INTERNET RESEARCH INSTITUTE LTD

2017 ANNUAL REPORT

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INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		USD (In thousands)	
		31 December	
	Note	2016	2017
ASSET			
CURRENT ASSETS			
Cash and cash equivalents	3,14,16	2,095	8,949
Trade receivables	3,14	58	10
Related parties	3,14,25	280	1
Income tax receivables		35	153
Other current financial assets	3,14	-;-	94
Other current assets	3,14,15	95	802
TOTAL CURRENT ASSETS		2,563	10,009
NON-CURRENT ASSETS			
Other financial assets	3,14	118	777
Investments accounted for using the equity method	13	16,614	17,878
Property, plant and equipment	12	87	262
Intangible assets		5	11
Deferred tax assets	23	639	524
TOTAL NON-CURRENT ASSETS		17,463	19,452
TOTAL ASSETS		20,026	29,461
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade payable	14	67	180
Current maturity of borrowings	14	36	-;-
Accruals and other payables	4,18	2,523	4,446
Obligations under finance leases	4,22	11	12
Related parties	4,8,25	112	38
TOTAL CURRENT LIABILITIES		2,749	4,676
NON-CURRENT LIABILITIES			
Obligations under finance leases	4,22	19	8
Borrowings	14,21	24	-;-
Asset Retirement Obligations	4,20	29	196
Contingencies and commitments		-;-	-;-
TOTAL NON-CURRENT LIABILITIES		72	204
TOTAL LIABILITIES		2,821	4,880
EQUITY			
Share capital	3	837	-;-
Capital surplus	3	-;-	9,604
Retained earnings		15,575	13,752
Accumulated other comprehensive income		249	373
Other reserve	20	270	-;-
Exchange differences on translation from functional currency to presentation currency		274	852
TOTAL EQUITY		17,205	24,581
TOTAL LIABILITIES AND EQUITY		20,026	29,461

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF INCOME

	Note	USD (In thousands) Year ended 31 December 2016	2017
Revenue		7,959	9,121
Operating costs and expenses:			
Cost of sales		(2,727)	(3,100)
Selling, general and administrative	6	(5,301)	(8,942)
Research and Development expenses		(16)	(130)
Other incomes	5	8	7
Other expenses	5	(2)	(30)
Total operating costs and expenses		(8,038)	(12,195)
Operating loss		(79)	(3,074)
Finance income	8	2	2
Finance expense	8	(8)	(1)
Finance income (expense), net	8	(6)	1
Share of profit of investments accounted for using the equity method	13	1,455	1,457
Gain on change in share of investments accounted for using equity method	13	453	123
Profit(loss) before income taxes		1,823	(1,493)
Income tax expense	9	(443)	(330)
Profit(loss) for the year		1,380	(1,823)
Profit(loss) for the period attributable to:			
Owners of the parent		1,380	(1,823)
Profit(loss) for the year			
Other comprehensive income, net of tax:			
Items that may be reclassified to profit or loss			
Share of other comprehensive income of investments accounted for using equity method		(491)	133
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		373	578
Total other comprehensive income, net of tax		(110)	702
Comprehensive income(loss) for the year		1,270	(1,121)
Earnings per share attributable to owners of the parent			
Basic (USD)	10	0.051	(0.057)
Diluted (USD)	10	0.051	(0.057)

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 31 December,2016		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 (loss)	Other reserve	Exchange differences on translation from functional currency to presentation currency	Total equity
Balance as of 31 December,2015		837	-;-	14,732	732	-;-	(99)	16,202
Profit for the year		-;-	-;-	1,380	-;-	-;-	-;-	1,380
Other comprehensive loss, 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	26	-;-	-;-	(537)	-;-	-;-	-;-	(537)
Issuance of subscription rights to shares	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

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	USD (In thousands) 31 December 2016	2017
Cash flows from operating activities:			
Profit (loss) before income taxes		1,823	(1,493)
Depreciation and amortization		36	35
Share of profit of investments accounted for using equity method	13	(1,455)	(1,457)
Gain on change in share of investments accounted for using equity method	13	(453)	(123)
Finance income and finance expense, net	8	6	(1)
Share-based compensation expenses	19	270	9
IPO related costs with regards to issuance cost		-;-	430
Change in assets and liabilities			
Trade receivables		2	(0)
Trade payable		31	109
Accruals and other payables		1,008	1,432
Others		(2)	(406)
Dividends received		310	1,101
Interest received		-	7
Interest paid		(134)	(1)
Income taxes paid		(20)	(303)
Net cash provided by operating activities		1,422	(661)
Cash flows from investing activities:			
Acquisitions of property, plant and equipment		(3)	(51)
Acquisitions of intangible assets		(3)	(8)
Acquisition of NOM, net of cash acquired of NOM	27	730	-;-
Loans to related parties	26	(276)	-;-
Proceeds from collection of loan to related parties	26	-;-	288
Payments for guarantee deposits	15	-;-	(757)
Acquisition of other financial assets		(1)	(2)
Net cash used in investing activities		447	(530)
Cash flows from financing activities:			
Repayments of short-term financing liabilities		(549)	-;-
Repayments of long-term financing liabilities		(111)	(62)
Proceeds from issuance of common shares		-;-	8,488
Payment for IPO related cost		-;-	(350)
Repayments of obligations under finance leases		(12)	(12)
Net cash provided by financing activities		(672)	8,064
Net change in cash and cash equivalents		1,197	6,873
Cash and cash equivalents at beginning of year		885	2,095
Capital fund from translation differences		13	(19)
Cash and cash equivalents at end of year		2,095	8,949

Non-cash investing and financing activities.
Acquisition of NOM by the share change is disclosed in Note 27.

NOTE 1 – GENERAL

1.1 General Information

Internet Research Institute Ltd (the “Company”) was established as a limited company in Israel under the Israel Companies Ordinance on 8 August 2017. The Company wholly owns Internet Research Institute, Inc. (collectively “IRI Japan” at pre/post-merger or “New IRI Japan”) which was established as a limited company in Japan under the Japanese Companies Ordinance on 5 October 2017 and named IRI Inc. at the time of establishment. IRI Japan has been playing a key role in the development of Internet technologies and services in Japan and it became a wholly subsidiary of the Company as a result of triangular merger discussed in Note 2.2 Basis of consolidation (c) Business combinations under common control.
The registered address of the company is Abba Hiller Rd. 16, Ramat Gan, Israel 5250608. The Company provides an Internet related research and development services and acts as an investment holding company as well. The Company and its subsidiaries (the “Group”) are principally engaged in Internet service (the “Listing Business”) in Japan.

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 2016 and 2017, 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”). The financial statements were approved by Representative Director, President Hiroshi Fujiwara and Chief executive officer, Mirei Kuroda on 26 March, 2018.

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.

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

The following are standards and amendments to existing standards that have been published and are relevant and mandatory for the Group’s accounting periods beginning on or after 1 January 2018 or later periods, but have not been early adopted by the Group.

(a) IFRS9 – Financial Instruments

IFRS9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. It introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designed at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group has determined not to early adopt the standard, and IFRS 9 will be applied from the year ending 31 December, 2018. Also, the Group has assessed the impacts of IFRS 9's adoption on the Consolidated Financial Statement of the Group is immaterial.

(b) IFRS15 – Revenue from contracts with customers

IFRS15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The new standard is effective retrospectively for annual reporting periods beginning on or after 1 January, 2018, according to its transition provisions. Earlier application is permitted.

The Group does not intend to early adopt the standard as it plans to apply from the fiscal year of 2018. The Group intended to use the full retrospective method upon adoption, due to the costs of applying such method, the Group has determined to use the modified retrospective method which is to record cumulative amount of the impact at the beginning balance of the retained earnings upon adoption. The Group has completed the assessment of impact of IFRS 15's adoption, and has assessed the impacts of IFRS 15's adoption on the Consolidated Financial Statement of the Group is immaterial.

(c)IFRS16 – Leases

IFRS16 replaces the current guidance in IAS 17. The standard requires lessees, with certain expectations, to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for lease contracts. The standard is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, Revenue from Contracts with Customer, is also applied. The Group is yet to assess the full impact of the standard.

(d) IFRIC23 – Uncertainty over income tax treatment

IFRIC23 clarifies the accountings for uncertain income tax treatment how to recognize and measure deferred and current income tax assets and liabilities if there is uncertainty over a tax treatment. The standard is effective for annual periods beginning on or after 1 January 2019. Earlier adoption is permitted. The Management is currently assessing the impact of the standard; the Company does not expect material effects on the financial statements.

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.
The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 13.
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

IRI Japan acquired Nano-Opt Media, Inc. (“NOM”) on 1 January 2016 by share exchange from Hiroshi Fujiwara. 6 classified shares of the Company were issued to 1 common stock of NOM shares. The acquisition of NOM was accounted for as business combinations under common control as noted below.
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. The Group has accounted for the acquisition of NOM based on the carrying amounts recorded in the stand alone financial statements of NOM. The financial statements of NOM have been consolidated from the acquisition date, 1 January 2016. The differences of net assets of NOM at 1 January 2016 and the share values of NOM by the share exchange were accounted in the retained earnings.
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 the Company 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 the Company 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 the Company and the prior shareholders of original IRI Japan became the shareholders of the Company. as well. 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 consolidated financial statements of IRI, Inc. The consolidated financial statements of IRI, Inc. have been prepared from 18 October 2017 of its acquisition date, however, the Group's consolidated financial statements have prepared since 1996, which was

established original Internet Research Institute, 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	5 to 15 years
- Equipment	3 to 6 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

2.7.1 Recognition

The financial assets, upon initial recognition, are measured at their fair value plus, transaction costs that are directly attributable to the asset's acquisition.

2.7.2 Classification

Financial assets are classified as "loans and receivables," and "available-for-sale financial assets." The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

i) Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, except for loans and receivables for which the effects of discounting is immaterial.

ii) Available-for-sale financial assets
Non-derivative financial assets are classified as "available-for-sale financial assets," if:

(A) The assets are designated as "available-for-sale financial assets" at initial recognition; or
(B) The assets are not classified as the other categories.

Subsequent to initial recognition, available-for-sale financial assets are re-measured at fair value and gains or losses arising from changes in fair value are recognized in other comprehensive income (loss). When there is objective evidence that an available-for-sale financial asset is impaired, previously recognized accumulated other comprehensive income (loss) is reclassified to profit or loss. Available for sales securities are classified as current assets if they are to be liquidated within one year from the balance sheet date.

2.7.3 Impairment of financial assets

The Group assesses financial assets for any objective evidence of impairment at the end of fiscal year. Financial assets are considered to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the financial assets, and these events have an adverse effect on the estimated future cash flows of the financial assets that can be reliably estimated. For available-for-sale equity instruments, a significant or prolonged decline in the fair value below cost is considered to be objective evidence of impairment.

In recognizing an impairment loss on loans and receivables, the Group reduces the carrying amount of the asset directly. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, and is recognized in profit or loss. Interest income after impairment recognition is thereafter recognized through reversal of discount due to passage of time.

For available-for-sale financial assets, an impairment loss is measured as the difference between the asset's carrying amount and its fair value and is recognized in profit or loss.

For loans and receivables, if, in a subsequent period, an event that decreases the amount of the impairment loss occurs, the amount of decrease is reversed through profit or loss to the extent that it does not exceed the amortized cost of the asset.

For equity instruments classified as available-for-sale financial assets, impairment losses are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

2.8 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Any gains or losses arising from changes in the fair value of derivatives are recognized in profit or loss. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

2.9 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.

2.10 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.

2.11 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.

2.12 Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive income over the period of the borrowings using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.13 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.

2.14 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 4 Critical Accounting Estimates and Judgments, Estimates and Assumptions and Note 20 Share-based Payments for more details on the valuation methodology of stock options and the assumptions used in such valuation.

2.15 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).

2.16 Revenue recognition

The Group recognizes revenues at the fair value of the consideration received or receivable. Sales revenues exclude consumption taxes and any taxes on their other associated value.

Revenue from services
The main activities of the Group are internet-related business that are providing a consulting service and holding an exhibition.

(a) Consulting service
The Company provides a research report by request from the customer, and the related revenue is recognized when the company submits the report.

(b) Exhibition service
The company holds several internet-related exhibitions in a year. The company plans, organize and executes the conventions and as a consideration, the Company collects the fees from exhibitors in advance. The Company recognizes the revenue when the exhibition is held.

2.17 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, the above criteria for capitalization have not been met.

2.18 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.

2.19 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.

2.20 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.

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 and borrowings 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 and borrowings 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, 2016 and 2017 are as follows;

	31 December, 2016 Book value (In thousands)	31 December, 2017 Book value (In thousands)
Cash at bank (1)	2,093	8,946
Trade receivable (1)(2)	58	10
Advance paid (1)	-	3
Other receivables (1)(2)	4	10
Related parties (2)	280	1
Office security deposits (1)	93	851
Total	2,528	9,821

(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 2015	9
Acquisition of NOM	15
Provision for the year	5
Translation differences	(*) -;-
Balance at 31 December 2016	29
Provision for the year	47
Translation difference	1
Balance at 31 December 2017	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 USD thousands	Between 1 and 2 years USD thousands	Between 2 and 5 years USD thousands	Total USD thousands
As at 31 December 2016				
Trade payables	67	-	-	67
Other payables (excluding accruals and provisions)	126	-	-	126
Obligation under finance lease	11	11	8	30
Borrowings and interests	36	24	-	60
Amounts due to related parties	112	-	-	112
	352	35	8	395
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

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. The Group has bank borrowings to finance its operations.

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (include bank borrowings,) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position, plus net debt, where applicable.

	As at 31 December	
	2016 USD thousands	2017 USD thousands
Borrowings	60	-;-
Less: cash and cash equivalents (Note 17)	(2,095)	(8,949)
Net cash	(2,035)	(8,949)
Total equity	17,205	24,581
Total capital	15,170	15,632
Gearing ratio	(13.4%)	(57.2%)

The decrease in the gearing ratio as at 31 December 2016 and 2017 resulted primarily from the increase of cash and cash equivalents (Note 17).

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 USD thousands	Level 2 USD thousands	Level 3 USD thousands	Total USD thousands
As at 31 December 2016				
Assets				
Financial assets available for sale for equity securities	-;-	-;-	23	23
As at 31 December 2017				
Assets				
Financial assets available for sale for equity securities	-;-	-;-	15	15

(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 2016	140
Reclass due to acquisition of NOM	(124)
Fair value gain/(loss) on valuation	7
Translation differences	(*)-;-
Balance at 31 December 2016	23
Balance at 1 January 2017	23
Fair value gain/(loss) on valuation	(8)
Translation differences	(*)-;-
Balance at 31 December 2017	15

(*) 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, 2016 and 2017, 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 default, 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.

(e) Shared-based payments

Shared-based payment expenses related to stock options granted to directors and employees are estimated based on the option's fair value determined under the Black-Scholes-Merton ("Black-Scholes") option pricing model. The Black-Scholes model requires various highly judgmental assumptions, including expected volatility, expected life of stock options and fair value of share capital at the time of option grants, which will be discussed further later.

Expected volatility is estimated based on the historical volatility of reference companies which are comparable publicly traded companies. The expected life of stock options is estimated based on the expectation of future stock price movements and expected exercise patterns of the option holders.

The sensitivity analysis for the estimation of the fair value is discussed in Note 20.

NOTE 5 – OTHER INCOME AND OTHER EXPENSES

Other income

	USD (In thousands)	
	31 December	
	2016	2017
Miscellaneous income	8	7
	8	7

Other expense

	USD (In thousands)	
	31 December	
	2016	2017
Loss on retirement of property, plant and equipment	-;-	24
Miscellaneous loss	2	6
	2	30

NOTE 6 – SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	USD (In thousands)	
	31 December	
	2016	2017
Advertising expenses	1,119	1,203
Salaries, bonuses and other employee expenses	2,528	3,152
Share-based compensation expenses	270	9
Traveling and transportation expenses	321	501
Rent expenses	211	252
Depreciation and amortization	37	35
Professional fee	157	2,255
IPO related costs with regards to issuance cost	-;-	430
Donation	78	200
Entertainment	216	204
Bad debt expense	-;-	50
Other	364	651
Total	5,301	8,942

NOTE 7– EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	USD (In thousands)	
	31 December	
	2016	2017
Salaries, bonuses and allowances	2,265	2,865
Other employee benefits	263	287
Total	2,528	3,152

NOTE 8 – FINANCE INCOME (EXPENSE), NET

	USD (In thousands)	
	31 December	
	2016	2017
Finance income		
Interest income	2	2
	2	2
Finance expense		
Bad debt loss for loan	5	-;-
Other	3	1
	8	1
Finance income (expense), net	6	1

NOTE 9 – INCOME TAX EXPENSES

	USD (In thousands)	
	31-Dec	
	2016	2017
Current income tax		
- Japan corporate income tax for the year	5	189
Deferred income tax expenses (Note 23)	438	141
	443	330

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.

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)	
	31-Dec	
	2016	2017
Profit (loss) before income tax	1,823	(1,493)
Tax calculated at applicable Israel corporate income tax rate(24% and 25% for the years ended 31 December 2017 and 2016, respectively(*1))	456	(358)
Increase (decrease) regarding tax rates differences of subsidiaries in Japan (*2)	170	(146)

Permanent non-deductible expenses	54	261
Permanent exempt income	(53)	(186)
Equity method investment gain	(549)	(379)
Assessment of the recoverability of deferred tax assets	367	1,144
Other	(2)	(6)
Tax expense	443	330

(*1) Tax rates in Israel
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.

(*2) 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 years ended 31 December 2016. Amendments to the Japanese tax regulations were enacted into law on 29 March, 2016 and it resulted that the effective tax rate are scheduled to be reduced to approximately 33.80% effective from the year ending 31 December, 2017 and 33.59% effective from the year ending 31 December, 2019.

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.

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-Dec	
	2016	2017
1. Corporate tax rate:	23.90%	23.40%
2. Local corporate tax rate:	4.40%	4.40%
3. Inhabitants' tax rate (At Tokyo):	12.90%	12.90%
4. Enterprise tax rate (At Tokyo):		
(a)Profit-based tax rate	6.70%	6.70%
(b)Special local corporate tax rate	43.20%	43.20%
Effective tax rate	34.33%	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 31 March, 2015 and 29 March, 2016 and it resulted that the corporate tax rate has been reduced from 25.50% to 23.90% effective from the year ended December 31, 2016, and also the corporate tax rate has been reduced to 23.40% effective from the year ending 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 29 March, 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, 2018.

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 29 March, 2016 and it resulted that the inhabitants' tax rate is scheduled to be reduced to 7.00% effective from the year ending 31 December, 2018.

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 29 March, 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, 2018, 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, 2018 and replaced by enterprise tax.

The detailed formulas for calculating each tape of taxes are as follows. Corporate tax consists mostly of the effective tax rate, and the change in the rate of corporate tax would result in a similar change ratio of the effective tax rate.

1. Corporate tax = (Taxable income×Corporate tax rate) – Income tax credit
2. Local corporate tax = (Corporate tax + Income tax credit) × Local corporate tax rate
3. Inhabitants tax = (Corporate tax + Income tax credit) ×Inhabitant tax rate
4. Enterprise tax is calculated as the sum of the followings:
(a) Profit-based tax = Taxable income×Profit-based tax rate
(b) Special local corporate tax = Taxable income×Special local corporate tax rate
5. Effective tax rate is calculated as:

$$\frac{\text{Corporate tax rate}\times(1+\text{Local corporate tax rate} + \text{Inhabitant tax rate})+\text{Enterprise tax rate(a)}+\text{Enterprise tax rate(a)}\times\text{Enterprise tax rate(b)}}{1+\text{Enterprise tax rate(a)}+\text{Enterprise tax rate(a)}\times\text{Enterprise tax rate(b)}}$$

NOTE 10 – EARNING PER SHARE

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

Related to triangle merger on 20 November 2017, for one common share of IRI Japan, two common stocks of the Company were allocated.

A 1000-for-one share split is done, effective as of November 20, 2017.

Relevant to above share splits were conducted on 20 November 2017,
earnings per share for the year 31 December, 2017 and 2017 are calculated assuming that the share split was conducted at the beginning of the previous fiscal year.

	2016	2017
Earnings (losses) per share attributable to owners of the parent (USD)		

Basic	0.051	(0.057)
Diluted	0.051	(0.057)

	2016	2017
Numerator (thousands of USD)		
Profit (loss) for the year attributable to owners of the parent	1,380	(1,823)
Denominator (Shares)		
Weighted average number of common shares outstanding, basic	27,136,000	31,857,759
Effect of dilutive securities:		
Stock options	40	-;-
Weighted average number of common shares outstanding, diluted	27,136,040	31,857,759

IRI Japan had the Stock Options, but the Options were cancelled on 24 November, 2017 as discussed in Note 2.2.

NOTE 11 – 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 the parent company has no control over the distribution of dividend by its affiliates.

In accordance with the Japanese Companies Law, the amount of JPY 1,338,104 thousand, equal to USD 11,889 thousand, translated according to the exchange rate as of December 31, 2017, can be distributed in IRI Japan in the year ended December 31, 2017.

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement	Equipment	Construction in progress	Total USD thousand
Year ended 31 December 2016				
Opening net book amount	-;-	-;-	-;-	-;-
Additions	-;-	3	-;-	3
Acquisition of NOM -Acquisition cost	67	153	-;-	220
Acquisition of NOM -Accumulated depreciations	(27)	(79)	-;-	(106)
Depreciation	(6)	(30)	-;-	(36)
Translation differences	2	4	-;-	6
Closing net book amount	36	51	-;-	87
At 31 December 2016				
Acquisition cost	68	207	-;-	275
Accumulated depreciation	(32)	(156)	-;-	(188)
Net book amount	36	51	-;-	87
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

Depreciation expenses of 36 thousand of USD have been charged in Selling, general and administrative for the years ended 31 December 2016.
Depreciation expenses of 33 thousand of USD have been charged in Selling, general and administrative for the years ended 31 December 2017.

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	
	2016	2017
Cost - capitalized finance leases	64	67
Accumulated depreciation	(36)	(48)
	28	19

NOTE 13 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Set out below are the associate of the group as at 31 December 2016 and 2017 which, in the opinion of the directors, are material to the group. 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 31 December 2016	2017	Nature of relationship	Place of business
BroadBand Tower, Inc.	・Computer platform ・IoT/AI Solution ・Media Solution	22.0%	22.0%	Associate (1)	Tokyo Japan
Mobile Internet Capital, Inc.	Investment management	30.0%	30.0%	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: (1) Gain on sale on owner dilution in the holding percentage of BBT; (2) Reclassification of a portion of BBT's accumulated OCI following such sale or dilution, and ; (3) The company's share in equity movement in BBT not resulting from its comprehensive income.

Carrying amount and quoted fair value of each investment as at 31 December, 2016 and 2017 and dividend received from each affiliate are as follows.

USD (In thousands)	Carrying amount		Quoted fair value		Dividend received	
Name of Company	31 December 2016	2017	31 December 2016	2017	31 December 2016	2017
BroadBand Tower, Inc.	15,498	16,330	22,076	18,857	310	1,101
Mobile Internet Capital, Inc.	1,116	1,548	-	-	-	-

(1) BroadBand Tower, Inc. (the "BBT") is a trailblazer in the specialty Internet data center business, BroadBand Tower supports IoT, 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.

The Groupholds 22.0% of the voting rights, two directors of the Group are also designated as director 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. The company holds 30.0% of the voting rights, therefore the Grouphas determined that it has significant influence over this entity.

The summary financial statement of BroadBand Tower, Inc. is as follows:

	31-Dec 2016 USD (In thousands)	31-Dec 2017 USD (In thousands)
Current assets	113,879	93,168
Non-current assets	51,473	82,494
Total assets	165,352	175,662
Current liabilities	64,078	44,348
Non-current liabilities	21,578	40,616
Total liabilities	85,656	84,964
Total Net assets	79,696	90,698
Group's share in %	22.0%	22.0%
Carrying amount	15,498	16,330

	Year Ended 2016 USD (In thousands)	Year Ended 2017 USD (In thousands)
Revenue	66,028	78,125
Expense	69,918	86,385
Profit (loss) from continuing operations	(3,890)	(8,260)
Gain (loss) from discontinued operations	12,530	14,857
Profit	8,640	6,597
Profit attributable to:		
Owners of the parent of the company	5,685	5,269
Non-controlling interests	2,954	1,328
Other comprehensive income (loss)	(2,205)	184
Total comprehensive income	6,435	6,781
Total comprehensive income attributable to:		
Owners of the parent of the company	3,511	5,451
Non-controlling interests	2,924	1,330
Profit attributable to owners of the parent of the company	5,685	5,269
Group's share in %	22.0%	22.0%
Share of profit of investments accounted for using the equity method	1,251	1,157

Discontinued operations for the year ended December 31, 2017 is relating to the partial sale of BBT's shareholding in its subsidiary BBF, Inc. on 30 June 2017. 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.

Above share of profit of investments accounted for using the equity method for the year ended 31 December 2017 was calculated based on the profit and loss for the quarterly period with share percentage, since the Company's share percentage had been decreased throughout the year.

Below is transition from Japanese GAAP to IFRS at BBT as of and for the six months ended 31 December 2016 and 2017, respectively. BBT's fiscal year end is 30 June, and BBT has publically released its consolidated financial statements prepared under Japanese GAAP at a quarterly basis. The recent Japanese GAAP consolidated financial statements of BBT is covering the period of six months ended 31 December 2017. Therefore, the below transition from Japanese GAAP to IFRS at BBT is shown as the six months ended 31 December 2016 and 2017, including the balance sheet as at 31 December 2016 and 2017.

Consolidated statement of financial position

		As of 31 December 2016			
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	I	5,016,821	2,099,993	7,116,815	Cash and cash equivalents
Notes and accounts receivable-trade	G, I	5,121,546	(107,275)	5,014,272	Trade receivables
Marketable securities	I	2,099,993	(2,099,993)	-	-
Inventories	G	728,981	93,684	822,666	Inventories
Deferred tax assets	I	124,710	(124,710)	-	-
Others		369,821	-	369,821	Others
Allowance for doubtful accounts	I	(5,203)	5,203	-	-
Total current assets		**13,456,671**	**(133,097)**	**13,323,574**	**Total current assets**
Non-current assets					**Non-current assets**
Property, plant and equipment	H	2,452,303	(114,377)	2,337,926	Property, plant and equipment
Intangible assets	B	318,886	(165,256)	153,630	Other intangible assets
-	B	-	605,940	605,940	Goodwill
Investment securities	F, I	1,368,400	195,698	1,564,098	Investment securities at fair value
-	I	-	251,844	251,844	Investments accounted for using the equity method
Deferred tax assets	D, I	82,191	434,473	516,665	Deferred tax assets
Lease and guarantee deposits		511,222	-	511,222	Lease and guarantee deposits
Others		80,918	-	80,918	Other non-current assets
Total non-current assets		**4,813,922**	**1,208,322**	**6,022,244**	**Total non-current assets**

Total assets		**18,270,593**	**1,075,224**	**19,345,818**	**Total assets**

		As of 31 December 2016			
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		4,067,452	-	4,067,452	Trade payable
Short-term borrowings		2,096,006	-	2,096,006	Short-term borrowings
Lease obligations		25,108	-	25,108	Obligation under finance leases
Accounts payable-other		422,502	-	422,502	Accruals and other payables
Income taxes payable		236,842	-	236,842	Income taxes payable
Advances received	G	234,612	132,024	366,636	Deferred revenue
Others		265,567	16,870	282,437	Other current liabilities
Total current liabilities		**7,348,091**	**148,894**	**7,496,986**	**Total current liabilities**
Non-current liabilities					**Non-current liabilities**
Long-term borrowings		1,393,335	-	1,393,335	Long-term borrowings
Lease obligations		316,003	-	316,003	Obligation under finance lease
Asset retirement obligations		516,652	-	516,652	Asset retirement obligations
Deferred tax liabilities	D	-	-	-	Deferred tax liabilities
Deferred revenue	G	-	117,543	117,543	Deferred revenue
Others	E	38,485	142,566	181,053	Other non-current liabilities
Total non-current liabilities		**2,264,476**	**260,109**	**2,524,586**	**Total non-current liabilities**
Total liabilities		**9,612,568**	**409,004**	**10,021,572**	**Total liabilities**
Equity					**Equity**
Shareholders' equity					**Shareholders' equity**
Capital stock		2,370,701	-	2,370,701	Capital stock
Capital surplus		2,709,172	-	2,709,172	Capital surplus
Retained earnings	J	2,947,012	320,675	3,267,688	Retained earnings
Treasury shares		(259,690)	-	(259,690)	Treasury shares
Total shareholders' equity		**7,767,196**	**320,675**	**8,087,872**	**Total shareholders' equity**
Other comprehensive income					**Other comprehensive income**

Valuation differences of available-for-sale investments	F	(8,876)	193,527	184,651	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(29,609)	-	(29,609)	Foreign currency translation adjustment
Total other comprehensive income		**(38,485)**	**193,527**	**155,042**	**Total other comprehensive income**
Stock compensation		13,345	-	13,345	Stock compensation
Non-controlling interests		915,969	152,017	1,067,987	Non-controlling interests
Total equity		**8,658,025**	**666,220**	**9,324,246**	**Total equity**
Total liabilities and equity		**18,270,593**	**1,075,224**	**19,345,818**	**Total liabilities and equity**

INTERNET RESEARCH INSTITUTE LTD
CONSOLIDATED STATEMENTS OF NOTES TO THE FINANCIAL STATEMENTS

Presentation under J-GAAP	Note	As of 31 December 2017 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	I	6,346,851	-	6,346,851	Cash and cash equivalents
Notes and accounts receivable-trade	G, I	1,485,416	(6,941)	1,478,475	Notes and accounts receivable - trade
Marketable securities	I	300,000	(300,000)	-	Marketable securities
-		-	1,040,741	1,040,741	Investment securities at fair value (Current)
Inventories	G	268,953	-	268,953	Inventories
Deferred tax assets	I	19,595	(19,595)	-	Deferred tax assets - current
-	A, C	-	657,887	657,887	Assets classified as held for sale
Others		675,694	17,813	693,507	Current assets - Others
Allowance for doubtful accounts	I	(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	H	5,141,514	(654,960)	4,486,554	Property, plant and equipment
Intangible assets		204,364	1'318'547	1,522,911	Intangible assets
Goodwill	B	1,094,719	(490,675)	604,044	Goodwill
Investment securities		1,178,113	221,761	1,399,874	Investment securities at fair value
-	F, I	-	34,774	34,774	Investments accounted for using the equity method
Deferred tax assets	I	-	201,054	201,054	Deferred tax assets - non current
Lease and guarantee deposits	D, I	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**

Presentation under J-GAAP	Note	As of 31 December 2017 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		1,362,626	-	1,362,626	Accruals and other payables
Income taxes payable		590,727	-	590,727	Income taxes payable
Advances received	G	-	436,644	436,644	Deferred revenue
Others		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	B, D	87,159	393,457	480,616	Deferred tax liabilities
Deferred revenue	G	-	100,789	100,789	Deferred revenue
Others	E	107,485	64,822	172,307	Other non-current liabilities
Total non-current liabilities		**4,012,432**	**559,068**	**4,571,500**	**Total non-current liabilities**
Total liabilities		**8,870,720**	**692,282**	**9,563,002**	**Total liabilities**
Equity					**Equity**
Shareholders' 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	J	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	F	32	222,332	222,364	Valuation differences of available-for-sale investments
Foreign currency translation adjustment		(45,833)	(415)	(46,249)	Foreign currency translation adjustment
Total other comprehensive income		**(45,801)**	**221,917**	**176,115**	**Total other comprehensive income**
Stock compensation		13,345	14,414	27,760	Stock compensation
Non-controlling interests		1,303,742	505,920	1,809,663	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**

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 thousand)	IFRS JPY(in thousand)	Presentation under IFRS
		For the six months ended 31 December 2016				
Net revenue	G	18,717,617	(6,866,803)	(8,325,118)	3,525,696	Revenue
Cost of revenue	G, H	(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	B, E	(2,766,404)	81,093	1,793,029	(892,282)	Selling, general and administrative expenses
-	I	-	28,836	(1,052)	27,784	Other income
-	I	-	(9,275)	372	(8,903)	Other expense
Operating profit		**522,798**	**55,453**	**(688,480)**	**(110,229)**	**Operating profit**
Non-operating income	I	33,377	(33,377)	-	-	-
Non-operating expenses	I	(93,597)	93,597	-	-	-
Finance income	I	-	5,205	(82)	5,123	Finance income
Finance expense	I	-	(36,891)	6,233	(30,658)	Finance expense
Loss under equity method	I	-	(90,565)	-	(90,565)	Share of loss of investments accounted for using the equity method
Ordinary profit		**462,578**	**(6,578)**	**(682,329)**	**(226,329)**	-
Extraordinary income	I	-	-	-	-	-
Extraordinary loss	I	-	-	-	-	-
Profit before income taxes		**462,578**	**(6,578)**	**(682,329)**	**(226,329)**	**Profit before income taxes**
Income taxes	D	(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
-	A	-	-	456,444	456,444	Gain from discontinued operations, net of taxes
Profit (loss) attributable to owners of parent	**I**	**89,052**	**(56,700)**	**-**	**32,352**	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**225,965**	**(6,571)**	**(456,444)**	(237,050)	**Profit for the period from continuing operations**
Reclassification of loss from discontinued operations		**-**	**-**	**456,444**	456,444	**Reclassification of loss from discontinued 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		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

		For the six months ended 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**
Net revenue	G	4,833,846	(45,663)	4,788,183	Revenue
Cost of revenue	G, H	(3,366,122)	(13,883)	(3,380,005)	Cost of sales
Gross profit		**1,467,724**	**(59,546)**	**1,408,178**	**Gross profit**
Selling, general and administrative expenses	B, E	(1,410,180)	66,589	(1,343,591)	Selling, general and administrative expenses
-	I	-	224,154	224,154	Other income
-	I	-	(63,191)	(63,191)	Other expense
Operating profit		**57,544**	**168,006**	**225,550**	**Operating profit**
Non-operating income	I	85,747	(85,747)	-	-
Non-operating expenses	I	(13,833)	13,833	-	-
Finance income	C, I	-	154,728	154,728	Finance income
Finance expense	I	-	(11,035)	(11,035)	Finance expense
Loss under equity method	I	-	83,749	83,749	Share of loss of investments accounted for using the equity method
Ordinary profit		**129,458**	**323,534**	**452,992**	-
Extraordinary income	I	687,323	(687,323)	-	-
Extraordinary loss	I	(59,900)	59,900	-	-
Profit before income taxes		**756,881**	**(303,889)**	**452,992**	**Profit before income taxes**
Income taxes	D	(564,641)	146,644	(417,997)	Income taxes expense
Profit after income taxes		**192,240**	**(157,245)**	**34,995**	**Profit for the period**
Minority interest		(25,238)	(9,842)	(35,080)	Minority interest
Profit (loss) attributable to owners of parent	**I**	**167,002**	**(167,087)**	**(85)**	**Profit (loss) attributable to owners of parent**
Profit after income taxes		**192,240**	**(157,245)**	**34,995**	**Profit for the period**
Reclassification of loss from discontinued operations		-	-	-	**Reclassification of loss from discontinued operations**

Other comprehensive income (loss), net of tax:				Other comprehensive income (loss), net of tax:
Valuation difference on available-for-sale investment	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)	131,491	Owners of parent
Non-controlling interests	25,238	9,842	35,081	Non-controlling interests

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. As the purchase price allocation is incomplete as of the issuance date of the consolidated financial statements, BBT reports provisional amounts at the acquisition as of and for the period ended 31 December, 2017.

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.

The major reconciliation items on BBT's financial statements in accordance with Japanese GAAP to its IFRS statements as at and for the six months ended 31 December 2016 and 2017 is follows;

A) 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 assets and liabilities 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. The reclassification as discontinued operations for the period ended 31 December 2016 is relating to the partial sale of the Company's shareholding in its subsidiary BBF, Inc. on 30 June 2017.
In addition, the Company presents JPY 657,887 thousand as held for sale in current assets, which is JPY 657,887 thousand of solar power facilities. BBT entered into agreement in January 2018 to sell a part of solar power facilities to third party on May 2018, as a result, the asset is classified as held for sale.

The cash flow information from continuing operations in BBT according to Japanese GAAP is as follows.

	¥ thousand	
	For the six months ended 31 December	
	2016	2017
Net cash provided by operating activities	(6,294)	(531,301)
Net cash used in investing activities	(712,474)	23,869
Net cash provided by financing activities	1,244,514	(34,893)
Exchange gain (loss)	72,656	5,325
Net increase in cash and cash equivalents	598,402	(537,000)

B) 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 605,940 thousand and JPY 604,044 thousand of goodwill are recorded under IFRS as at 31 December 2016 and 2017, respectively. Goodwill as at 31 December 2016 was mainly caused from the past acquisition of Branch-Out Co., Ltd which was wholly-owned subsidiary of BBF, Inc. and goodwill as at 31 December 2017 was caused from the acquisition of JCC on 10 October 2017. The

carrying value of the goodwill as at 31 December 2017 under both Japanese GAAP and IFRS are as follow.

	31 December 2017
Goodwill under Japanese GAAP	1,094,719
Removal of amortization expense of goodwill under Japanese GAAP	18,554
Recognition of provisional Customer Relationship Asset ("CRA") under IFRS	(1,332,000)
Deferred tax liability relation to recognition of CRA	408,657
Non-controlling interests relation to recognition of CRA	457,978
GAAP adjustment from Japanese GAAP to IFRS as of 10 October related to JCC	(43,864)
Goodwill under IFRS	604,044

The Company 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 three-year period. Cash flows beyond the three-year 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.

	Period ended 31 December 2017
Budgeted gross margin (%)	46.29%
Long-term growth rate (%)	0%
Pre-tax discount rate (%)	6.72%

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

Assumption	Approach used to determining values
Budgeted gross 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 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 the year ended December 31 2017.

C) 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. The same treatment is applied where investments are retained as associates.
The Company sold a partial share of its 13.5% investment in BBF, Inc. on 14 December 2017. As a result, the Company's ratio of voting rights was dropped to 10.0% and is accounted for as available for sales for equity securities. The Company recorded a gain as a result of discontinuation of equity method which result in financial income in the amount of JPY 133,337 thousand for the period 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 Investment securities at fair value (Current).

D) 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 309,763 thousand and JPY 181,459 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 2016 and 2017, respectively.

E) Unused paid absences
Under Japanese GAAP, no provision is made for employees' unused rights to paid absences. Under IFRS, they are recognized in other non-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, 2016 and 2017, the expense relating to the unused paid absence at JPY 20,583 thousand and JPY 32,566(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 135,921 thousand and JPY 48,722 thousand, respectively, due to the adjustment from Japanese GAAP to IFRS.

F) Fair value measurement of unquoted equity instrument
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, valuation techniques are required to be used to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions.
As a result, JPY 195,698 thousand and JPY 221,761 thousand of investment securities are adjusted as at 31 December 2016 and 2017, respectively. In addition, net of tax of these valuation differences of unquoted equity investment increases the valuation differences of available for sales investment, which is included in the equity.

The table below analyses the Company's financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. The fair value of unquoted equity instrument is estimated based on the market information (for example, Price Earnings Ratio (PER) and Price Book-value Ratio (PBR)) for similar types of companies.

(In thousands of JPY)

	Level 1	Level 2	Level 3	Total
As at 31 December 2016				
Assets				
Financial assets available for sale for equity securities	10,168	-	1,553,930	1,564,098
As at 31 December 2017				
Assets				
Financial assets available for sale for equity securities	-	740,741	1,699,874	2,440,615

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

	Available for sale financial assets ¥ thousand
Balance at 1 July 2016	1,451,384
Additions of financial assets	203,560
Disposal of financial assets	(118,000)
Fair value gain/(loss) on valuation – carried to other comprehensive income	44,486
Impairment losses	(27,500)
Balance at 31 December 2016	1,553,930
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

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

G) Revenue recognition

Revenue from sales of goods is mainly recognized upon shipment and revenue from initial installation services at the datacenter and JC-data business is recognized at the time of installation under Japanese GAAP. However, under IFRS, revenue from sales of goods is recognized when significant risks and rewards of ownership have transferred to the customer. In addition, the initial installation services at the datacenter and JC-data business 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 2016 and 2017 at JPY 40,259 thousand and JPY 62,394 thousand, respectively, increased, and also the cost of sales for the 6 month ended 31 December, 2016 and 2017 increased by JPY 10,348 thousand and JPY 921 thousand, respectively. In addition, the trade receivables of JPY 115,069 thousand and nil at 31 December 2016 and 2017, respectively, decreased, and the relating inventories of JPY 93,684 thousand and nil at 31 December 2016 and 2017, respectively, increased due to this adjustment.

The Company 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 JPY1,613,268 thousand and JPY1,630,572 thousand for the 6 month ended 2016 and 2017, respectively.

Revenue from the e-commerce business where BBF acts as an agent in arrangements is presented on a gross basis under Japanese GAAP, however under IFRS it is presented on a net basis, considering, inter alia, that BBF has no inventory risk and it does not have latitude in establishing prices. For the 6 months ended 31 December 2016, JPY 6,919,990 thousand of revenue and cost of revenue are offset on transition from Japanese GAAP to IFRS and no adjustment are made for the 6 months ended 2017 due to deconsolidation of BBF on 30 June 2017.

H) 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.

I) Reclassification

a) Presentation of cash and cash equivalents

Under Japanese GAAP, cash and deposits and short-term marketable securities are separately presented on the balance sheet in accordance with the nature of the financial instrument. However, under IFRS, all of the financial instruments which meet the definition of cash and cash equivalents, are presented as cash and cash equivalents.

As a result, JPY 2,099,993 thousand and nil included in the account of the marketable securities under Japanese GAAP is transferred into the cash and cash equivalent as at 31 December 2016 , and JPY 300,000 thousand as at 31 December 2017 is reclassified to Investment securities(cureent) at fairvalue since it does not meet the definition of cash and cash equivalents.

b) 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, JPY 124,710 thousand and JPY 19,595 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 2016 and 2017, respectively.

c) 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 5,203 thousand and JPY 6,941 thousand included in the account of the allowance for doubtful accounts are transferred into one at the trade receivables as at 31 December 2016 and 2017, respectively.

d) 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 251,844 thousand and JPY 34,774 thousand included in the account of the investment securities are independently presented as at 31 December 2016 and 2017, respectively.

e) 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.

J) Retained earnings

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

	31 December 2016 JPY (in thousand)	**31 December 2017 JPY (in thousand)**
Reported under Japanese GAAP	2,947,012	2,683,323
Reversal of amortization of goodwill	440,683	18,553
Amortization of customer relationship asset	-	(19,950)
Changes in a parent’s ownership interest which result in a loss of control	238,057	-
Deferred taxes	395,174	135,028
Unused paid absences	(135,921)	(33,865)
Impairment of Property, Plant & Equipment	(114,377)	(11,056)
Revenue recognition	(271,916)	(138,745)
Impairment of investment securities	(50,538)	(11,827)
Non-controlling interests	(152,017)	(9,841)
Adjustment in relation to the measurement of remaining BBF shares	-	-
Discontinuing the use of the equity method	-	688,617
Others	(28,469)	(3,159)
Reported under IFRS	3,267,688	3,297,078

Individually immaterial associates

	31 December 2016 USD (In thousands)	2017 USD (In thousands)
Aggregate carrying amount of individually immaterial associates	3,721	5,160
The investments in Mobile Internet Capital Inc.	1,116	1,548
Profit from continuing operations	676	992
Other comprehensive income	0	304
Total comprehensive income	676	1,296

NOTE 14 – FINANCIAL INSTRUMENTS BY CATEGORY

	USD thousand	
	31 December	
	2016	2017
Financial assets		
Available-for-sale for equity securities	23	15
Other financial assets at amortized cost, mainly office security deposits	95	856
	118	871
Financial assets at amortised cost		
-Trade receivables	58	10
-Deposits and other receivables (including amounts due from related parties)	378	11
-Bank deposits	2,092	8,946
-Cash in hands	3	3
	2,531	8,970
	2,649	9,841
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	67	180
Other payables	296	1,592
Amounts due to related parties	112	38
Obligations under finance lease	30	20
Borrowings	60	-;-
	564	1,830

NOTE 15 – OTHER FINANCIAL ASSETS

	USD thousand	
	31 December	
	2016	2017
Current		
Office security deposits	-;-	94
	-;-	94
Non-current		
Available-for-sale for equity securities	23	15
Other financial assets at amortized cost, mainly office security deposits	95	762
	118	777

NOTE 16 – OTHER CURRENT ASSETS

	USD thousand	
	31 December	
	2016	2017
Advances paid	0	0
Other receivables	4	10
Prepaid expense	75	613
Advance payment	-;-	2
Consumption tax receivable	16	177
	95	802

NOTE 17 – CASH AND CASH EQUIVALENTS

	USD thousand	
	31 December	
	2016	2017
Cash in hand	2	3
Bank deposits	2,093	8,946
	2,095	8,949

NOTE 18 – EQUITY

(a) Share Capital

The Company's total number of shares authorized and issued for the years ended 31 December, 2016 and 2017 are as follows:

	31 December	
	2016	2017
Total number of authorized shares		
Balance at end of year		
Common shares, no par value	10,000,000,000	10,000,000,000
Total number of issued shares		
Balance at beginning of year	25,624,000	27,136,000
Changes during the year(*)	1,512,000	7,651,000
Balance at end of year	27,136,000	34,787,000

(*) Upon its incorporation in Israel, Hiroshi Fujiwara had 34,787 shares of the Company. 34,786 shares has been transferred to the shareholders of original IRI Japan through the triangle merger discussed in Note 2.2 (c). After completing the triangle 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.

(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.

Retained earnings consist of legal earnings reserves and accumulated earnings. The Companies Act of Japan requires that an amount equal to at least 10% of dividends from surplus (Refer to Note 11), as defined under the Companies Act, shall be appropriated as capital reserve (part of capital surplus) or appropriated for legal earnings reserve (part of retained earnings) until the aggregate amount of capital reserve and legal earnings reserve is equal to 25% of share capital. The legal earnings reserve are restricted to distribute as dividend and may be, if necessary, used to eliminate or reduce a deficit or be transferred to other retained earnings upon approval at 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, 2016 and 2017.

(c) Other Components of Equity

The changes in other components of equity for the years ended December 2016 and 2017 are as follows:

	USD thousand				
	AFS financial assets	Translation adjustments	Stock options	Exchange differences on translation from functional currency to presentation currency	Total
Balance as of 31 December, 2015	723	9	-;-	(99)	633
Change during the year	(413)	(70)	270	373	160
Balance as of 31 December, 2016	310	(61)	270	274	793
Change during the year	156	(32)	(270)	578	432
Balance as of 31 December, 2017	466	(93)	-;-	852	1,225

(d) Other Comprehensive Income

Each component of other comprehensive income and related tax effect for the years ended 31 December 2016 and 2017 are as follows:

For the year ended 31 December 2016

	USD (In thousands)	
	Before-tax	Net-of-tax
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	8	8
Share of other comprehensive loss of investments accounted for using the equity method	(491)	(491)
Items that will not be classified to profit or loss		
Differences from translation of financial statements from functional currency to presentation currency	373	373
Total other comprehensive loss	(110)	(110)

For the year ended 31 December 2017

	USD (In thousands)	
	Before-tax	Net-of-tax
Items that may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	(9)	(9)

Share of other comprehensive loss of investments accounted for using the equity method	133	133
Items that will not be classified to profit or loss		
Differences from translation of financial statements from functional currency to presentation currency	578	578
Total other comprehensive income	702	702

(e) Issued Capital and Reserves

Issuance of common stock

At the annual extraordinary general meeting of shareholders held on 12 January 2017 and 17 May 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 (*)	105 yen per share, equal to 0.92 U.S dollars 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.
Purpose of issuing common stock	For a part of the Company's capital policy.

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.
Purpose of issuing common stock	For capital and business alliance

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

NOTE 19 – ACCRUALS AND OTHER PAYABLES

	USD thousand	
	31 December	
	2016	2017
Accounts payable	69	1,274
Accrued expenses	147	219
Accrued consumption taxes	48	51
Advances received	2,137	2,731
Deposits received	57	72
Accrued vacation payable	42	59
Accrued bonuses	23	27
Other	-;-	13
	2,523	4,446

NOTE 20 – 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 2016 and 2017 are shown in the following table:

	USD thousand	
	31 December	
	2016	2017
Total expenses arising from equity-settled share-based payment transactions	270	9

On 12 January 2017, the share-based compensation expenses of 9 thousand USD have been charged in relation to issuance of common stock (see Note18).

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
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 21 – Asset Retirement Obligations

Changes in Asset Retirement Obligation

	USD thousand
	Asset Retirement Obligations
At December 31, 2015	-
Acquisition of NOM	31
Arising during the year	
Utilized	
Unwinding of discount and changes in the discount rate	
Translation differences	(2)
At December 31, 2016	29
Arising during the year	196
Utilized	(30)
Unwinding of discount and changes in the discount rate	0
Translation differences	1
At December 31, 2017	196

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 22 – BORROWINGS

	USD thousand	
	31 December	
	2016	2017
Non-current portion		
Bank loans	24	-;-
Current portion		
Bank loans	36	-;-
Total borrowings	60	-;-

As at 31 December 2016 and 2017, the Group's borrowings were repayable as follows:

	USD thousand	
	31 December	
	2016	2017
Within 1 year	36	-;-
Between 1 and 2 years	24	-;-
Between 2 and 5 years	-;-	-;-
Over 5 years	-;-	-;-
	60	-;-

NOTE 23 – OBLIGATIONS UNDER FINANCE LEASES

As at 31 December, 2016 and 2017 the Group's future aggregate minimum lease expenses under non-cancellable financial leases are as follows:

	USD thousand	
	31 December	
	2016	2017
Gross finance lease liabilities minimum lease payments		
No later than 1 year	11	12
Later than 1 year and no later than 5years	19	8
Later than 5 years	-;-	-;-
Total	30	20
Future finance charges on finance leases	1	0
Present values of finance lease liabilities	29	20

The present values of finance lease liabilities are as follows:

	USD thousand	
	31 December	
	2,016	2,017
No later than 1 year	11	12
Later than 1 year and no later than 5 years	19	8
Later than 5 years	-	-;-
Total finance lease liabilities	30	20
Less: Amount included in current liabilities	(11)	(12)
Non-current portion	19	8

NOTE 24 – DEFERRED TAX BALANCES

	USD thousand	
	31-Dec	
Deferred tax assets	2016	2017
The balance comprises temporary differences attributable to:		
Tax losses	1,759	1,335
Prepaid expense	64	62
Allowance for paid leave	11	12
Assets retirement obligation	9	-;-
Allowance for bonus	8	10
Bad debt allowance	-;-	23
Total deferred income tax assets	1,851	1,442

Deferred income tax liabilities

The balance comprises temporary differences attributable to:

Undistributed earnings relating to investments in affiliate	(1,202)	(915)
Depreciation	(10)	(3)
Total deferred income tax liabilities	(1,212)	(918)
Net deferred tax assets	639	524

Undistributed earnings relating to investments in affiliate recorded in deferred income tax liabilities are derived from taxable temporary differences due to distributable retained amounts in BBT and MIC.

Deferred income tax assets

USD thousand

Movements	Tax losses	Prepaid Expense	Allowance for paid leave	Asset retirement obligation	Allowance for bonus	Bad debt allowance	Total
Balances at 31 December 2016	1,759	64	11	9	8	-;-	1,851
Charged to other comprehensive income	-;-	-;-	-;-	-;-	-;-	-;-	-;-
Translation difference	71	3	1	-;-	-;-	-;-	75
Credited/(charged) to profit or loss	(495)	(5)	0	(9)	2	23	(484)
Balances at 31 December 2017	1,335	62	12	-;-	10	23	1,442

Deferred income tax liabilities

USD (In thousands)

Movements	Taxable temporary differences relating to investments in associates	Property, plant and equipment	Total
Balances at 31 December 2016	(1,202)	(10)	(1,212)
Charged to other comprehensive income	-;-	-;-	-;-
Translation difference	(49)	(1)	(50)
Credited/(charged) to profit or loss	336	8	344
Balances at 31 December 2017	(915)	(3)	(918)

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 2016 and 2017. 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 2016 and 2017 are as follows:

	USD thousand	
	31-Dec	
	2016	2017
Deductible temporary differences	7,527	8,727
Losses carried forward	28,255	19,166
Total	35,752	27,893

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

	USD thousand	
	31-Dec	
	2016	2017
Grand total		
1st Year	11,117	3,797
2nd Year	5,418	8,027
3rd Year	4,770	1,196
4th Year	-	379
5th Year and thereafter	6,920	5,767
Total	28,225	19,166

The amount of tax losses carried forward are shown in the above table, which are related to the Company and IRI Japan only.

NOTE 25 – CONTINGENCIES AND COMMITMENTS

As at 31 December 2016 and 2017, the Group and the Company did not have any significant contingent liabilities.

As at 31 December 2016 and 2017 the Group's future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	USD thousand	
	31 December	
	2016	2017
No later than one year	1	1
Later than one year and no later than five years	4	4
Over five years	-;-	-;-
	5	5

Lease expenses of 5 and 1 have been charged in Selling, general and administrative for the years ended 31 December 2016 and 2017.

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.

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.

NOTE 26 – RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of this Financial Information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following individuals and companies were related parties that had transactions or balances with the Group for the reporting periods ended 31 December 2016 and 2017, are as follows. Please note that the scope of related parties has been changed due to the change in reporting entity with regards to the triangle merger discussed in Note 2.2 etc.

Name of related parties	**Relationship with the Company/Group**	**Period subject to related parties**
Hiroshi Fujiwara	Director of the Company, the CEO	From 1 January, 2016
Mieko Nakagawa	Director of the Company, the COO	From 1 January, 2016
Mirei Kuroda	CFO of the Group	From 20 November, 2017

Elchanan Harel	Director of the Company	From 20 November, 2017
Kazuhito Sasaki	Director of IRI Japan	From 1 January, 2016 to 19 November, 2017
Osamu Nakamura	Independent Director of IRI Japan	From 1 January, 2016 to 19 November, 2017
Yasushi Fujita	Independent Director of IRI Japan	From 1 June, 2017 to 19 November, 2017
Hidehiko Suzuki	Corporate Auditor of IRI Japan	From 1 January, 2016 to 19 November, 2017
IRI Japan	Subsidiary	From 20 November, 2017
NANO Opt Media, Inc.	Subsidiary	From 1 January, 2016
BroadBand Tower, Inc.	Affiliate	From 1 January, 2016
Unimo, Inc.	Company owned by director	From 1 January, 2016
IoT Square, Inc.	Subsidiary of BroadBand Tower, Inc.	From 2 October, 2017
Remote Sensing Technology Center of Japan	Company owned by director	From 1 January, 2016
Internet Association Japan	Company owned by director	From 1 January, 2016

Other than those transactions and balances disclosed elsewhere in the Financial Information, the following transactions were carried out with related parties during the Relevant Periods:

(a) BALANCES classified as related parties

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

	USD thousand	
	31 December	
	2016	2017
Current assets		
Booked in the company and IRI Japan:		
-Loan to Hiroshi Fujiwara	276	-;-
-Interest Receivable to Hiroshi Fujiwara	4	-;-
-Trade Receivable to IoT Square, Inc.	-;-	1
-Trade Receivable to Unimo, Inc.	9	10
-Allowance for Doubtful accounts to Unimo, Inc.	(9)	(10)
Booked in NANO OPT Media, Inc.:		
-Other receivable to Unimo, Inc.	20	20
-Allowance for Doubtful accounts to Unimo, Inc.	(20)	(20)
Total	280	1
Current liabilities		
Booked in the company and IRI Japan:		
-Account payable to BroadBand Tower, Inc.	1	1
-Account payable for Hiroshi Fujiwara	-;-	37
-Advance payment from BroadBand Tower, Inc.	111	-;-
Total	112	38

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	
	31 December	
	2016	2017
Booked in the company and IRI Japan:		
Transaction with Management Executives		
-Loan to and correct from Hiroshi Fujiwara	(276)	288
-Interest Income from Loan to Hiroshi Fujiwara	2	2
-Account payable for Hiroshi Fujiwara	-;-	37
Transaction with Other Related Parties		
-Advance payment from BroadBand Tower, Inc.	119	-;-
-Outsourcing cost to BroadBand Tower, Inc.	(12)	(21)
-Sales to BroadBand Tower, Inc.	-;-	143
-Sales to IoT Square, Inc.	-;-	3
Booked in NANO OPT Media, Inc.		
Transaction with Management Executives		
-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		
-Sales to BroadBand Tower, Inc.	23	18
-Sales to Remote Sensing Technology Center of Japan	-;-	9
-Sales to Internet Association Japan	-;-	10
-Outsourcing cost to BroadBand Tower, Inc.	-;-	(9)
-Payment of membership fee to Internet Association Japan		(0)
-Payment on behalf of Unimo, Inc.	(5)	-;-
Total	(893)	480

Loan as at 31 December 2016 was 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

As discussed in the above, until the change in reporting entity occurred on 20 November 2017, key management personal includes 5 directors and 1 corporate auditors of IRI Japan. After the date, key management has been changed to 3 directors and 1 CFO of the Company. The compensation paid or payable to key management for employee services for the year ended 31 December 2016 and 2017 are respectively shown below:

	USD thousand

	31 December	
	2016	2017
Executive compensation	209	265
Share-based payment	169	5
Total	378	270

(d) Guarantees by directors and shareholders

As at 31 December 2016, the Group's banking facilities were secured by personal guarantee provided by the director of the Company, Hiroshi Fujiwara. The guarantee was related to the borrowings from the banking facilities in Nano-opt Media and it is limited to the outstanding of the borrowings. Nano-opt Media completed early repayment for all outstanding of their borrowings on 15 November 2017 and it resulted that the personal guarantee provided by Hiroshi Fujiwara was cancelled as well.

NOTE 27 – BUSINESS COMBINATION

(a) BUSINESS COMBINATION

On 11 November 2015, the company acquired 8.7 percent of the outstanding common shares of Nano-opt Media, Inc., in consideration for USD thousand 124. On 1 January, 2016 the company acquired 91.3 percent of the outstanding common shares of Nano-opt Media, Inc. by the share exchange by issuing 6 classified share A in exchange for 1 common share of Nano-opt Media Inc.

The majority of Nano-opt Media Inc. shares before the transaction and the majority of the company's shares were held by Mr. Hiroshi Fujiwara. Therefore, the business combination in which all the combining entities were ultimately controlled by Mr. Hiroshi Fujiwara.
The company has accounted for the acquisition of Nano-opt Media Inc. based on the book value of its standalone financial statements as of January 1, 2016, and the subsidiary was consolidated from this day onwards. The aggregate of the net liabilities assumed, in the amount of USD thousand 413, and the fair value of the non-controlling shares mentioned above, totalling USD thousand 537, were recorded against equity, as a reduction to retained earnings.

The identifiable assets and liabilities of Nano-opt Media Inc., at the date of acquisition date were as follows:

Recognized amounts of identifiable assets acquired and liabilities (USD thousand)

ASSET	
CURRENT ASSETS	
Cash and cash equivalents	730
Trade receivables	48
Other current assets	58
TOTAL CURRENT ASSETS	836
NON-CURRENT ASSETS	
Property, plant and equipment	114
Intangible assets	3
Deferred tax assets	1,016
Financial assets at fair value	74
TOTAL NON-CURRENT ASSETS	1,207
TOTAL ASSETS	2,043
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Trade payable	40
Borrowings	570
Accruals and other payables	1,663
Obligations under finance leases	10
TOTAL CURRENT LIABILITIES	2,283
NON-CURRENT LIABILITIES	

Obligations under finance leases	29
Borrowings	116
Asset Retirement Obligations	28
TOTAL NON-CURRENT LIABILITIES	173
TOTAL LIABILITIES	2,456
Total identifiable net assets	(413)
TOTAL LIABILITIES AND EQUITY	2,043

NOTE 28 –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").
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 year ended December 31, 2016 and 28,240 thousands USD for the year ended December 31, 2017, 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						
	Technology Information						
	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)	1,200	-	(2,714)	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)	-	(279)	(163)	(443)
Profit (loss) from continued operations	425	(3,891)	752	203	(2,510)	3,891	1,380
Profit (loss) from discontinued operation	-	12,530	-	-	12,530	(12,530)	0
Profit for the year	425	8,640	752	203	10,020	(8,640)	1,380
Other segment items							
Finance income	2	165	-	-	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

	Year ended 31 December 2017						
	Technology Information						
	IRI	BBT	NOM	Other	Sub total	Adjustments	Total
Segment revenue from external customers	278	78,125	8,843	-	87,246	(78,125)	9,121
Operating profit (loss)	(3,816)	2,746	743	-	(328)	(2,746)	(3,074)
Share of profit (loss) of investments accounted for using the equity method	1,159	(1,650)	-	298	(194)	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)	1,424	742	298	(69)	(1,424)	(1,493)
Income tax expenses (benefit)	-	(9,684)	(330)	-	(10,013)	9,684	(330)
Profit (loss) from continued operations	(2,533)	(8,260)	412	298	(10,082)	8,260	(1,823)
Profit (loss) from discontinued operation	-	14,857	-	-	14,857	(14,857)	-
Profit for the year	(2,533)	6,597	412	298	4,775	(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	-	(4,021)	(35)	-	(4,056)	4,021	(35)
Capital expenditure	-	11,865	247	-	12,112	(11,865)	247

	Year ended 31 December 2016					
	Technology Information					
	IRI	BBT	NOM	Other	Adjustments	Total
Segment assets	15,988	165,232	2,922	1,116	(165,352)	20,026

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

NOTE 29 – SUBSEQUENT EVENTS

NA