

This document is an English translation of a statement initially written in Japanese.
This translation is to be used solely as a reference and the consolidated financial statements in this release are unaudited.

Consolidated Financial Results for the Fiscal Year Ended February 28, 2019 [Japanese GAAP]

April 12, 2019



Listing Market TSE

Company name Rozetta Corp.
Stock Code 6182 URL <https://www.rozetta.jp>
Representative (Title) Representative Director and CEO (Name) Junichi Goishi
Executive Officer, General
Contact (Title) Manager of Group Administration Division (Name) Makoto Akita TEL +81-3-6685-9570
Scheduled date of ordinary general shareholders' meeting May 29, 2019 Scheduled date of commencement of dividend payment: -
Scheduled date of filing of annual securities report: May 30, 2019
Preparation of supplementary materials for financial results: Yes
Holding of financial results briefing: Yes

(Figures are rounded down to the nearest million yen)

Consolidated Financial Results for the Fiscal Year Ended February 28, 2019 (March 1, 2018-February 28, 2019)

(1) Consolidated Results of Operation

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/19	2,908	44.9	338	-	337	-	255	-
FY2/18	2,006	5.2	(12)	-	(14)	-	(1,214)	-

(Note) Comprehensive income FY2/19 255 Millions of yen (-%) FY2/18 (1,214) Millions of yen (-%)

	Net income (loss) per share	Diluted net income per share	Ratio of net income (loss) to equity	Ratio of ordinary income (loss) to total assets	Ratio of operating income (loss) to net sales
	Yen	Yen	%	%	%
FY2/19	25.26	24.25	24.5	14.3	11.6
FY2/18	(121.71)	-	(79.1)	(0.6)	(0.6)

(Reference) Income on equity method investments FY2/19 - Millions of yen FY2/18 - Millions of yen

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/19	2,642	1,194	45.1	115.73
FY2/18	2,089	894	42.8	89.07

(Reference) Shareholders' equity FY2/19 1,191 Millions of yen FY2/18 894 Millions of yen

(3) Consolidated Cash Flows

	Operating activities	Investing activities	Financing activities	Cash and cash equivalent at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2/19	825	(696)	(232)	851
FY2/18	81	(550)	426	955

2. Dividend payment

	Annual dividend per share					Total amount of dividends	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2/18	-	0.00	-	0.00	0.00	-	-	-
FY2/19	-	0.00	-	0.00	0.00	0	-	-
FY2/20 (Forecast)	-	0.00	-	0.00	0.00		-	

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending February 29, 2020 (March 1, 2019 - February 29, 2020)

Since our group entered the significant reform period in the 4th quarter of the fiscal year ended February 28, 2018, the fluctuation of our business performance is so considerable that we cannot forecast our future results; therefore, we refrain from disclosing earnings forecasts as fixed figures.

For the consolidated business forecasts for the fiscal year ending February 29, 2020, we announced only the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies and changes or restatement of accounting estimates

1. Changes in accounting policies due to revisions of accounting standards, etc.: None
2. Changes in accounting policies due to other reasons: None
3. Changes in accounting estimates: None
4. Restatement of prior period financial statements after error corrections: None

(3) Number of shares outstanding (common stock)

1. Number of shares outstanding at the end of the period (including treasury stock)
2. Treasury shares at the end of the year
3. Average number of shares outstanding during the period

FY2/19	10,296,260Shares	FY2/18	10,042,260Shares
FY2/19	286 Shares	FY2/18	176 Shares
FY2/19	10,127,512Shares	FY2/18	9,982,088Shares

(Reference) Summary of Non-consolidated Results of Operation

Non-consolidated Financial Results for FY2/19 (March 1, 2018-February 28, 2019)

(1) Non-Consolidated Results of Operations

(Percentages indicate year-on-year changes.)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss)	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2/19	1,328	54.6	19	-	15	-	27	-
FY2/18	858	6.1	(71)	-	(75)	-	(1,287)	-

	Net income (loss) per share	Diluted net income per share
	Yen	Yen
FY2/19	2.76	2.65
FY2/18	(129.02)	-

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net asset per share
	Millions of yen	Millions of yen	%	Yen
FY2/19	2,380	630	26.5	61.22
FY2/18	1,823	561	30.8	55.88

(Reference) Shareholders' equity FY2/19 630 Millions of yen FY2/18 561 Millions of yen

*This consolidated financial report is not subject to audit by a certified public accountant or an auditing firm.

*Explanations and other special notes concerning the appropriate use of business forecasts

(Method of Obtaining Financial Results Briefing Materials)

Supplementary materials for financial results were disclosed on the TDnet on the same date. We also plan to hold a briefing for institutional investors and analysts on Wednesday, April 17, 2019.

(Changes in Presentation of Dates)

Effective from the fiscal year ended February 28, 2019, the date has been changed from the Japanese calendar to the Western calendar.

○ Table of Contents of the Appendix

1. Results of Operations and Financial Position.	2
(1) Overview of Results of Operation and Financial Position	2
(2) Consolidated Business Forecasts	3
2. Basic Approach to Selection of Accounting Standards	3
3. Consolidated Financial Statements and Major Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	7
(3) Consolidated Statements of Changes in Shareholders' Equity	8
(4) Consolidated Statements of Cash Flows	10
(5) Notes on Consolidated Financial Statements	11
(Notes on Going Concern Assumptions)	11
(Segment Information)	11
(Per share Information)	14
(Significant Subsequent Events)	14

1. Overview of Results of Operation

(1) Overview of Results of Operation and Financial Position for the Fiscal Year under Review

1 Overview of Results of Operation for the Fiscal Year under Review

During the fiscal year under review, orders received from the T-400 (ver.2) released in November 2017 in the MT business continued to increase significantly, and we have worked to strengthen our organizational structure by making upfront investments to rapidly expand our business in the future, such as increasing the number of employees in all divisions, including development and sales divisions.

As a result, our group posted net sales of 2,908,042 thousand yen (up 44.9% year on year), operating income of 338,044 thousand yen (loss of 12,750 thousand yen in the previous fiscal year), ordinary income of 337,316 thousand yen (loss of 14,297 thousand yen in the previous fiscal year), and profit attributable to owners of parent of 255,869 thousand yen (loss of 1,214,926 thousand yen in the previous fiscal year) for the current fiscal year.

The performance of each business segment is as follows:

① MT business

As for the MT business, sales were 916,908 thousand yen (up 231.6% year on year), and segment income was 124,783 thousand yen (loss of 304 thousand yen in the previous fiscal year), as a result of a significant increase in orders received for “T-400 (ver.2)” which was released in November 2017.

② HT business

As for the HT business, sales were 1,593,020 thousand yen (up 4.9% year on year), and segment income was 258,509 thousand yen (up 55.4% year on year) due to rationalization of SG & A expenses.

③ Crowdsourcing business

As for the crowdsourcing business, Quicktranslate, Inc. joined our group in the fourth quarter of the previous fiscal year while we recorded the amortization of goodwill of anydooR, Inc. in the previous fiscal year. Consequently, sales were 398,113 thousand yen (up 87.5% year on year) and segment income was 80,253 thousand yen (loss of 92,594 thousand yen in the previous fiscal year).

2 Overview of Financial Position for the Fiscal Year under Review

Assets

Total assets at the end of the fiscal year under review increased by 553,356 thousand yen from the end of the previous fiscal year to 2,642,850 thousand yen.

Current assets decreased by 17,632 thousand yen from the end of the previous fiscal year to 1,357,505 thousand yen. This was mainly due to an increase of 92,414 thousand yen in notes and accounts receivable.

Non-current assets increased by 570,988 thousand yen from the end of the previous fiscal year to 1,285,345 thousand yen. This was mainly attributable to an increase of 432,733 thousand yen in intangible assets, an increase of 128,687 thousand yen in software, and an increase of 124,595 thousand yen in tools, furniture and fixtures due to upfront investment in development costs.

Liabilities

Liabilities at the end of the fiscal year under review increased by 254,088 thousand yen from the end of the previous fiscal year to 1,448,684 thousand yen. This was mainly due to an increase of 303,508 thousand yen in advances received, an increase of 93,634 thousand yen in income taxes payable, and an increase of 29,675 thousand yen in notes and accounts payable-trade.

Net assets

Net assets at the end of the fiscal year under review increased by 299,267 thousand yen from the end of the previous fiscal year to 1,194,166 thousand yen. This was mainly due to an increase in retained earnings of 255,869 thousand yen resulting from the recording of net income of 255,075 thousand yen.

3 Overview of Cash Flows for the Fiscal Year under Review

Net cash provided by operating activities was 825,002 thousand yen, net cash used in investing activities was 696,262 thousand yen, and net cash used in financing activities was 232,507 thousand yen. As a result, cash and cash equivalents (hereinafter "cash") at the end of the fiscal year under review decreased 104,028 thousand yen from the end of the previous fiscal year to 851,811 thousand yen.

Cash flows from operating activities

Net cash provided by operating activities was 825,002 thousand yen. Cash inflow was mainly attributable to income before income taxes of 346,667 thousand yen, depreciation and amortization of 203,298 thousand yen, and an increase in advances received of 303,508 thousand yen. Cash outflow was mainly attributable to an increase in notes and accounts receivable-trade of 92,414 thousand yen and an increase in inventories of 21,251 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 696,262 thousand yen. Cash outflow included purchase of intangible assets of 573,468 thousand yen, purchase of property, plant and equipment of 164,223 thousand yen, and loan disbursements of 1,300 thousand yen.

Cash flows from financing activities

Net cash used in financing activities was 232,507 thousand yen. This was mainly attributable to repayments of long-term debts of 261,759 thousand yen and proceeds from issuance of shares due to the exercise of share subscription rights of 41,402 thousand yen.

(2) Consolidated Business Forecasts

Our two management themes for the future are:

① Spur the development/sales of T-400

As for the development, we will further improve the accuracy of translations, and as for the sales, we will greatly expand our sales structure, to accelerate sales growth as we complete our 15 years of upfront investment and enter the investment-return period.

② Entry into the speech-to-speech machine translation service

In addition to the T-400, a translation service for business technical documents, we will enter into speech-to-speech machine translation service in the fiscal year ending February 29, 2020.

During the fiscal year ending February 29, 2020, we are aiming to launch prototype models or some form of early-stage services of T-4PO, a wearable interpretation device, which has been our vision since our founding.

The business forecasts are as follows.

The MT Business entered a period of rapid growth since the fourth quarter of the previous fiscal year which is when the "T-400 (ver.2)" was released in November 2017. As a result, we are concentrating our management policy on maximizing medium-to long-term growth rather than short-term profits. For the time being, we will not disclose the forecast as a fixed value until the sales growth rate of the MT business settles down (roughly 150% compared to the previous year), in order not to adjust expenses in accordance with earnings forecasts, and therefore we make decisive choices that best meet its long-term growth objectives on an occasional basis. For the consolidated business forecasts for the fiscal year ending February 29, 2020, we will only announce the minimum figures, for example, by indicating record-high sales (2,908 million yen) or over and record-high profit (operating income of 338 million yen) or over.

2. Basic Approach to Selection of Accounting Standards

In light of the comparability of consolidated financial statements between periods and between companies, our group intends to prepare consolidated financial statements under Japanese GAAP for the time being. With regard to the application of the International Financial Reporting Standards (IFRS), our policy is to respond appropriately while taking into consideration various circumstances in Japan and overseas.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (February 28, 2018)	Current fiscal year (February 28, 2019)
Assets		
Current assets		
Cash and deposits	973,632	853,378
Notes and accounts receivable	268,101	360,515
Inventories	29,985	51,237
Deferred tax asset	26,214	34,247
Other	87,954	66,716
Allowance for doubtful accounts	(10,751)	(8,589)
Total current assets	1,375,137	1,357,505
Fixed assets		
Property, plant and equipment		
Building and structure	13,239	16,747
Tools, furniture and fixtures	226,776	351,372
Construction in Progress	29,631	34,476
Accumulated depreciation	(109,457)	(166,106)
Total property, plant and equipment	160,190	236,489
Intangible assets		
Goodwill	110,776	89,513
Software	303,673	432,361
Software in progress	97,956	423,287
Other	492	468
Total intangible assets	512,898	945,631
Investments and other assets		
Long-term loan	536	1,009
Insurance reserve	15,650	-
Deferred tax asset	6,214	22,549
Other	23,641	86,638
Allowance for doubtful accounts	(4,775)	(6,974)
Total investments and other assets	41,268	103,224
Total fixed assets	714,357	1,285,345
Total assets	2,089,494	2,642,850

(Thousands of yen)

	Previous fiscal year (February 28, 2018)	Current fiscal year (February 28, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	111,286	140,961
Short-term borrowings	14,940	-
Current portion of long-term loans payable	260,140	231,601
Income taxes payable	17,367	111,002
Provision for bonuses	20,389	26,577
Advances received	136,800	440,309
Other	108,278	206,061
Total current liabilities	669,204	1,156,513
Long-term liabilities		
Long-term debt	525,391	292,171
Total long-term liabilities	525,391	292,171
Total liabilities	1,194,595	1,448,684
Net assets		
Shareholders' equity		
Capital stock	230,093	250,794
Capital surplus	1,210,282	1,230,983
Retained earnings	(545,709)	(289,839)
Treasury stock	(225)	(435)
Total shareholders' equity	894,440	1,191,502
Share subscription rights	458	458
Non-controlling interests	-	2,206
Total net assets	894,898	1,194,166
Total liabilities and net assets	2,089,494	2,642,850

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(Thousands of yen)

	Previous fiscal year From March 1, 2017 To February 28, 2018	Current fiscal year From March 1, 2018 To February 28, 2019
Net sales	2,006,984	2,908,042
Cost of sales	917,998	1,123,670
Gross profit	1,088,985	1,784,371
Selling, general and administrative expenses		
Remuneration for directors	143,410	120,392
Salaries, allowances and bonuses	305,802	511,309
Advertising expenses	100,204	183,932
Provision for doubtful receivables	10,066	247
Provision for bonuses	57,710	19,606
Other	484,542	610,839
Total selling, general and administrative expenses	1,101,736	1,446,327
Operating income (loss)	(12,750)	338,044
Non-operating income		
Interest income	32	55
Dividends income	-	18
Subsidy income	600	-
Foreign exchange gain	138	10
Other	1,032	2,233
Total non-operating income	1,803	2,317
Non-operating expenses		
Interest expenses	3,103	2,723
Provision for doubtful receivables	239	-
Other	6	321
Total non-operating expenses	3,350	3,045
Ordinary income (loss)	(14,297)	337,316
Special income		
Surrender value of insurance	-	11,513
Income on sales of fixed assets	-	786
Gain on sale of investment securities	-	199
Total special income	-	12,499
Special loss		
Loss on retirement of noncurrent assets	-	3,149
Impairment loss	1,138,789	-
Total special loss	1,138,789	3,149
Income (loss) before income taxes	(1,153,087)	346,667
Income taxes – current	46,653	116,054
Income taxes - deferred	15,185	(24,462)
Total income taxes	61,839	91,591
Net income (loss)	(1,214,926)	255,075
Net income (loss) attributable to non-controlling interests	-	(793)
Net income (loss) attributable to owners of parent company	(1,214,926)	255,869

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year From March 1, 2017 To February 28, 2018	Current fiscal year From March 1, 2018 To February 28, 2019
Net income (loss)	(1,214,926)	255,075
Comprehensive income (loss)	(1,214,926)	255,075
Total comprehensive income (loss) attributable to:		
Owners of the parent company	(1,214,926)	255,869
Non-controlling interests	-	(793)

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (From March 1, 2017 to February 28, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	221,547	1,201,735	755,974	(151)	2,179,106
Changes of items during the year					
Issuance of new shares	8,546	8,546			17,092
Dividend of surplus			(44,764)		(44,764)
Loss attributable to owners of parent company			(1,214,926)		(1,214,926)
Purchase of treasury stock				(74)	(74)
Changes in scope of consolidation			(41,992)		(41,992)
Net change in items other than shareholders' equity					
Total changes in current term	8,546	8,546	(1,301,683)	(74)	(1,284,665)
Ending balance	230,093	1,210,282	(545,709)	(225)	894,440

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	369	-	2,179,475
Change during the year			
Issuance of new shares			17,092
Dividend of surplus			(44,764)
Loss attributable to owners of parent company			(1,214,926)
Purchase of treasury stock			(74)
Changes in scope of consolidation			(41,992)
Net change in items other than shareholders' equity	89		89
Total changes in current term	89		(1,284,576)
Ending balance	458	-	894,898

Current fiscal year (From March 1, 2018 to February 28, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Opening balance	230,093	1,210,282	(545,709)	(225)	894,440
Change during the year					
Issuance of new shares	20,701	20,701			41,402
Net income attributable to owners of parent			255,869		255,869
Purchase of treasury stock				(210)	(210)
Net change in items other than shareholders' equity					
Total changes in current term	20,701	20,701	255,869	(210)	297,061
Ending balance	250,794	1,230,983	(289,839)	(435)	1,191,502

	Share subscription rights	Non-controlling interests	Total net assets
Opening balance	458	-	894,898
Change during the year			
Issuance of new shares			41,402
Net income attributable to owners of parent			255,869
Purchase of treasury stock			(210)
Net change in items other than shareholders' equity		2,206	2,206
Total changes in current term		2,206	299,267
Ending balance	458	2,206	1,194,166

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Previous fiscal year From March 1, 2017 To February 28, 2018	Current fiscal year From March 1, 2018 To February 28, 2019
Cash-flow from operating activities		
Income (loss) before income taxes	(1,153,087)	346,667
Depreciation	100,119	203,298
Amortization of goodwill	70,069	21,262
Impairment loss	1,138,789	-
Increase (decrease) in allowance for doubtful accounts	9,179	37
Increase (decrease) in accrued bonuses	4,527	6,187
Interest and dividend income	(32)	(73)
Loss (gain) on sales of investment securities	-	(199)
Loss (gain) on sales of property, plant and equipment	-	(786)
Loss on retirement of noncurrent assets	-	3,149
Interest expenses	3,103	2,723
Loss (gain) on insurance cancellation	-	(11,513)
Increase (decrease) in advances received	31,127	303,508
(Increase) decrease in notes and accounts receivable-trade	(17,446)	(92,414)
(Increase) decrease in inventories	(6,018)	(21,251)
Increase (decrease) in trade payables	16,333	29,675
Other	(44,795)	38,160
Sub-total	151,870	828,431
Interest and dividends received	32	73
Interest paid	(3,103)	(2,723)
Income taxes	(66,843)	(29,064)
Corporation taxes refunded	-	28,285
Net cash provided by operating activities	81,955	825,002
Cash-flow from investing activities		
Expenditure from acquisition of fixed assets	(128,586)	(164,223)
Proceeds from sale of fixed assets	-	786
Expenditure from acquisition of intangible assets	(238,781)	(573,468)
Proceeds from sales of investment securities	-	200
Expenditure from increase in subsidiaries arising from change in scope of consolidation	(185,333)	-
Payment for loans receivable	(1,000)	(1,300)
Proceeds from loans receivable	161	443
Expenditure due to fixed term deposit	(1,200)	(1,238)
Proceeds from refund of fixed term deposit	3,902	15,373
Proceeds from cancellation of insurance funds	-	27,164
Net cash used in investing activities	(550,837)	(696,262)
Cash-flow from financing activities		
Net increase (decrease) in short-term borrowings	(4,240)	(14,940)
Proceeds from long-term debt	600,000	-
Expenditure from repayment of long-term debt	(141,858)	(261,759)
Proceeds from issuance of common stock upon exercise of share subscription rights	17,092	41,402
Proceeds from issuance of share subscription rights	89	-
Dividends paid	(44,764)	-
Purchase of treasury stock	(74)	(210)
Proceeds from issuance to non-controlling interests	-	3,000
Net cash provided by (used in) financing activities	426,244	(232,507)
Effect of exchange rate change on cash and cash equivalents	524	(261)
Net increase (decrease) in cash and cash equivalents	(42,112)	(104,028)
Cash and cash equivalents at beginning of the year	997,952	955,840
Cash and cash equivalents at end of the year	955,840	851,811

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumptions)

Not applicable.

(Segment Information)

1. Outline of reporting segments

The target segments of the Company are components of the Company for which separate financial information is available and which are regularly reviewed by the Board of Directors in order to determine the allocation of management resources and evaluate business performance. Our business is centered on the machine translation business, while peripheral businesses are the translation outsourcing business and the crowdsourcing business.

(1) MT business

The Machine Translation business provides machine-translation services using artificial intelligence (AI) based on its corporate mission of "liberate Japan from linguistic impairment."

(2) HT business

The Human Translation business provides outsourced services, such as traditional human translation, interpretation, and language training.

(3) Crowdsourcing business

The crowdsourcing business provides a crowdsourcing website on which global jobs such as multilingual translation and field surveys can be requested.

2. Method of calculating net sales, income (loss), assets and other items by reportable segment

The accounting methods used for the reportable segments are based on the accounting policies adopted for the preparation of the consolidated financial statements.

Segment income is based on operating income. Intersegment sales and transfers are based on prevailing market prices.

3. Information on net sales, income (loss), assets and other items by reportable segment
Previous fiscal year (From March 1, 2017 to February 28, 2018)

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1,3,4)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowd- sourcing business	Total		
Net sales						
Net sales to unaffiliated customers	276,508	1,518,187	212,287	2,006,984	-	2,006,984
Intersegment sales or transfer	39,600	49,356	12,063	101,019	(101,019)	-
Total	316,108	1,567,544	224,350	2,108,003	(101,019)	2,006,984
Segment income (loss)	(304)	166,407	(92,594)	73,509	(86,259)	(12,750)
Segment assets	477,221	768,392	375,566	1,621,179	468,314	2,089,494
Other						
Depreciation	71,692	20,334	2,353	94,380	5,739	100,119
Amortization of goodwill	-	-	63,359	63,359	6,709	70,069
Impairment loss	-	-	1,138,789	1,138,789	-	1,138,789
Increase in property, plant and equipment, and intangible assets	306,421	1,829	45,305	353,555	45,449	399,005

- (Note) 1. Adjustments to segment income of (86,259) thousand yen include an elimination of inter-segment transactions of (5,115) thousand yen, amortization of goodwill not attributable to reportable segments of (6,709) thousand yen, and corporate expenses of (74,434) thousand yen. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.
2. Segment income (loss) is adjusted with operating income in the consolidated statements of income.
3. Adjustments to segment assets of 468,314 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of surplus operating funds (cash and deposits), goodwill, deferred tax assets, and assets related to the administrative division.
4. Adjustments to increase in property, plant and equipment and intangible assets are eliminations of intersegment transactions.

Current fiscal year (From March 1, 2018 to February 28, 2019)

(Thousands of yen)

	Reportable Segments				Adjustment (Note 1,3,4)	Amounts on the consolidated financial statements (Note 2)
	MT business	HT business	Crowd- sourcing business	Total		
Net sales						
Net sales to unaffiliated customers	916,908	1,593,020	398,113	2,908,042	-	2,908,042
Intersegment sales or transfer	4,165	171,940	245,095	421,200	(421,200)	-
Total	921,073	1,764,960	643,208	3,329,242	(421,200)	2,908,042
Segment income (loss)	124,783	258,509	80,253	463,546	(125,502)	338,044
Segment assets	1,021,436	694,349	437,128	2,152,914	489,936	2,642,850
Other						
Depreciation	188,190	6,219	8,887	203,298	-	203,298
Amortization of goodwill	-	1,076	13,475	14,552	6,709	21,262
Increase in property, plant and equipment, and intangible assets	703,978	28,539	77,814	810,332	-	810,332

- (Note) 1. Adjustments to segment income of (125,502) thousand yen include an elimination of inter-segment transactions of (69,979) thousand yen, amortization of goodwill not attributable to reportable segments of (6,709) thousand yen, and corporate expenses of (48,995) thousand yen. Corporate expenses mainly consist of expenses related to the administrative departments of the parent company that are not attributable to reportable segments.
2. Segment income (loss) is adjusted with operating income in the consolidated statements of income.
3. Adjustments to segment assets of 489,936 thousand yen are corporate assets not attributable to reportable segments. They mainly consist of surplus operating funds (cash and deposits), goodwill, deferred tax assets, and assets related to the administrative division.
4. Adjustments to increase in property, plant and equipment and intangible assets are eliminations of intersegment transactions.

4. Changes in reportable segments

In conjunction with the transfer of the GLOZE business to GLOVA Corp., our group has integrated the "GLOZE business," "Translation and Interpretation business," and "Corporate Training business" into the "HT business." As a result, our reportable segments consist of the "MT business," "HT business" and "Crowdsourcing business" since the third quarter of the current fiscal year.

GLOZE business has provided consigned translation services to standardize quality, reduce costs, and shorten lead times by combining MT (machine translation) technology and HT (human translation).

However, as the precision of our MT increased significantly in the previous fiscal year, our current management task has shifted to the stage of "the last mile to the full automation (the complete replacement of HT by MT)", and we decided to reorganize the segment to streamline the organizational structure as there is no longer a fundamental difference between the GLOZE business and GLOVA's translation business.

Segment information for the previous fiscal year (from March 1, 2017 to February 28, 2018) has been prepared using the new segmentation method.

(Per share Information)

	Previous fiscal year From March 1, 2017 To February 28, 2018	Current fiscal year From March 1, 2018 To February 28, 2019
Net assets per share	89.07 yen	115.73 yen
Net income (loss) per share	(121.71) yen	25.26 yen
Diluted net income per share	- yen	24.25 yen

(Note)

1. Diluted net income per share for the previous fiscal year is not presented because net loss per share was recorded despite the existence of potential shares.
2. The basis for calculating net income (loss) per share and diluted net income per share is as follows.

	Previous fiscal year From March 1, 2017 To February 28, 2018	Current fiscal year From March 1, 2018 To February 28, 2019
Net income (loss) per share		
Net income (loss) attributable to owners of parent (thousand yen)	(1,214,926)	255,869
Amount not attributable to common shareholders (thousand yen)	-	-
Net income (loss) attributable to owners of parent related to common stock (thousands of yen)	(1,214,926)	255,869
Average number of shares during the period (shares)	9,982,088	10,127,512
Diluted net income per share		
Adjustment to net income attributable to owners of parent (thousands of yen)	-	-
Increase in number of common shares (shares)	507,807	424,017
Share subscription rights (shares)	(507,807)	(424,017)
Outline of potential shares that had not been included in the calculation of diluted net income per share because they had no dilutive effect	-	

(Significant Subsequent Events)

Merger of consolidated subsidiaries

At the meeting of the Board of Directors held on January 11, 2019, the Company resolved to conduct an absorption-type merger of Inter media Inc. by GLOVA Corp., a consolidated subsidiary of the Company, and an absorption-type merger of Quicktranslate, Inc. by anydooR, Inc.

I. Absorption-type merger of Inter media Inc. by GLOVA Corp.

Summary of transactions

(1) Name and business of the companies subject to business combination

1 Surviving company

Name: GLOVA Corp.

Business outline: translation, interpretation, and corporate language training

2 Absorbed company

Name: Inter media Inc.

Business outline: technical translation, copy writing, DTP, design and printing

(2) Date of business combination

March 1, 2019

(3) Legal form of business combination

Absorption-type merger in which GLOVA Corp. is the surviving company and Inter media Inc. is the absorbed company

(4) Name after business combination

GLOVA Corp.

(5) Other matters related to the outline of the transaction

Aim of the business combination is to further improve management efficiency.

II. Absorption-type merger of Quicktranslate, Inc. by anydooR, Inc.

Summary of transactions

(1) Name and business of the companies subject to business combination

1 Surviving company

Name: anydooR, Inc.

Business outline: the user-participatory bilingual platform service on the website

2 Absorbed company

Name: Quicktranslate, Inc.

Business outline: translator matching service

(2) Date of business combination

March 1, 2019

(3) Legal form of business combination

Absorption-type merger in which anydooR, Inc. is the surviving company and Quicktranslate, Inc. is the absorbed company

(4) Name after business combination

Xtra, Inc.

(5) Other matters related to the outline of the transaction

Aim of the business combination is to further improve management efficiency.

III. Outline of accounting treatment

In accordance with the "Accounting Standards for Business Combinations" and the "Implementation Guidance on Accounting Standards for Business Combinations and Accounting Standards for Business Divestitures," the Company plans to treat these transactions as transactions under common control.