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Greeting

I am pleased to extend this greeting to all our shareholders and other stakeholders as we deliver the NCXX Group's integrated report.

The Japanese government has incorporated the concept of the Fourth Industrial Revolution into its growth strategy. In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the Internet, and the ability to collect and retain big data through IoT technology and the ability to manage and analyze this data through AI and blockchain technologies will become increasingly crucial. The size of the Cyber-Physical System (CPS) / IoT market*, our primary focus, is expected to grow to ¥404.4 trillion worldwide and ¥19.7 trillion in Japan by 2030.

Based on this vision for the future, in January 2018, NCXX Group Inc. entered into a business alliance agreement with Fisco Cryptocurrency Exchange Inc. regarding the development of an AI trading system for cryptocurrency by e frontier, Inc., a subsidiary of the Company. Concurrently, NCXX Solutions Inc., an equity-method affiliate of the Company, became a wholly owned subsidiary of CAICA Inc., another equity-method affiliate. This arrangement will enable us to further increase operational efficiency and synergies, as well as bolster consolidated profitability and enhance Group-wide corporate value. In October 2018, CAICA was excluded from the scope of application of the equity method. However, our capital and business alliance agreement with CAICA will remain in force without modification in the future. Together with CAICA, we will continue to implement initiatives to develop new services in the FinTech business field.

* Source: A survey published by the Japan Electronics and Information Technology Industries Association.



Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.

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Results for Fiscal 2018

In fiscal 2018 (December 1, 2017 to November 30, 2018), the Company's consolidated business results were as follows. The Group delivered significant results through investments in Bitcoin in conjunction with performing demonstration trials of software under development by e frontier. Meanwhile, net sales decreased due to the exclusion of NCXX Solutions from the scope of application of the equity method. As a result, the Company's consolidated net sales decreased by 8.8% year on year to ¥11,125 million.

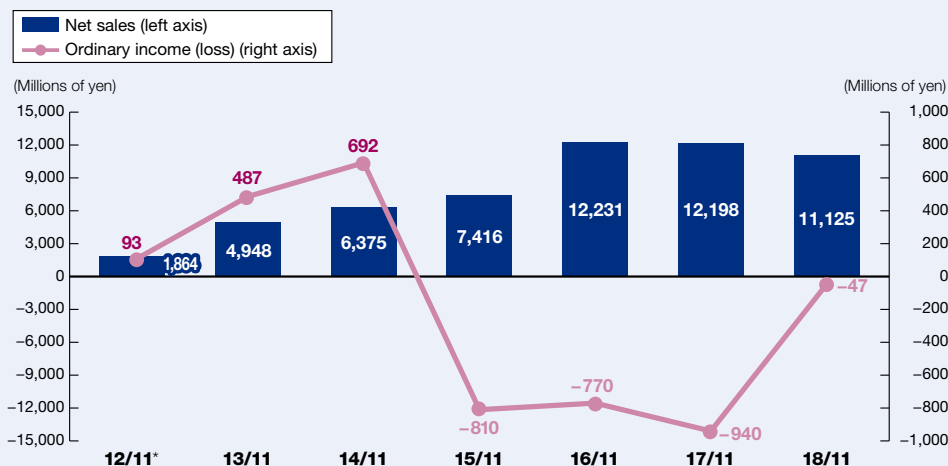
In addition, we posted operating income of ¥419 million (an operating loss of ¥914 million in the previous fiscal year) and an ordinary loss of ¥47 million (an ordinary loss of ¥940 million in the previous fiscal year). These results partly reflected an increase in TITICACA's

selling, general and administrative expenses and its higher cost-of-sales ratio. While we recorded extraordinary income on the transfer of shares, we also booked an impairment loss on the CoSTUME NATIONAL trademark. Consequently, loss before income taxes was ¥265 million (against profit before income taxes of ¥1,024 million in the previous fiscal year) and loss attributable to owners of parent was ¥473 million (against profit attributable to owners of parent of ¥902 million in the previous fiscal year).

ICT, IoT, Device Business (NCXX Inc.)

In collaboration with NCXX Solutions, in August 2016, NCXX rolled out the safe driving assistance service Drive Care (<http://www.care-dynamics.jp/obd2/>), an OBD II solution for businesses that operate shuttle vehicles to provide various transportation services for nursing care facilities and other customers. The system can monitor any dangerous driving behaviors (sudden starts, sudden stops, sharp turns) in multiple fleet vehicles operated simultaneously, enabling managers and supervisors to monitor the driving behavior of drivers and provide appropriate instructions tailored to each driver.

Consolidated Business Performance



* Transitional accounting period of four months (August 1, 2012 to November 30, 2012) for the fiscal year ended November 30, 2012.



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Care Dynamics continues to provide tours of nursing care facilities that have adopted the Drive Care OBD II solution, and offers free trials of the solution. Care Dynamics has also launched additional services such as support for the deployment of nursing care robots and the provision of nursing care ICT. In these and other ways, Care Dynamics has evolved into a comprehensive nursing care business support enterprise.

In August 2018, the National Defense Authorization Act for Fiscal Year 2019 (NDAA 2019) entered force in the United States. NDAA 2019 significantly tightens enforcement actions against five Chinese companies, including Huawei Technologies Co., Ltd. Consequently, NCXX Inc. has received numerous inquiries about whether or not it has any products that may infringe upon NDAA 2019. For all of its products, NCXX Inc. does not outsource any manufacturing to the five Chinese companies affected by NDAA 2019 and does not use any of their components. NCXX Inc. will continue to implement strict management to ensure that it remains in compliance with the matters prohibited by NDAA 2019.

Segment sales in fiscal 2018 were ¥950 million, down 76.3% year on year. Segment income was ¥48 million, compared with a segment loss of ¥465 million in the previous fiscal year.

● Internet Travel Business

e-tabinet.com provides travel products that fulfill the increasingly diverse and sophisticated needs of customers. The company enjoys a strong reputation for customer satisfaction as Japan's only Internet-based travel agency offering customized services. In addition, Web travel Co., Ltd., a wholly owned subsidiary of e-tabinet.com, is notable for its highly experienced registered "travel concierges" (travel consultants). The travel support services provided by these travel consultants have proven highly popular among customers.

Since February 2018, Web travel has been pressing forward with a business alliance with Credit Saison Co., Ltd., a leading credit card issuer in Japan. This business alliance primarily concerns the travel concierge service, which is presented as a credit card function under the partnership. The alliance has helped to enhance the number of requests for travel estimates and order rates at Web travel.

Meanwhile, the number of inbound foreign tourists visiting Japan rose by 8.7% to 31.19 million as of the end of fiscal 2018. One key priority for e-tabinet.com has been to enhance the content of tourism information available to inbound tourists. For this, e-tabinet.com is striving to enhance content with the help of Jitsugyo no Nihon Sha, Ltd., a long-standing publisher and Group company. For example, e-tabinet.com has set up a new dedicated skiing website in English. In a separate development, e-tabinet.com converted Gloria Tours Inc. into a subsidiary in October 2016. Gloria Tours specializes in sending Paralympic athletes to various events and organizing international para-sports tournaments. It is focused on expanding the market for para-sports ahead of the Tokyo Olympic and Paralympic Games to be held in 2020.

As a result of the foregoing activities, segment sales in fiscal 2018 rose 8.4% year on year to ¥2,367 million. Segment income was ¥38 million, compared with a segment loss of ¥2 million in the previous fiscal year.

● Brand Retail Platform Business

Following on from the previous fiscal year, TITICACA has been pushing ahead with structural reforms, including the closure of unprofitable stores and revisions to its personnel system. In the e-commerce business, TITICACA added two new stores to its network of six stores, bringing the total number of stores to eight.



Wheelchair basketball



Skiing

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As part of a tie-up initiative with Japanese actress Alice Hirose, TITICACA set up a stand at the Aichi Bloc Tahara Conference, an event organized by the Aichi Bloc Council of the Junior Chamber International Japan. TITICACA sold tie-up T-shirts and tote bags at the stand. For every item purchased, TITICACA donated ¥500 to social contribution organizations.

In February 2018, the Company entered into a capital and business partnership with CSMEN Co., Ltd., an apparel brand retailer. This was done by underwriting a portion of a capital increase through a third-party allotment of shares of CSMEN.

As a result of the foregoing activities, segment sales in fiscal 2018 were ¥6,445 million, up 8.7% year on year. Segment loss was ¥460 million, compared with a segment loss of ¥71 million in the previous fiscal year.

● Cryptocurrency and Blockchain Business

e frontier is conducting investment operations based on trading using an AI-based cryptocurrency trading system currently being developed by this company. e frontier has produced significant results by conducting trading activities with an emphasis on risk control and funding efficiency.

In July 2018, the Company's Board of Directors passed a resolution to commence a cryptocurrency mining business in Hanamaki, Iwate Prefecture, where its Head Office is located. Mining requires massive amounts of computations to be performed using high-performance computers. Therefore, cooling fans and air conditioner installations are needed to suppress heat emitted from the mining equipment. Hanamaki, Iwate Prefecture is located in a relatively cold region. Accordingly, the Group can expect to significantly reduce its electricity bills by relying on natural ventilation for most of its cooling needs throughout the year. Moreover, the heat released by mining equipment will be reused in the Group's agricultural ICT business (NCXX FARM).

As a result of the foregoing activities, segment sales in fiscal 2018 were ¥1,326 million, and segment income was ¥1,320 million.

Outlook for Fiscal 2019

In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the Internet, making it possible to perform sophisticated analysis of the big data that will be generated. In addition, as a result of the development of AI and blockchain technologies, a society that is far more efficient and less labor intensive than what we have today is predicted to take shape in the future. Based on this vision for the future, we have positioned FinTech-related businesses as a strategic area of focus, and plan to strengthen various initiatives with a focus on blockchain technology as a particularly crucial priority.

We will continue to collaborate with CAICA which was excluded from the scope of application of equity method in the current fiscal year and NCXX Solutions with the aim of providing services in the Cryptocurrency and Blockchain Business as early as possible. Moreover, we will promote the development of an AI-based cryptocurrency trading system, as well as investment in cryptocurrencies and various tokens using the system. In addition, as a new initiative, we have started a cryptocurrency mining business on a trial basis, with the goals of building up expertise and developing businesses at the earliest opportunity.

We plan to continue to enter growth fields that are attracting interest, such as upgrading and expanding IoT-related services, providing services that integrate IoT and blockchain technologies, and offering cryptocurrency services and other services related to the various tokens issued by Group companies, such as NCXX Coin.

Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.