Notes

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

(2) Names of consolidated subsidiaries:

TITICACA, Co. Ltd., Gloria Tours Inc., NCXX Inc., Care Dynamics Limited, e-tabinet.com, Web travel Co., Ltd., e frontier, Inc., Versatile Inc., Versatile Milano S.R.L., MEC S.R.L. SOCIETA' AGRICOLA, NCXX International Limited, FACETASM, NCXX Premium Group, Inc., NCXX Farm Holdings, Inc.

NCXX Premium Group, Inc. and NCXX Farm Holdings, Inc. were established by incorporation type split during fiscal 2018 and have therefore been included in the scope of consolidation. FISCO International (Cayman) Limited and FISCO International (Cayman) L.P. were liquidated and wound up during fiscal 2018 and have therefore been excluded from the scope of consolidation.

(3) Number of non-consolidated subsidiaries: 2

(4) Names of non-consolidated subsidiaries:

Webtravel Asia & Pacific Pty Limited

NCXX Racing, Inc. (the company name was changed from IOTA Inc. on July 5, 2018)

(Reasons for exclusion from the scope of consolidation)

Because total assets, net sales, net income (loss) (proportional to equity interest), retained earnings (proportional to equity interest) and other metrics do not have a material impact on the consolidated financial statements.

2. Application of the equity method

(1) Number of non-consolidated subsidiaries and affiliates not accounted for by the equity method: 3

(2) Names of non-consolidated subsidiaries and affiliates not accounted for by the equity method:

Webtravel Asia & Pacific Pty Limited, TICA HK Co. Limited, NCXX Racing, Inc. (the company name was changed from IOTA Inc. on July 5, 2018)

Former equity method affiliated NCXX Solutions Inc. was excluded from the scope of application of the equity method in fiscal 2018 following a share exchange.

CAICA Inc. and its subsidiaries were excluded from the scope of application of the equity method in fiscal 2018 following the sale of the Company's holdings of CAICA Inc. shares.

(Reasons for not applying the equity method)

Because total assets, net sales, net income (loss) (proportional to equity interest), retained earnings (proportional to equity interest) and other metrics do not have a material impact on the consolidated financial statements.

3. Fiscal year of consolidated subsidiaries

The companies with fiscal years that end on different dates than the end of the Company's fiscal year are as follows:

Name	Fiscal year-end
TITICACA, Co. Ltd.	October 31*1
e frontier, Inc.	October 31*1
FACETASM	October 31*1

*1 The financial statements as of the fiscal year-end of the consolidated subsidiary are used. The fiscal year-end differs from the end of the Company's fiscal year. However, the accounts have not been adjusted as there were no significant discrepancies upon the elimination of receivables, obligations and transactions among the consolidated companies. If significant discrepancies arise due to a difference in the fiscal year-end from the end of the Company's fiscal year, the accounts are adjusted upon consolidation.

4. Accounting policies

(1) Valuation standards and accounting treatment for important assets

1. Investment securities

(i) Subsidiaries' stocks and affiliates' stocks

Stated at cost determined by the moving average method.

(ii) Investment securities—other

With market quotations

Stated at fair value based primarily on market prices as of the fiscal year-end (with all valuation differences, net of taxes, reported in a separate component of net assets, with the cost of securities sold calculated by the moving average method).

Without market quotations

Stated at cost determined by the moving average method.

2. Inventories

Valued at cost (book value is written down when profitability declines).

(i) Merchandise and finished goods

Retail method

(ii) Work in process

Specific identification method

(iii) Raw materials and supplies

Mainly the moving average method

Notes

(iv) Cryptocurrency held for trading purposes

Those that have active markets

Stated at fair value (Cost of sales is calculated by the moving average method).

Those that do not have active markets

Stated at cost by the moving average method

(2) Method for depreciating and amortizing important depreciable assets

1. Property, plant and equipment

Property, plant and equipment are mainly depreciated using the declining-balance method. However, the straight-line method of depreciation is used for buildings, excluding facilities attached to buildings, acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016.

The main estimated useful lives are as follows:

Buildings and structures:	5 to 42 years
Machinery, equipment and vehicles:	2 to 10 years
Tools, furniture and fixtures:	2 to 15 years

2. Intangible assets

In-house software is amortized by the straight-line method based on the estimated in-house useful life of 3 or 5 years.

In addition, software intended for commercial sale is amortized by the straight-line method based on the remaining estimated effective sales period of 3 years.

Trademarks are amortized by the straight-line method based on an amortization period of 10 years.

(3) Accounting for significant allowances

1. Provision for product warranties

A provision for product warranties is provided to cover product warranty costs that may be incurred after products are sold. The provision for product warranties is determined on the basis of the estimated product warranty cost.

2. Provision for bonuses

A provision for bonuses is provided to cover the costs of bonuses paid to employees of domestic consolidated subsidiaries. The provision for bonuses is determined on the basis of the amount projected to be paid in fiscal 2018.

3. Provision for loss on store closing

Domestic consolidated subsidiaries record the estimated penalties for breach of contract as a provision for loss on store closing to prepare for the cost of cancelling contracts for stores scheduled to close in the next fiscal year.

4. Allowance for doubtful accounts

In order to prepare for losses due to uncollectible receivables, the Company has recorded the estimated uncollectible amounts as an allowance for doubtful accounts. For general receivables, an amount is recorded based on the historical default rate. For specific receivables for which there are concerns about collectability, an estimated amount deemed uncollectible is recorded based on consideration of the collectability of each individual account.

5. Provision for sales returns

Domestic consolidated subsidiaries record estimated sales returns as a provision for sales returns in order to prepare for any returns of products after they are sold.

6. Provision for point card certificates

To prepare for the burden of future use of points, an estimate of the amount to be used from among the converted balance of unused, awarded points is recognized as necessary and recorded.

(4) Accounting method for retirement benefits

Liabilities related to retirement benefits are recorded to cover the costs of the retirement benefits of employees, based on the projected retirement benefit obligations at the fiscal year-end. Retirement benefit obligations are calculated using the simplified method.

In addition, a new, elective defined contribution pension plan was introduced in November 2003. Employees who elected to join the new plan have been transferred out of the existing lump-sum retirement benefit payment plan into the defined contribution pension plan.

(5) Method of calculating important revenues and expenses

Basis for calculating sales and cost of sales on contracted development

Completed contract basis

Notes

(6) Standards for translating important foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated receivables and obligations are translated into Japanese yen using the spot exchange rate at the consolidated fiscal year-end, and translation gains and losses are charged to income. The assets and liabilities, as well as the revenues and expenses, of foreign subsidiaries and other such entities are translated into Japanese yen using the spot exchange rate at the fiscal year-end, and translation gains and losses are recorded as foreign currency translation adjustments under net assets.

(7) Accounting methods for significant hedging

a. Hedge accounting methods

The Company has primarily adopted the deferred hedge accounting method. The allocation method is applied to foreign currency forward contracts that meet the requirements for allocation. Special treatment is applied to interest rate swaps that meet the requirements for special treatment.

b. Hedge instrument and hedge targets

Hedge instruments: Interest rate swaps, foreign currency forward contracts

Hedge targets: Borrowings, scheduled transactions denominated in foreign currencies

c. Hedging policy

Hedging is limited to the scope of target obligations in order to mitigate interest rate fluctuation risk and foreign exchange fluctuation risk and improve the financial balance.

d. Method of evaluating hedging effectiveness

The Company compares cumulative market fluctuations in the hedge target and the hedge instrument over the period from the start of hedging to the hedging effectiveness evaluation date, and arrives at an evaluation based on the amount of changes and other factors with respect to both the hedge target and hedge instrument.

The evaluation of hedging effectiveness is omitted for interest rate swaps and other instruments that qualify for special treatment.

(8) Method and period of amortization of goodwill

The Company reasonably estimates the period over which investment benefits will materialize, and amortizes goodwill over this period applying the straight-line method.

(9) Scope of cash and cash equivalents in the consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(10) Other notes to the consolidated financial statements

1. Accounting method for consumption taxes

National and local consumption taxes are accounted for by the net tax method.

2. Gains and losses related to cryptocurrency transactions

Gains and losses related to transactions of cryptocurrency held for trading purposes are presented in net sales on a net basis.

3. Consolidated taxation

The Company has adopted consolidated taxation.

(Additional Information)

(1) Matters concerning the status of cryptocurrency

1. Policy regarding cryptocurrency

Giving first priority to preserving the safety of principal, the Company invests in cryptocurrency, taking into consideration liquidity, profitability and risk diversification.

2. Content and risks of cryptocurrency

Cryptocurrency is exposed to the risk of fluctuations in market prices.

3. Risk management system for cryptocurrency

(i) Market risk

Market risk is managed by monitoring market prices in a timely manner.

(ii) Credit risk

Credit risk is managed by monitoring the balances of each borrower.

(2) Matters concerning the fair value of cryptocurrency

The carrying amounts in the consolidated balance sheets, fair values and their differences are as follows. The table below does not include cryptocurrencies whose fair values cannot be reliably determined because they do not have active markets.

(Thousands of yen)

	Carrying amount	Fair value	Difference
Cryptocurrency	¥21,608	¥21,608	¥–

Note: Measurement of fair value of cryptocurrency

Fair value is stated as the average of the closing prices on the settlement dates of multiple exchanges that the Company uses frequently.

Notes

(Unapplied Accounting Standards, etc.)

(Notes concerning unapplied accounting standards, etc.)

1 Implementation Guidance on Tax Effect Accounting, etc.

· Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, revised on February 16, 2018, Accounting Standards Board of Japan)
· Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, final revision on February 16, 2018, Accounting Standards Board of Japan)

(1) Overview
The following revisions to “Implementation Guidance on Tax Effect Accounting” and other documents were made as necessary based on the original content when responsibility for practical guidance related to tax effect accounting was transferred from the Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan.
(Main accounting treatments that have been revised)
· Treatment of taxable temporary differences related to subsidiaries shares, etc., in the non-consolidated financial statements
· Treatment of recoverability of deferred tax assets for entities in (Category 1)

(2) Scheduled adoption date
The Company will adopt the revised accounting standards from the beginning of the fiscal year ending November 30, 2019.

(3) Impact of the adoption of the revised accounting standards
The Company is currently evaluating the impact of adopting the “Implementation Guidance on Tax Effect Accounting” and other documents on the consolidated financial statements.

2 “Tentative Practical Solution on the Accounting for Virtual Currencies under the Payment Services Act” (ASBJ Practical Issues Task Force (PITF) No. 38, March 14, 2018, Accounting Standards Board of Japan)

(1) Overview
This solution clarifies tentative treatment regarding accounting treatment and disclosure for cryptocurrency held by a cryptocurrency exchange operator or cryptocurrency user and cryptocurrencies received from a depositor by a cryptocurrency exchange operator.

(2) Scheduled adoption date
The Company will adopt the accounting standards from the beginning of the fiscal year ending November 30, 2019.

(3) Impact of the adoption of the revised accounting standards
The Company is currently evaluating the impact of adopting the “Tentative Practical Solution on the Accounting for Virtual Currencies under the Payment Services Act” on the consolidated financial statements.

3 Accounting Standard for Revenue Recognition, etc.

· “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018, Accounting Standards Board of Japan)
· “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, revised on March 30, 3018, Accounting Standards Board of Japan)

(1) Overview
The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) have jointly developed a comprehensive accounting standard for revenue recognition. In May 2014, “Revenue from Contracts with Customers” was issued (as IFRS 15 by the IASB and as Topic 606 by the FASB), with IFRS 15 to be adopted from fiscal years beginning on or after January 1, 2018 and Topic 606 from fiscal years starting after December 15, 2017. In light of this situation, the Accounting Standards Board of Japan developed a comprehensive accounting standard for revenue recognition and issued it together with implementation guidance.

The basic policy of the Accounting Standards Board of Japan when developing the accounting standard on revenue recognition is to determine the accounting standard while incorporating the basic principles of IFRS 15 as a starting point in order to achieve the benefit of comparability between financial statements from compatibility with IFRS 15. Moreover, where there are items to be considered with regard to practices used in Japan to date, alternative treatments have been added within a scope that does not impair comparability.

(2) Scheduled adoption date
The Company is scheduled to adopt the accounting standard from the beginning of the fiscal year ending November 30, 2022.

(3) Impact of the adoption of the revised accounting standards
The Company is currently evaluating the impact of adopting the “Accounting Standard for Revenue Recognition” on the consolidated financial statements.

Notes

(Change in Presentation)

(Consolidated Balance Sheets)

Guarantee deposits, which were previously included in other under investments and other assets in the fiscal year ended November 30, 2017, have been presented separately from the fiscal year ended November 30, 2018 due to its increased qualitative importance. The consolidated financial statements for the fiscal year ended November 30, 2017 have been restated to reflect this change in presentation method.

As a result, the ¥628,537 thousand presented as other under investments and other assets on the consolidated balance sheet as of November 30, 2017 has been restated as guarantee deposits of ¥599,245 thousand and other of ¥29,292 thousand.

Provision for point card certificates, which was previously included in accounts payable—other under current liabilities in the fiscal year ended November 30, 2017, has been presented separately from the fiscal year ended November 30, 2018 due to its increased qualitative importance. The consolidated financial statements for the fiscal year ended November 30, 2017 have been restated to reflect this change in presentation method.

As a result, the ¥259,459 thousand presented as accounts payable—other under current liabilities on the consolidated balance sheet as of November 30, 2017 has been restated as provision for point card certificates of ¥8,041 thousand and accounts payable—other of ¥251,417 thousand.

(Consolidated Statements of Cash Flows)

Decrease in provision for loss on store closing, increase in other provision, difference on execution of asset retirement obligations, and decrease in accrued consumption taxes, which were all presented separately under cash flows from operating activities in the fiscal year ended November 30, 2017, have been included in other for the fiscal year ended November 30, 2018 due to their decreased monetary importance. The consolidated financial statements for the fiscal year ended November 30, 3017 have been restated to reflect this change in presentation method.

As a result, ¥(47,691) thousand presented as decrease in provision for loss on store closing, ¥143 thousand presented as increase in other provision, ¥(3,967) thousand presented as decrease in difference on execution of asset retirement obligations, and ¥(3,659) thousand presented as decrease in accrued consumption taxes under cash flows from operating activities in the consolidated statements of cash flows for the fiscal year ended November 30, 2017, have been restated as other.

Proceeds from sales of intangible assets, and payments for investments in capital, which were presented separately under cash flows from investing activities in the fiscal year ended November 30, 2017, have been included in other for the fiscal year ended November 30, 2018 since they did not occur during the fiscal year ended November 30, 2018. The consolidated financial statements for the fiscal year ended November 30, 2017 have been restated to reflect this change in presentation method.

As a result, ¥8,273 thousand presented as proceeds from sales of intangible assets and ¥(9,547) thousand presented as payments for investments in capital under cash flows from investing activities in the consolidated statements of cash flows for the fiscal year ended November 30, 2017, have been restated as other.

Repayments of lease obligations, which was presented separately under cash flows from financing activities in the fiscal year ended November 30, 2017, has been included in other for the fiscal year ended November 30, 2018 due to its decreased monetary importance. The consolidated financial statements for the fiscal year ended November 30, 3017 have been restated to reflect this change in presentation method.

As a result, ¥(1,104) thousand presented as repayments of lease obligations under cash flows from financing activities in the consolidated statements of cash flows for the fiscal year ended November 30, 2017, has been restated as other.

(Consolidated Balance Sheets)

*1 Collateral assets and collateralized liabilities

Assets pledged as collateral are as follows.

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Buildings	¥ 12,926	¥ 10,907
Land	151,097	151,097
Investment securities	506,781	542,868
Total	¥670,806	¥704,873

Collateralized liabilities are as follows.

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Current portion of long-term loans payable	¥148,012	¥137,303
Long-term loans payable	726,270	588,967

Notes

*2 The Company is providing debt guarantees for the affiliates below for financial institution loans.

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
NCXX Solution Inc.	¥148,456	¥136,264
FISCO Ltd.	9,400	–

*3 Accumulated depreciation on property, plant and equipment

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Accumulated depreciation on property, plant and equipment	¥2,190,095	¥2,373,919

Accumulated depreciation includes accumulated impairment loss.

*4 Stakes in and exposures to non-consolidated subsidiaries and affiliates are as follows.

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Investment securities (stocks)	¥2,331,955	¥10,904

*5 Certain consolidated subsidiaries have entered into overdraft facility agreements with their banks in order to ensure the efficient procurement of working capital.

The balance of unused loans based on these agreements as of November 30, 2018 was as follows.

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Total amount of overdraft facilities and loan commitments	¥200,000	¥250,000
Outstanding loan balance	91,660	250,000
Difference	¥108,340	¥ –

(Consolidated Statements of Income)

*1 Book value write down of inventory held for sale under normal conditions due to decline in profitability

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Cost of sales	¥206,989	¥81,585

*2 Major breakdown and amount of selling, general and administrative expenses are as follows.

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Salaries and allowances	¥1,425,532	¥1,353,800
Retirement benefit expenses	9,619	12,835
Commission fees	752,670	678,384
Office rent	660,586	658,404
Provision of allowance for doubtful accounts	8,442	(5,360)
Provision for point card certificates	–	12,650
Amortization of goodwill	254,073	53,388

*3 Total research and development expenses included in selling, general and administrative expenses

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Research and development expenses	¥98,623	¥29,957

Notes

*4 The components of gain on sales of non-current assets are as follows.

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Tools, furniture and fixtures	¥553	¥ –
Vehicles	–	31

*5 The components of loss on sales of non-current assets are as follows.

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Buildings and structures, machinery	¥81,790	¥–

In fiscal 2017, losses arising from purchases and sales of non-current assets among consolidated subsidiaries were recorded as loss on sales of non-current assets, without eliminating unrealized losses.

*6 The components of loss on retirement of property, plant and equipment are as follows.

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Buildings and structures	¥ –	¥10,411
Tools, furniture and fixtures	11	46
Software	6,901	–

*7 Impairment loss

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

The Group recorded impairment losses on the following assets.

Use	Type	Location	Impairment loss (Thousands of yen)
–	Goodwill	Minato-ku, Tokyo and other	¥1,064,036
Business assets	Trademarks		734,899
	Other		7,008
Store equipment	Buildings and structures	Shibuya-ku, Tokyo and other	24,698

(Background to recognizing impairment losses)

Regarding store equipment, the Group recognized as impairment losses under property, plant and equipment the portion of carrying value determined to be unrecoverable for stores that the Group has decided to close or expects to continue to generate losses from operations, having revised its management policy in light of factors including impact from the external environment. This applies to 21 stores.

(Asset grouping method)

The Group conducts asset grouping based on the minimum unit generating cash flows in a manner generally independent of the cash flows of other assets and asset groups.

(Method of calculating the recoverable amount)

In principle, the Company uses the value in use to calculate the recoverable amount of business assets.

In addition, the recoverable amount of the carrying value for store equipment has been reduced to zero because future cash flows are highly unlikely.

Notes

Fiscal 2018 (From December 1, 2017 to November 30, 2018)
The Group recorded impairment losses on the following assets.

Use	Type	Location	Impairment loss (Thousands of yen)
–	Goodwill	Minato-ku, Tokyo and other	¥136,965
Business assets	Trademarks	Minato-ku, Tokyo and other	888,678
Business assets	Buildings and structures	Hanamaki-shi, Iwate	34,170
Business assets	Machinery, equipment and vehicles	Hanamaki-shi, Iwate	2,038
Business assets	Software	Hanamaki-shi, Iwate	9,634
Store equipment	Buildings and structures	Shibuya-ku, Tokyo and other Nishitama-gun, Tokyo Kurashiki-shi, Okayama and other	34,945
Store equipment	Tools, furniture and fixtures		3,747

(Background to recognizing impairment losses)
Impairment loss was recognized on goodwill as the initially anticipated earnings are no longer expected.

Regarding business assets, the Group recognized impairment loss because earnings from operating activities have continued to be negative or are expected to continue to be negative.

Regarding store equipment, the Group recognized as impairment losses under property, plant and equipment the portion of carrying value determined to be unrecoverable for stores that TITICACA and FACETASM expect to continue to generate losses from operations. This applies to 19 stores.

(Asset grouping method)
The Group conducts asset grouping based on the minimum unit generating cash flows in a manner generally independent of the cash flows of other assets and asset groups.

(Method of calculating the recoverable amount)
The recoverable amount was calculated by using the value in use and discounting future cash flows from operating activities by a certain discount rate.

However, for assets whose future cash flows from operating activities will be negative, the recoverable amount is assessed to be zero.

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects for other comprehensive income

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Valuation difference on available-for-sale securities:		
Amount incurred during the fiscal year	¥202,142	¥ 461,734
Reclassification adjustments	(14,695)	(573,006)
Before tax effect adjustment	187,447	(111,272)
Tax effect	(62,247)	(33,743)
Valuation difference on available-for-sale securities	125,199	(77,528)
Deferred gains or losses on hedges:		
Amount incurred during the fiscal year	(1,188)	(40)
Reclassification adjustments	–	–
Before tax effect adjustment	(1,188)	(40)
Tax effect	–	–
Deferred gains or losses on hedges	(1,188)	(40)
Foreign currency translation adjustments:		
Amount incurred during the fiscal year	61,843	14,691
Reclassification adjustments	(22,822)	(10,313)
Before tax effect adjustment	39,020	4,377
Tax effect	–	–
Foreign currency translation adjustments	39,020	4,377
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the fiscal year	427	14,487
Reclassification adjustments	–	(16,861)
Share of other comprehensive income of entities accounted for using equity method	427	(2,373)
Total other comprehensive income	¥163,458	¥ (75,564)

Notes

(Consolidated Statements of Changes in Net Assets)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

1 Type and number of shares issued and type and number of treasury stock

(Number of shares)

	Starting balance in fiscal 2017	Increase during fiscal 2017	Decrease during fiscal 2017	Ending balance in fiscal 2017
Issued shares				
Common shares	15,030,195	–	–	15,030,195
Total	15,030,195	–	–	15,030,195
Treasury stock				
Common shares(Note)	156,058	32,900	42,485	146,473
Total	156,058	32,900	42,485	146,473

Notes: 1. The increase in treasury stock was mainly due to a share repurchase under the provisions of the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act.
2. The decrease in treasury stock was due to the decrease in the Company's equity interest in CAICA Inc., which owns a portion of the Company's shares.

2 Subscription rights to shares

Cate-gory	Components of subscription rights to shares	Type of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares: Starting balance in fiscal 2017	Increase during fiscal 2017	Decrease during fiscal 2017	Ending balance in fiscal 2017	Ending balance in fiscal 2017 (Thousands of yen)
Filing company (parent company)							
	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	Common shares	1,069,788	–	–	1,069,788	¥ –
	6th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (Note 1)	Common shares	466,562	–	466,562	–	–
	Subscription rights to shares as stock options (11th series)	–	–	–	–	–	19,775
	Subscription rights to shares as stock options (13th series) (Note 2)	–	–	–	–	–	2,436
Total		–	–	–	–	–	¥22,211

Notes: 1. The decrease in fiscal 2017 was due to the redemption of bonds. The lump-sum method was adopted for reporting purposes.
2. The exercise period has not commenced for the 13th series of subscription rights to shares as stock options.

3 Dividends

(1) Dividends paid

Not applicable

(2) Dividends with a record date that falls in the fiscal year under review, but an effective date that falls in the following fiscal year

Not applicable

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

1 Type and number of shares issued and type and number of treasury stock

(Number of shares)

	Starting balance in fiscal 2018	Increase during fiscal 2018	Decrease during fiscal 2018	Ending balance in fiscal 2018
Issued shares				
Common shares	15,030,195	–	–	15,030,195
Total	15,030,195	–	–	15,030,195
Treasury stock				
Common shares(Note)	146,473	–	20,658	125,816
Total	146,473	–	20,658	125,816

Note: The decrease in treasury stock was mainly due to the exclusion of CAICA Inc. from the scope of application of the equity method during the fiscal year ended November 30, 2018.

Notes

2 Subscription rights to shares

Category	Components of subscription rights to shares	Type of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares: Starting balance in fiscal 2018	Increase during fiscal 2018	Decrease during fiscal 2018	Ending balance in fiscal 2018	Ending balance in fiscal 2018 (Thousands of yen)
Filing company (parent company)							
	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (Note 1)	Common shares	1,069,788	–	1,069,788	–	¥ –
	7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	Common shares	–	487,800	–	487,800	–
	Subscription rights to shares as stock options (11th series)	–	–	–	–	–	19,775
	Subscription rights to shares as stock options (13th series)	–	–	–	–	–	4,176
	Subscription rights to shares as stock options (14th series) (Note 2)	–	–	–	–	–	3,549
Total		–	–	–	–	–	¥27,502

Notes: 1. The decrease in fiscal 2018 was due to the redemption of bonds. The lump-sum method was adopted for reporting purposes.
2. The exercise period has not commenced for the 14th series of subscription rights to shares as stock options.

3 Dividends

(1) Dividends paid

Not applicable

(2) Dividends with a record date that falls in the fiscal year under review, but an effective date that falls in the following fiscal year

Not applicable

(Consolidated Statements of Cash Flows)

*1 Cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows at the end of the fiscal year

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Cash and deposits	¥2,529,595	¥1,028,774
Term deposits with periods exceeding three months	–	(6,000)
Cash and cash equivalents	¥2,529,595	¥1,022,774

*2 Contents of important non-cash transactions

In the fiscal year ended November 30, 2018, borrowings by transfer of obligations were used as consideration for the sale of cryptocurrency. This transaction reduced accounts receivable by ¥1,000,000 thousand, and increased loans receivable to debtors outside the Company by ¥1,000,000 thousand.

(Lease Transactions)

(As a lessee)

Lease transactions were omitted from record in these financial statements in conformity with Article 15-3 of the Ordinance on Consolidated Financial Statements, due to the small amount per contract and immateriality of the content.

(Financial Instruments)

1. Conditions of financial instruments

(1) Policy regarding financial instruments

As a policy, the Group receives loans from banks and other FISCO Group companies primarily to procure operating funds, in tandem with managing surplus funds in the form of short-term deposits, and investment and loans to other FISCO Group companies. This is done in conformity with parent company FISCO Ltd.'s Group financial policy of optimizing funding efficiency by adjusting the surplus and shortage of funds among FISCO Group companies. The Company's policy is to use derivative transactions for hedging against the risk of interest rates on loans payable fluctuating, and to refrain from using them for speculative purposes. For cryptocurrency transactions, the Company makes investments while mitigating investment risk by establishing rules and systems for investment and conducting daily management.

Notes

(2) Content, risk, and risk management of financial instruments

Notes and accounts receivable—trade are exposed to the credit risk of customers (risk of default by customers or counterparties). To mitigate this risk, relevant departments within each of the Group's business divisions strive to promptly detect and reduce the risk of trade receivables defaulting by keeping track of the due date and amount of notes and accounts receivable by customer or counterparty.

The short-term loans receivable the Company makes are for managing funds in conformity with the aforementioned FISCO Group financial policy.

The Company's investment securities are primarily unlisted stocks, and are therefore exposed to the risk of prices fluctuating. To mitigate this risk, the Company periodically screens the assessed value and financial position of the issuer of these financial instruments.

As a rule of thumb, trade payables, namely notes and accounts payable—trade, and accounts payable—other have payment dates that are due in one month or less. Furthermore, the loans the Company receives are primarily for the purpose of procuring operating funds.

Trade payables and loans payable are exposed to the liquidity risk involved in fund procurement (risk of defaulting on the payment date). To mitigate and manage this liquidity risk, the Company's financial division formulates a timely funding operation plan based on the reports it receives from the Group's business divisions.

Certain variable interest rate loans the Company has received are exposed to the risk of interest rates fluctuating. To mitigate this risk, the Company uses interest rate swaps to hedge against the risk of interest payable on these loans fluctuating. For information regarding hedge accounting methods, hedge instruments and hedge targets, hedging policy, and method of evaluating hedging effectiveness, please refer to "Notes to the Consolidated Statements, 4. Accounting policies, (7) Accounting methods for significant hedging."

Certain accounts payable are procurement liabilities denominated in foreign currency in conjunction with manufacturing consigned to an overseas ODM manufacturer. For this reason, the Company uses foreign currency forward contracts and other arrangements to mitigate the risk of foreign exchange fluctuations associated with those foreign currency-denominated procurement liabilities.

Derivative transactions are managed in accordance with internal rules that set forth transaction procedures and transaction authority. The Company's management division monitors information on transaction balances, exchange rate movements, and gains or losses on derivative transactions on a daily or a monthly basis.

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheets, fair values, and their differences as of November 30, 2017 and 2018 are as follows. In addition, financial instruments, whose fair values cannot be reliably determined, are not included. (Please see "Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined.")

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥2,529,595	¥2,529,595	¥ –
(2) Notes and accounts receivable—trade	599,269	599,269	–
(3) Accounts receivable—other	114,228	–	–
Allowance for doubtful accounts*1	(53,097)	–	–
	61,131	61,131	–
(4) Short-term loans receivable	15,000	15,000	–
(5) Long-term loans receivable	396,140	–	–
Allowance for doubtful accounts*2	(56,140)	–	–
	339,999	339,999	–
(6) Long-term accounts receivable—other	163,181	–	–
Allowance for doubtful accounts*3	(163,181)	–	–
	–	–	–
(7) Investment securities*4	3,225,630	5,146,815	1,921,184
Total	¥6,770,626	¥8,691,811	¥1,921,184
(1) Notes and accounts payable—trade	¥ 600,601	¥ 600,601	¥ –
(2) Short-term loans payable	191,660	191,660	–
(3) Accounts payable—other	259,459	259,459	–
(4) Convertible bond-type bonds with share acquisition rights (including current portion)	1,165,000	1,165,000	–
(5) Long-term loans payable (including current portion)	2,474,068	2,479,824	5,756
Total	¥4,690,789	¥4,695,113	¥ 4,323
Derivative transactions	¥ –	¥ –	¥ –

*1 Excludes the allowance for doubtful accounts recorded for accounts receivable—other.
*2 Excludes the allowance for doubtful accounts recorded for long-term loans receivable.
*3 Excludes the allowance for doubtful accounts recorded for long-term accounts receivable—other.
*4 Investment securities include listed equity-method affiliates, and the difference is based on a fair market valuation of the shares.

Notes

Note: 1. Measurement of fair value of financial instruments, as well as investment securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable—trade, (3) Accounts receivable—other and (4) Short-term loans receivable
Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.

(5) Long-term loans receivable
The fair value of long-term loans receivable is measured as the present value of loans receivable classified into certain periods for each credit risk group used for credit management purposes, using the future cash flows as an appropriate indicator, discounted by an interest rate to which the credit spread has been added. The current portion of long-term loans receivable expected to be collected within one year and included in short-term loans receivable on the consolidated balance sheets is included and shown in this item.

(6) Long-term accounts receivable—other
Fair value is measured as the present value of the amount of receivables grouped together for a certain period, discounted using an interest rate adjusted for the period until maturity and the credit risk of the receivables.

(7) Investment securities
Fair value for investment securities is measured using stock exchange prices.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable, (3) Accounts payable—other and (4) Convertible bond-type bonds with share acquisition rights (including current portion)
Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.

(5) Long-term loans payable (including current portion)
Fair value is measured as the present value of the total amount of loan principal and interest, discounted using an interest rate that would apply to a similar new loan. However, certain long-term loans payable with variable interest rates are subject to special treatment for interest rate swaps. (Please see “Derivative transactions” below.) The fair value of these loans is measured by discounting the total amount of the loan principal and interest, which are accounted for together with the respective interest rate swaps, using a reasonably estimated interest rate that would apply to a similar new loan.

Derivative transactions

Interest rate swaps subject to special treatment are accounted for together with the long-term loans payable that are the hedge targets. Therefore, the fair value of the interest rate swaps is included in the fair value of the respective long-term loans payable.

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥1,028,774	¥1,028,774	¥ –
(2) Notes and accounts receivable—trade	525,801	525,801	–
(3) Accounts receivable—other	54,964	–	–
Allowance for doubtful accounts*1	(6,249)	–	–
	48,715	48,715	–
(4) Cryptocurrencies	21,608	21,608	–
(5) Current assets—other	21,914	21,914	–
(6) Short-term loans receivable	1,015,000	1,015,000	–
(7) Long-term loans receivable	713,930	–	–
Allowance for doubtful accounts*2	(55,930)	–	–
	658,000	658,000	–
(8) Long-term accounts receivable—other	106,853	–	–
Allowance for doubtful accounts*3	(106,853)	–	–
	–	–	–
(9) Investment securities*4	2,282,185	2,282,185	–
Total	¥5,601,997	¥5,601,997	¥ –
(1) Notes and accounts payable—trade	¥ 576,086	¥ 576,086	¥ –
(2) Short-term loans payable	383,200	383,200	–
(3) Accounts payable—other	177,011	177,011	–
(4) Convertible bond-type bonds with share acquisition rights	200,000	197,363	(2,637)
(5) Long-term loans payable (including current portion)	1,810,869	1,809,636	(1,233)
Total	¥3,147,166	¥3,143,296	¥(3,870)
Derivative transactions	¥ –	¥ –	¥ –

*1 Excludes the allowance for doubtful accounts recorded for accounts receivable—other.
*2 Excludes the allowance for doubtful accounts recorded for long-term loans receivable.
*3 Excludes the allowance for doubtful accounts recorded for long-term accounts receivable—other.

Notes

Note: 1. Measurement of fair value of financial instruments, as well as investment securities and derivative transactions

Assets

(1) Cash and deposits, (3) Accounts receivable—other and (6) Short-term loans receivable
Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.
(2) Notes and accounts receivable—trade and (8) Long-term accounts receivable—other
Fair value is measured as the present value of the amount of receivables grouped together for a certain period, discounted using an interest rate adjusted for the period until maturity and the credit risk of the receivables.
(4) Cryptocurrencies and (5) Current assets—other
The fair value of cryptocurrencies is calculated in two ways. For those with active markets, such as Bitcoin, the amount is stated at fair value (cost of sales calculated by moving average method), while for those that do not have active markets the amount is stated at cost based on the moving average method. Furthermore, the fair value of deposits included in current assets—other is stated as the balance in Japanese yen held by each cryptocurrency exchange, since this is a cash equivalent.
(7) Long-term loans receivable
The fair value of long-term loans receivable is measured as the present value of loans receivable classified into certain periods for each credit risk group used for credit management purposes, using the future cash flows as an appropriate indicator, discounted by an interest rate to which the credit spread has been added. The current portion of long-term loans receivable expected to be collected within one year and included in short-term loans receivable on the consolidated balance sheets is included and shown in this item.
(9) Investment securities
Fair value for investment securities is measured using stock exchange prices.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Accounts payable—other
Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.
(4) Convertible bond-type bonds with share acquisition rights
Fair value is measured as the present value of the total amount of bond principal and interest, discounted using an interest rate adjusted for the remaining maturity and the credit risk of the bonds.
(5) Long-term loans payable (including current portion)
Fair value is measured as the present value of the total amount of loan principal and interest, discounted using an interest rate that would apply to a similar new loan. However, certain long-term loans payable with variable interest rates are subject to special treatment for interest rate swaps. (Please see "Derivative transactions" below.) The fair value of these loans is measured by discounting the total amount of the loan principal and interest, which are accounted for together with the respective interest rate swaps, using a reasonably estimated interest rate that would apply to a similar new loan.

Derivative transactions

Interest rate swaps subject to special treatment are accounted for together with the long-term loans payable that are the hedge targets. Therefore, the fair value of the interest rate swaps is included in the fair value of the respective long-term loans payable.

Note: 2. Carrying amount of financial instruments whose fair values cannot be reliably determined

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Unlisted stocks (investment securities)	¥305,962	¥215,904

Fair value is not disclosed because the fair value of these stocks cannot be reliably determined given that they do not have market prices and their future cash flows cannot be estimated.

Note: 3. Maturity analysis for financial assets and investment securities with contractual maturities after the fiscal year-end

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥2,529,595	¥ –	¥–	¥–
(2) Notes and accounts receivable—trade	599,269	–	–	–
(3) Accounts receivable—other*1	61,131	–	–	–
(4) Short-term loans receivable	15,000	–	–	–
(5) Long-term loans receivable*1	–	339,999	–	–
(6) Long-term accounts receivable—other*1	–	–	–	–
Total	¥3,204,996	¥339,999	¥–	¥–

*1 The above table does not include accounts receivable with indefinite redemption schedules of ¥53,097 thousand (allowance for doubtful accounts of ¥53,097 thousand), long-term loans receivable of ¥56,140 thousand (allowance for doubtful accounts of ¥56,140 thousand) and long-term accounts receivable—other of ¥163,181 thousand (allowance for doubtful accounts of ¥163,181 thousand).

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥1,028,774	¥ –	¥–	¥–
(2) Notes and accounts receivable—trade	525,801	–	–	–
(3) Accounts receivable—other*1	48,715	–	–	–
(4) Short-term loans receivable	1,015,000	–	–	–
(5) Long-term loans receivable*1	–	658,000	–	–
(6) Long-term accounts receivable—other*1	–	–	–	–
Total	¥2,618,291	¥658,000	¥–	¥–

*1 The above table does not include accounts receivable with indefinite redemption schedules of ¥6,249 thousand (allowance for doubtful accounts of ¥6,249 thousand), long-term loans receivable of ¥55,930 thousand (allowance for doubtful accounts of ¥55,930 thousand) and long-term accounts receivable—other of ¥106,853 thousand (allowance for doubtful accounts of ¥106,853 thousand).

Notes

Note: 4. Scheduled repayments of loans, bonds, and other interest-bearing debt after the fiscal year-end

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Convertible bonds with subscription rights to shares	¥1,165,000	¥ –	¥ –	¥ –	¥ –	¥–
Long-term loans payable	836,382	618,057	856,628	144,812	18,186	–
Short-term loans payable	141,660	–	–	–	–	–
Total	¥2,143,043	¥618,057	¥856,628	¥144,812	¥18,186	¥–

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Convertible bonds with subscription rights to shares	¥ –	¥ 200,000	¥ –	¥ –	¥–	¥–
Long-term loans payable	587,606	940,474	204,689	78,099	–	–
Short-term loans payable	383,200	–	–	–	–	–
Total	¥970,806	¥1,140,474	¥204,689	¥78,099	¥–	¥–

(Investment Securities)
1. Investment securities—other

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amounts exceed the acquisition cost	Share	¥1,199,637	¥ 997,927	¥201,710
Securities whose carrying amounts do not exceed the acquisition cost	Share	2,025,992	2,089,879	(63,886)
	Total	¥3,225,630	¥3,087,806	¥137,823

Unlisted investment securities (carrying amount ¥305,962 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amounts exceed the acquisition cost	Share	¥2,282,185	¥2,191,746	¥90,438
Securities whose carrying amounts do not exceed the acquisition cost	Share	–	–	–
	Total	¥2,282,185	¥2,191,746	¥90,438

Unlisted investment securities (carrying amount ¥215,904 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

2. Gain on sale of investment securities

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

The Company did not sell investment securities—other.

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

(Thousands of yen)

	Sale amount	Total gain on sale	Total loss on sale
Share	¥900,202	¥573,006	¥–
Total	¥900,202	¥573,006	¥–

3. Loss on valuation of investment securities

Fiscal 2017 (As of November 30, 2017)

The Company did not record a loss on valuation of investment securities.

Loss on valuation is recorded in full if the fair value at fiscal year-end falls 50% or more in relation to the acquisition price of investment securities. If the fall in fair value is around 30 to 50%, a loss on valuation deemed appropriate is recorded in view of factors such as the likelihood of prices recovering.

Notes

Fiscal 2018 (As of November 30, 2018)

In the fiscal year ended November 30, 2018, the Company recorded a ¥10,366 thousand loss on valuation of investment securities (unlisted shares ¥10,366 thousand).

Loss on valuation is recorded in full if the fair value at fiscal year-end falls more than 50% in relation to the acquisition price of investment securities. If the fall in fair value is around 30 to 50%, a loss on valuation deemed appropriate is recorded in view of factors such as the likelihood of prices recovering.

(Derivative Transactions)

1. Derivative transactions to which hedge accounting is not applied

Currency related

Fiscal 2017 (As of November 30, 2017)

Not applicable

Fiscal 2018 (As of November 30, 2018)

Not applicable

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Allocation method for foreign currency forward contracts, etc.	Foreign currency forward contracts	Accounts payable	¥3,808	¥–	(Note) ¥3,728

Note: Calculation of fair value

Calculated based on quoted prices obtained from financial institution counterparties.

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Allocation method for foreign currency forward contracts, etc.	Foreign currency forward contracts	Accounts payable	¥81,612	¥–	(Note) ¥81,491

Note: Calculation of fair value

Calculated based on quoted prices obtained from financial institution counterparties.

(2) Interest rate

Fiscal 2017 (As of November 30, 2017)

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Variable interest—received Fixed interest—paid	Long-term loans payable	¥1,255,000	¥920,000	(Note) ¥–

Note: Calculation of fair value

Interest rate swaps to which the special treatment is applied are accounted for together with the long-term loans payable targeted for hedging. Therefore, their fair value is included in the fair value of long-term loans payable.

Fiscal 2018 (As of November 30, 2018)

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Variable interest—received Fixed interest—paid	Long-term loans payable	¥870,000	¥650,000	(Note) ¥–

Note: Calculation of fair value

Interest rate swaps to which the special treatment is applied are accounted for together with the long-term loans payable targeted for hedging. Therefore, their fair value is included in the fair value of long-term loans payable.

(Retirement Benefits)

1. Overview of retirement benefit plan

The Company has adopted an elective system in which employees can choose between a defined contribution pension plan and a prepaid retirement benefit plan as part of its defined contribution plan.

Certain consolidated subsidiaries have adopted a lump-sum payment plan as part of their defined retirement benefit plans, and an elective system in which employees can choose between a defined contribution pension plan and a prepaid retirement benefit plan as part of their defined contribution plans.

Certain consolidated subsidiaries apply the simplified method for calculating the liability and expenses on their lump-sum retirement benefit plans.

Notes

2. Simplified-method defined benefit plan

(1) Reconciliation of balance of simplified-method liability for retirement benefit at the beginning and at the end of the fiscal year

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Balance of liability for retirement benefit at the beginning of the fiscal year	¥29,724	¥29,708
Increase from new consolidation	260	–
Retirement benefit expenses	6,047	9,094
Retirement benefits paid	(6,323)	(7,469)
Balance of liability for retirement benefit at the end of the fiscal year	¥29,708	¥31,333

(2) Reconciliation of balance of retirement benefit obligations and liability for retirement benefit on the consolidated balance sheets at the end of the fiscal year

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Retirement benefit obligations for non-funded plans	¥29,708	¥31,333
Net liability on the consolidated balance sheets	29,708	31,333

(3) Retirement benefit expenses

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Retirement benefit expenses based on the simplified method	¥6,047	¥9,094

3. Defined contribution pension plan

The required contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥4,260 thousand in fiscal 2017 and ¥2,929 thousand in fiscal 2018.

4. Prepaid retirement benefit plan

Payments made to the prepaid retirement benefit plans of the Company and its consolidated subsidiaries were ¥499 thousand in fiscal 2017 and ¥1,679 thousand in fiscal 2018.

(Stock Options)

1. Stock option expense item and amount

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Stock compensation expense under selling, general and administrative expenses	¥2,088	¥5,290

2. Stock option details, scale and change

(1) Stock option details

	11th Series of Subscription Rights to Shares	13th Series of Subscription Rights to Shares	14th Series of Subscription Rights to Shares
Status and number of option holders	NCXX Group Inc. directors: 5 NCXX Group Inc. employees: 3 NCXX Group Inc. subsidiary director: 1	NCXX Group Inc. directors: 3 NCXX Group Inc. subsidiary directors: 8 NCXX Group Inc. subsidiary employees: 3	NCXX Group Inc. directors: 5 NCXX Group Inc. subsidiary directors: 3 NCXX Group Inc. subsidiary employees: 2
Type of share and number of stock options(Note)	Common shares: 100,000 shares	Common shares: 100,000 shares	Common shares: 90,000 shares
Grant date	October 30, 2014	October 5, 2016	January 15, 2018
Vesting condition	An option holder must remain in continued service from the grant date (October 30, 2014) to the option exercise date	An option holder must remain in continued service from the grant date (October 5, 2016) to the option exercise date	An option holder must remain in continued service from the grant date (January 15, 2018) to the option exercise date
Required service period	From October 30, 2014 until the option exercise date	From October 5, 2016 until the option exercise date	From January 15, 2018 until the option exercise date
Exercise period	October 31, 2016 to October 30, 2020	October 6, 2018 to October 5, 2021	January 16, 2020 to January 15, 2023

Note: Recorded based on the number of eligible shares.

Notes

(2) Stock option scale and change

Existing stock options as of fiscal 2018 (ended November 2018) are recorded herein on the basis of the number of eligible shares.

1. Number of stock options

(Shares)

	11th Series of Subscription Rights to Shares	13th Series of Subscription Rights to Shares	14th Series of Subscription Rights to Shares
Before vesting			
As of November 30, 2017	–	100,000	–
Granted	–	–	90,000
Forfeited	–	–	–
Vested	–	100,000	–
Outstanding	–	–	90,000
After vesting			
As of November 30, 2017	96,000	–	–
Vested	–	100,000	–
Exercised	–	–	–
Forfeited	–	–	–
Exercisable	96,000	100,000	–

2. Unit price information

(Yen)

	11th Series of Subscription Rights to Shares	13th Series of Subscription Rights to Shares	14th Series of Subscription Rights to Shares
Exercise price	¥738	¥458	¥458
Average stock price at exercise	–	–	–
Fair value on the grant date	206	42	86

3. Method for estimating the fair value of stock options

The method for estimating the fair value of the 2018 stock options, granted in the fiscal year ended November 30, 2018, is as follows.

1. Estimation method used

Monte Carlo simulation

2. Main assumptions and estimates

	2018 stock options
Stock price volatility (Note 1)	67.57%
Estimated period to expiry (Note 2)	3.5 years
Estimated dividend yield (Note 3)	¥0
Risk free interest rate (Note 4)	(0.085)%

Notes: 1. Calculated based on stock price data for five years (December 2012 to December 2017).
2. Due to insufficient data for making a reasonable estimate, the period to expiry is estimated based on the assumption that the subscription rights to shares will be exercised at the midpoint of the exercise period.
3. Based on dividend yields for the fiscal year ended November 30, 2017.
4. The yield of Japanese government bonds for the estimated period to expiry

4. Method for estimating the number of vested stock options

A method reflecting the actual number of forfeited stock options was adopted due to the fundamental difficulty of reasonably estimating the actual number of stock options that will be forfeited in the future.

Notes

(Tax-Effect Accounting)
1. Main factors giving rise to deferred tax assets and liabilities

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Deferred tax assets		
Inventories	¥ 62,383	¥ 74,984
Accrued enterprise taxes	3,637	3,417
Provision for bonuses	20,922	26,749
Provision for product warranties	32,711	22,756
Non-current assets	475,322	298,525
Shares of affiliated companies	489,409	14,678
Allowance for doubtful accounts	457,011	58,282
Carryforwards of unused tax losses	1,966,716	3,381,601
Liability for retirement benefit	9,168	9,626
Asset retirement obligations	61,715	130,019
Others	37,917	15,489
Deferred tax assets subtotal	3,616,915	4,036,133
Valuation allowance	(3,616,456)	(4,034,102)
Deferred tax assets total	458	2,030
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(62,247)	(28,504)
Fund balance difference	(662,408)	(757,050)
Reserve for special depreciation	–	(8,671)
Others	(44,592)	(43,417)
Deferred tax liabilities total	(769,248)	(837,642)
Net deferred tax liabilities	¥ (768,789)	¥ (835,611)

2. Main items giving rise to material differences between the statutory income tax rate and effective income tax rate

(%)

	Fiscal 2017 (As of November 30, 2017)	Fiscal 2018 (As of November 30, 2018)
Statutory income tax rate	30.86 %	–%
(Adjustments)		
Entertainment and other non-deductible expenses	0.42	–
Inhabitants taxes—per capita levy	1.38	–
Share of profit of entities accounted for using equity method	(1.32)	–
Amortization of goodwill	7.65	–
Change in valuation allowance	15.85	–
Carryforwards of unused tax losses and other deductions	(49.06)	–
Income taxes recognized for difference on capital surplus	11.98	–
Others	(1.54)	–
Effective income tax rate	16.22 %	–%

Note: Disclosure on the difference in the statutory income tax rate and the effective income tax rate in fiscal 2018 is omitted as loss before income taxes was recorded.

(Business Combination)
Transactions with Entities under Common Control
1. Overview of transaction
(1) Name and business operations of the companies in the business combination

Absorbing company

Name : Versatile Inc.

Business: Apparel business, consulting business, wine-related business

Absorbed company

Name : NCXX Premium Group, Inc.

Business: Apparel business, consulting business

Name : NCXX Farm Holdings, Inc.

Business: Wine-related business

Notes

(2) Business combination date

November 12, 2018

(3) Statutory basis of business combination

An incorporation type company split with Versatile Inc. as the splitting company and NCXX Premium Group, Inc. and NCXX Farm Holdings, Inc. as the newly incorporated companies

(4) Name of company after business combination

NCXX Premium Group, Inc.
NCXX Farm Holdings, Inc.

(5) Purpose of the business combination

By consolidating the Group's apparel business and consulting business into NCXX Premium Group, Inc. and consolidating the wine-related business into NCXX Farm Holdings, Inc., the Group aims to increase the quality of the businesses, streamline back-office operations, and increase profitability.

2. Overview of accounting treatment

The transaction was treated as a transaction with entities under common control based on the "Accounting Standard for Business Combinations" and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

(Asset Retirement Obligations)

Asset retirement obligations recorded on the consolidated balance sheets

(1) Overview of recorded asset retirement obligations

The recorded asset retirement obligations are obligations under real estate lease contracts to restore business offices and stores where the Company is operating to their original condition when vacating them.

(2) Calculation method for amounts of asset retirement obligations to be recorded

The period of use is estimated at 18 years from the acquisition of the lease asset, and a discount rate between 0.01% and 0.48% is used to calculate the asset retirement obligation amounts.

(3) Change in total amount of recorded asset retirement obligations

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Balance at the beginning of the fiscal year	¥399,040	¥389,687
Increase from consolidated subsidiary acquisition	49,866	–
Increase from acquisition of property, plant and equipment	–	13,909
Adjustment reflecting the passage of time	4,349	181
Decrease from execution of obligations	(63,567)	(26,690)
Balance at the end of the fiscal year	¥389,687	¥377,087

(4) Asset retirement obligations not recorded on the consolidated balance sheets

Under its real estate lease contract, the Company and its consolidated subsidiaries have obligations to restore their Head Office to its original condition when vacating it. However, this asset retirement obligation cannot be estimated reasonably, given that the period of use of the relevant lease assets remains unclear, and the Group has no plan for relocating. Consequently, this asset retirement obligation was not recorded in this report.

Notes

(Real Estate Leasing)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Certain consolidated subsidiaries had previously held idle real estate in Shizuoka Prefecture and Tochigi Prefecture. In addition, certain subsidiaries have acquired new properties in Fukuoka Prefecture and other regions and are using them as offices and for other purposes. Since some of these properties are rented, real estate had been treated as including the portion used as real estate for rent.

However, these consolidated subsidiaries were excluded from the scope of consolidation during fiscal 2017 due to the sale of their shares. As a result, no balances are shown on the consolidated balance sheets as of November 30, 2017.

(Thousands of yen)

	Carrying amount			
	Starting balance in fiscal 2017	Change during fiscal 2017	Ending balance in fiscal 2017	Fair value at fiscal year-end
Idle real estate	¥ 2,000	¥ (2,000)	¥–	¥–
Real estate including the portion used as real estate for rent	306,102	(306,102)	–	–

Note: The carrying amount represents the acquisition cost less cumulative depreciation.

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Not applicable

(Segment Information)

[Segment Information]

1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on resource allocation and assessing business results.

The Group formulates comprehensive strategies at the Company's Head Office and is expanding business activities related to the products and services it handles. The Group's businesses are made up of segments classified based on products and services, as follows.

From fiscal 2018, the Company changed its previous six segments, specifically the ICT, IoT, Device Business, the FinTech System Development Business, the Internet Travel Business, the Brand Retail Platform Business, the Information Service Consulting Business, and Other, to the five segments comprising the IoT-Related Business, Internet Travel Business, Brand Retail Platform Business, Cryptocurrency and Blockchain Business, and Other. The reasons for this change are outlined below.

Following a review of the business management system, the FinTech System Development Business, which was previously presented as a reportable segment, has been merged with the ICT, IoT, Device Business based on the similarity and relatedness in the method of allocation of management resources and the method of evaluating earnings, and the segment name has been changed to the IoT Related Business.

In the fiscal year ended November 30, 2017, the cryptocurrency related business that had been included under other was added as a reportable segment named the "Cryptocurrency and Blockchain Business" due to its increased quantitative importance.

In addition, following a review of the business management system, in the fiscal year ended November 30, 2017 the wine business, which had been included under other, was integrated into the Brand Retail Platform Business based on the similarity and relatedness in the method of allocation of management resources and the method of evaluating earnings.

Furthermore, the Information Service Consulting Business, which had previously been presented as a reportable segment, was excluded from the reportable segments and included under other due to a decrease in its quantitative importance following a contraction in the business, etc.

Segment information for the fiscal year ended November 30, 2017 has been presented based on reportable segment categories after the Company reorganization.

Notes

Segment	Description of business
IoT-Related Business	Development and sale of communication devices applying various wireless systems Provision of systems solutions and maintenance services incidental to the above systems development Agricultural ICT business R&D for the robot business ASP services for nursing care centers
Internet Travel Business	Operation of e-marketplace for travel-related products Travel agency services for companies and individuals Travel estimate services Travel concierge services
Brand Retail Platform Business	Retailing of general merchandise, apparel and other items Restaurant business Brand license business Grape farming, winemaking and sales
Cryptocurrency and Blockchain Business	Investments related to cryptocurrencies Cryptocurrency trading and commercial loans Development and investment of derivative instruments related to cryptocurrencies Setting up funds related to cryptocurrencies
Other	Consulting on financial strategy, business strategy, recruitment support services, etc. Other

2. Calculation method for amounts of net sales, income and loss, assets and liabilities, and other items by reportable segment

The accounting policies and methods for reportable segments are the same as those shown in the notes to the consolidated financial statements.

Segment income for reportable segments is based on operating income.

Inter-segment sales and transfers are based on prevailing market prices.

Notes

3. Information on net sales, income or loss, assets and liabilities, and other items by reportable segment

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	Reportable segment							
	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Total	Adjustments	Consolidated
Net sales								
Sales to external customers	¥4,012,681	¥2,183,047	¥5,931,773	¥–	¥ 71,419	¥12,198,921	¥ –	¥12,198,921
Inter-segment sales and transfers	19,103	7,601	54,805	–	2,176	83,687	(83,687)	–
Total	4,031,785	2,190,648	5,986,578	–	73,595	12,282,608	(83,687)	12,198,921
Segment income (loss)	(465,884)	(2,374)	(71,667)	–	(57,779)	(597,704)	(316,850)	(914,555)
Segment assets	713,771	371,007	3,742,937	–	115,650	4,943,368	6,588,998	11,532,367
Other items								
Depreciation and amortization	64,988	539	130,927	–	8,221	204,676	7,875	212,551
Amortization of goodwill	137,037	30,848	65,741	–	20,445	254,073	–	254,073
Increase in property, plant and equipment and intangible assets	35,746	1,250	107,074	–	–	144,071	82,505	226,576

Notes: 1. Segment income (loss) is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets of ¥6,588,988 thousand include corporate assets that are not allocated to reportable segments and offsetting receivables and obligations with consolidated subsidiaries.
3. Adjustments for depreciation and amortization represent mainly depreciation and amortization related to corporate assets of ¥7,875 thousand.
4. Prices for transactions and transfers between reportable segments are determined based on arm's length transactions between independent third parties.

Notes

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

(Thousands of yen)

	Reportable segment							
	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Total	Adjustments	Consolidated
Net sales								
Sales to external customers	¥ 950,751	¥2,367,417	¥6,445,821	¥1,326,207	¥ 35,104	¥11,125,302	¥ –	¥11,125,302
Inter-segment sales and transfers	19,597	2,211	994	–	–	22,803	(22,803)	–
Total	970,348	2,369,629	6,446,816	1,326,207	35,104	11,148,106	(22,803)	11,125,302
Segment income (loss)	48,734	38,840	(460,452)	1,320,327	(73,257)	874,192	(454,473)	419,718
Segment assets	2,353,686	639,760	2,369,082	43,522	–	5,406,051	3,896,755	9,302,807
Other items								
Depreciation and amortization	10,728	1,590	149,547	–	8,359	170,225	35,821	206,046
Amortization of goodwill	3,830	30,848	18,709	–	–	53,388	–	53,388
Increase in property, plant and equipment and intangible assets	4,116	5,228	1,155,536	26,806	–	1,191,687	65,776	1,257,464

Notes: 1. Segment income (loss) is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets mainly include corporate assets of ¥3,896,755 thousand that are not allocated to reportable segments such as cash and deposits, short-term loans receivable, etc.
3. Adjustments for depreciation and amortization represent mainly depreciation and amortization related to corporate assets of ¥35,821 thousand.
4. Prices for transactions and transfers between reportable segments are determined based on arm's length transactions between independent third parties.

Notes

[Related Information]

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

1. Information by product and service

Disclosure is omitted as the same information is shown in segment information.

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan account for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Disclosure is omitted as the amount of property, plant and equipment in Japan accounts for over 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

Disclosure of information by major customer is omitted as sales to major customers account for less than 10% of consolidated net sales.

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

1. Information by product and service

Disclosure is omitted as the same information is shown in segment information.

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan account for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Disclosure is omitted as the amount of property, plant and equipment in Japan accounts for over 90% of property, plant and equipment in the consolidated balance sheets.

3. Information by major customer

Disclosure of information by major customer is omitted as sales to major customers account for less than 10% of consolidated net sales.

[Information on Impairment Loss on Property, Plant and Equipment by Reportable Segment]

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Corporate and elimination	Total
Impairment loss	¥312,639	¥–	¥1,086,293	¥–	¥431,709	¥–	¥1,830,642

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

(Thousands of yen)

	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Corporate and elimination	Total
Impairment loss	¥45,843	¥–	¥1,064,336	¥–	¥–	¥–	¥1,110,179

Notes

[Information on Amortized Amount and Unamortized Balance of Goodwill by Reportable Segment]

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Corporate and elimination	Total
Amortized amount	¥137,037	¥ 30,848	¥ 65,741	¥–	¥20,445	¥–	¥254,073
Unamortized balance	23,302	168,028	205,674	–	–	–	397,006

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

(Thousands of yen)

	IoT Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Corporate and elimination	Total
Amortized amount	¥ 3,830	¥ 30,848	¥18,709	¥–	¥–	¥–	¥ 53,388
Unamortized balance	19,472	137,180	–	–	–	–	156,652

[Information on Gain on Bargain Purchase by Reportable Segment]

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Not applicable

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Not applicable

Notes

[Information on Related Parties]
1. Transactions with related parties
(1) Transactions between the filing company and related parties
(a) Parent company of the filing company and major shareholders (only companies and other such entities)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Address	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Kishiwada, Osaka	¥1,266	Information services business, consulting business	Direct (28.38) Indirect (20.13)	Concurrent officers	Funds lent	¥340,000	Long-term loans receivable	¥340,000
							Interest received	3,777	–	–
							Debt guarantees received	899,935	–	–

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Type	Name of company or other entity	Address	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Kishiwada, Osaka	¥1,269	Information services business, consulting business	Direct (28.38) Indirect (20.13)	Concurrent officers	Funds lent	¥400,000	Long-term loans receivable	¥300,000
							Funds recovered	440,000	–	–
							Interest received	7,615	–	–
							Debt guarantees received	723,651	–	–

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. Transaction terms and policy on deciding transaction terms and conditions
(1) The interest rate on funds lent is determined reasonably based on prevailing market interest rates. The funds lent are unsecured.
(2) The debt guarantees received are debt guarantees for bank loans. A guarantee fee is not paid.

Notes

(b) Companies and other entities with the same parent company as the filing company and subsidiaries of other related companies of the filing company

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Head office location	Capital stock or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company as the filing company	Chanty Co., Ltd.	Minato-ku, Tokyo	¥32	Advertising agency business	–	Concurrent officers	Funds recovered	¥160,000	Long-term loans receivable	¥–
							Interest received	1,574	–	–

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Type	Name of company or other entity	Head office location	Capital stock or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company as the filing company	Vulcan Crypto Currency Financial Products K.K.	Kishiwada, Osaka	¥10	Crypto-currency and blockchain business	–	–	Interest received	¥19,068	Short-term loans receivable	¥1,000,000

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. Transaction terms and policy on deciding transaction terms and conditions
The interest rate on funds lent is determined reasonably based on prevailing market interest rates. The funds lent are unsecured.

(c) Officers of filing company, major shareholders and other persons (individuals only)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer and his relatives	Tsukasa Akiyama	Officer	–	Representative Director and President of NCXX Group Inc.	Debt guarantee received	¥29,308	–	¥–

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer and his relatives	Tsukasa Akiyama	Officer	–	Representative Director and President of NCXX Group Inc.	Debt guarantee received	¥21,304	–	¥–

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. Transaction terms and policy on deciding transaction terms and conditions
The debt guarantees received are debt guarantees for bank loans. A guarantee fee is not paid.

Notes

(2) Transactions between the filing company and its consolidated subsidiaries and related parties

(a) Parent company of the filing company and major shareholders (only companies and other such entities)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Head office location	Capital stock or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Kishiwada, Osaka	¥1,266	Information services business, consulting business	Direct (28.38) Indirect (20.13)	Concurrent officers	Funds recovered	¥200,000	–	¥–
							Interest received	1,994	–	–

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. Transaction terms and policy on deciding transaction terms and conditions
The interest rate on funds lent is determined reasonably based on prevailing market interest rates. The funds lent are unsecured.

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Not applicable

(b) Companies and other entities with the same parent company as the filing company and subsidiaries of other related companies of the filing company

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Head office location	Capital stock or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Subsidiary of the parent company	Fisco Cryptocurrency Exchange Inc.	Kishiwada, Osaka	¥387	Management of cryptocurrency exchange	Indirect (4.02)	Cryptocurrency trading	Deposits made	¥193,000	Deposit	¥160,984

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Subsidiary of the parent company	Vulcan Crypto Currency Financial Products K.K.	Kishiwada, Osaka	¥10	Crypto-currency and blockchain business	–	–	Transfer of debt obligation	¥1,000,000	–	¥–

Note: Consumption taxes are not included in the amounts of transactions and the ending balances.

Notes

(c) Officers of the filing company, major shareholders and other persons (individuals only)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Not applicable

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Not applicable

(d) Officers and major shareholders of the filing company's consolidated subsidiaries (individuals only)

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer of a significant subsidiary	Takao Hayashi	Officer	–	Debt guarantee received	Debt guarantee received	¥39,686	–	¥–

Fiscal 2018 (From December 1, 2017 to November 30, 2018)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer of a significant subsidiary	Takao Hayashi	Officer	–	Debt guarantee received	Debt guarantee received	¥17,414	–	¥–

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. Transaction terms and policy on deciding transaction terms and conditions
The debt guarantees received are debt guarantees for bank loans. A guarantee fee is not paid.

2. Notes on the parent company or significant related companies

(1) Parent company information

FISCO Ltd. (Listed on the Tokyo Stock Exchange JASDAQ Growth Market)

(2) Summary of financial information on significant related companies

Not applicable

Notes

(Per Share Information)

(Yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Net assets per share	¥259.74	¥216.02
Amounts for net income (loss) per share	60.68	(31.82)
Diluted net income per share	–	–

Notes: 1. The basis for calculating the amounts for net income (loss) per share and diluted net income per share is as follows:

(Thousands of yen)

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Net income (loss) per share		
Gain (loss) attributable to owners of parent	¥902,592	¥(473,969)
Amounts not attributable to common shareholders	–	–
Gain (loss) attributable to owners of parent related to common shares	902,592	(473,969)
Average number of common shares during the period (Shares)	14,875,370	14,894,159
Diluted net income per share		
Adjustments to profit attributable to owners of parent	–	–
Increase in number of common shares (Shares)	–	–

	Fiscal 2017 (From December 1, 2016 to November 30, 2017)	Fiscal 2018 (From December 1, 2017 to November 30, 2018)
Outline of dilutive shares excluded from the calculation of diluted net income per share because of not having a dilutive effect	Subscription rights to shares attached to NCXX Group Inc.'s 11th Series of Subscription Rights to Shares (960 subscription rights for 96,000 underlying shares) Subscription rights to shares attached to NCXX Group Inc.'s 5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (1,165 subscription rights for 1,069,788 underlying shares) Subscription rights to shares attached to NCXX Group Inc.'s 13th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares)	Subscription rights to shares attached to NCXX Group Inc.'s 11th Series of Subscription Rights to Shares (960 subscription rights for 96,000 underlying shares) Subscription rights to shares attached to NCXX Group Inc.'s 13th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares) Subscription rights to shares attached to NCXX Group Inc.'s 14th Series of Subscription Rights to Shares (900 subscription rights for 90,000 underlying shares) Subscription rights to shares attached to NCXX Group Inc.'s 7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (20 subscription rights for 487,800 underlying shares)

2. Diluted net income per share for fiscal 2017 is not disclosed as there were no shares with a potentially dilutive effect.
3. Although there were potentially dilutive shares, diluted net income per share for fiscal 2018 is not disclosed as a net loss per share was recorded.

Notes

(Subsequent Events)

I Significant Events Related to Investments

In a press release disclosed by the Company's parent company FISCO Ltd. ("FISCO") on December 7, 2018, entitled "Notification of Recording of Extraordinary Loss by the Company and the Company's Consolidate Subsidiary, Revision of the Company's Full-Year Earnings Forecast and Dividend Forecast, and Revision of the Full-Year Earnings Forecast of the Company's Subsidiary," Fisco Cryptocurrency Exchange Inc. ("FCCE"), a consolidated subsidiary of FISCO's equity-method affiliate Fisco Digital Asset Group Co., Ltd. ("FDAG"), had held cryptocurrency reserves to compensate users (2,723.4 Bitcoin, 40,360 Bitcoin cash) as hacking response expenses upon the transfer of the Zaif business; however, on the effective date of the business transfer, November 22, 2018, a sharp fall in the market price of these cryptocurrencies meant that a realized loss was recorded with respect to the cryptocurrency used for compensation due to the difference between the acquisition price and the fair value of the effective date of the business transfer.

The Company's consolidated subsidiary, e frontier, Inc., subscribed to the 1st unsecured convertible bonds with subscription rights to shares issued by FDAG on October 18, 2018, for ¥2 million (two corporate bonds with a face value of ¥1 million), and having exercised all of the subscription rights of these corporate bonds on December 26, 2018, holds 400 shares issued by FDAG (carrying amount: ¥2 million) as investment securities. For a certain period from the following fiscal year onward based on FDAG and FCCE, there is a possibility that a loss on valuation of investment securities could be recognized from the fiscal year ending November 30, 2019 onward if the credit risk on bonds increased or grounds for recoverability cannot be obtained due to a marked divergence between the acquisition price and the real price of the investment securities.

II Recognition of Extraordinary Loss on Market Sale of Shares Held by the Company

On January 25, 2019, the Company sold a portion of its shares of CAICA Inc. (Listing: Tokyo Stock Exchange, JASDAQ; Securities Code: 2315; Head Office: Meguro-ku, Tokyo, President: Shin Suzuki).

As a result, the Company expects to recognize an extraordinarily loss in its non-consolidated financial results and its consolidated financial results, as follows.

1. Reason for sale of investment securities

To streamline assets and strengthen the financial base

2. Details of sale of investment securities

1. Shares sold: Common shares of CAICA Inc.
2. Sale period: January 17, 2019 to January 25, 2019
3. Details of extraordinary loss: Loss on sale of investment securities of ¥134 million

3. Impact on financial results

The loss on sale of investment securities resulting from this sale will be recorded as an extraordinary loss in the first quarter of the fiscal year ending November 30, 2019. The Company will promptly provide notification if this necessitates any revision to the consolidated earnings forecast for the fiscal year ending November 30, 2019.

III Issuance of Stock Compensation-Type Stock Options

On January 30, 2019, the Board of Directors of NCXX decided to submit a resolution for approval by the 35th Ordinary General Meeting of Shareholders, delegating it the authority to decide the particulars for issuing and allotting subscription rights to shares, pursuant to the provisions of Article 236, Article 238 and Article 239 of the Companies Act. The Board of Directors plans to allot the subscription rights to shares to directors and employees of NCXX and its subsidiary companies as stock options granted at particularly advantageous terms. The goal will be to raise the motivation and morale of the directors and employees by providing them with an incentive to enhance the Group's earnings performance and corporate value. The allocation of stock options to the Company's directors corresponds to compensation, etc. under Article 361 of the Companies Act.

The 35th Ordinary General Meeting of Shareholders, held on February 26, 2019, approved the proposal in its original form.

Notes

Details regarding the subscription rights to shares are as follows.

(1) Total number of subscription rights to shares

The maximum number of subscription rights to shares shall be 1,000. Of this, a maximum of 500 rights shall be allotted to the directors of the Company (with a proportionate 100 of those rights allotted to the outside directors of the Company).

(2) Class and number of underlying shares

The class of underlying shares shall be common stock of the Company, and the maximum number that can be issued shall be 100,000 shares. Of these, 50,000 shares shall be the maximum number that can be allotted to directors of the Company when they exercise their subscription rights to shares, including a portion of 10,000 shares for outside directors.

The number of underlying shares for each subscription right to shares shall be 100 shares of common stock of the Company.

The number of shares of common stock underlying the subscription rights to shares shall be adjusted according to the following formula in the event the Company conducts a stock split or consolidation following the resolution date of the General Meeting of Shareholders.

Number of underlying shares after adjustment = Number of underlying shares before adjustment × Stock split or consolidation ratio

In addition to the foregoing, in the event of other unavoidable reasons requiring adjustment of the underlying shares, the Company shall be able to adjust the number of underlying shares within reasonable bounds as deemed necessary.

Moreover, the adjustment shall apply only to the number of shares underlying the subscription rights to shares that have yet to be exercised as of the stock split or consolidation, and any fraction under one (1) share resulting from such adjustment shall be rounded down.

(3) Payment in exchange for the subscription rights to shares

No monetary payment shall be required in exchange for the subscription rights to shares.

(4) Value of assets to be invested upon exercise of subscription rights to shares

The value of assets to be invested upon exercise of a subscription right to shares shall be the amount payable for each share received upon exercise of the subscription right to shares (hereinafter, “exercise price”) multiplied by the number of shares to be granted per subscription right to shares.

The exercise price of a subscription right to shares shall be the higher of the closing price of the underlying common stock on the Tokyo Stock Exchange on the allotment date of the right specified by the Board of Directors (the “allotment date”) (the most recent previous closing price in the event that the stock fails to trade on that date) and the average closing price on the exchange (excluding days when the stock fails to trade) for the days of the month prior to the month of the allotment date, multiplied by 1.05 (with the fraction less than one (1) yen of the resulting amount rounded up).

In the event that a split or consolidation of the Company’s common stock takes place after the allotment date, the exercise price shall be adjusted according to the following formula, with the fraction less than one (1) yen resulting from the adjustment rounded up.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Stock split or consolidation ratio}}$$

In addition to the foregoing, if the exercise price must be adjusted following the allotment date due to the Company conducting a merger with another company, a corporate split, or reduction in capital stock, or some accordingly unavoidable reason, the Company shall be able to adjust the exercise price within reasonable bounds as deemed necessary.

(5) Exercise period of subscription rights to shares

The starting date of the exercise period shall be two years from the day following the Board of Directors resolution date for deciding the issuance terms of subscription rights to shares, and the expiration date shall be five years from the day following this resolution date.

(6) Conditions for exercising subscription rights to shares

Holders of the subscription rights to shares must remain in their position as a director or employee of the Company or its subsidiary in order to exercise the rights, apart from when the Board of Directors makes a special exception.

Notes

(7) Provisions for the Company to buy back the subscription rights to shares

1. The Company may buy back the subscription rights to shares from the holders free of charge, on a date specified separately by the Board of Directors, in the event that a resolution for a merger agreement under which the Company will become the dissolving company, or a resolution for a stock exchange agreement or stock transfer plan under which the Company will become a wholly owned subsidiary, is approved by the General Meeting of Shareholders (or by the Board of Directors if approval by the General Meeting of Shareholders is not required).
2. Following the allotment date of particular subscription rights to shares, the Company shall be able to acquire the particular subscription rights to shares from the holders free of charge if the closing price of ordinary transactions of the Company's common stock traded on the Tokyo Stock Exchange on any business day falls to 50% or lower than the exercise price of the particular subscription rights to shares (with fractions less than one (1) yen rounded down).
3. The Company may buy back any and all subscription rights to shares of a particular holder free of charge, on a date specified separately by the Board of Directors, in the event that the particular holder no longer satisfies the provisions set forth above in "(6) Conditions for exercising subscription rights to shares."

(8) Restrictions on the assignment of subscription rights to shares

Approval of the Company's Board of Directors shall be required for the acquisition of subscription rights to shares via assignment.

(9) Matters relating to increases of capital stock and capital reserve as a result of shares issued by the exercise of subscription rights to shares

In the event shares are issued by the exercise of subscription rights to shares, the amount of capital stock shall be increased by half of the maximum for increase in capital, as calculated in accordance with the provisions of Article 17, Paragraph 1 of the Rules of Account Settlement of Corporations of Japan. Any fraction less than one (1) yen resulting from the calculation shall be rounded up to the nearest one yen.

The amount of increase in capital reserve shall be the amount calculated by subtracting the aforementioned increase in capital stock from the maximum for increase in capital.

(10) Handling of fractions

Where fractions of less than one (1) share occur in the number of shares issued to holders of subscription rights to shares upon exercising the rights, such fractions shall be rounded down.

(11) Other

Other terms for the allotment of subscription rights to shares shall be set forth by a separate resolution of the Board of Directors of the Company.

Consolidated Supplementary Schedules

[Schedule of Corporate Bonds]

Issuer	Series	Issuance date	Starting balance in fiscal 2018 (Thousands of yen)	Ending balance in fiscal 2018 (Thousands of yen)	Interest (%)	Collateral	Maturity date
NCXX Group Inc.	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	March 30, 2015	¥ 1,165,000 [1,165,000]	¥ – [–]	0.5	None	March 29, 2018
NCXX Group Inc.	7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	May 1, 2018	– [–]	200,000 [–]	0.7	None	April 30, 2020
Total	–	–	¥ 1,165,000 [1,165,000]	¥200,000 [–]	–	–	–

Notes: 1. Amounts in parentheses are the current portion of bonds.
2. Details on bonds with subscription rights to shares are as follows.

Series	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Type of shares to be issued	Common shares	Common shares
Issue price of subscription rights (Yen)	Gratis	Gratis
Issue price of shares (Yen)	¥1,089	¥410
Total face amount (Thousands of yen)	¥1,165,000	¥200,000
Total amount of shares to be issued upon exercise of subscription rights to shares (Millions of yen)	¥–	¥–
Percentage of shares granted per subscription right (%)	100%	100%
Exercise period of the subscription rights	From March 30, 2015 to March 29, 2018	From May 1, 2018 to April 30, 2020

Note: The information above assumes that the full payment due for exercising subscription rights to shares is paid in lieu of the full redemption of the convertible bonds associated with those rights when requested by rights holders seeking to exercise their subscription rights to shares. It is further assumed that such a request is made when the subscription rights to shares are exercised.

Note: 3. Scheduled redemptions due within five years subsequent to November 30, 2018 are as follows.

(Thousands of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
¥–	¥200,000	¥–	¥–	¥–