Notes

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 14

(2) Names of consolidated subsidiaries:

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

TITICACA, Co. Ltd. was established by incorporation-type split during fiscal 2019 and has therefore been included in the scope of consolidation. Versatile Inc. was liquidated and wound up during fiscal 2019 and has 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.

(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.

(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 Capital Co., Ltd.	October 31*1
TITICACA, Co. Ltd.	October 31*1
e frontier, Inc.	October 31*1
FACETASM	October 31*1
NCXX International Limited	October 31*1*2

*1 Financial statements as of the fiscal year-end of the consolidated subsidiary are used. 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.

*2 In fiscal 2019, NCXX International Limited changed its fiscal year-end from November 30 to October 31. Subsequently, fiscal 2019 became an eleven-month accounting period.

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

Notes

(iii) Raw materials and supplies
Mainly the moving average method
(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.

(Changes in Accounting Policies)

Adoption of "Tentative Practical Solution on the Accounting for Virtual Currencies under the Payment Services Act"

The Company has adopted the "Tentative Practical Solution on the Accounting for Virtual Currencies under the Payment Services Act" (ASBJ Practical Issues Task Force No. 38, March 14, 2018) since the beginning of the fiscal year ended November 30, 2019. Among the cryptocurrencies held by the Group, cryptocurrencies in active markets were recorded on the consolidated balance sheet at a value based on the market price, while differences between the market value and book value were recorded as net sales.

This change had a negligible impact on the consolidated financial statements for the fiscal year ended November 30, 2019.

(Unapplied Accounting Standards, etc.)

(Notes concerning unapplied accounting standards, etc.)

"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 an implementation guidance.

Notes

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.

(Changes in Presentation)

(Changes in accordance with adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) since the beginning of the fiscal year ended November 30, 2019, and presents deferred tax assets as investments and other assets.

As a result, deferred tax assets of ¥2,030 thousand under current assets on the consolidated balance sheet as of November 30, 2018 were presented as deferred tax assets of ¥2,030 thousand under investments and other assets.

Furthermore, in the notes on tax-effect accounting, the Company has added the information shown in Note 8 (excluding the total amount of valuation allowance) and Note 9 of the "Accounting Standard for Tax Effect Accounting" as stipulated by Paragraphs 3 through 5 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting." However, information that relates to the fiscal year ended November 30, 2018 is not shown, pursuant to the transitional treatment stipulated in Paragraph 7 of the "Partial Amendments to Accounting Standard for Tax Effect Accounting."

(Consolidated statements of income)

Commission fees under non-operating expenses, which were listed separately in the fiscal year ended November 30, 2018, accounted for less than 10% of all non-operating expenses in the fiscal year ended November 30, 2019, and have therefore been included in other. The consolidated financial statements for the fiscal year ended November 30, 2018 have been restated to reflect this change in presentation method.

As a result, the ¥16,281 thousand in commission fees under non-operating expenses has been restated as ¥63,719 thousand under other.

(Consolidated statements of cash flows)

Regarding items which were presented separately under cash flows from operating activities in the fiscal year ended November 30, 2018, increase (decrease) in provisions for bonuses, increase (decrease) in provisions for product warranties, increase (decrease) in net defined benefit liability, share-based compensation expenses, foreign exchange (gains) losses, share of (profit) loss of entities accounted for using equity method, (gain) loss on sales of property, plant and equipment, and increase (decrease) in deposits received have been included in other for the fiscal year ended November 30, 2019 due to their decreased monetary importance. The consolidated financial statements for the fiscal year ended November 30, 2018 have been restated to reflect this change in presentation method.

As a result, ¥6,369 thousand presented as increase in provisions for bonuses, ¥(40,000) thousand presented as decrease in provisions for product warranties, ¥1,624 thousand presented as increase in net defined benefit liability, ¥5,290 thousand presented as share-based compensation expenses, ¥576 thousand presented as foreign exchange losses, ¥38,696 presented as share of loss of entities accounted for using equity method, ¥(31) thousand presented as gain on sales of property, plant and equipment, and ¥2,768 thousand presented as increase in deposits received in the consolidated statements of cash flow from operating activities for the fiscal year ended November 30, 2018 have been restated as ¥54,569 thousand under other.

Proceeds from sales of property, plant and equipment and payments for asset retirement obligations, which were presented separately under cash flows from investing activities in the fiscal year ended November 30, 2018, have been included in other for the fiscal year ended November 30, 2019 due to their decreased monetary importance. The consolidated financial statements for the fiscal year ended November 30, 2018 have been restated to reflect this change in presentation method.

As a result, ¥55 thousand in proceeds from sales of property, plant and equipment and ¥(33,677) thousand in payments for asset retirement obligations under cash flows from investing activities in the consolidated statements of cash flows for the fiscal year ended November 30, 2018 have been restated as ¥(37,317) thousand under other.

Notes

(Consolidated Balance Sheets)

*1 Collateral assets and collateralized liabilities

Assets pledged as collateral are as follows.

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Time deposits	¥ –	¥ 3,000
Buildings	10,907	9,002
Land	151,097	188,001
Investment securities	542,868	400,008
Total	¥704,873	¥600,012

Collateralized liabilities are as follows.

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Current portion of long-term loans payable	¥137,303	¥609,769
Long-term loans payable	588,967	42,278

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

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
NCXX Solution Inc.	¥136,264	¥124,072

*3 Accumulated depreciation on property, plant and equipment

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Accumulated depreciation on property, plant and equipment	¥2,373,919	¥2,464,707

Accumulated depreciation includes accumulated impairment loss.

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

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Investment securities (stocks)	¥10,904	¥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, 2019 was as follows.

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Total amount of overdraft facilities and loan commitments	¥250,000	¥50,000
Outstanding loan balance	250,000	–
Difference	¥ –	¥50,000

Notes

(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 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Cost of sales	¥81,585	¥74,884

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

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Salaries and allowances	¥1,353,800	¥1,304,428
Retirement benefit expenses	12,835	31,670
Commission fees	678,384	579,947
Office rent	658,404	658,935
Provision of allowance for doubtful accounts	(5,360)	–
Provision for point card certificates	12,650	(7,706)
Amortization of goodwill	53,388	34,679

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

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Research and development expenses	¥29,957	¥34,036

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

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Tools, furniture and fixtures	¥ –	¥421
Vehicles	31	185

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

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Buildings and structures	¥10,411	¥31,110
Tools, furniture and fixtures	46	3,152
Other	–	560

Notes

*6 Impairment loss

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	Shibuya-ku, Tokyo and other Nishitama-gun, Tokyo Kurashiki-shi, Okayama and other	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.

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

The Group recorded impairment losses on the following assets.

Use	Type	Location	Impairment loss (Thousands of yen)
Business assets	Trademarks	Shibuya-ku, Tokyo	¥ 3,600
Business assets	Buildings and structures	Shibuya-ku, Tokyo Hanamaki-shi, Iwate	5,874
Business assets	Tools, furniture and fixtures	Shibuya-ku, Tokyo Hanamaki-shi, Iwate	9,350
Business assets	Software	Shibuya-ku, Tokyo and other	8,440
Store equipment	Buildings and structures	Akita-shi, Akita Yokohama-shi, Kanagawa Hirosaki-shi, Aomori and other	84,182
Store equipment	Tools, furniture and fixtures	Akita-shi, Akita Yokohama-shi, Kanagawa Hirosaki-shi, Aomori and other	8,219
Store equipment	Other	Akita-shi, Akita Yokohama-shi, Kanagawa Hirosaki-shi, Aomori and other	4,435

(Background to recognizing impairment losses)

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 Capital Co., Ltd. and TITICACA expect to continue to generate losses from operations. This applies to 28 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.

Notes

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects for other comprehensive income

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Valuation difference on available-for-sale securities:		
Amount incurred during the fiscal year	¥ 461,734	¥(867,943)
Reclassification adjustments	(573,006)	381,092
Before tax effect adjustment	(111,272)	(486,851)
Tax effect	(33,743)	(28,504)
Valuation difference on available-for-sale securities	(77,528)	(458,347)
Deferred gains or losses on hedges:		
Amount incurred during the fiscal year	(40)	590
Reclassification adjustments	–	–
Before tax effect adjustment	(40)	590
Tax effect	–	–
Deferred gains or losses on hedges	(40)	590
Foreign currency translation adjustments:		
Amount incurred during the fiscal year	14,691	5,924
Reclassification adjustments	(10,313)	–
Before tax effect adjustment	4,377	5,924
Tax effect	–	–
Foreign currency translation adjustments	4,377	5,924
Share of other comprehensive income of entities accounted for using equity method:		
Amount incurred during the fiscal year	14,487	–
Reclassification adjustments	(16,861)	–
Share of other comprehensive income of entities accounted for using equity method	(2,373)	–
Total other comprehensive income	¥ (75,564)	¥(451,832)

(Consolidated Statements of Changes in Net Assets)

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.

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.

Notes

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 2019 (From December 1, 2018 to November 30, 2019)

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

(Number of shares)

	Starting balance in fiscal 2019	Increase during fiscal 2019	Decrease during fiscal 2019	Ending balance in fiscal 2019
Issued shares				
Common shares	15,030,195	–	–	15,030,195
Total	15,030,195	–	–	15,030,195
Treasury stock				
Common shares	125,816	–	–	125,816
Total	125,816	–	–	125,816

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 2019	Increase during fiscal 2019	Decrease during fiscal 2019	Ending balance in fiscal 2019	Ending balance in fiscal 2019 (Thousands of yen)
Filing company (parent company)							
	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)	–	–	–	–	–	7,422
Total		–	–	–	–	–	¥31,374

Note: 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

Notes

(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 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Cash and deposits	¥1,028,774	¥920,039
Term deposits with periods exceeding three months	(6,000)	(6,000)
Cash and cash equivalents	¥1,022,774	¥914,039

*2 Contents of important non-cash transactions

In the fiscal year ended November 30, 2019, the Company assumed additional investments through investment in kind (a debt equity swap), and acquired investment securities with a market value of ¥1,399,983 thousand.

These investment securities have been appraised at market value as of November 30, 2019.

(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 NCXX Group receives loans from banks and other 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 Group companies. This is done in conformity with the financial policy of optimizing funding efficiency by adjusting the surplus and shortage of funds among 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.

(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.

Loans receivable the Company makes are for managing funds in conformity with the aforementioned NCXX 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 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.

Notes

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheets, fair values, and their differences as of November 30, 2018 and 2019 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 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	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*4	¥ (120)	¥ (120)	¥ –

*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 Net receivables and obligations arising from derivative trading are presented as net amounts. Items that are net obligations are shown as totals in parentheses.

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 the 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.

Notes

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.

Fiscal 2019 (As of November 30, 2019)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 920,039	¥ 920,039	¥ –
(2) Notes and accounts receivable—trade	571,891	–	–
Allowance for doubtful accounts*1	(265)	–	–
	571,626	571,626	–
(3) Accounts receivable—other	78,795	–	–
Allowance for doubtful accounts*2	(5,971)	–	–
	72,824	72,824	–
(4) Cryptocurrencies	26,940	26,940	–
(5) Long-term loans receivable	79,280	–	–
Allowance for doubtful accounts*3	(62,280)	–	–
	17,000	17,000	–
(6) Long-term accounts receivable—other	93,463	–	–
Allowance for doubtful accounts*4	(93,463)	–	–
	–	–	–
(7) Investment securities	1,758,811	1,758,811	–
Total	¥3,367,243	¥3,367,243	¥ –
(1) Notes and accounts payable—trade	¥ 629,364	¥ 629,364	¥ –
(2) Short-term loans payable	350,000	350,000	–
(3) Accounts payable—other	133,758	133,758	–
(4) Convertible bond-type bonds with share acquisition rights (including current portion)	200,000	201,866	1,866
(5) Long-term loans payable (including current portion)	1,112,504	1,097,768	(14,735)
Total	¥2,425,627	¥2,412,757	¥(12,869)
Derivative transactions*5	¥ 469	¥ 469	¥ –

*1 Excludes the allowance for doubtful accounts recorded for notes and accounts receivable—trade.
*2 Excludes the allowance for doubtful accounts recorded for accounts receivable—other.
*3 Excludes the allowance for doubtful accounts recorded for long-term loans receivable.
*4 Excludes the allowance for doubtful accounts recorded for long-term accounts receivable—other.
*5 Net receivables and obligations arising from derivative trading are presented as net amounts. Items that are net obligations are shown as totals in parentheses.

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 and (3) Accounts receivable—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) Cryptocurrencies
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 the moving average method), while for those that do not have active markets the amount is stated at cost based on the moving average method.

(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.

(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 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 (including current portion)
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

Calculated based on quoted prices obtained from financial institution counterparties.

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.

Notes

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

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Unlisted stocks (investment securities)	¥215,904	¥215,904
Guarantee deposits	623,576	528,979

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 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).

Fiscal 2019 (As of November 30, 2019)

(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	¥ 920,039	¥ –	¥–	¥–
(2) Notes and accounts receivable—trade*1	571,626	–	–	–
(3) Accounts receivable—other*1	72,824	–	–	–
(4) Cryptocurrencies	26,940	–	–	–
(5) Long-term loans receivable*1	–	17,000	–	–
(6) Long-term accounts receivable—other*1	–	–	–	–
Total	¥1,591,431	¥17,000	¥–	¥–

*1 The above table does not include accounts receivable with indefinite redemption schedules of ¥265 thousand (allowance for doubtful accounts of ¥265 thousand), accounts receivable—other of ¥5,971 thousand (allowance for doubtful accounts of ¥5,971 thousand), long-term loans receivable of ¥62,280 thousand (allowance for doubtful accounts of ¥62,280 thousand) and long-term accounts receivable—other of ¥93,463 thousand (allowance for doubtful accounts of ¥93,463 thousand).

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

Notes

Fiscal 2019 (As of November 30, 2019)

(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	901,417	133,774	77,312	–	–	–
Short-term loans payable	350,000	–	–	–	–	–
Total	¥1,451,417	¥133,744	¥77,312	¥–	¥–	¥–

(Investment Securities)
1. Investment securities—other

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.

Fiscal 2019 (As of November 30, 2019)

(Thousands of yen)

	Type	Carrying amount	Acquisition cost	Difference
Securities whose carrying amounts exceed the acquisition cost	Share	¥ –	¥ –	¥ –
Securities whose carrying amounts do not exceed the acquisition cost	Share	1,758,811	2,155,225	(396,413)
	Total	¥1,758,811	¥2,155,225	¥(396,413)

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

(Thousands of yen)

	Sale amount	Total gain on sale	Total loss on sale
Share	¥1,473,209	¥573,006	¥–
Total	¥1,473,209	¥573,006	¥–

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

(Thousands of yen)

	Sale amount	Total gain on sale	Total loss on sale
Share	¥1,056,212	¥–	¥381,092
Total	¥1,056,212	¥–	¥381,092

3. Loss on valuation of investment securities

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.

Fiscal 2019 (As of November 30, 2019)

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 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 2018 (As of November 30, 2018)

Not applicable

Fiscal 2019 (As of November 30, 2019)

Not applicable

Notes

2. Derivative transactions to which hedge accounting is applied

(1) Currency related

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.

Fiscal 2019 (As of November 30, 2019)

(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	¥86,668	¥–	(Note) ¥87,137

Note: Calculation of fair value
Calculated based on quoted prices obtained from financial institution counterparties.

(2) Interest related

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.

Fiscal 2019 (As of November 30, 2019)

(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	¥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.

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 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Balance of liability for retirement benefit at the beginning of the fiscal year	¥29,708	¥ 31,333
Retirement benefit expenses	9,094	27,494
Retirement benefits paid	(7,469)	(12,964)
Balance of liability for retirement benefit at the end of the fiscal year	¥31,333	¥ 45,863

Notes

(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 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Retirement benefit obligations for non-funded plans	¥31,333	¥45,863
Net liability on the consolidated balance sheets	31,333	45,863

(3) Retirement benefit expenses

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Retirement benefit expenses based on the simplified method	¥9,094	¥27,494

3. Defined contribution pension plan

The required contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥2,929 thousand in fiscal 2018 and ¥3,216 thousand in fiscal 2019.

4. Prepaid retirement benefit plan

Payments made to the prepaid retirement benefit plans of the Company and its consolidated subsidiaries were ¥1,679 thousand in fiscal 2018 and ¥2,988 thousand in fiscal 2019.

(Stock Options)

1. Stock option expense item and amount

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Stock compensation expense under selling, general and administrative expenses	¥5,290	¥3,872

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. subsidiary directors: 1 NCXX Group Inc. employees: 3	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. Does not include cases when the Board of Directors makes a special exception.	An option holder must remain in continued service from the grant date (October 5, 2016) to the option exercise date. Does not include cases when the Board of Directors makes a special exception.	An option holder must remain in continued service from the grant date (January 15, 2018) to the option exercise date. Does not include cases when the Board of Directors makes a special exception.
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 2019 (ended November 2019) 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, 2018	–	–	90,000
Granted	–	–	–
Forfeited	–	–	–
Vested	–	–	–
Outstanding	–	–	90,000
After vesting			
As of November 30, 2018	96,000	100,000	–
Vested	–	–	–
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 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.

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

(Thousands of yen)

	Fiscal 2018 (As of November 30, 2018)	Fiscal 2019 (As of November 30, 2019)
Deferred tax assets		
Inventories	¥ 74,984	¥ 71,184
Accrued enterprise taxes	3,417	2,352
Provision for bonuses	26,749	20,082
Provision for product warranties	22,756	17,646
Non-current assets	298,525	276,078
Shares of affiliated companies	14,678	–
Allowance for doubtful accounts	58,282	54,488
Carryforwards of unused tax losses	3,381,601	3,231,250
Liability for retirement benefit	9,626	15,440
Asset retirement obligations	130,019	122,620
Valuation difference on available-for-sale securities	–	136,655
Others	15,489	9,439
Subtotal deferred tax assets	4,036,133	3,957,239
Valuation allowance for tax loss carryforwards	–	(3,231,250)
Valuation allowance for total deductible temporary differences	–	(725,988)
Subtotal valuation allowance	(4,034,102)	(3,957,239)
Total deferred tax assets	2,030	–
Deferred tax liabilities		
Valuation difference on available-for-sale securities	(28,504)	–
Fund balance difference	(757,050)	(757,050)
Reserve for special depreciation	(8,671)	–
Others	(43,417)	(41,328)
Total deferred tax liabilities	(837,642)	(798,378)
Net deferred tax liabilities	¥ (835,611)	¥ (798,378)

Notes

Note: Amount of tax loss carryforwards and their deferred tax assets by expiration period
Fiscal 2019 (As of November 30, 2019)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two year through three years	Due after three year through four years	Due after four years through five years	Due after five years	Total
Tax loss carryforwards*	¥–	¥–	¥–	¥–	¥ 221,115	¥ 3,010,135	¥ 3,231,250
Valuation allowance	–	–	–	–	(221,115)	(3,010,135)	(3,231,250)
Deferred tax assets	–	–	–	–	–	–	–

* Tax loss carryforwards are multiplied by the statutory income tax rate.

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

Disclosure on the difference in the statutory income tax rate and the effective income tax rate in fiscal 2018 and 2019 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: TITICACA Capital Co., Ltd.
Business: Apparel business, Cryptocurrency and blockchain business
Absorbed company
Name: TITICACA, Co. Ltd.
Business: Apparel business

(2) Business combination date

April 26, 2019

(3) Statutory basis of business combination

An incorporation-type company split with TITICACA Capital Co., Ltd. as the splitting company and TITICACA, Co. Ltd. as the newly incorporated company

(4) Name of company after business combination

TITICACA, Co. Ltd.

(5) Purpose of the business combination

Previously, the splitting company, which is a consolidated subsidiary of the Company, operated both the apparel business and the cryptocurrency and blockchain business. However, the Company conducted an incorporation-type split of the aforementioned businesses, constructed a system to allow for more speedy management decisions, and clarified the jurisdiction, responsibilities and governance of each business. While implementing rapid enhancement and efficiency of indirect departments and further reevaluation of unprofitable stores, it aims to achieve even swifter profit recovery by having the employees of each company concentrate efforts together on their respective specialized fields.

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.

Notes

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

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Balance at the beginning of the fiscal year	¥389,687	¥377,087
Increase from acquisition of property, plant and equipment	13,909	13,536
Adjustment reflecting the passage of time	181	170
Decrease from execution of obligations	(26,690)	(25,744)
Balance at the end of the fiscal year	¥377,087	¥365,050

(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.

(Real Estate Leasing)

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

Not applicable

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

Certain consolidated subsidiaries have facilities in Hanamaki, Iwate Prefecture that are used 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.

(Thousands of yen)

	Carrying amount			
	Starting balance in fiscal 2019	Change during fiscal 2019	Ending balance in fiscal 2019	Fair value at fiscal year-end
Real estate including the portion used as real estate for rent	¥10,907	¥(1,905)	¥9,002	¥–

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

(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.

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

Notes

2. Calculation method for amounts of net sales, income or 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.

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

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 administrative 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. Adjustments for increase in property, plant and equipment and intangible assets mainly represent increases in corporate assets.

Notes

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

(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	¥1,243,704	¥2,632,953	¥5,776,145	¥ 9,877	¥7,541	¥9,670,223	¥ –	¥9,670,223
Inter-segment sales and transfers	18,005	2,329	14,178	–	–	34,512	(34,512)	–
Total	1,261,709	2,635,283	5,790,323	9,877	7,541	9,704,735	(34,512)	9,670,223
Segment income (loss)	115,772	(13,969)	(423,879)	(16,487)	7,541	(331,022)	(302,096)	(633,118)
Segment assets	1,672,109	643,228	2,043,873	27,941	–	4,387,153	2,297,945	6,685,099
Other items								
Depreciation and amortization	5,767	2,472	64,965	10,391	–	83,597	29,242	112,840
Amortization of goodwill	3,830	30,848	–	–	–	34,679	–	34,679
Increase in property, plant and equipment and intangible assets	4,261	409	60,309	1,272	–	66,253	13,769	80,022

Notes: 1. Segment income (loss) is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administrative expenses that are not allocated to reportable segments.
2. Adjustments for segment assets mainly include corporate assets of ¥2,297,945 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 ¥29,242 thousand.
4. Adjustments for increase in property, plant and equipment and intangible assets mainly represent increases in corporate assets.

Notes

[Related Information]

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.

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

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

(Thousands of yen)

Japan	Italy	Hong Kong	Total
¥482,216	¥36,904	¥71,115	¥590,235

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 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

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

(Thousands of yen)

	IoT-related business	Internet travel business	Brand retail platform business	Cryptocurrency and blockchain business	Other	Corporate and elimination	Total
Impairment loss	¥–	¥–	¥109,209	¥14,893	¥–	¥–	¥124,103

Notes

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

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

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

(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	¥–	¥–	¥–	¥–	¥ 34,679
Unamortized balance	15,641	106,331	–	–	–	–	121,973

[Information on Gain on Bargain Purchase by Reportable Segment]

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

Not applicable

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

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 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.

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

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)
Major shareholders	FISCO Ltd.	Kishiwada, Osaka	¥799	Information services business, consulting business	Direct (19.96)	Shareholder, funds lent, capital increase assumed, transfer of receivables, and debt guarantees received	Funds lent	¥ 150,000	Long-term loans receivable	¥ –
							Funds recovered	50,017	–	–
							Capital increase assumed	1,399,983	–	–
							Transfer of receivables	1,000,000	–	–
							Interest received	5,123	–	–
							Debt guarantees received	587,500	–	–
	Jitsugyo no Nihon Sha, Ltd.	Kishiwada, Osaka	33	Publishing business	Direct (11.42)	Shareholder, issue of corporate bonds	Issuance of convertible bond-type bonds with stock acquisition rights	–	Current portion of convertible bond-type bonds with stock acquisition rights	200,000

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances.
2. The interest rate on funds lent is determined reasonably based on prevailing market interest rates. The funds lent are unsecured.
3. FISCO Ltd., the former parent company of the Company, is no longer classified as the Company's parent company because FISCO Ltd. transferred its common shares of the Company on July 8, 2019. As FISCO Ltd. will continue to serve as a major shareholder of the Company, it is considered a related party.
4. Capital increase assumed refers to investment in kind through a debt equity swap, which the Company assumed at a rate of ¥195 per share.
5. Transfer of receivables refers to a transfer of long-term loans receivable to Vulcan Crypto Currency Financial Products K.K.

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 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	Cryptocurrency and blockchain business	–	–	Interest income	¥19,068	Short-term loans receivable	¥1,000,000

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

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)
Other related subsidiaries	Vulcan Crypto Currency Financial Products K.K.	Kishiwada, Osaka	¥10	Cryptocurrency and blockchain business	–	Funds lent	Interest received	¥12,164	–	¥–

Notes: 1. Consumption taxes are not included in the amounts of transactions and the ending balances. * Items resulting from transfer of accounts receivable to major shareholders.
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.
3. FISCO Ltd., a major corporate shareholder of the Company, owns 99.85% of voting rights directly.
4. With regard to the long-term loans receivable of ¥1,000,000 thousand to Vulcan Crypto Currency Financial Products K.K., the receivable for this long-term loan was transferred to FISCO Ltd., a major shareholder.

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

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

Type	Name of individual	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

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

Type	Name of individual	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	¥13,967	–	¥–

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 aforementioned transaction was determined with conditions similar to those of a typical transaction in consideration of market value and other factors.
(2) The debt guarantees received are debt guarantees for bank loans. A guarantee fee is not paid.

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

Not applicable

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

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 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)
Subsidiary of the parent company	Vulcan Crypto Currency Financial Products K.K.	Kishiwada, Osaka	¥10	Cryptocurrency 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.

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

Not applicable

Notes

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

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

Not applicable

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

Not applicable

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

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

Type	Name of individual	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.

Fiscal 2019 (From December 1, 2018 to November 30, 2019)

Not applicable

2. Notes on the parent company or significant related companies

(1) Parent company information

Not applicable

(2) Summary of financial information on significant related companies

Not applicable

Notes

(Per Share Information)

(Yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Net assets per share	¥216.02	¥100.22
Amounts for net loss per share	(31.82)	(85.40)
Diluted net income per share	–	–

Notes: 1. Although there were potentially dilutive shares, diluted net income per share is not disclosed as a net loss per share was recorded.
2. The basis for calculating the amounts for net loss per share is as follows:

(Thousands of yen)

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
Loss attributable to owners of parent	¥(473,969)	¥(1,272,860)
Amounts not attributable to common shareholders	–	–
Loss attributable to owners of parent related to common shares	(473,969)	(1,272,860)
Average number of common shares during the period (Shares)	14,894,159	14,904,379

	Fiscal 2018 (From December 1, 2017 to November 30, 2018)	Fiscal 2019 (From December 1, 2018 to November 30, 2019)
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 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)	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)

Notes

(Subsequent Events)

Issuance of Stock Compensation-Type Stock Options

On January 23, 2020, the Board of Directors of NCXX decided to submit a resolution for approval by the 36th 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 subsidiaries 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 36th Ordinary General Meeting of Shareholders, held on February 27, 2020, approved the proposal in its original form.

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.

$$\text{Number of underlying shares after adjustment} = \text{Number of underlying shares before adjustment} \times \text{Stock split or consolidation ratio}$$

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 (1) 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 2019 (Thousands of yen)	Ending balance in fiscal 2019 (Thousands of yen)	Interest (%)	Collateral	Maturity date
NCXX Group Inc.	7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	May 1, 2018	¥200,000 [–]	¥ 200,000 [200,000]	0.7	None	April 30, 2020
Total	–	–	¥200,000 [–]	¥ 200,000 [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	7th Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Type of shares to be issued	Common shares
Issue price of subscription rights (Yen)	Gratis
Issue price of shares (Yen)	¥410
Total face value (Thousands of yen)	¥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%
Exercise period of the subscription rights	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, 2019 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	¥–	¥–	¥–	¥–