compensation expenses related to stock options are recognized over the vesting period. Refer to Note 21 Share-based Payments for more details on the valuation methodology of stock options and the assumptions used in such valuation

2.13 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company is required to incur certain costs in respect of liability to dismantle and remove assets and to restore sites on which the assets were located. The dismantling costs are calculated according to best estimate of future expected payments discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as finance costs (unwinding of discount).

2.14 Revenue recognition

As discussed in Note 27 Segment Reporting, the Group mainly provides the following two business.

<u>Information technology</u>
The business is mainly to provide consultancy services, research services and the reviewing of market trends in the field of internet technologies for companies, organizations and government institutions in Japan. The business mainly consists of a) providing research report to the customer and b) providing consulting/lecture service to the customer, and the Group

recognizes the revenues as follows.

a) Providing research report to the customer
Based on the contracts with the customer, the Group has an obligation to provide the research report to their customer in such a field of internet technologies in Japan etc.
The obligation is satisfied at a point in time when the research report was delivered to the customer or accepted by them, and accordingly, the Group recognizes its revenues at the time.

b) Providing consulting/lecture service to the customer
Based on the contracts with the customer, the Group has an obligation to provide the consulting/lecture service to the customer over the contract period.
The obligation satisfied over time, and the customer equally receives the benefit from the service over the contract period.
Accordingly, the Group recognizes its revenues based on the straight line method over the contract period.

Information service business

The business is mainly to provide planning, organization, production and management of conferences, exhibitions, seminars and other business in the fields of internet technology, hi-tech, cyber security etc. The business mainly consists of a) host event business and b) private event support service, and the Group recognizes the revenues as follows.

a) Host event business
The business is to plan, hold, operate and manage conferences, exhibitions and seminars (hereafter "host event") by the Group as an organizer entirely, and it is the performance obligation of the Group.
The customer of the business are mainly exhibitors and sponsors of the host events, and they receive the benefit of the business provided by the Group over the event period. Therefore, the Group's performance obligation is evenly satisfied over time and assessed that a straight-line method over event period.
Accordingly, the Group recognizes its revenues based on the straight line method over the event period.

b) Private event support service
The service is to provide support service for the private event held by the customer who is an organizer of the event. The support service are mainly providing the promotion activities and the reception of the private event etc. behalf of the customer, and the content of the service depends on each contract and accordingly, the performance obligation is different in each contract. Based on the performance obligation in each contract, the Group mainly recognizes its revenue based on the method as "At a point in time when the event has been totally completed." or "Over the contract period on a cost method due to the facts that outcome of its performance obligation will be clear in the late stage of the services on around relevant event date."

There are no significant financing components (i.e. payment terms exceeding one year) within the services provided to the customer by the Group.

2.15 Research and development expenses

Research and development expenses are charged to the statement of income as incurred unless all of following conditions have been met:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sales.
(b) Its intention to complete the intangible asset and use or sell it.

(c) Its ability to use or sell the intangible asset.
(d) How the intangible asset will generate probable future economic benefits. Among other things, the entity demonstrates the existence or a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

As of 31 December 2017 and 2018, the above criteria for capitalization have not been met.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.17 Share capital

Ordinary shares are classified as equity. Company's share acquired by the Company (treasury shares) are presented as a reduction of equity, at the consideration paid, including any incremental attributable costs, net of tax. Treasury shares do not have a right to receive dividends or to vote.

2.18 Earnings per share (EPS)

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares. The instruments that are potential dilutive ordinary shares are equity instruments granted to employees. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

2.19 Changes in accounting policies

As discussed in Note 2.1, the Group has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customer on the group's financial statements from the fiscal year 2018.

The impacts on the Group's financial statements by adoption of IFRS 9 and IFRS 15, are as follows.

IFRS 9 Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments which sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is the new standard for the financial reporting of financial instruments that is principles-based and brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project. IFRS 9 is built on a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics including new impairment requirements that are based on a more forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting.

The Group has applied IFRS 9 retrospectively and has determined not to restate the comparative information for the year ended 31 December, 2017. As a result, the comparative information is prepared based on the Group's pervious accounting policies. On 1 January, 2018, the Group has assessed which business models to apply to its financial assets and liabilities and classified such financial assets and liabilities in to appropriate classification under IFRS 9. The impacts of these classifications are as follows.

	Balance at January 1, 2018 under IAS 39 and others	Balance as of 1 January,2018 under IFRS 9				Impact by adoption of IFRS9		
		Financial assets/liabilities s at fair value through profit or loss	Financial assets/liabilities at FVOCI	Financial assets/liabilities at amortized cost	Total financial assets/liabilities	Fair value measurement at January 1, 2018	Provision at January 1, 2018	Total impacts
Financial assets :								
Trade receivables								
Trade receivables	10	-;-	-;-	10	10	-;-	-;-	-;-
Total	10	-;-	-;-	10	10	-;-	-;-	-;-
Other current financial assets								
Office security deposits	94	-;-	-;-	94	94	-;-	-;-	-;-
Total	94	-;-	-;-	94	94	-;-	-;-	-;-
Other financial assets, non-current								
Available-for-sale for equity securities	15	-;-	15	-;-	15	-;-	-;-	-;-
Other financial assets at amortized cost, mainly office security deposits	762	-;-	-;-	762	762	-;-	-;-	-;-
Total	777	-;-	15	762	777	-;-	-;-	-;-
Financial liabilities :								
Current								
Trade payables	180	-;-	-;-	180	180	-;-	-;-	-;-
Other payables	1,592	-;-	-;-	1,592	1,592	-;-	-;-	-;-
Amounts due to related parties	38	-;-	-;-	38	38	-;-	-;-	-;-
Obligations under finance lease	12	-;-	-;-	12	12	-;-	-;-	-;-
Total	1,822	-;-	-;-	1,822	1,822	-;-	-;-	-;-
Non-current								
Obligations under finance lease	8	-;-	-;-	8	8	-;-	-;-	-;-
Total	8	-;-	-;-	8	8	-;-	-;-	-;-

Following are the impacts on accumulated deficit and accumulated other comprehensive income by classification and measurement of financial assets at 1 January, 2018.

	USD (In thousands)	
	Retained earnings	**Financial assets at FVOCI**
Balance of retained earnings and accumulated OCI as of 1 January,2018 under IAS 39	13,752	373
(1) Reclassification from available-for-sale financial assets to financial assets at FVOCI	27	(27)
(2) Impact of IFRS 9 adoption by associate companies	427	(427)
Adjustment to shareholders' equity from adoption of IFRS 9	454	(454)
Balance of retained earnings and accumulated OCI as of 1 January, 2018 under IFRS 9	14,206	(81)

(a) Reclassification from available-for-sale financial assets to financial assets at FVOCI

The investments in equity securities of 15 thousand USD as of 1 January, 2018, was reclassified from available-for-sale financial assets to financial assets at FVOCI as the cash flows from these investments did not represent solely payments of principal and interest on the principal amount outstanding and as the Group has determined to measure such investments at FVOCI. Also, related cumulative impairment loss and its tax effects of 27 thousand USD was reclassified from retained earnings to accumulated other comprehensive income.

(b) Impact of IFRS 9 adoption by associate companies

Broad Band Tower, Inc. ("BBT") and Mobile Internet Capital, Inc. ("MIC") as affiliates of the Group have financial assets and liabilities. As a result of adoption of IFRS 9 by each affiliate in accordance with the Group's accounting policies discussed above, the following impacts were identified.

1. BBT
Please refer to Note 29.

2. MIC
As discussed in Note 14, MIC is a venture capital investing in in startups in the technology and services industry, which focus on next generation ICT (information and communications technology) companies and in related areas, and the investing are executed by three private funds in which MIC involves as a general partner.
Some of investments held by three private funds are classified as "invests in equity instruments" under IFRS 9, and the Group made election to present other comprehensive income subsequent changes in the fair value of the investments.
In connection with this, as of 1 January, 2018, MIC reclassified related cumulative impairment loss and its tax effects of 57 thousand USD from retained earnings to accumulated other comprehensive income at their financial statements. Except for this adjustment, the Group determined that there is no impact in MIC.

As a result of the adjustments in each affiliate, related cumulative loss profit investments accounted for using equity method and its tax effects of 427 thousand USD was reclassified from retained earnings to accumulated other comprehensive income through applying the equity method by the Group.

Revenue recognition

The IASB issued IFRS 15 Revenue from Contracts with Customers for recognizing revenue. IFRS 15 establishes a five-step model that will apply to all revenue arising from contracts with customers, regardless of the type of transaction or industry, with limited exceptions.

The Group has concluded that the current methods of revenue recognition and measurement over each business are in accordance with IFRS 15, with the exception of the following business.

The Group has adopted IFRS 15 from the fiscal year 2018. The Group has used the modified retrospective method which is to record cumulative amount of the impact at the beginning balance of the retained earnings upon adoption.

<u>Information service business</u>
As discussed in Note 27 Segment Reporting, the Group provides “Information service business” that provides planning, organization, production and management of conferences, exhibitions, seminars and other business in the fields of internet technology, hi-tech, cyber security etc. The business mainly consists of a) host event business and b) private event support service as follows.

c) Host event business
The business is to plan, hold, operate and manage conferences, exhibitions and seminars (hereafter “host event”) by the Group as an organizer entirely, and it is the performance obligation.
Under the previous standard, the Group recognized the revenue of the business at a time when the host event has been totally completed.
On the other hand, under IFRS 15, the definition of “Satisfaction of performance obligation” is clarified, and the performance obligation is categorized as “Performance obligations satisfied over time” or “Performance obligations satisfied at a point in time”. Furthermore, IFRS 15 defines as “if an entity does not satisfy a performance obligations over time, the performance obligation is satisfied at a point in time”.
The customer of the business are mainly exhibitors and sponsors of the host events, and they receive the benefit of the business provided by the Group over the event period. Therefore, the Group determines that its performance obligation is evenly satisfied over time and assessed that a straight-line method over event period is the best method to measure the progress towards complete satisfaction of the performance obligation.
Accordingly, the new standard resulted in a change to the timing of revenue recognition, whereby revenue is recognized over the event period on a straight-line method rather than the previous method, which was at a time when the event has been totally completed.
Even though the timing of revenue recognition is changed by adoption of IFRS 15, there were no host events that its event period crossed the finance closing date as of 1 January and 31 December, 2018, respectively. Accordingly, there is no effect on the opening balance of retained earnings and the revenue for the twelve-month ended 31 December, 2018.

d) Private event support service
The service is to provide support service for the private event held by the customer who is an organizer of the event. The support service are mainly providing the promotion activities and the reception of the private event etc. behalf of the customer, and the content of the

service depends on each contract, and accordingly, the performance obligation is different in each contract.
Under the previous standard, the Group recognized the revenue of the service at a time when the service was fully completed (at the end of contract period).
On the other hand, under IFRS 15, the definition of "Satisfaction of performance obligation" is clarified as discussed above, the Group examined each contract and determined that some contracts meet the criteria of "Performance obligations satisfied over time" by considering its terms and conditions.
In terms of the contracts, the Group determined that they recognize its revenue only to the extent of the costs incurred, by considering the nature of the service that outcome of its performance obligation will be clear in the late stage of the services on around relevant event date.
Accordingly, the new standard resulted in a change to the revenue recognition method, whereby revenue is recognized over the event period on a cost method rather than the previous method, which was at a time when the service has been totally completed.

In addition to the above, under IFRS 15, a definition of a "Contract costs" is clarified. In terms of information services business as discussed above, the Group determined that certain costs attributed to the host or the customers' events which will be held in nearly future, meet the criteria of "Costs to fulfil a contract" under IFRS 15.
Accordingly, the new standard resulted in a change to accounting treatment over certain costs, whereby certain costs are capitalized and amortized until the end of the service rather than the previous method, which those costs were recorded as expenses in the income statements as incurred.
As a result, compared to the previous method, the amount of cost of sales recorded by the Group decreased by 31 thousand USD, and selling, general and administrative increased by 6 thousand USD for the year ended 31 December, 2018, respectively.

As a result of those changes as discussed above, the opening balance of retained earnings is adjusted as follows.

	USD (In thousands)
	January 1 2018
Private event support service	10
Costs to fulfil a contract	96
Total	106

The adjustments made to line items presented on the financial statements due to the change from IAS 18 Revenue and other standards applied previously (collectively, the IAS 18 and other) to IFRS 15 are as follows. Reclassifications are made to reflect the terms used under IFRS 15. Certain amounts previously presented in trade and other receivables related to private event support service are reclassified into contract assets, and certain amounts previously presented in other current assets related to prepaid expenses arising from host event business and private event support service, are reclassified into contract assets. Furthermore, certain amounts previously presented in accruals and other payables regarding the advance received associated with host event business are reclassified into contract liabilities.

	USD (In thousands)			
	1 January,2018 (under IAS18 and others)	Reclassification	Remeasurement	1 January,2018 (under IFRS 15)
Contract assets	-;-	33	163	196
Other current assets	802	(33)	-;-	769
Investments accounted for using the equity method (*)	17,878	-;-	-;-	17,878
Deferred tax assets	524	-;-	(57)	467
Accruals and other payables	4,446	(2,696)	-;-	1,750
Contract liabilities	-;-	2,696	-;-	2,696
Retained earnings	13,752	-;-	106	13,858
Exchange differences on translation from functional currency to presentation currency	852	-;-	(1)	851

	USD (In thousands)			
	31 December 2018 (under IAS18 and others)	Reclassification	Remeasurement	31 December 2018 (under IFRS 15)
Contract assets	-;-	90	177	267
Other current assets	657	(90)	-;-	567
Investments accounted for using the equity method (*)	17,531	-;-	-;-	17,531
Deferred tax assets	212	-;-	(65)	147
Accruals and other payables	4,456	(2,947)	(9)	1,500
Contract liabilities	-;-	2,947	-;-	2,947
Retained earnings	10,506	-;-	118	10,624
Exchange differences on translation from functional currency to presentation currency	1,492	-;-	3	1,495

(*) Even though each affiliate has also applied IFRS 15 from 1 January 2018, there is no effect on their opening retained earnings and the profit (loss) as of and for the year ended 31 December 2018. Accordingly, there is no effect on the investments accounted for using the equity method by adoption of IFRS 15 as well.

	USD (In thousands)			
	2018 (under IAS 18)	Reclassification	Remeasurement	2018 (under IFRS 15)
Revenue	10,462	-;-	(6)	10,455
Operating costs and expenses:				
Cost of sales	(3,486)	-;-	31	(3,455)
Selling, general and administrative	(9,765)	-;-	(6)	(9,771)
Research and Development expenses	(33)	-;-	-;-	(33)
Other incomes	18	-;-	-;-	18
Other expenses	(2)	-;-	-;-	(2)
Total operating costs and expenses	(13,268)	-;-	25	(13,243)
Operating loss	(2,807)	-;-	19	(2,788)
Other expenses	(955)	-;-	-;-	(955)
Finance income	90	-;-	-;-	90
Finance expense	(8)	-;-	-;-	(8)
Finance income (expense), net	82	-;-	-;-	82
Share of profit of investments accounted for using the equity method	993	-;-	-;-	993
Gain on change in share of investments accounted for using equity method	112	-;-	-;-	112
Profit before income taxes	(2,575)	-;-	19	(2,556)
Income tax expense	(252)	-;-	(7)	(259)
Profit for the year	(2,827)	-;-	12	(2,815)
Profit for the period attributable to:				
Owners of the parent	(2,827)	-;-	12	(2,815)
Earnings per share attributable to owners of the parent				
Basic (USD)	(0.072)	-;-	0.001	(0.071)
Diluted (USD)	(0.072)	-;-	0.001	(0.071)

(*) less than thousand US dollars.

NOTE 3 – FINANCIAL RISK MANAGEMENT:

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group does not use any derivative financial instruments for speculative purposes.

Risk management is carried out by management of the Group. Formal and informal management meetings are held to identify significant risks and to develop procedures to deal with any risks in relation to the Group's businesses.

(a) Market risk

The Group's interest rate risk arises from bank balances which are carried at variable rates, which expose the Group to cash flow interest rate risk.

The Group's fair value interest rate risk arises from bank balances which are carried at fixed rates, which expose the Group to fair value interest rate risk.

(b) Credit risk

Credit risk is the risk of financial losses to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments.
In regards of the bank deposits, the Group only deals with banks with high credit ratings, as assigned by external rating agencies, so as to minimize the credit risks.

Maximum amounts of possible financial loss to the Group due to credit risk as of 31 December, 2017 and 2018 are as follows;

	31 December, 2017 Book value (In thousands)	31 December, 2018 Book value (In thousands)
Cash at bank (1)	8,946	11,282
Trade receivable (1)(2)	10	21
Advance paid (1)	3	(*)-;-
Other receivables (1)(2)	10	40
Related parties (2)	1	50
Office security deposits (1)	856	783
Total	9,826	12,176

(*) less than thousand US dollars.

(1) None of these assets were past due or impaired at the end of the respective reporting period.
(2) The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group regularly performs credit assessments on customers and counterparties considering their financial position and historical data in order to manage the credit risk.

Management makes periodic assessment on the recoverability of trade and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any disputes with the debtors. The Group's historical experience in collection of trade and other receivables falls within the recorded allowances and the directors are of the opinion that adequate provision for uncollectible receivables has been made in the Financial Information.

In case e of impairment of financial assets, the Group does not directly write off such assets by reducing the carrying amount, but instead records an allowance for doubtful accounts. However, in the event that there is no realistic prospect of future recovery, financial assets are directly written off.

Below is the movement in the allowance for doubtful accounts:

	Allowance for doubtful accounts USD (In thousands)
Balance at 31 December 2016	29
Provision for the year	47
Translation differences	1
Balance at 31 December 2017	77
Provision for the year	(*)-;-
Translation difference	(*)-;-
Balance at 31 December 2018	77

(*) less than thousand US dollars.

(c) Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

Prudent liquidity risk management implies maintaining sufficient cash and bank balances, the availability of funding from an adequate amount of committed credit facilities from leading banks and the ability to close out market position.

The Group maintains liquidity by a number of sources including orderly realization of short-term financial assets and receivables; and long-term financing including long-term borrowings. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal to their carrying amounts as the impact of discounting is not significant.

	Within 1 year	Between 1 and 2 years	Over 2 years	Total
	USD thousands	USD thousands	USD thousands	USD thousands
As at 31 December 2017				
Trade payables	180	-;-	-;-	180
Other payables (excluding accruals and provisions)	1,346	-;-	-;-	1,346
Obligation under finance lease	12	8	-;-	20
Amounts due to related parties	38	-;-	-;-	38
	1,576	8	-;-	1,584
As at 31 December 2018				
Trade payables	147	-;-	-;-	147
Other payables (excluding accruals and provisions)	344	-;-	-;-	344
Obligation under finance lease	12	12	53	77
Amounts due to related parties	6	-;-	-;-	6
	509	12	53	574

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorized into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Level 1	Level 2	Level 3	Total
	USD thousands	USD thousands	USD thousands	USD thousands
As at 31 December 2017				
Assets				
Financial assets available for sale for equity securities	-;-	-;-	15	15

As at 31 December 2018				
Assets				
Financial assets at Fair value through profit and loss – equity securities			80	80
Financial assets at FVOCI – equity securities	-;-	-;-	224	224

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statements of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 represent listed equity investments classified as fair value through other comprehensive income which were not held for trading purpose.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c)Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instruments is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

The table below presents the changes in level 3 instruments for the relevant periods:

	Available for sale financial assets USD (In thousands)
Balance at 1 January 2017	23
Fair value gain/(loss) on valuation	(8)
Translation differences	(*)-;-
Balance at 31 December 2017	15

Balance at 1 January 2018	15
Purchases	282
Fair value gain/(loss) on valuation	(9)
Translation differences	16
Balance at 31 December 2018	304

(*) less than thousand US dollars.

There were no transfers between levels 1, 2 and 3 during the relevant periods.

3.4 Offsetting financial assets and financial liabilities

As at 31 December, 2017 and 2018, there were no financial assets or financial liabilities which were subject to offsetting, enforceable master netting or similar agreements.

NOTE 4 – CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make estimates and assumptions are based on the best judgement of the management in light of historical experience and various factors deemed to be reasonable as of the fiscal year end date. Given their nature, uncertainty about these assumptions and estimates could result the outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.
The estimates and assumptions are continuously reviewed by the management. The effects of a change in estimates and assumptions are recognized in the period of the change or in the period of the change and future periods. Among estimates and assumptions made by the management, the following are ones that may have a material effect on the amounts recognized in the consolidated financial statements of the Group.

(a) Impairment

- Non-financial assets

Non-current assets, such as property and equipment, and investments in associates, are assessed for indications of impairment at the end of reporting period. The Group evaluates both internal and external sources of information to assess whether impairment indicators exist. Some of the impairment indicators are evidence of obsolescence or significant adverse changes in the technological, market, economic or legal environment of the market in which the Group operates, or the asset is dedicated. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. Likewise, the determination of the assets' recoverable amounts involves the use of estimates by the management that can have a material impact on the respective values and ultimately the amount of any impairment.

- Financial assets measured at amortized cost

Regarding the financial assets measured at amortized cost, the Group assesses whether there is any objective evidence that financial assets are impaired on a quarterly basis. If there is any objective evidence, the Group recognizes the difference between carrying value of the asset and the present value of estimated future cash flows as an impairment loss. When the Group estimates the future cash flows, the management considers the probability of failure of credit, time of recovery and past trend of losses, and decides whether the actual loss, which reflects current economic and credit conditions, is more or less that past trend. The Group considers these estimates to be significant because any adjustments may significantly affect the amount of an impairment loss for the financial assets measured at amortized cost.

(b) Recoverability of deferred tax assets

Deferred tax assets are recognized for all deductible temporary differences, unused tax losses carryforward and unused tax credits carryforward to the extent that it is probable that taxable income will be available. The elimination of future taxable income is calculated based on financial budgets approved by management of the Group, and it is based on management's subjective judgements and assumptions. The Group considers these estimates to be significant because any adjustments in the assumed conditions and amendments of tax laws in the future may significantly affect the amounts of deferred tax assets and deferred tax liabilities.

(c) Method of determining fair value for financial instruments measured at fair value with unobservable inputs

Certain financial assets and financial liabilities held by the Group measured at fair value require using valuation techniques that incorporate unobservable inputs based on the judgement and assumptions of Group management, such as experience assumption, and the use of specific numerical calculation models.

(d) Provisions

The Group recognizes asset retirement obligations related to assets leased under operating leases in the consolidated statements of financial position. These provisions are recognized based on the best estimates of the costs expected to incur for the restoration of the operating lease properties to the state as specified in the rental agreements upon termination of the operating leases. The estimation takes risks and uncertainty related to the obligation into account as of the fiscal year end date.

NOTE 5 – REVENUES FROM CONTRACTS WITH CUSTOMERS

5.1 Disaggregation of revenue from contracts with customers

Details regarding disaggregated revenue included at segments reporting note (see Note 27).

5.2 Assets and liabilities related to contracts with customers

The Group has recognized the following revenue-related contract assets and liabilities.

	USD thousand	
	1 January, 2018	31 December, 2018
Contract assets (1)	196	267
Contract liabilities (2)	2,696	2,947

(1) Contract assets consist of "Costs to fulfil a contract" which is attributed to the host or the customer's event in information services business.
(2) Contract liabilities consist of "Unsatisfied performance obligations" which is related to information services business. The obligations will be satisfied within a year.

As shown in the above table, there was no significant changes in contract assets and liabilities during the year ended 31 December, 2018.

The balance of contract liabilities at 1 January, 2018 as shown in the above table, which were fully satisfied over the year ended 31 December, 2018, and accordingly, the Group recognized it as the revenues.

NOTE 6 – OTHER INCOME AND OTHER EXPENSES

6.1 Other operational incomes (expenses), net

	USD thousand		
	Year Ended 31 December		
	2016	2017	2018
Other incomes	8	7	18
Other expenses:			
Loss on retirement of property, plant and equipment	-	(24)	(2)
Miscellaneous loss	(2)	(6)	-;-
	6	(23)	16

6.2 Other expenses

	USD thousand		
	Year Ended 31 December		
	2016	2017	2018
Impairment of financial assets	-	-	(945)
Loss of changes in fair value of financial assets	-	-	(10)
	-	-	(955)

NOTE 7 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	USD thousand		
	Year Ended 31 December		
	2016	2017	2018
Advertising expenses	1,119	1,203	1,534
Salaries, bonuses and other employee expenses	2,528	3,152	3,167
Share-based compensation expenses	270	9	-;-
Traveling and transportation expenses	321	501	468
Rent expenses	211	252	940
Depreciation and amortization	36	35	117
Professional fee	157	2,255	2,311
IPO related costs with regards to issuance cost	-;-	430	-;-
Donation	78	200	419
Entertainment	216	204	133
Bad debt expense	-;-	50	-;-
Other	365	651	682
Total	5,301	8,942	9,771

NOTE 8 – EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	USD thousand		
	Year Ended 31 December		
	2016	2017	2018
Salaries, bonuses and allowances	2,265	2,865	2,830
Other employee benefits	263	287	337
Total	2,528	3,152	3,167

NOTE 9 – FINANCE INCOME (EXPENSE), NET

	USD thousand		
	Year Ended 31 December		
	2016	2017	2018
Finance income –			
Interest income and exchange rate differences	2	2	90
Finance expense			
Interest expense	(8)	(1)	(8)
Finance income (expense), net	(6)	1	82

NOTE 10 – INCOME TAX EXPENSES

10.1 The Company's tax rates

In January 2016, the Law for the Amendment of the Income Tax Ordinance (No. 216) was published, enacting a reduction of corporate tax rate in 2016 and thereafter, from 26.5% to 25%.

In December 2016, the Economic Efficiency Law (Legislative Amendments for Implementing the Economic Policy for the 2017 and 2018 Budget Year), 2016 was published, introducing a gradual reduction in corporate tax rate from 25% to 23%. However, the law also included a temporary provision setting the corporate tax rate in 2017 at 24%. As a result, the corporate tax rate will be 24% in 2017 and 23% in 2018 and thereafter.

10.2 Income tax expenses in statements of income:

1) As follows:

	USD (In thousands)		
	Year Ended 31 December		
	2016	2017	2018
Current income tax			
- Japan corporate income tax for the year	5	189	164
Deferred income tax expenses (Note 24)	438	141	95
	443	330	259

Japan corporate income tax has been calculated on the estimated assessable profit for the relevant periods at the rates of taxation prevailing in Japan in which the Group operates.

2) Tax rates in Japan:
The Group is subject to national corporate income tax, inhabitants' tax, and enterprise tax in Japan, which, in aggregate, resulted in effective tax rates approximately 34.33% for the year ended December 31, 2016. Amendments to the Japanese tax regulations were enacted into law on March 29, 2016 and it resulted that the effective tax rate are scheduled to be reduced to approximately 33.80% effective from the year ending December 31, 2017, and 33.59% effective from the year ending December 31, 2019.

The following table sets forth the applicable tax rate for the company during the period and the formula in calculating each type of tax.

	31-December		
	2016	2017	2018
1. Corporate tax rate:	23.90%	23.40%	23.40%
2. Local corporate tax rate:	4.40%	4.40%	4.4%

3. Inhabitants' tax rate (At Tokyo):	12.90%	12.90%	12.90%
4. Enterprise tax rate (At Tokyo):			
(a)Profit-based tax rate	6.70%	6.70%	6.70%
(b)Special local corporate tax rate	43.20%	43.20%	43.20%
Effective tax rate	34.33%	33.80%	33.80%

1. Corporate tax rate is imposed on a corporation's taxable income. Amendments to the Japanese tax regulations were enacted into law on 29 March, 2016 and it resulted that the corporate tax rate has been reduced to 23.40% effective from the year ended 31 December, 2017 and 23.20% effective from the year ending 31 December, 2019.

2. Local corporate tax rate is imposed on total of a corporation's corporate tax and income tax credit. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016 and it resulted that the local corporate tax rate is scheduled to be increased to 10.30% effective from the year ending 31 December, 2020.

3. Inhabitants' tax rate is imposed on total of a corporation's corporate tax and income tax credit allocated to each prefecture in Japan. This allocation is generally made on the basis of the number of employees and number of offices in each location. The applied tax rate is different in each prefecture. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016 and it resulted that the inhabitants' tax rate is scheduled to be reduced to 7.00% effective from the year ending 31 December, 2020.

4. Enterprise tax rate is imposed on a corporation's taxable income allocated to each prefecture in Japan and it comprise of (a) Profit-based tax and (b) Special local corporate tax rate. This allocation is generally made on the basis of the number of employees and number of offices in each location. The applied tax rate is different in each prefecture. Amendments to the Japanese tax regulations were enacted into law on 28 November, 2016. As a result of this amendment, (a) Profit-based tax rate is scheduled to be increased to 9.60% effective from the year ending 31 December, 2020, while, (b) Special local corporate tax, which is rate multiplied by the income portion of enterprise tax, is scheduled to be abolished from the year ending 31 December, 2020 and replaced by enterprise tax.

3) Theoretical tax:
The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the income tax rate of Israel as follows:

	USD (In thousand)		
	Year Ended 31 December		
	2016	2017	2018
Profit (loss) before income tax	1,823	(1,493)	(2,556)
Tax Calculated at applicable Israel and Japan corporate income tax	456	(358)	(558)
Increase (decrease) regarding tax rates differences of subsidiaries in Japan	170	(146)	(50)
Permanent non-deductible expenses	54	261	232
Permanent exempt income	(53)	(186)	(429)
Equity method investment gain	(549)	(379)	(373)
Assessment of the recoverability of deferred tax assets	367	1,144	1,456
Other	(2)	(6)	11
Income tax expense	443	330	259

10.3 Tax return

Under Japanese tax law and regulations, every company is required to submit an annual tax return to tax authorities. The statute of limitations to request a correction of prior year tax liabilities is five years from when the original tax return was filed.
After filling of tax return, it may take a tax inspection by the tax authorities on an irregular base. Most recently, Nano-opt Media Inc. took the tax inspection in April, 2016. As a result of the tax inspection, Nano-opt Media Inc. did not amend its tax return.

NOTE 11 – EARNING PER SHARE

Earnings per share attributable to owners of the parent for the years ended 31 December 2016, 2017 and 2018 are calculated based on the following information.

	2016	2017	2018
Earnings (losses) per share attributable to owners of the parent (USD)			
Basic	0.051	(0.057)	(0.071)
Diluted	0.051	(0.057)	(0.071)
Numerator (thousands of USD)			
Profit (loss) for the year attributable to owners of the parent	1,380	(1,823)	(2,815)
Denominator (Shares)			
Weighted average number of common shares outstanding, basic	27,136,000	31,857,759	39,537,516
Effect of dilutive securities:	40	-;-	-;-
Weighted average number of common shares outstanding, diluted	27,136,040	31,857,759	39,537,516

NOTE 12 – DIVIDENDS

So far the company has not declared or paid any dividend.

In accordance with the Japanese Companies Law, dividend can be distributed from the balance of retained earnings, includes dividend income from affiliated companies, and does not includes the retained earnings of affiliated companies that were defined in accordance with J-GAAP as distributable in further periods. This takes into consideration that IRI Israel has no control over the distribution of dividend by its affiliates.

In accordance with the Japanese Companies Law, the amount of JPY 1,261,166 thousand, equal to USD 11,479 thousand, translated according to the exchange rate as of December 31, 2018, can be distributed in IRI Japan in the year ended December 31, 2018.

NOTE 13 – PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Equipment	Construction in progress	Total USD thousand
Year ended 31 December 2017				
Opening net book amount	36	51	-;-	87
Additions	-;-	51	196	247
Depreciation	(5)	(28)	-;-	(33)
Retirement	(32)	(10)	-;-	(42)
Translation differences	1	2	(0)	3
Closing net book amount	-;-	66	196	262
At 31 December 2017				
Acquisition cost	-;-	182	196	378
Accumulated depreciation	-;-	(116)	-;-	(116)
Net book amount	-;-	66	196	262
Year ended 31 December 2018				
Opening net book amount	-;-	66	196	262
Additions	546	224	(200)	570
Depreciation	(65)	(51)	-;-	(116)
Translation differences	2	2	4	8
Closing net book amount	483	241	-;-	724
At 31 December 2018				
Acquisition cost	548	337	-;-	885
Accumulated depreciation	(65)	(96)	-;-	(161)
Net book amount	483	241	-;-	724

Depreciation expenses of 33 and 116 thousand USD have been charged in Selling, general and administrative for the years ended 31 December 2017 and 2018.

The Group's property, plant and equipment held under financial leases included in the total amount of equipment were as follows:

	USD thousand	
	31 December	
	2017	2018
Cost - capitalized finance leases	67	80
Accumulated depreciation	(48)	(3)
	19	77

NOTE 14 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

1. General Information

Set out below are the associates of the Group as at 31 December 2017 and 31 2018. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of Company	Main Business	% of ownership interest (3) 31 December 2017	2018	Nature of relationship	Place of business
BroadBand Tower, Inc.	・Computer plat form ・AI solutions business ・Media solutions business	22%	22%	Associate (1)	Tokyo Japan
Mobile Internet Capital, Inc.	Investment management	30%	30%	Associate (2)	Tokyo Japan

Impact from the change in ownership interest at BBT recorded as a gain on change in share of investments accounted for using the equity method in statement of income, due to the following contributions: (a) Gain on sale on owner dilution in the holding percentage of BBT; (b) Reclassification of a portion of BBT's accumulated OCI following such sale or dilution, and; (c) IRI Japan's share in equity movement in BBT not resulting from its comprehensive income.

Carrying amount of each investment as at 31 December 2017 and 2018, and dividend received from each affiliate are as follows.

USD (In thousands) Name of Company	Carrying amount 31 December 2017	2018	Dividend received 31 December 2016	2017	2018
	USD (In thousands)				
BBT (1)	16,330	15,230	310	1,101	203
MIC (2)	1,548	2,301	-;-	-;-	2,337

Quoted fair value of BroadBand Tower, Inc. as at 31 December 2017 and 2018, are USD 18,857 thousand and USD 28,822 thousand, respectively.

(1) BroadBand Tower, Inc. is a trailblazer in the specialty Internet data center business, as a service evolved from ICT for modern businesses, through its advanced technological capabilities, experienced staff, and high-grade facilities and services. BroadBand Tower, Inc. has subsidiaries and affiliates, and they provide planning, construction, and providing dedicated platform services (video, voice, data delivery) and support of VNO setup/operation services to cable television operators.

IRI Japan holds 22% of the voting rights, two directors of IRI Japan are also designated as directors of this entity and they participate in all significant financial and operating decisions of the entity. The Group has therefore determined that it has significant influence over this entity. BBT's common stock is listed and traded in the Tokyo Stock Exchange, and above BBT's quoted fair value is categorized as level 1 under IFRS 13, which is quoted prices in active markets.

(2) Mobile Internet Capital, Inc. is a venture capital investing in ICT related venture companies.

IRI Japan holds 30% of the voting rights, therefore IRI Japan has determined that it has significant influence over this entity.

2. The summary financial statement of BroadBand Tower, Inc. adjusted to IFRS is as follows:

	USD (In thousands)	
	31 December	
	2017	2018
Current assets	93,168	93,031
Non-current assets	82,494	125,281
Total assets	175,662	218,312
Current liabilities	44,348	39,046
Non-current liabilities	40,616	81,602
Total liabilities	84,964	120,648
Total Net assets	90,698	97,664

	Year Ended		
	2016	2017	2018
	USD (In thousands)		
Revenue	66,028	77,655	110,313
Expense	69,918	85,094	115,198
Profit (loss) from continuing operations	3,890	(7,439)	(4,885)
Gain (loss) from discontinued operations *	12,530	14,036	(3,400)
Profit (loss)	8,640	6,597	(8,285)
Other comprehensive income (loss)	(2,205)	184	1,146
Total comprehensive income (loss)	6,435	6,781	(7,139)
Profit (loss) attributable to:			
Owners of the parent of the company	5,685	5,269	(7,587)
Non-controlling interests	2,955	1,328	(698)
Total comprehensive income (loss) attributable to:			
Owners of the parent of the company	3,511	5,451	(6,384)
Non-controlling interests	2,924	1,330	(755)

* Discontinued operations for the year ended December 31, 2018 is relating to the sale of IoT Square, Inc. as a wholly subsidiary and lost its control on January 4, 2019. Further details is discussed in Note 28.
Discontinued operations for the year ended December 31, 2017 is relating to the partial sale of BBT's shareholding in its subsidiary BBF, Inc. and lost its control on June 30, 2017, and to the sale of IoT Square, Inc. as a wholly subsidiary, as mentioned above.
Discontinued operations for the year ended December 31, 2016 is relating to the partial sale of BBT's shareholding in its subsidiary Ingenico Japan Co., Ltd (former Lyudia Co., Ltd.) on 26 April 2016, and to the partial sale of BBT's shareholding in its subsidiary BBF, Inc., as mentioned above.

3. Individually immaterial associates*

	December 31	
	2017	2018
	USD (In thousands)	
Aggregate carrying amount of individually immaterial associates	5,160	7,670
The investments in Mobile Internet Capital Inc.	1,548	2,301

	Year Ended 31 December		
	2016	2017	2018
	USD (In thousands)		
Profit from continuing operations	676	992	8,870
Other comprehensive income	-	304	1,292
Total comprehensive income	676	1,296	10,162

(*) As shown in the table above, during the year ended 31 December, 2018 the amount of the investments in MIC has significantly increased compared to the previous period.
It caused by the fact that MIC gained an outstanding performance in the period by three IPOs from their operating funds, one of which investments is a smash success by HEROZ, Inc. After their IPO in April, the MIC's fund sold off all their holdings in HEROZ through the stock exchange. The total gain on sale of securities that MIC recognized amounts to 18 million USD before tax effect, while no success fee was paid in the previous financial year. As a result, IRI assumed profit of investments accounted for using the equity method from MIC in its annual financial statements as approximately USD 2.7M.
MIC is a fund management company described above, and it will not continuously secure the good performance like MIC's the result in this period. In fact, the success fee still gross amount before any payment of performance incentives to fund managers, dividend distribution, and so on. Therefore, the Group determined that the reporting good results is a temporary, and accordingly MIC is still determined as individually immaterial associate.

4. Share of profit and of other comprehensive income (loss) of investments accounted for using the equity method

(a) Share of profit of investments accounted for using equity method:

	Year Ended 31 December		
	2016	2017	2018
	USD (In thousands)		
Profit (loss) attributable to owners of BBT	5,685	5,269	(7,587)
Group's share in BBT %	22%	22%	22%
Share of profit (loss)of BBT	1,252	1,159	(1,668)
Profit attributable to owners of MIC	676	992	8,870
Group's share in MIC %	30%	30%	30%
Share of profit of MIC	203	298	2,661
Share of profit of investments accounted for using the equity method	**1,455**	**1,457**	**993**

(b) Share of other comprehensive income (loss) of investments accounted for using equity method:

	Year Ended 31 December		
	2016	2017	2018
	USD (In thousands)		
Other comprehensive income (loss) attributable to owners of BBT	(2,205)	184	1,146
Group's share in BBT %	22%	22%	22%
Share of other comprehensive income (loss) of BBT, net of tax *	(491)	41	175
Other comprehensive income (loss) attributable to owners of MIC	-	304	1,292
Group's share in MIC %	30%	30%	30%
Share of Other comprehensive income (loss) of MIC, net of tax *	-	92	253
Share of other comprehensive income (loss) of investments accounted for using the equity method	(491)	**133**	**428**

* After deducting deferred taxes which were included in other comprehensive income of investment accounted for using the equity method, see note 24.

NOTE 15 – FINANCIAL INSTRUMENTS BY CATEGORY

	USD thousand	
	31 December	
	2017	2018
Financial assets:		
Available-for-sale for equity securities	15	-;-
Financial assets at FVOCI –equity securities	-;-	224
Financial assets at Fair value through profit and loss –equity securities	-	80
Other financial assets at amortized cost, mainly office security deposits	856	783
	871	1,087
Financial assets at amortized cost:		
Trade receivables	10	21
Deposits and other receivables (including amounts due from related parties)	11	172
Cash and cash equivalents	8,949	11,282
	8,970	11,475
	9,841	12,562
Financial liabilities:		
Financial liabilities at amortized cost		
Trade payables	180	147
Other payables	1,592	1,066
Amounts due to related parties	38	6
Obligations under finance lease	20	77
	1,830	1,296

NOTE 16 – OTHER FINANCIAL ASSETS

	USD thousand	
	31 December	
	2017	2018
Current		
Office security deposits	94	-;-
	94	-;-
Non-current		
Available-for-sale for equity securities	15	-;-
Financial assets at Fair value through OCI	-;-	224
Financial assets at Fair value through profit and loss	-;-	80
Other financial assets at amortized cost, mainly office security deposits	762	783
	777	1,087

Hereby details regarding investments in financial assets as of December 31, 2018:

(a) Investment in Beta-O2 Technologies Ltd.
On September 3, 2018, IRI Japan executed an investment agreement with Beta-O2 Technologies Ltd. (hereinafter – BO2), a company incorporated in Israel, which deals in the field of biomedicine, in the context of which IRI Japan invested the sum of USD 202 thousands in BO2, as part of round B investment in BO2, in consideration for an issue of shares of BO2, which constitute approximately 0.46% of its issued and paid up capital.

(b) Investment in Arch Medical Devices Ltd.

The Company purchased shares of Arch Medical Devices Ltd. (hereinafter – Arch) from Capital Point, in consideration for the sum of USD 650 thousands, and invested an additional sum of USD 25 thousands in the shares of Arch. As of the date of the Report, the Company holds approximately 9% of the share capital of Arch (fully diluted base). The Company appraise the fair value of Arch at a negligible amount, and therefore reduced the full value of its investment in Arch. The Company together with Capital Point is exploring several possible arrangements which may partially compensate the Company for the loss the Company suffered from depreciating these investments.

(c) Investment in Dia Imaging Analysis Ltd.
The Company has purchased shares of Dia Imaging Analysis Ltd. (hereinafter – Dia), which constitutes approximately 0.43% of the shares of Dia, from Capital Point, in consideration for the sum of USD 350 thousands, and invested an additional sum of USD 25 thousands in January 2019. The Company appraise the fair value of its investment in Dia in amount of USD 80 thousands, and therefore recognized impairment in amount of USD 270 thousands in its financial statements. The Company together with Capital Point is exploring several possible arrangements which may partially compensate the Company for the loss the Company suffered from depreciating these investments.

NOTE 17 – OTHER CURRENT ASSETS

	USD thousand	
	31 December	
	2017	2018
Prepaid expense	615	371
Consumption tax receivable	177	156
Other receivables	10	40
	802	567

NOTE 18 – CASH AND CASH EQUIVALENTS

	USD thousand	
	31 December	
	2017	2018
Cash in hand	3	5
Bank deposits	8,946	11,277
	8,949	11,282

NOTE 19 – EQUITY

a. Share Capital

The Company's total number of shares authorized and issued for the years ended 31 December 2017 and 2018 are as follows:

	31 December	
	2017	2018
Total number of common shares, no par value:		
Authorized shares	10,000,000,000	10,000,000,000
Issued shares	34,787,000	46,502,800

The number of shares outstanding of the Company have been adjusted to reflect the effect of the triangle merger and allotted bonus shares, as described in note 1.1.

All shares issued as of December 31, 2018 and 2017 have been fully paid-up.

Changes in the issued and paid-up share capital during the year ended December 31, 2018:

In August 2018, the Company completed a first initial public offering (hereinafter – IPO) and listing of its shares for trade on the Tel Aviv Stock Exchange Ltd. (hereinafter – TASE). On August 9, 2018, the trading in the Company's shares was commenced on TASE. The Company issued 11,715,800 ordinary shares for price of NIS 1.73 per share. As a result, the Company raised NIS 16,218 thousands, equals to USD 4,367 thousands, after deduction of issuance expenses paid in cash. Net amounts received at the Company's bank account close to the issue date.

Changes in the issued and paid-up share capital during the year ended December 31, 2017:

(a) Issuance of common stock to a director, employee and other investors

At the annual extraordinary general meeting of shareholders held on 12 January 2017, IRI Japan resolved to issue common stock to a director of the company and general investors and to authorize the board of directors to determine the subscription requirements. The details of the common stock are as follows:

Issuance of common stock on 12 January 2017

Candidates and numbers of candidates	One director, one employee and three general investors.
Total number of common stock issued	650,000 shares
Amount of proceeds for common stock (*)	JPY 105 per share, equal to USD 0.92 per share
Payment period	From 23 January 2017 to 31 January 2017
The share capital and capital reserve to be increase	Under the Companies act of Japan, at least 50% of the proceeds of certain issuances of share capital shall be credited to share capital. The remaining proceeds shall be credited to share premium.

(*) The fair value of IRI Japan's share on 12 January 2017 is estimated at JPY 125 per share which is based on the issue-price of 17 May 2017 (see paragraph (b)). Therefore, the share-based compensation expenses of USD 9 thousand have been charged in the second quarter of 2017.

(b) Issuance of common stock to Media Do Co., Ltd.

Issuance of common stock on 17 May 2017

Candidates and numbers of candidates	Media Do Co., Ltd.
Total number of common stock issued	7,000,000 shares
Amount of proceeds for common stock	125 yen per share, equal to 1.11 U.S dollars per share
Payment date	31 May 2017
The share capital and capital reserve to be increase	Under the Companies act of Japan, at least 50% of the proceeds of certain issuances of share capital shall be credited to share capital. The remaining proceeds shall be credited to share premium.

b. Capital Surplus and Retained Earnings

Capital surplus consists of capital reserves and other capital surplus that is derived from equity transactions and not recorded in share capital. The primary component of capital surplus is capital reserves. The Companies Act of Japan provides that no less than 50% of the paid-in amount or proceeds of issuance of shares shall be incorporated in share capital, and that the remaining shall be incorporated in capital reserves. Capital reserves are restricted to distribute as dividend and may be, if necessary, incorporated share capital and other capital surplus upon approval of the General Meeting of Shareholders.

IRI Japan has not declared or paid cash dividends to date, and therefore no legal earnings reserves have been recorded as of 31 December, 2017 and 2018.

c. Incorporation of accumulated earnings into share capital in a subsidiary

IRI Japan's general meeting of shareholders held on 15 March, 2018, resolved the incorporation of accumulated earnings into share capital in accordance with the Companies Act of Japan. The effective date is the same date with the resolution and the incorporation amount is JPY 96,100 thousands, equal to USD 874 thousands.

NOTE 20 – ACCRUALS AND OTHER PAYABLES

	USD thousand	
	31 December	
	2017	2018
Accounts payable	1,274	258
Accrued expenses	219	367
Accrued consumption taxes	51	176
Income tax payable	-;-	165
Advances received	2,731	-;-
Deposits received	72	86
Accrued vacation payable	59	89
Accrued bonuses	27	49
Other	13	4
	4,446	1,500

NOTE 21 – SHARE-BASED PAYMENTS

IRI Japan adopted the stock option plan by the subscription rights to shares.
On 15 Jan 2016, the stock option for free of charge have been issued to directors and employees based on the resolution of the general meeting of shareholders.
On 24 Nov 2017, all of the subscription rights to shares have lapsed. All of the stock acquisition rights outstanding have been transferred to capital surplus.

The terms of contract about the stock option are as follows. All the stock option will be settled with common stocks:

Issue date	Issue amount	Vesting conditions	The validity of the stock option contract
Directors 15-Jan-16	200	Exercising stock option is possible from the issue date.	10 years
Employees 15-Jan-16	40	Exercising stock option is possible from the issue date.	10 years

The expenses recognized in connection with share-based payments during the years ended 31 December 2017 and 2018 are shown in the following table:

	Year Ended December 31		
	2016	2017	2018
	USD thousand		
Total expenses arising from equity-settled share-based payment transactions	270	*9	-;-

* See note 19a(a).

The fair value of the stock option is measured by Black-Sholes Model. Performance terms other than the employment condition and market conditions related to these contracts are not taken into account in calculating fair value.

The fair value of the stock option is measured by Black-Sholes Model. Performance terms other than the employment condition and market conditions related to these contracts are not taken into account in calculating fair value.

	USD thousand		
	31 December		
	2016	2017	2018
The fair value on issue date	270	-;-	-;-
The Stock price on issue date	210	-;-	-;-
Exercise price	210	-;-	-;-
Expected volatility (Weighted average)	72.37	-;-	-;-
Estimated period (Weighted average)	5 years	-;-	-;-
Estimated dividend	-;-	-;-	-;-
Risk free rate (Based on government bonds)	0.017%	-;-	-;-

The expected volatility is based on the actual volatility of BroadBand Tower's stock price over the period corresponding to the expected remaining period.

Due to the complexities involved in the valuation and its long-term nature, the fair value of the stock option are highly sensitive to change in these assumptions. If the volatility as a key assumption had been increased or decreased by 5% with all other receivable held constant, the impact on the fair value of stock option at the issuance date would have been as follows:

	USD thousand	
	Increase by 5%	Decrease by 5%
Total expenses arising from equity-settled share-based payment transactions	11	(11)

NOTE 22 – Provisions

Changes in provisions:

	USD thousand
	Provisions
At January 1, 2017	29
Arising during the year	196
Utilized	(30)
Translation differences	1
At December 31, 2017	196
Arising during the year	9
Utilized	-;-
Translation differences	4
At December 31, 2018	209

The Group records provisions for Asset Retirement Obligations related to its properties as the Group is required to restore these properties upon termination of its properties to the state specified in the rental agreement.

NOTE 23 – OBLIGATIONS UNDER FINANCE LEASES

As at 31 December, 2017 and 2018 the Group's future aggregate minimum lease expenses under non-cancellable financial leases are as follows:

	USD thousand	
	31 December	
	2017	2018
Gross finance lease liabilities minimum lease payments		
No later than 1 year	12	13
Later than 1 year and no later than 5years	8	53
Later than 5years	-;-	16
Total	20	82
Future finance charges on finance leases	-;-	5
Present values of finance lease liabilities	20	77

The present values of finance lease liabilities are as follows:

	USD thousand	
	31 December	
	2017	2018
No later than 1 year	12	12
Later than 1 year and no later than 5 years	8	50
Later than 5years	-;-	15
Total finance lease liabilities	20	77
Less: Amount included in current liabilities	(12)	(12)
Non-current portion	8	65

NOTE 24 – DEFERRED TAX BALANCES

	USD thousand	
	31-December	
Deferred tax assets	2017	2018
The balance comprises temporary differences attributable to:		
Tax losses	1,335	1,467
Prepaid expense	62	25
Allowance for paid leave	12	20
Allowance for bonus	10	17
Bad debt allowance	23	23
Others	-;-	14
Total deferred income tax assets	1,442	1,566

Deferred income tax liabilities
The balance comprises temporary differences attributable to:

Undistributed earnings relating to investments in affiliate	(915)	(1,403)
Depreciation	(3)	(10)
Other comprehensive income	-;-	(6)
Total deferred income tax liabilities	(918)	(1,419)
Net deferred tax assets	524	147

Deferred income tax assets

Movements	USD thousand							
	Tax losses	Prepaid Expense	Allowance for paid leave	Provisions	Allowance for bonus	Bad debt allowance	Others	Total
Balances at 31 December 2016	1,759	64	11	9	8	-;-	-;-	1,851
Credited/(charged) to profit or loss	(495)	(5)	-;-	(9)	2	23	-	(484)
Translation difference	71	3	1	-;-	-;-	-;-	-;-	75
Balances at 31 December 2017	1,335	62	12	-;-	10	23	-;-	1,442
Adjustments due to new accounting standards implementation	-;-	(58)	-;-	-;-	-;-	-;-	-;-	(58)
Credited/(charged) to profit or loss	99	19	8	-;-	7	(1)	14	146
Translation difference	33	2	-;-	-;-	-;-	1	-;-	36
Balances at 31 December 2018	1,467	25	20	-;-	17	23	14	1,566

Deferred income tax liabilities

Movements	USD (In thousands)			
	Undistributed earnings relating to investments in affiliate	Depreciation	Other comprehensive income	Total
Balances at 31 December 2016	(1,202)	(10)	-;-	(1,212)
Credited/(charged) to profit or loss	336	8	-;-	344
Translation difference	(49)	(1)	-;-	(50)
Balances at 31 December 2017	(915)	(3)	-;-	(918)
Charged to other comprehensive income	(227)	-;-	(6)	(233)
Credited/(charged) to profit or loss	(236)	7	-;-	(243)
Translation difference	(25)	-;-	-;-	(25)
Balances at 31 December 2018	(1,403)	(10)	(6)	(1,419)

The Group takes into account the probability that deductible temporary differences or tax losses carried forward can be utilised against future taxable profits on recognition of deferred income tax assets. In assessing recoverability of deferred income tax assets, the Group takes into account scheduled reversal of deferred income tax liabilities, projected future taxable profit and tax planning.

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

As a result of the assessment of the recoverability of deferred income tax assets, the Group does not recognise deferred income tax assets for a portion of deductible temporary differences or tax losses carried forward as of 31 December 2017 and 2018. The amounts of deductible temporary differences and tax losses carried forward for which deferred income tax assets that are not recognised as of 31 December 2017 and 2018 are as follows:

	USD thousand	
	31-December	
	2017	2018
Deductible temporary differences	8,727	46
Losses carried forward	19,166	14,650
Total	27,893	14,696

The expiration of tax losses carried forward for which deferred income tax assets are not recognised is as follows:

	USD thousand	
	31-December	
	2017	2018
Grand total		
1st Year	3,797	-;-
2nd Year	8,027	6,755
3rd Year	1,196	1,225
4th Year	379	388
5th Year and thereafter or no expiration date	5,767	6,282
Total	19,166	14,650

The above mentioned amount of tax losses carried forward related to the Company and IRI Japan.

NOTE 25 – CONTINGENCIES AND COMMITMENTS

a. As at 31 December 2017 and 2018, the Group and the Company did not have any significant contingent liabilities.

As at 31 December 2017 and 2018 the Group's future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	USD thousand	
	31 December	
	2017	2018
No later than one year	1	471
Later than one year and no later than five years	4	8
Over five years	-;-	-;-
	5	479

Lease expenses have been charged in Selling, general and administrative for the years ended 31 December 2017 and 2018.

b. On 8 September, 2016, IRI Japan entered into a memorandum with Technion Japan Co., Ltd. ("Technion Japan"), the branch of the Technion in Japan, under which IRI Japan would have a first right upon any sales and/or production on the Japanese market of products developed by startup companies from the Technion, or located by the Technion, which deal in research and development in the fields of medicine, life sciences, biology, food and hygiene.

c. IRI Japan entered into a donation agreement with the Israel Technological Institute (the "Technion") and with the Technion Japan on March, 2017. IRI Japan undertook to donate the sum of USD 4 million (in 10 equal installments over 10 years) to the Technion, which would be used to support the research and development operations of the Cyber Security Research Center at the Technion from 1 July, 2017 to 30 June, 2027, which would be called the Hiroshi Fujiwara Cyber Security Research Center.
The agreement is treated as an executory contract in accordance with IAS 39 and accordingly, an expense is recognized over the 10-year agreement period, starting 1 July, 2017.

NOTE 26 – RELATED PARTY TRANSACTIONS AND BALANCES

(a) Balances classified as related parties:

The following balances were financial assets and liabilities attributed to related parties:

	USD thousand	
	31 December	
	2017	2018
Current assets		
Booked in IRI Japan:		
Trade Receivable to a company own by director	10	60
Trade Receivable to IoT Square, Inc.	1	-;-
Allowance for Doubtful accounts to a company own by director	(10)	(10)
Booked in NOM:		
Other receivable to a company own by director	20	21
Allowance for Doubtful accounts to a company own by director	(20)	(21)
Total	1	50
Current liabilities		
Booked in the Company –		
Account payable for Hiroshi Fujiwara	37	-;-
Booked in IRI Japan –		
Account payable to BBT	1	3
Booked in NOM –		
Account payable to BBT	-;-	3
Total	38	6

All of the above transactions with related parties were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(b) Transactions with related parties:

	USD thousand		
	Year ended 31 December		
	2016	2017	2018
Transaction with Management Executives in the Company –			
Account payable for Hiroshi Fujiwara	-	37	-;-
Transaction with Management Executives in IRI Japan:			
Loan collection from Hiroshi Fujiwara	-;-	288	-;-
Loan to Hiroshi Fujiwara	(276)	-;-	-;-
Interest Income from Loan to Hiroshi Fujiwara	2	2	-;-
Transaction with Other Related Parties in IRI Japan:			
Prepayments from BBT	119	-;-	-;-
Outsourcing cost to BBT	(12)	(21)	(14)
Sales to BBT	-;-	143	-;-
Sales to IoT Square, Inc.	-;-	3	13
Sales to a company own by director	-;-	-;-	136
Payment of membership fee to a company own by director	-;-	-;-	(1)
Transaction with Management Executives in NOM:			
Repayment of Loan from Hiroshi Fujiwara	(613)	-;-	-;-
Interest Expense Paid to Hiroshi Fujiwara	(132)	-;-	-;-
Interest Expense Accrual for Hiroshi Fujiwara	1	-;-	-;-
Transaction with Other Related Parties in NOM:			
Sales to BBT	23	18	-;-
Sales to a company own by director	-;-	19	-;-
Consulting fee to a company own by director	-;-	-;-	(181)
Outsourcing cost to BBT	-;-	(9)	(2)
Payment on behalf of a company own by director	(5)	-;-	-;-
Total	(893)	480	(49)

NOM had a loan as at 31 December 2016 for ordinary purpose. These loans were unsecured, interest-bearing at 0.6%-3% per annum and repayable on demand. As at 31 2016, there was no impairment for the amount due from a director as the amount have not past due and they have no history of default in payment. On November 9, 2017, the Group collected all outstanding loans from Hiroshi Fujiwara.
Other transactions were conducted in the ordinary course of the business of the Group based on the terms mutually agreed between the relevant parties.

(C) Key management compensation

The compensation paid or payable to key management for employee services for the year ended 31 December 2018, 2017 and 2016 are respectively shown below:

	USD thousand		
	Year ended 31 December		
	2016	2017	2018
Executive compensation	209	265	323
Share-based payment	169	5	-;-
Total	378	270	323

(D) Guarantees provided by shareholders and directors

As of January 1, 2017, the company's bank accounts are guaranteed by a personal guarantee provided by the controlling shareholder, Dr. Hiroshi Fujiwara. The guarantee related to bank loans for NOM subsidiary and restricted to these loans extant.

On November 15, 2017 the above loan was fully repaid. Accordingly, the personal guarantee was invalid.

NOTE 27 – SEGMENT INFORMATION

(1) General information

Operating segments were determined based on the reports reviewed by the Chief Executive Officer (CEO) who is responsible for allocating resources and assessing performance of the operating segments, who is the Chief Operating Decision Maker ("CODM") of IRI Israel as the Company's parent company.

An operating segment of the Group is a component for which discrete financial information is available. No operating segments have been aggregated to form the reportable segments.

The CEO considers the business from two areas of activities, as follows;

(a) Information technology, which includes two operating segments:

(i) IRI- it mainly provides consultancy services, research services and the reviewing of market trends in the field of internet technologies for companies, organizations and government institutions in Japan.

(ii) BBT- it mainly provides data center services, cloud services, storage solutions, AI (artificial intelligence) solutions, dedicated platform services and support of VNO setup/operation services to cable television operators. In addition, BBT deals in renewable energy and is the owner of a number of solar power stations. Revenue from a single external customers were approximately 29,521 thousands USD for the year ended December 31, 2016 and 28,240 thousands USD for the year ended December 31, 2017 and 29,028 thousands USD for the year ended December 31, 2018, respectively.

(b) Information service business

(i) NOM – it mainly provides planning, organization, production and management of conferences, exhibitions, seminars and other business events in the fields of internet technology, hi-tech, cyber security, etc.

(c) Other

Other comprise of the investments in MIC. It is a general partner in an investment fund that mainly invests in startups in the technology and services industry, which focus on next generation ICT (information and communications technology) companies and in related areas.

Each segment is divided to services and equipment relating to revenues and cost of revenues. The reportable operating segments include the following measures: Revenues, Operating profit (loss), and Interest expenses and incomes, Tax, Depreciation and Assets.

	Year ended 31 December 2016						
	Information technology						
	IRI	BBT	NOM	Other	Sub total	Adjustments	Total
Segment revenue from external customers	22	66,028	7,937	-;-	73,987	(66,028)	7,959
Operating profit (loss)	(1,280)	(2,634)	1,201	-;-	**(2,713)**	2,634	**(79)**
Share of profit (loss) of investments accounted for using the equity method	1,252	(1,235)	-;-	203	**220**	1,235	**1,455**
Gain on change in share of investments accounted for using equity method	453	-;-	-;-	-	453	-;-	453
Profit (loss) before income tax	427	(4,054)	1,193	203	**(2,231)**	4,054	**1,823**
Income tax expenses (benefit)	(2)	163	(441)	-;-	**(280)**	(163)	**(443)**
Profit (loss) from continued operations	425	(3,891)	752	203	**(2,511)**	3,891	**1,380**
Profit (loss) from discontinued operation**	-;-	12,530	-;-	-;-	12,530	(12,530)	-
Profit for the year	425	8,640	752	203	**10,020**	(8,640)	**1,380**
Other segment items							
Finance income	2	165	0	-;-	167	(165)	2
Finance expense	-;-	(349)	(8)	-;-	**(357)**	349	**(8)**
Depreciation and amortization	-;-	(3,042)	(37)	-;-	**(3,079)**	3,042	**(37)**
Capital expenditure	-;-	6,055	6	-;-	**6,061**	(6,055)	**6**

**Discontinued operation in a year ended on 31 December 2016 refers to the partial sale of BBT subsidiary Ingenico Japan CO. Ltd on 26 April 2016, as to a partial sale of BBT subsidiary BBF.

	Year ended 31 December 2017						
	Information technology						
	IRI	BBT	NOM	Other	Sub total	Adjustments	Total
Segment revenue from external customers	278	77,655	8,843	-;-	86,776	(77,655)	9,121
Operating profit (loss)	(3,817)	3,564	743	-;-	490	(3,564)	(3,074)
Share of profit (loss) of investments accounted for using the equity method	1,159	(1,650)	-;-	298	(193)	1,650	1,457
Gain on change in share of investments accounted for using equity method	123	-;-	-;-	-	123	-;-	123
Profit (loss) before income tax	(2,533)	2,242	742	298	749	(2,242)	(1,493)
Income tax expenses (benefit)	-;-	(9,684)	(330)	-;-	(10,014)	9,684	(330)
Profit (loss) from continued operations	(2,533)	(7,439)	412	298	(9,262)	7,439	(1,823)
Profit (loss) from discontinued operation	-;-	14,036	-;-	-;-	14,036	(14,036)	-
Profit for the year	(2,533)	6,597	412	298	4,774	(6,597)	(1,823)
Other segment items							
Finance income	2	1,615	0	-;-	1,617	(1,615)	2
Finance expense	-;-	(1,286)	(1)	-;-	(1,287)	1,286	(1)
Depreciation and amortization	-;-	(5,844)	(35)	-;-	(5,879)	5,844	(35)
Capital expenditure	-;-	11,865	247	-;-	12,112	(11,865)	247

**Discontinued operation in a year ended on 31 December 2017 refers to the partial sale of BBT subsidiary BBF, Inc. on 30 June 2017, the sale of BBT subsidiary IoT on 4 January, 2019.

	Year ended 31 December, 2018						
	Information technology						
	IRI	**BBT**	**NOM**	**Other**	**Sub total**	**Adjustments**	**Total**
Segment revenue from external customers	281	110,313	10,188	-;-	120,782	(110,327)	10,455
Operating profit (loss)	(2,754)	(6,002)	1,135	-;-	(7,621)	4,833	(2,788)
Share of profit (loss) of investments accounted for using the equity method	(1,668)	442	-;-	2,661	1,435	(442)	993
Gain on change in share of investments accounted for using equity method	112	-;-	-;-	-;-	112	-;-	112
Profit (loss) before income tax	(4,310)	(5,733)	1,135	2,661	(6,247)	3,691	(2,556)
Income tax expenses (benefit)	224	848	(483)	-;-	589	(848)	(259)
Profit (loss) from continued operations	(4,086)	(4,885)	652	2,661	(5,658)	2,843	(2,815)
Profit (loss) from discontinued operation**	-;-	(3,400)	-;-	-;-	(3,400)	3,400	-;-
Profit for the year	(4,086)	(8,285)	652	2,661	(9,058)	6,243	(2,815)
Other segment items							
Finance income	0	317	0	-;-	317	(227)	90
Finance expense	-;-	(489)	(1)	-;-	(490)	482	(8)
Depreciation and amortization	(73)	(10,473)	(43)	-;-	(10,589)	10,473	(116)
Capital expenditure	427	46,066	65	-;-	46,558	(46,066)	492

**Discontinued operation in a year ended on 31 December 2018 refers to the sale of BBT subsidiary IoT on 4 January 2019, see note 28.

	Year ended 31 December, 2017					
	Information technology					
	IRI	**BBT**	**NOM**	**Other**	**Adjustments**	**Total**
Segment assets	23,779	175,661	4,134	1,548	(175,661)	29,461

	Year ended 31 December, 2018					
	Information technology					
	IRI	**BBT**	**NOM**	**Other**	**Adjustments**	**Total**
Segment assets	23,968	217,660	5,550	2,301	(217,277)	32,202

NOTE 28 – SUBSEQUENT EVENTS

Acquisition of IoT Square, Inc.
On 20 December 2018, IRI Japan's board of director meeting resolved to acquire of IoT Square, Inc. ("IoT"), accompany incorporated in Japan and on October 2, 2017, as a wholly subsidiary of BBT.
Based on the resolution, IRI Japan entered into the share purchase agreement with BBT on 21 December 2018. According to the terms and conditions of the agreement, the acquisition was completed on 4 January 2019 and it resulted that IoT becomes a wholly subsidiary of IRI Japan.

IoT is an R&D company which operates in a number of fields of operations, the principal ones being the development of systems for the management and sale of digital tickets to events, management and operation services to solar power plants, the development of solutions and consultation services in the field of date security, and the design and production of films and production services.
Being an R&D company that is in the initial stages of development, IoT has not yet developed a product that produces it substantial revenues. IoT has revenues from the management and operations services to BBT's solar plants, which shall continue after the closing of the transaction as well. Following the closing, until IoT develops its products and provided there are no third party investments in IoT, IRI Japan will fund the majority of IoT's operations.

Assets acquired and liabilities assumed
The identifiable assets and liabilities of IoT, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

	(USD in thousands) **Fair value recognized on acquisition**
Assets	
Cash and cash equivalents	213
Trade receivables	29
Related parties	10
Other current assets	84
Other financial assets	105
Property and equipment	74
Right-of-use assets	514
Intangible assets	4
Other non-current assets	9
Total	1,042
Liabilities	
Accruals, provisions and other payables	(271)
Related parties	(59)
Other liabilities	(16)
Lease liabilities	(514)
Asset Retirement Obligations	(20)
Total	(880)
Total identifiable net assets at fair value	162
Negative goodwill	(91)
Total consideration	71

All consideration was paid in cash and the amount is USD 71 thousand.

The Pro Forma Statement of Profit or Loss of the Group for the year ended 31 December 2017 and 2018 which the profit or loss of IoT have been retrospectively consolidated as part of Group's consolidated financial statements as if the acquisition of IoT had occurred on 1 January 2017 were as followed:

Pro Forma Statement of Financial Positions

	USD *(In thousands)* 2018
ASSET	
CURRENT ASSETS	
Cash and cash equivalents	11,495
Trade receivables	50
Contract assets	267
Related parties	60
Income tax receivables	511
Other current assets	651
TOTAL CURRENT ASSETS	13,034
NON-CURRENT ASSETS	
Other financial assets	1,192
Investments accounted for using the equity method	17,531
Property, plant and equipment	777
Intangible assets	19
Deferred tax assets	147
Other non-current assets	9
TOTAL NON-CURRENT ASSETS	19,675
TOTAL ASSETS	32,702
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Trade payable	147
Accruals and other payables	1,766
Contract liabilities	2,947
Obligations under finance leases	12
Related parties	62
Income taxes payables	16
TOTAL CURRENT LIABILITIES	4,950
NON-CURRENT LIABILITIES	
Obligations under finance leases	65
Provisions	209
TOTAL NON-CURRENT LIABILITIES	274
TOTAL LIABILITIES	5,224
EQUITY	
Share capital	-;-
Capital surplus	14,845
Retained earnings	10,786
Accumulated other comprehensive income	352
Exchange differences on translation from functional currency to presentation currency	1,495
TOTAL EQUITY	27,478
TOTAL LIABILITIES AND EQUITY	32,702

Pro Forma Statement of Profit or Loss

	USD thousand	
	Year ended 31 December, 2017	**Year ended 31 December, 2018**
Revenue	11,003	11,169
Operating costs and expenses:		
Cost of sales	(4,274)	(4,281)
Selling, general and administrative	(13,653)	(11,898)
Research and Development expenses	(1,642)	(1,202)
Other operational incomes (expenses), net	(152)	29
Total operating costs and expenses	(19,721)	(17,352)
Operating loss	(8,718)	(6,183)
Other expenses	-	(955)
Finance income	2	90
Finance expense	(1)	(9)
Finance income (expense), net	1	81
Share of profit of investments accounted for using the equity method	2,207	1,739
Gain on change in share of investments accounted for using the equity method	201	162
Loss before income taxes	(6,309)	(5,156)
Income tax benefit	(336)	(264)
Loss for the year	(6,645)	(5,420)
Loss for the period attributable to:		
Owners of the parent	(6,645)	(5,420)
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss:		
Differences from translation of financial statements from functional currency to presentation currency	564	657
Share of other comprehensive income of investments accounted for using equity method	133	34
Change in fair value of available-for-sale financial assets	(9)	-;-
Items that will not be classified to profit or loss:		
Differences from translation of financial statements from functional currency to presentation currency	-;-	(13)
Change in fair value of available-for-sale financial assets	-;-	5
Share of other comprehensive income (loss) of investments accounted for using equity method	-;-	394
Total other comprehensive income, net of tax	688	1,077
Comprehensive income(loss) for the year	(5,957)	(4,343)

NOTE 29 – RECONCILIATION of BBT's FINANCIAL STATEMENTS FROM J-GAAP TO IFRS

On August 6, 2017, the Company submitted an application to the Securities Authority for approval of relief in attaching the reports of the affiliateBBT, whose securities are listed for trading on the Tokyo Stock Exchange in Japan, mainly approval to attach to the Company's reports BBT's financial statements prepared according to the accepted accounting principles in Japan (J-GAAP), as published for the public in Japan, translated into to English, together with a reconciliation note setting out the relevant differences in the BBT financial statements between the J-GAAP and the IFRS. Moreover, in view of the fact that BBT's annual financial statements are published in Japan at the end of the second quarter of the calendar year (meaning June 30,), the Securities Authority staff approves the Company's requested to attach BBT’s reports according to its reporting cycle, i.e. BBT's financial statements as at June 30, 2017, which are the audited annual report for the year ending on that date, were attached to the Company's interim reports as at that date.

To the financial statements of the Company for the year ended on December 31, 2018, attached is the audited quarterly reports of BBT, since BBT informed the Company that as of December 31, 2018, it has updated its reporting period in order to have the annual financial statements of BBT published together with the annual financial statements of the Company.

Below is transition from Japanese GAAP to IFRS at BBT as of and for the 6 months ended 31 December 2017 and 2018. Since BBT's financial information under Japanese GAAP is denominated in JPY, the reconciliation below is presented in thousands of JPY.

Consolidated statement of financial position

		As of 31 December 2017			
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Current assets					**Current assets**
Cash and cash equivalents	C	6,346,851	-;-	6,346,851	Cash and cash equivalents
Notes and accounts receivable-trade	,J,N	1,485,416	(6,941)	1,478,475	Notes and accounts receivable - trade
Marketable securities	I	300,000	(300,000)	-;-	Marketable securities
-;-	E	-;-	1,040,741	1,040,741	Investment securities at fair value (Current)
Inventories		268,953	-;-	268,953	Inventories
Deferred tax assets	N	19,595	(19,595)	-;-	Deferred tax assets - current
-;-	C	-;-	657,887	657,887	Assets classified as held for sale
Others	C	675,694	17,813	693,507	Current assets - Others
Allowance for doubtful accounts	N	(6,941)	6,941	-;-	Allowance for doubtful accounts
Total current assets		**9,089,568**	**1,396,846**	**10,486,414**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	C, K	5,141,514	(654,960)	4,486,554	Property, plant and equipment
Intangible assets	A	204,364	1,318,547	1,522,911	Intangible assets
Goodwill	A	1,094,719	(490,675)	604,044	Goodwill
Investment securities	I	1,178,113	221,761	1,399,874	Investment securities at fair value
-;-	N	-;-	34,774	34,774	Investments accounted for using the equity method
Deferred tax assets	F,N	-;-	201,054	201,054	Deferred tax assets - non current
Lease and guarantee deposits		876,475	-;-	876,475	Lease and guarantee deposits
Non-current assets - Others		138,348	20,943	159,291	Non-current assets - Others
Total non-current assets		**8,633,533**	**651,444**	**9,284,977**	**Total non-current assets**
Total assets		**17,723,101**	**2,048,290**	**19,771,391**	**Total assets**

		As of 31 December 2017			
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Current liabilities					**Current liabilities**
Accounts payable-trade		495,988	-;-	495,988	Trade payable
Short-term borrowings		1,899,980	-;-	1,899,980	Short-term borrowings
Lease obligations		32,703	-;-	32,703	Obligation under finance leases
Accounts payable-other	C	1,362,626	-;-	1,362,626	Accruals and other payables
Income taxes payable	C	590,727	-;-	590,727	Income taxes payable
Advances received	J	-;-	436,644	436,644	Deferred revenue
Others	J	476,264	(303,430)	172,834	Other current liabilities
Total current liabilities		**4,858,288**	**133,214**	**4,991,502**	**Total current liabilities**
Non-current liabilities					**Non-current liabilities**
Long-term borrowings		2,728,610	-;-	2,728,610	Long-term borrowings
Lease obligations		294,931	-;-	294,931	Obligation under finance lease
Asset retirement obligations		794,247	-;-	794,247	Asset retirement obligations
Deferred tax liabilities	A,F,N	87,159	393,457	480,616	Deferred tax liabilities
Deferred revenue	J	-;-	100,789	100,789	Deferred revenue
Others	G	107,485	64,822	172,307	Other non-current liabilities
Total non-current liabilities		**4,012,432**	**559,068**	**4,571,501**	**Total non-current liabilities**
Total liabilities		**8,870,720**	**692,282**	**9,563,002**	**Total liabilities**
Equity Shareholders' equity					**Equity Shareholders' equity**
Capital stock		2,381,163	-;-	2,381,163	Capital stock
Capital surplus		2,776,297	-;-	2,776,297	Capital surplus
Retained earnings	O	2,683,324	613,756	3,297,080	Retained earnings
Treasury shares		(259,690)	-;-	(259,690)	Treasury shares
Total shareholders' equity		**7,581,095**	**613,756**	**8,194,851**	**Total shareholders' equity**
Other comprehensive income					**Other comprehensive income**

Valuation differences of available-for-sale investments	I	32	222,332	222,364	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(45,833)	(415)	(46,248)	Foreign currency translation adjustment
Total other comprehensive income		**(45,801)**	**221,917**	**176,116**	**Total other comprehensive income**
Stock compensation		13,345	14,415	27,760	Stock compensation
Non-controlling interests		1,303,742	505,920	1,809,662	Non-controlling interests
Total equity		**8,852,381**	**1,356,008**	**10,208,389**	**Total equity**
Total liabilities and equity		**17,723,101**	**2,048,290**	**19,771,391**	**Total liabilities and equity**

Presentation under J-GAAP	**Note**	**As of 31 December 2018** Reported under Japanese GAAP JPY(in thousand)	Effect of transition to IFRS JPY(in thousand)	IFRS JPY(in thousand)	**Presentation under IFRS**
Current assets					**Current assets**
Cash and cash equivalents	C	7,250,975	(22,983)	7,227,993	Cash and cash equivalents
Notes and accounts receivable - trade	C,N	1,717,958	(19,638)	1,698,320	Notes and accounts receivable - trade
Marketable securities		221,964	-;-	221,964	Investment securities at fair value (Current)
Inventories		282,482	-;-	282,482	Inventories
-;-	C	-;-	48,727	48,727	Assets classified as held for sale
Current assets - Others	C	744,718	(3,231)	741,487	Current assets - Others
Allowance for doubtful accounts	N	(15,393)	15,393	-;-	Allowance for doubtful accounts
Total current assets		**10,202,704**	**18,268**	**10,220,973**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	C,K	6,643,234	78,364	6,721,598	Property, plant and equipment
Intangible assets	B	1,960,730	48,639	2,009,369	Intangible assets
Goodwill	D	663,584	(5,343)	658,241	Goodwill
Investment securities	H,I	1,822,665	(1,788,736)	33,929	Investments accounted for using the equity method
-;-		-;-	2,105,616	2,105,616	Financial assets at fair value through

					comprehensive income
-;-		-;-	171,190	171,190	Financial assets at fair value through profit or loss
Deferred tax assets	F	209,959	243,247	453,206	Deferred tax assets - non current
Lease and guarantee deposits	C	1,488,263	(9,708)	1,478,555	Lease and guarantee deposits
Non-current assets - Others	C	158,952	(26,523)	132,429	Non-current assets - Others
Total non-current assets		**12,947,389**	**816,746**	**13,764,135**	**Total non-current assets**
Total assets		**23,150,094**	**835,015**	**23,985,109**	**Total assets**

Presentation under J-GAAP	**Note**	**As of 31 December 2018** **Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**IFRS JPY(in thousand)**	**Presentation under IFRS**
Current liabilities					**Current liabilities**
Accounts payable-trade		607,439	-;-	607,439	Trade payable
Short-term borrowings		1,831,952	-;-	1,831,952	Short-term borrowings
Lease obligations - - current		25,866	-;-	25,866	Obligation under finance leases - current
Accounts payable-other	C	779,207	(25,501)	753,706	Accruals, provisions and other payables
Income taxes payable	C	45,143	(1,776)	45,143	Income taxes payable
-;-	J	-;-	366,324	366,324	Contract liabilities
-;-	C	-;-	41,079	41,079	Liabilities directly associated with assets classified as held for sale
Others	J	795,191	(175,135)	620,056	Other current liabilities
Total current liabilities		**4,084,791**	**204,991**	**4,289,782**	**Total current liabilities**
Non-current liabilities					**Non-current liabilities**
Lease obligations		271,109	-;-	271,109	Obligation under finance leases
Long-term borrowings		6,339,164	(85,903)	6,253,261	Long-term borrowings
Asset retirement obligations		1,537,157	-;-	1,537,157	Asset retirement obligations

Deferred tax liabilities	F,N	468,984	60,530	529,515	Deferred tax liabilities - non current
-;-		-;-	10,716	10,716	Contract liabilities - non current
Non-current liabilities - Others	G	277,735	85,775	363,510	Other non-current liabilities
Total non-current liabilities		**8,894,151**	**71,118**	**8,965,269**	**Total non-current liabilities**
Total liabilities		**12,978,943**	**276,109**	**13,255,052**	**Total liabilities**
Equity Shareholders' equity					**Equity Shareholders' equity**
Capital stock		2,404,404	-	2,404,404	Capital stock
Capital surplus		2,841,553	5,260	2,846,813	Capital surplus
Retained earnings	O	2,247,960	423,994	2,671,955	Retained earnings
Treasury shares		(259,690)	-	(259,690)	Treasury shares
Total shareholders' equity		**7,234,230**	**429,254**	**7,663,484**	**Total shareholders' equity**
Other comprehensive income		-;-	-;-	-;-	**Other comprehensive income**
Valuation differences of available-for-sale investments		(3,313)	6,864	3,551	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(19,830)	-;-	(19,830)	Foreign currency translation adjustment
Total other comprehensive income		**(23,143)**	**6,864**	**(16,279)**	**Total other comprehensive income**
Non-controlling interests		2,960,066	122,785	3,082,851	Non-controlling interests
Total equity		**10,171,151**	**558,903**	**10,730,054**	**Total equity**
Total liabilities and equity		**23,150,094**	**835,012**	**23,985,106**	**Total liabilities and equity**

Consolidated statement of income

Presentation under J-GAAP	Note	Reported under Japanese GAAP JPY(in thousand)	Effect of transition to IFRS JPY(in thousand)	Reclassification into Discontinued Operations JPY (In thousands)	IFRS JPY(in thousand)	Presentation under IFRS
		For the six months ended 31 December 2016				
Net revenue	C,J	18,717,617	(6,866,803)	(8,325,118)	3,525,696	Revenue
Cost of revenue	C	(15,428,415)	6,821,602	5,844,289	(2,762,524)	Cost of sales
Gross profit		**3,289,202**	**(45,201)**	**(2,480,829)**	**763,172**	**Gross profit**
Selling, general and administrative expenses	C,D,E	(2,766,404)	81,093	1,793,029	(892,282)	Selling, general and administrative expenses
-;-	C,N	-;-	28,836	(1,052)	27,784	Other income
-;-	C,N	-;-	(9,275)	372	(8,903)	Other expense
Operating profit		**522,798**	**55,453**	**(688,480)**	**(110,229)**	**Operating profit**
Non-operating income	N	33,377	(33,377)	-;-	-;-	-;-
Non-operating expenses	N	(93,597)	(93,597)	-;-	-;-	-;-
Finance income	N	-;-	5,205	(82)	5,123	Finance income
Finance expense	N	-;-	(36,891)	6,233	(30,658)	Finance expense
Loss under equity method	N	-;-	(90,565)	-;-	(90,565)	Share of loss of investments accounted for using the equity method
Profit before income taxes		**462,578**	**(6,578)**	**(682,329)**	**(226,329)**	**Profit before income taxes**
Income taxes	C,F	(236,613)	7	225,885	(10,721)	Income taxes expense
Profit after income taxes		**225,965**	**(6,571)**	**(456,444)**	**(237,050)**	**Profit for the period from continuing operations**
Minority interest		136,913	50,129	-;-	187,042	Minority interest
-;-		-;-	-;-	**456,444**	**456,444**	Profit from discontinued operations, net of taxes
Profit (loss) attributable to owners of parent		89,052	(56,700)	-;-	32,352	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**225,965**	**(6,571)**	-;-	**219,394**	**Profit for the period from continuing operations**

Profit after income taxes		**225,965**	**(6,571)**	-;-	**219,394**	**Profit for the period**
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax:
Valuation difference on available-for-sale investment	I	6,937	8,368	-;-	15,305	Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment		76,017	-;-	-;-	76,017	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for using equity method		(291)	-;-	-;-	(291)	Share of other comprehensive income of investments using the equity method
Total other comprehensive income (loss), net of tax		**82,664**	**8,368**	**-;-**	**91,031**	**Total other comprehensive income (loss), net of tax**
Comprehensive income		**308,629**	**1,797**	**-;-**	**310,425**	**Comprehensive income**
Comprehensive income attributable to :						Comprehensive income attributable to :
Owners of parent		171,777	(48,332)	-;-	123,445	Owners of parent
Non-controlling interests		136,852	50,128	-;-	186,980	Non-controlling interests

Presentation under J-GAAP	Note	Reported under Japanese GAAP JPY(in thousand)	Effect of transition to IFRS JPY(in thousand)	Reclassification into Discontinued Operations JPY (In thousands)	IFRS JPY(in thousand)	Presentation under IFRS
		For the six months ended 31 December 2017				
Net revenue	C,J	4,833,846	(45,663)	(52,847)	4,735,337	Revenue
Cost of revenue	C	(3,366,122)	(13,883)	32,929	(3,347,076)	Cost of sales
Gross profit		**1,467,724**	**(59,546)**	**(19,918)**	**1,388,261**	**Gross profit**
Selling, general and administrative expenses	C,D,E	(1,410,180)	66,589	111,739	(1,231,852)	Selling, general and administrative expenses
-;-	C,N	-;-	224,154	(2)	224,152	Other income
-;-	C,N	-;-	(63,191)	0	(63,191)	Other expense
Operating profit		**57,544**	**168,006**	**91,820**	**317,370**	**Operating profit**
Non-operating income	N	85,747	(85,747)	-;-	-;-	-;-
Non-operating expenses	N	(13,833)	13,833	-;-	-;-	-;-
Finance income	N	-;-	154,728	-;-	154,728	Finance income
Finance expense	N	-;-	(11,035)	-;-	(11,035)	Finance expense
Loss under equity method	N	-;-	83,749	-;-	83,749	Share of loss of investments accounted for using the equity method
Ordinary profit		**129,458**	**323,534**	**91,820**	**544,811**	-;-
Extraordinary income	N	687,323	(687,323)	-;-	-;-	-;-
Extraordinary loss	N	(59,900)	59,900	-;-	-;-	-;-
Profit before income taxes		**756,881**	**(303,889)**	**91,820**	**544,811**	**Profit before income taxes**
Income taxes	C,F	(564,641)	146,644	190	(417,807)	Income taxes expense
Profit after income taxes		**192,240**	**(157,245)**	**92,009**	**127,005**	**Profit for the period from continuing operations**
Minority interest		(25,238)	(9,842)	-;-	(35,080)	Minority interest
-;-		-;-	-;-	(92,009)	(92,009)	Loss from discontinued operations, net of taxes
Profit (loss) attributable to owners of parent		**167,002**	**(167,087)**	-;-	**(85)**	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**192,240**	**(157,245)**	**92,009**	**127,004**	**Profit for the period from**

Reclassification of loss from discontinued operations	**C**	**-;-**	**-;-**	**(92,009)**	**(92,009)**	**continuing operations Reclassification of loss from discontinued operations**
Profit after income taxes		**192,240**	**(157,245)**	-;-	**34,995**	**Profit for the period**
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax:
Valuation difference on available-for-sale investment	I	32	125,229	-;-	125,261	Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment		5,764	-;-	-;-	5,764	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for using equity method		552	-;-	-;-	552	Share of other comprehensive income of investments using the equity method
Total other comprehensive income (loss), net of tax		**6,348**	**125,229**	**-;-**	**131,577**	**Total other comprehensive income (loss), net of tax**
Comprehensive income		**198,588**	**(32,016)**	**-;-**	**166,572**	**Comprehensive income**
Comprehensive income attributable to :						Comprehensive income attributable to :
Owners of parent		173,350	(41,858)	-;-	131,492	Owners of parent
Non-controlling interests		25,238	9,842	-;-	35,080	Non-controlling interests

		For the six months ended 31 December 2018				
Presentation under J-GAAP	**Note**	**Reported under Japanese GAAP JPY(in thousand)**	**Effect of transition to IFRS JPY(in thousand)**	**Reclassification into Discontinued Operations**	**IFRS JPY (In thousands)**	**Presentation under IFRS**
Net revenue	C,J	6,296,650	39,984	(16,282)	6,320,352	Revenue
Cost of revenue	C	(5,024,647)	(278,138)	26,712	(5,276,073)	Cost of sales
Gross profit		**1,272,002**	**(238,154)**	**10,430**	**1,044,278**	**Gross profit**
Selling, general and administrative expenses	C,D,E	(1,873,502)	52,074	192,772	(1,628,656)	Selling, general and administrative expenses

-;-	C,N	-;-	219,216	(922)	218,294	Other income
-;-	C,N	-;-	(17,841)	-;-	(17,841)	Other expense
Operating profit(Loss)		**(601,500)**	**15,295**	**202,280**	**(383,925)**	**Operating profit(Loss)**
Non-operating income	N	20,995	(20,995)	-;-	-;-	-;-
Non-operating expenses	N	(82,685)	82,685	-;-	-;-	-;-
Finance income	N	-;-	13,149	-;-	13,149	Finance income
Financial expense	N	-;-	(36,015)	-;-	(36,015)	Finance expense
Loss under equity method	N	-;-	(482)	-;-	(482)	Share of loss of investments accounted for using the equity method
Ordinary profit		**(663,190)**	**53,637**	**202,280**	**(407,273)**	**-;-**
Extraordinary income	N	930,145	(930,145)	-;-	-;-	-;-
Extraordinary loss	N	(228,092)	228,092	-;-	-;-	-;-
Profit before income taxes		**38,862**	**(648,415)**	**202,280**	**(407,274)**	**Profit(Loss) before income taxes**
Income taxes	C,F	50,139	(16,322)	309	34,126	Income taxes expense
Profit after income taxes		**89,001**	**(664,737)**	**202,589**	**(373,147)**	**Profit for the period from continuing operations**
Minority interest		76,167	(14,149)	-;-	62,018	Minority interest
-;-		-;-	-;-	(202,589)	(202,589)	Grain from discontinued operations, net of taxes
Profit (loss) attributable to owners of parent		**165,168**	**(678,888)**	**-;-**	**(513,720)**	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**89,001**	**(664,737)**	**202,589**	**(373,147)**	**Profit(Loss) for the period from continuing operations**
Reclassification of loss from discontinued operations	**C**	**-;-**	**-;-**	**(202,589)**	**(202,589)**	**Reclassification of loss from discontinued operations**
Profit after income taxes		**89,001**	**(664,737)**	**-;-**	**(575,736)**	**Profit(Loss) for the period**
Other comprehensive income (loss), net of tax:						Other comprehensive income (loss), net of tax:

Valuation difference on available-for-sale investment	I	(13,676)	75,164	-;-	61,488	Change in fair value of available-for-sale financial assets
Foreign currency translation adjustment		39,126	-;-	-;-	39,126	Foreign currency translation adjustment
Share of other comprehensive income of entities accounted for using equity method		-;-	-;-	-;-	-;-	Share of other comprehensive income of investments using the equity method
Total other comprehensive income (loss), net of tax		**25,4449**	**75,164**	**-;-**	**100,613**	**Total other comprehensive income, net of tax**
Comprehensive income		**114,451**	**(589,574)**	**-;-**	**475,123**	**Comprehensive income**
Comprehensive income attributable to						Comprehensive income attributable to
Owners of parent		200,982	(608,932)	-;-	(407,950)	Owners of parent
Non-controlling interests		(86,531)	19,357	-;-	(67,174)	Non-controlling interests

A) Acquisition of JapanCableCast Inc.
On 10 October 2017, BBT acquired 50.4% of the voting shares of JapanCableCast Inc. (“JCC”), an unlisted company based in Tokyo, Japan, specializing in providing dedicated platform services (video, voice, data delivery) and support of VNO setup/operation services to cable television operators. As a result of the acquisition, BBT obtained control, and JCC became consolidated subsidiaries of BBT. Before this transaction, JCC was treated as the investment accounted for using the equity method. BBT acquired JCC for the purpose of tightening the relationship with cable television industry in which the growth was expected as a critical social infrastructure in the era of the market change by accelerating next generation broadcasting and video delivery services such as a diffusion of 4K/8K high definition television services. The fair value of the assets and liabilities acquired was completed during the first half of 2018, and remained unchanged from the initial valuation at the date of acquisition..

Assets acquired and liabilities assumed
The identifiable assets and liabilities of JCC, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

	(In thousands of yen) **Fair value recognized on acquisition**
Assets	
Cash and cash equivalents	2,858,439
Trade receivables	350,253
Inventories	70,485
Others	66,001
Property and equipment	947,108
Customer relationship assets	1,332,000
Other intangible assets	140,267
Other non-current asset	217,593
Total assets	5,982,146
Liabilities	
Trade payables	(173,460)

Other financial liabilities, current	(461,710)
Other financial liabilities, non-current	(1,141,620)
Deferred tax liabilities	(188,631)
Other liabilities	(704,319)
Total liabilities	(2,669,740)
Total identifiable net assets at fair value	3,312,406
Non-controlling interests	(1,646,683)
Goodwill	604,044
Total consideration	2,269,767

All consideration was paid in cash. The fair value of the trade receivables was JPY 350,253 thousand. The gross contractual amounts of the trade receivables were not materially different from the fair value determined as part of the purchase price allocation.

Goodwill of JPY 604,044 thousand represented the value of expected synergies arising from the acquisition and was allocated entirely to the BBT segment. None of the goodwill recognized was expected to be deductible for income tax purposes.

From the date of acquisition, JCC had contributed JPY 826,184 thousand to the revenue of BBT and had increased profit from continuing operations of BBT by JPY 75,304 thousand. If the business combination had taken place on 1 July 2017, revenue for BBT would have been JPY 5,840,322 thousand and the profit (loss) from continuing operations for BBT would have been JPY (33,785) thousand for the six months ended 31 December 2017.

B) Acquisition of Okinawa Cable Network Inc.

On 3 October 2018, JapanCableCast Inc. (“JCC”), which is BBT’s consolidated subsidiary, acquired 100% of the voting shares of Okinawa Cable Network Inc. (“OCN”), an unlisted company based in Okinawa, Japan, specializing in providing dedicated cable television service. As a result of the acquisition, JCC obtained control, and OCN became consolidated subsidiaries of BBT. JCC acquired OCN for the purpose of proposing cable television operators to make progress of innovation of IP business by providing data broadcasting services with IP video distribution service, mutual smart TV service and hybrid cast technology.

As the purchase price allocation is incomplete as of issuance date of the consolidated financial statements, BBT reports provisional amounts at the acquisition as of and for the year ended 31 December 2018.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of OCN, which are measured at fair value as of the date of acquisition except for limited exceptions in accordance with IFRS, were as follows:

	(In thousands of yen) **Fair value recognized on acquisition**
Assets	
Cash and cash equivalents	387,560
Trade receivables	185,701
Inventories	18,058
Others	53,747
Property and equipment	380,588
Customer relationship assets	49,261
Other intangible assets	10,289
Deferred tax assets	193,257
Other non-current asset	4,071
Total assets	1,282,532
Liabilities	
Trade payables	(36,723)
Accruals and other payables	(152,172)
Income taxes payables	(78,222)
Asset Retirement Obligations	(762,518)
Other current liabilities	(8,899)
Other non-current liabilities	(198,195)
Total liabilities	(1,236,729)
Total identifiable net assets at fair value	45,803
Goodwill	54,197
Total consideration	100,000

All consideration was paid in cash. The fair value of the trade receivables was JPY 185,701 thousand. The gross contractual amounts of the trade receivables were not materially different from the fair value determined as part of the purchase price allocation.

Goodwill of JPY 54,198 thousand represented the value of expected synergies arising from the acquisition and was allocated entirely to the BBT segment. None of the goodwill recognized was expected to be deductible for income tax purposes.

From the date of acquisition, OCN had contributed JPY 450,712 thousand to the revenue of BBT and had increased profit from continuing operations of BBT by JPY 51,485 thousand. If the business combination had taken place on 1 July 2018, revenue for BBT would have been JPY 902,359 thousand and the profit from continuing operations for BBT would have been JPY 113,058 thousand for the year ended 31 December 2018.

C) Presentation of discontinued operations

Under Japanese GAAP, there is no specific requirements for the presentation of discontinued operations and reclassification of assets and liabilities as held for sale.
Under IFRS, an operation which meets certain criteria is classified as a discontinued operation and its results should be presented separately from continuing operations.
BBT engaged to sell whole share of its 100% investment in IoT square, Inc. on 21, December 2018. Due to this, the assets and liabilities of IoT square, Inc. as at 31 December 2017 and 2018 are reclassified as assets classified as held for sale and liabilities directly associated with assets classified as held for sale and income from discontinued operations are separately presented retrospectively.

In addition to above, since BBT entered into agreement in January 2018 to sell a part of solar power facilities to third party, as a result, BBT presents JPY 657,887 thousand as held for sale as at 31 December 2017, which is solar power facilities.

D) Goodwill and intangibles

As allowed under Japanese GAAP, goodwill is amortized for a period of less than 20 years. Under IFRS, goodwill is not amortized and the impairment test is performed at least annually, or more frequently upon occurrence of a trigger event.
As a result, JPY 604,044 thousand and JPY 658,241 thousand of goodwill are recorded under IFRS as at 31 December 2017 and 2018, respectively. Goodwill as at 31 December 2017 was caused from the acquisition of JCC on 10 October 2017. Goodwill as at 31 December 2018 was caused from the acquisition of JCC on 10 October 2017 and OCN on 3 October 2018. Reconciliation of goodwill between Japanese GAAP and IFRS as at 31 December 2018 is as follow.

	JPY (In thousands)	
	31 December 2017	31 December 2018
Goodwill under Japanese GAAP	1,094,719	663,584
Reversal of amortization expense of goodwill under Japanese GAAP	18,554	55,238
GAAP adjustment from Japanese GAAP to IFRS related to JCC and OCN as at the date of initial acquisition	(509,229)	(60,581)
Goodwill under IFRS	604,044	658,241

BBT tests whether goodwill has suffered any impairment on an annual basis at every 31 December under IFRS. The recoverable amount of a cash generating unit (CGU) is determined based on the value-in-use calculations which require the use of the assumptions. The calculations use cash flow projections based on the financial budget covering a five-year period for JCC and a three-year period for OCN. Cash flows beyond each covering period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in the industry reports specific to the industry in which each CGU operates.

When the recoverable amount of the CGU which includes goodwill is lower than the carrying amount of such CGU, an impairment loss is recognized.

	JCC Year ended 31 December 2018	OCN Year ended 31 December 2018
Budgeted operating profit margin (%)	12.30%	7.08%
Long-term growth rate (%)	0%	0%
Pre-tax discount rate (%)	6.69%	7.33%

BBT's management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Budgeted operating profit margin (%)	Based on past performance and management's expectations for the future.
Long-term growth rate (%)	This is the weighted average growth rate used to extrapolate cash flows beyond the budgeted period. The rates are consistent with forecasts included in the industry report.
Pre-tax discount rate (%)	Reflect specific risks relating to the relevant CGU.

The recoverable amounts of the CGU to which goodwill has been allocated exceed its carrying amounts significantly for both of JCC and OCN for the year ended December 31 2018.

E) Discontinuing the use of the equity method

Under Japanese GAAP, an entity shall discontinue the use of the equity method from the date when its investment ceases to be an associate, and the entity measures the retained interest in the former associate at its costs in the consolidated financial statements.
Under IFRS, when an entity shall discontinue the use of the equity method, any investment retained in the former associate is re-measured at its fair value with any gain or loss recognized in profit or loss.
BBT sold a partial share of its 13.5% investment in BBF, Inc. on 14 December 2017. As a result, BBT's ratio of voting rights was dropped to 10.0% and was accounted for as available for sales for equity securities. BBT recorded gain as a result of discontinuation of equity method which result in financial income in the amount of JPY 133,337 thousand for the 6 months ended 31 December 2017 under IFRS. Following this transaction, JPY 740,741 thousand of BBF shares, which is measured at fair value, is classified to financial assets held for sale as at 31 December 2017.
Subsequently, the remaining 10.0% investment in BBF, Inc. was transferred to 3rd party on 2 July 2018, and BBT does not hold any BBF shares as at 31 December 2018.

F) Deferred tax assets and deferred tax liabilities

Japanese GAAP provides detailed guidance on assessing the recoverability of deferred tax assets. An entity is classified into 5 categories by its profitability and the extent of the recoverability of deferred tax assets and the length of estimated future periods to assess the recoverability of deferred tax assets are determined by such categories, and the scheduling of estimated future taxable income and the amounts thereof is taken into account in recording deferred tax assets by assessing the recoverability of assets in terms of the sufficiency of taxable income based on profitability, existence of tax planning and sufficiency of taxable temporary differences.
Under IFRS, the recoverability of deferred tax assets is assessed as they are recognized in terms of whether it is probable that taxable profits will be available against which the assets can be utilized. Deferred taxes recognized for other temporary differences arising from adjustments related to IFRS are also adjusted.
As a result, JPY 181,459 thousand and JPY 243,247 thousand of deferred tax assets are 1) adjusted as the differences of the treatment of recoverability of deferred taxes under Japanese GAAP and IFRS, 2) recorded from the adjustment accounting entries from Japanese GAAP to IFRS and 3) reclassified from the tax assets at current assets to non-current assets, also off set the deferred tax assets with the liabilities, as at 31 December 2017 and 2018, respectively.

G) Unused paid absences

Under Japanese GAAP, no provision is made for employees' unused rights to paid absences. Under IFRS, they are recognized in other current liabilities. Additionally, obligations associated with special leave and remuneration that are granted based on specified years of service and which do not require recognition under Japanese GAAP are recognized and included in other non-current liabilities under IFRS.

For the 6 month ended December 31, 2017 and 2018, the expense relating to the unused paid absence at JPY 32,566(profit) thousand and JPY 30,523(profit) thousand are included as the adjustment from Japanese GAAP to IFRS, respectively. In addition, others in the non-current liability are increased by JPY 48,722 thousand and JPY 49,429 thousand, respectively, due to the adjustment from Japanese GAAP to IFRS.

H) **IFRS 9 Financial Instruments**

As discussed in Note 2.20, BBT has applied IFRS 9 retrospectively and has determined not to restate the comparative information for the period beginning 1 January 2017. As a result, the comparative information is prepared based on BBT's pervious accounting policies. On 1 January 2018, BBT has assessed which business models to apply to its financial assets and liabilities and classified such financial assets and liabilities in to appropriate classification under IFRS 9. The impacts of these classifications are as follows.

JPY (In thousands)

	Balance at 1 January 2018 under IAS 39	Balance as of 1 January 2018 under IFRS 9				Impact by adoption of IFRS9		
		Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at FVOCI	Financial assets/liabilities at amortized cost	Total financial assets/liabilities	Fair value measurement at 1 January 2018	Provision at 1 January 2018	Total impacts
Financial assets								
Trade and other receivables								
Notes and accounts receivable - trade	1,478,475	-;-	-;-	1,478,475	1,478,475	-;-	-;-	-;-
Other financial assets, current								
Available-for-sales for equity securities	1,040,741	-;-	1,040,741	-;-	1,040,741	-;-	-;-	-;-
Other financial assets, non-current								
Available-for-sales for equity securities	1,399,874	72,041	1,102,057	225,776	1,399,874	-;-	-;-	-;-
Other financial assets at amortised cost (Lease and guarantee deposits)	876,474	-;-	-;-	876,474	876,474	-;-	-;-	-;-
Total	2,276,348	72,041	1,102,057	1,102,250	2,276,348	-;-	-;-	-;-

JPY (In thousands)

	Balance at 1 January 2018 under IAS 39	Balance as of 1 January 2018 under IFRS 9				Impact by adoption of IFRS9		
		Financial assets/liabilities at fair value through profit or loss	Financial assets/liabilities at FVOCI	Financial assets/liabilities at amortized cost	Total financial assets/liabilities	Fair value measurement at 1 January 2018	Provision at 1 January 2018	Total impacts
Financial liabilities								
Trade and other payables								
Financial liabilities measured at amortized cost								
Trade payable	495,988	-;-	-;-	495,988	495,988	-;-	-;-	-;-
Other financial liabilities, current								
Financial liabilities measured at amortized cost								
Short-term borrowings	1,899,980	-;-	-;-	1,899,980	1,899,980	-;-	-;-	-;-
Other financial liabilities non-current								
Financial liabilities measured at amortized cost								
Long-term borrowings	2,728,610	-;-	-;-	2,728,610	2,728,610	-;-	-;-	-;-

Following are the impacts on accumulated earnings and accumulated other comprehensive income by classification and measurement of financial assets at 1 January 2018.

	JPY (In thousands)	
	Retained earnings	**Financial assets at FVOCI**
Balance of accumulated earnings and accumulated OCI as of 1 January 2018 under IAS 39	3,297,080	222,364
Reclassification from available-for-sale financial assets to financial assets at FVOCI	326,657	(326,657)
Adjustment to shareholders' equity from adoption of IFRS 9	326,657	(326,657)
Balance of accumulated earnings and accumulated OCI as of 1 January 2018 under IFRS 9	3,623,737	(104,293)

I) Fair value measurement

Under Japanese GAAP, if a financial asset does not have a quoted market value, then where an entity is able to reasonably calculate a price which can be considered to be a quasi-quoted price, such price may be used for that financial asset as a market value. The "reasonably calculated price" represents, a price calculated using reasonable estimates of management.
Under IFRS, BBT referred to the levels of the fair value hierarchy for financial instruments measured at fair value on the reconciliation based on the following inputs:
– Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

– Level 2 inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

– Level 3 inputs are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable, which reflect the reporting entity's own assumptions that market participants would use in establishing a price.

(1) Fair value measurements by fair value hierarchy
Assets measured at fair values on a recurring basis in the reconciliation as of 31 December 2017 and 2018 are as follows:

				JPY (In thousands)
	Level 1	Level 2	Level 3	Total
As at 31 December 2017				
Assets				
Financial assets available for sale for equity securities	-	740,741	1,699,874	2,440,615

				JPY (In thousands)
	Level 1	Level 2	Level 3	Total
As at 31 December 2018				
Assets				
Financial assets at fair value through other comprehensive income	-;-	-;-	2,327,579	2,327,579
Financial assets at fair value through profit or loss	-;-	-;-	171,190	171,190
Total	-;-	-;-	2,498,769	2,498,769

The table below presents the changes in level 3 instruments for the relevant periods:

	Level 3 JPY (In thousands)
Balance at 1 July 2017	1,375,227
Additions of financial assets	584,508
Disposal of financial assets	(100,000)
Transfer to investment in subsidiary	(195,850)
Fair value gain/(loss) on valuation – carried to other comprehensive income	35,989
Balance at 31 December 2017	1,699,874
Balance at 1 July 2018	1,900,106
Additions of financial assets	574,972
Disposal of financial assets	(50,000)
Transfer to investment in subsidiary	-;-
Fair value gain/(loss) on valuation carried to other comprehensive income	73,374
Others	317
Balance at 31 December 2018	2,498,769

There were no transfers between levels 1, 2 and 3 during the relevant periods.

J) Revenue recognition

BBT derives more than 90% of its revenues from recurring revenue streams, consisting primarily of 1) Computer platform business; 2) IoT/AI solution business; 3) Media solution business.

1) Computer platform business
Main component in the computer platform business is data center business, consisting primarily of 1) colocation, which includes the licensing of cabinet space and power; (2) interconnection offerings; (3) managed infrastructure solutions. The remainder of the revenues are from non-recurring revenue streams, such as installation revenues, professional services and equipment sales. Under the revenue accounting guidance under IFRS 15, revenues are recognized when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services. Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for data center customers. Non-recurring installation fees, although generally paid upfront upon installation, are deferred and recognized ratably over the average customer relationship periods. Professional service fees and equipment sales are recognized in the period when the services were provided.

2) IoT/AI solution business
IoT/AI solution business mainly supports contact centers and help desks operators through natural language analysis technology. Under the revenue accounting guidance under IFRS 15, revenues are recognized when control of these services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the services. Revenue from the services are recognized in the period when the services were provided.

3) Media solution business

Media solution business provides the telecommunications network business for cable television operators and program suppliers throughout Japan. The remainder of the revenues are from non-recurring revenue streams, such as installation revenues, professional services and equipment sales. Under the revenue accounting guidance under IFRS 15, revenues are recognized when control of these products and services is transferred to its customers, in an amount that reflects the consideration it expects to be entitled to in exchange for the products and services. Revenues from recurring revenue streams are generally billed monthly and recognized ratably over the term of the contract, generally one to three years for cable television operators and program suppliers. Non-recurring installation fees are recognized in the period when the services were provided.

Under Japanese GAAP, revenue is recognized when each good is accepted by BBT's customer or for the contractual period when each service is provided. The revenue from initial installation services at the datacenter business is recognized at the time of installation.
However, under IFRS 15, which has been adopted from 1 January 2018, BBT recognize revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. BBT has concluded that the current methods of revenue recognition and measurement under Japanese GAAP are in accordance with both IFRS 15 and former IAS18, with the exception of installation services. Under both IFRS 15 and former IAS18, the initial installation services is recognized over the period of the expected period of the customer relationship.
As a result of the adjustment at revenue recognition, the revenue for the 6 month ended 31 December 2017 and 2018 at JPY 62,394 thousand and JPY 39,984 thousand, respectively, increased, and also the cost of sales for the 6 month ended 31 December, 2017 and 2018 increased by JPY 921 thousand and JPY 2,081 thousand, respectively.
BBT has provided the services to various customers. In the computer platform business of BBT, Yahoo Japan Corporation is the largest customer for more than 10 percent of total segment revenue under J-GAAP at JPY 1,594,065 thousand and JPY 1,633,139 thousand for the 6 month ended December 2017 and 2018, respectively.

K) Impairment of plant, property and equipment
Under Japanese GAAP, an impairment loss is recognized when there is an indicator of impairment and (1) The undiscounted value of total future cash flows is below the asset's carrying amount; then (2) The recoverable amount of an asset is below its carrying amount. There are two steps for recognition of an impairment loss.
Under IFRS, an impairment loss is recognized when there is an indication of impairment and when the recoverable amount of an asset is below its carrying amount. Step 1 under Japanese GAAP is not required under IFRS.

L) Subsequent event - Transfer of IoT Square Inc
a) Transfer of whole share of IoT Square, Inc.
Refer to NOTE 28 – SUBSEQUENT EVENTS.

b) Acquisition of TSS LINK, Inc.

Pursuant to the share exchange agreement executed on 21 December 2018, BBT completed a share exchange on 31 January 2019, whereby BBT became a wholly owning parent company resulting from share exchange, and TSS LINK, Inc. became a wholly owned subsidiary resulting from share exchange, with the aim of enhancing its computer platform business to increase competitiveness. As a result of the above, BBT acquired 100% voting rights in TSS LINK, Inc. and made it a consolidated subsidiary.

Outline of the share exchange

Name of the acquired company	TSS LINK, Inc.
Business	Development and sales of information leakage prevention software products, ASP data backup services, data center monitoring service, etc.
Capital amount	JPY 25 million (as of 31 March 2018)
Date of concluding the share exchange agreement	21 December 2018
Date of Extraordinary General Meeting of Shareholders concerning approval of	26 January 2019

share exchange agreement (acquired company)	
Date on which the share exchange takes effect	31 January 2019
Share exchange ratio	1.68 shares of TSS LINK, Inc. per share of BBT
Number of shares to be delivered	Common shares of BBT: 616,655 shares
Number of shares to be acquired	367,056.9 shares
Voting right ratio of BBT before and after the acquisition	Before acquisition: 3.1%　After acquisition: 100.0%
Acquisition Cost	Market price of issuing BBT's ordinary shares - JPY214,279 thousand
Goodwill amount, reasons of arising, amortization method/terms	Undetermined at this point as the specification of identifiable assets and liabilities and the calculation of market value are incomplete
Amount of assets acquired and liabilities assumed at the date of acquisition	Undetermined at this point as the specification of identifiable assets and liabilities and the calculation of market value are incomplete

M) Loan covenants

To raise funds flexibly for investment demand in the new data center established in August 2018, BBT has signed a commitment-type syndicated loan agreement of 4.0 billion in total with five banks including our counterparties arranged by Sumitomo Mitsui Banking Corporation in March 2018 and the agreement was updated in December 2018.　This agreement includes financial conditions as follows.
1) At the end of the fiscal year ended 30 June 2018 and every subsequent fiscal year-end, the total amount of net assets on the consolidated balance sheet shall not be less than the higher of either: an amount equivalent to 80% of total net assets on the consolidated balance sheet at the end of the fiscal year ended 30 June 2017; or an amount equivalent to 80% of total net assets on the consolidated balance sheet at the end of the most recent fiscal year.
2) At the end of the fiscal year ended 31 December 2020 and every subsequent fiscal year-end, an ordinary loss on the consolidated statement of income shall not be recorded for two consecutive fiscal years.
3) At the second quarter end of the fiscal year ended 31 December 2020, an ordinary loss on the consolidated statement of income shall not be recorded.

N) Reclassification

a) Deferred tax assets and liabilities

Under Japanese GAAP, deferred tax assets and liabilities are presented as current or non-current on the balance sheet determined based on the manner of generation.　Under IFRS, all deferred taxes are presented as non-current assets/liabilities on the balance sheet.
As a result, JPY19,595 thousand included in the account of the deferred tax asset presented as current assets under Japanese GAAP is transferred into one at non-current assets as at 31 December 2017.　Subsequently, presentation under Japanese GAAP is changed during this year, and presentation under both Japanese GAAP and IFRS as at 31 December 2018 is exactly same, thus no reclassification is made as at 31 December 2018.

b) Allowance for doubtful accounts

Under Japanese GAAP, the allowance for doubtful accounts is separately presented on the balance sheet.　Under IFRS, allowances for doubtful accounts are offset against the applicable accounts (i.e. accounts receivable).
As a result, JPY 6,942 and JPY 15,394 thousand included in the account of the allowance for doubtful accounts are transferred to Notes and accounts receivables – trade as at 31 December 2017 and 2018, respectively.

c) Investment securities

Under Japanese GAAP, investments accounted for using the equity method are presented as a part of investment securities with the investment securities, however, under IFRS, it's independently presented as the investment accounted for using the equity method.

As a result, the investment accounted for using the equity method of JPY 34,774 thousand and JPY 16,259 thousand included in the account of the investment securities are independently presented as at 31 December 2017 and 2018, respectively.

d) Non-operating income & expense and Extraordinary income & loss

Under Japanese GAAP, non-operating income and expense are presented below operating profit. These accounts consist of financial income and expense, foreign exchange gain (loss), profit (loss) under equity method investment and others. In addition, exceptional items are required to be presented as “Extraordinary income and loss” on the face of the income statement. The definition of “special” is broader compared to IFRS and includes some extraordinary items.

Under IFRS, financial income, financial expense and profit (loss) under equity method investment is usually shown below operating profit. The term exceptional items is not used or defined, however, separate disclosure is required (either on the face of the comprehensive income statement or in the notes) when it is necessary to allow an entity to explain its performance for the period as a result of the size, nature or incidence of certain items of income and expense. It is prohibited to present any items as “Extraordinary” under IFRS.

O) Retained earnings

Reconciliation of retained earnings under Japanese GAAP and IFRS is below-

	31 December 2017 JPY (in thousand)	**31 December 2018 JPY (in thousand)**
Reported under Japanese GAAP	2,683,323	2,247,961
Reversal of amortization of goodwill	18,553	55,237
Amortization of customer relationship asset	(19,950)	(2,463)
Deferred taxes	135,028	237,848
Unused paid absences	(33,865)	(39,469)
Impairment of Property, Plant & Equipment	(11,056)	(35,153)
Revenue recognition	(138,745)	(49,467)
Impairment of investment securities	(11,827)	(11,827)
Non-controlling interests	(9,841)	(35,916)
Discontinuing the use of the equity method	688,617	-;-
Adjustment for application of Effective interest method	-;-	85,569
Effect of application of IFRS 9	-;-	347,932
Provision for unfavorable contract	-;-	(161,900)
Others	(3,159)	41,398
Reported under IFRS	3,297,078	2,679,750

BBT recognizes a provision for a contract deficit due to data centre services contracts in respect of which the costs to discharge the provision exceed the total economic benefits expected to be received under the contract.

P) New standards and amendments to existing standards not yet adopted by the Group

As described in Note 2.1.2, certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the group. BBT's assessment of the impact of these new standards and interpretations are still in-progress, however, BBT tentatively assessed the impact by adoption of IFRS 16 Leases as follows.

IFRS 16 Leases

As a result of the change, BBT estimated the tentative impact as increase of right-of-use assets of 8,091,312 thousand JPY, increase of lease liabilities of 8,091,312 thousand JPY in the balance sheet on 1 January, 2019.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.