

Top Message

Greeting

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

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

Considering this outlook for the future, the NCXX Group will not only provide device products backed by technological development capabilities, but also supply servers and management systems and applications for end users on a one-stop basis, thereby covering the entire IoT market, where we are focusing our efforts. Through this coverage, we aim to maintain high profitability and to conduct management with a focus on ensuring the Company's financial stability. Moreover, we will strive to improve group synergies between Group companies such as NCXX Inc., TITICACA, Co. Ltd., e frontier, Inc. and Care Dynamics Limited, bolster sales capabilities through reorganization and sharing of customer accounts, and enhance business profitability.

Furthermore, as a new initiative, we will create new services that integrate fields that offer prospects for future growth, such as the agriculture and robotics businesses, and the NCXX Group's technology assets.

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

Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.



Top Message

Results for Fiscal 2019

In fiscal 2019 (December 1, 2018 to November 30, 2019), the Company’s consolidated results were as follows. Sales and profit both increased substantially due to orders for large-scale projects for the retail industry scheduled at NCXX Inc., and an increase in demand for changeover parts for products following the entry into force of the U.S. National Defense Authorization Act for fiscal 2019 (“NDAA 2019”). As for the internet travel business, the 10-day Golden Week holiday had a positive impact, leading to a significant sales increase. Meanwhile, sales and profits at TITICACA, Co. Ltd. both decreased due to unseasonable weather in July 2019 and a reduction in inventory caused by reevaluation of purchase amounts aimed at improving cash flow. In the previous fiscal year, e frontier, Inc.

recorded sales and operating income resulting from investment operations of an AI-based cryptocurrency trading system. However, in the current fiscal year, the company conducted investment operations aimed at accumulating small returns while mitigating risks, resulting in significant decreases in both sales and profit year on year.

As a result of the foregoing, the Company’s net sales decreased by 13.1% year on year to ¥9,670 million. We posted an operating loss of ¥633 million (against operating income of ¥419 million in the previous fiscal year) and an ordinary loss of ¥678 million (against an ordinary loss of ¥47 million in the previous fiscal year). Loss before income taxes was ¥1,218 million (against loss before income taxes of ¥265 million in the previous fiscal year), and loss attributable to owners of parent was ¥1,272 million (against loss attributable to owners of parent of ¥473 million in the previous fiscal year).

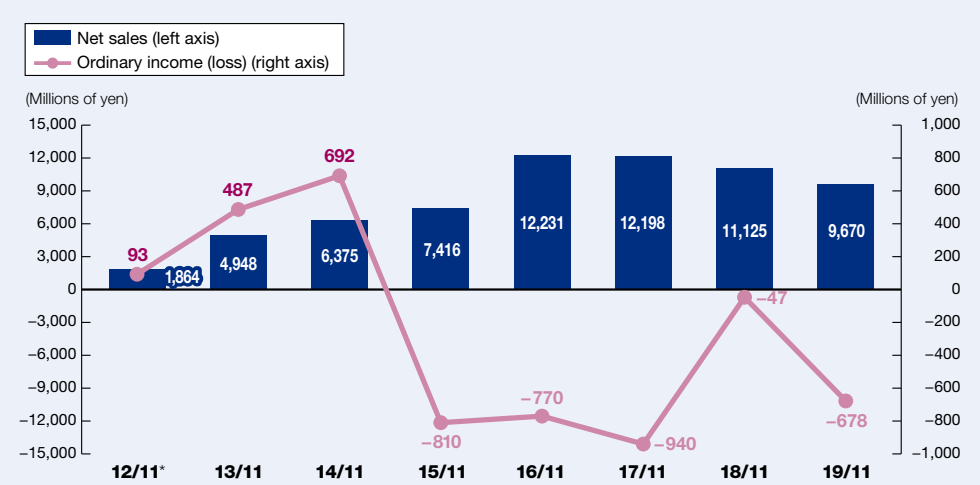
ICT, IoT, Device Business

NCXX Inc. aims to provide new services that utilize “IoT and new technology” such as “IoT and blockchain technology” and “IoT and AI technology.” The field of image authentication serves as the “eye” of AI learning. To analyze and collect large amounts of data in this field, NCXX has been developing real-time image authentication technology using GPUs supplied by NVIDIA Corporation. The company began full-scale research and development of image authentication in the previous fiscal year. In its agricultural ICT business, NCXX plans to develop a system that determines the sugar content of tomatoes in a contact-free manner without the use of a saccharimeter. This will be achieved through AI learning of images of tomatoes and their sugar content. NCXX also plans to develop robots that can identify the location of harvest-ready tomatoes in growing areas and ultimately perform automated harvesting of the tomatoes.

There has been an increase in demand for changeover parts for existing products following the entry into force of NDAA 2019.

As a comprehensive nursing care business support enterprise, Care Dynamics Limited provides ASP systems for nursing care service providers. The company also provides services such as support for the deployment of nursing care robots and the provision of nursing care ICT. Care Dynamics is carrying out activities such as continuing to hold tours of nursing care facilities that have adopted the Drive Care OBD II solution for nursing care transportation vehicles, helping nursing care facilities cut their electricity bills, introducing

Consolidated Business Performance



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

Top Message

water-saving systems, providing networking support for companies, and conducting sales of a sleep management system. Additionally, Care Dynamics concluded a new customer referral agreement with SmartHR, Inc., and began introducing cloud-based HR and labor-related software provided by the company.

e frontier, Inc. concluded a general agency agreement for Japan with Other World Computing, Inc. (“OWC”) and conducted sales of peripheral devices for computers such as Thunderbolt 3*1 products and eGPUs*2, as well as ancillary services. In addition to preexisting sales on Amazon.com, including the new brand AkiTio, e frontier has launched sales on Yahoo! Shopping and Rakuten Ichiba. The company also sells AI versions of mahjong, shogi and igo games, which were developed internally, and aims to continue increasing customer acquisition. For example, at the end of 2018, it provided the AI mahjong program as the core engine of the Doman Mahjong game in FINAL FANTASY XIV, a major online game operated by SQUARE ENIX CO., LTD.

In the agricultural ICT business (NCXX FARM) undertaken by the Company, the Group will work to promote the commercialization of sixth-order industrialization initiatives, which involve the growing, processing and sale of agricultural products, and a franchise business, which involves packaged sales combining chemical soil management based on a patented farming method and digital management based on ICT systems. We have introduced an environmental management prediction system NCXX FARM, which combines elements necessary for vegetable growth and health management and manages environments automatically. We are continuing to evaluate the outcomes of regulation through this system. Although the total yield amount is less than that of cherry tomatoes, we will commercialize and launch sales of a franchise system for GOLDEN BERRY, which produces a stable yield and is highly profitable.

As a result of the foregoing activities, segment sales in fiscal 2019 were ¥1,243 million, an increase of 30.8% year on year. Segment income was ¥115 million, up 137.6% year on year.

● Internet Travel Business

In the internet travel business, e-tabinet.com and its subsidiaries specialize in personalized online travel quotes. These companies have strengthened business alliances aimed at acquiring requests for travel quotes. They have also worked to improve usability with services such as chat support for requests for travel quotes and AI concierge support.

At Gloria Tours Inc., demand for support of domestic and overseas tournaments grew ahead of the commencement of the Tokyo 2020 Paralympic Games. The Company also launched a service to select Paralympic athletes and human resources and a service to manage planning of events such as lectures and hands-on lessons by Paralympic athletes. Going forward, it will focus even more effort on various markets related to sports for people with disabilities.

Web Travel Co., Ltd. worked to develop even more attractive services, centered on the travel concierge business. Efforts such as improving the quality level and work speed of concierges and strengthening the support system have had a positive effect on boosting order rates and acquiring repeat customers. Furthermore, Web Travel has been implementing a business alliance with Saison Card and UC Card (Credit Saison Co., Ltd.) since February 2018. This alliance has continued to grow steadily. Going forward, Web Travel plans to develop new markets and build even stronger relationships.

Segment sales crossed the ¥2 billion mark for the first time since the Company’s founding due to positive impacts from the 10-day Golden Week holiday and last-minute demand before the consumption tax hike. Segment sales in fiscal 2019 rose 11.2% year on year to ¥2,632 million. Segment loss was ¥13 million, compared with segment income of ¥38 million in the previous fiscal year.



*1 A high-speed, all-purpose data transmission technology jointly developed by Intel and Apple that uses USB-C cables.

*2 An externally attached GPU unit that can be used even with laptop computers.

Top Message

● Brand Retail Platform Business

Following on from the previous fiscal year, TITICACA, Co. Ltd. continued to push ahead with structural reforms, such as the closure of unprofitable stores and revisions to its personnel system. TITICACA worked to restore the balance between purchases and sales, resulting in significant improvements. Notably, operating cash flow improved to ¥(16) million for the fiscal year ended October 2019 in comparison to ¥(378) million for the fiscal year ended October 2018. Additionally, TITICACA moved its Head Office to Bakurocho in Nihonbashi, Tokyo in September 2019. The company is deriving benefits from this relocation on many different fronts. For example, it is achieving synergetic effects with Group apparel companies, acquiring product information at an early stage by reducing the physical distance between business vendors, and securing talented human resources in the Tokyo metropolitan area.

TITICACA also implemented new initiatives. Among them were the opening of a special event booth at the Hankyu Umeda department store in Osaka and a booth at the Toyota Group Thanks Sale. TITICACA also endeavored to further improve cash flow by negotiating revisions to a payment site with overseas suppliers. The company also launched initiatives to prevent delivery delays by concluding delivery agreements on a product-by-product basis with overseas suppliers.

As a result of the foregoing activities, segment sales in fiscal 2019 decreased 10.4% year on year to ¥5,776 million. Segment loss was ¥423 million, compared with a segment loss of ¥460 million in the previous fiscal year.

● Cryptocurrency and Blockchain Business

e frontier, Inc. continues to develop an AI-based crypto asset trading system. e frontier aims to establish a system that enables investment operations with a focus on funding efficiency based on trends in the crypto asset market. e frontier will develop a crypto asset trading system using more finely tuned AI by accumulating and studying transaction data from its partners Fisco Cryptocurrency Exchange and Zaif, whose operations were assumed by Fisco Cryptocurrency Exchange.

As a result of the foregoing activities, segment sales in fiscal 2019 decreased 99.3% year on year to ¥9 million. Segment loss was ¥16 million, compared with segment income of ¥1,320 million.

Outlook for Fiscal 2020

In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the internet, making it possible to perform sophisticated analysis of the big data that will be generated. In addition, as a result of the development of AI and blockchain technologies, a society that is far more efficient and less labor intensive than what we have today is predicted to take shape in the future. Considering this outlook for the future, the NCXX Group plans to strengthen a wide range of initiatives.

Specifically, the NCXX Group will work to upgrade and expand IoT-related services, including automotive telematic solutions, and provide new services that utilize “IoT and new technology” such as “IoT and blockchain technology” and “IoT and AI technology.” Moreover, the NCXX Group will efficiently learn and utilize new technologies by leveraging technology assets developed in the device business. In parallel, the NCXX Group plans to implement test marketing to roll out services through Group companies and business alliance partners, thereby bringing high-value-added services to the market as early as possible.

Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.