NCXX Group Inc.

NCXX

Next Communication with NCXX.

INTEGRATED REPORT 2016

Publication of an Integrated Report

The NCXX Group Inc. seeks to help stakeholders gain an accurate understanding of its progress on the Medium-Term Management Plan. To this end, we consider it important to provide not only financial information, such as our business results, strategies, and overview of operations, but also a systematic explanation of our non-financial information, such as our management philosophy and social, environmental, and human resource information.

In line with this thinking, from fiscal 2015, we have started publication of an integrated report that will enhance and integrate our non-financial information even further, systematically explaining the Group's various activities.

Currently, we provide customers with the highest quality device products and Internet travel services, aiming to become their company of choice. At the same time, we seek to create better relationships with all of our stakeholders, including shareholders and other investors, and are therefore aiming to grow into a company that contributes not only in terms of corporate value, but in terms of advanced social development.

The Group operates under a holding company format where our respective operating companies link their original business models at a higher level to enhance profitability. At the same time, we aim to drive the growth and corporate value improvement of the entire Group while solving various social issues. We will continue our tireless endeavors to create mutual synergies between Group companies and contribute to people and society.

Yosuke Saito
Director
General Manager
Administration Division

Editorial Policy

This integrated report has been issued to help stakeholders develop a deeper understanding of the NCXX Group's activities to achieve sustainable growth.

Note on Forward-looking Statements

This report contains information that includes forward-looking statements. These statements are prepared based on information available to management as of the preparation date of the report. Accordingly, actual conditions may differ significantly from such statements or details implied therein based on risks and uncertainties associated with changes in economic conditions and markets and other factors.

Group Company Websites

- NCXX Group Inc.
  http://ncxxgroup.co.jp/en
- NCXX Inc.
  http://www.ncxx.co.jp/ (Japanese only)
- NCXX Solutions Inc.
  http://www.ncxx-sl.co.jp/ (Japanese only)
- SJI Inc.
  http://www.sji-inc.jp/e-toppage/
- Care Dynamics Limited
  http://www.care-dynamics.jp/
  (Japanese only)
- e-tabinet.com
  http://www.e-tabinet.com/
  (Japanese only)

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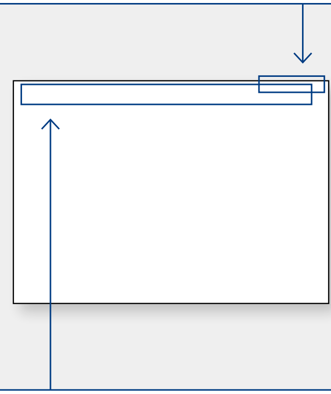

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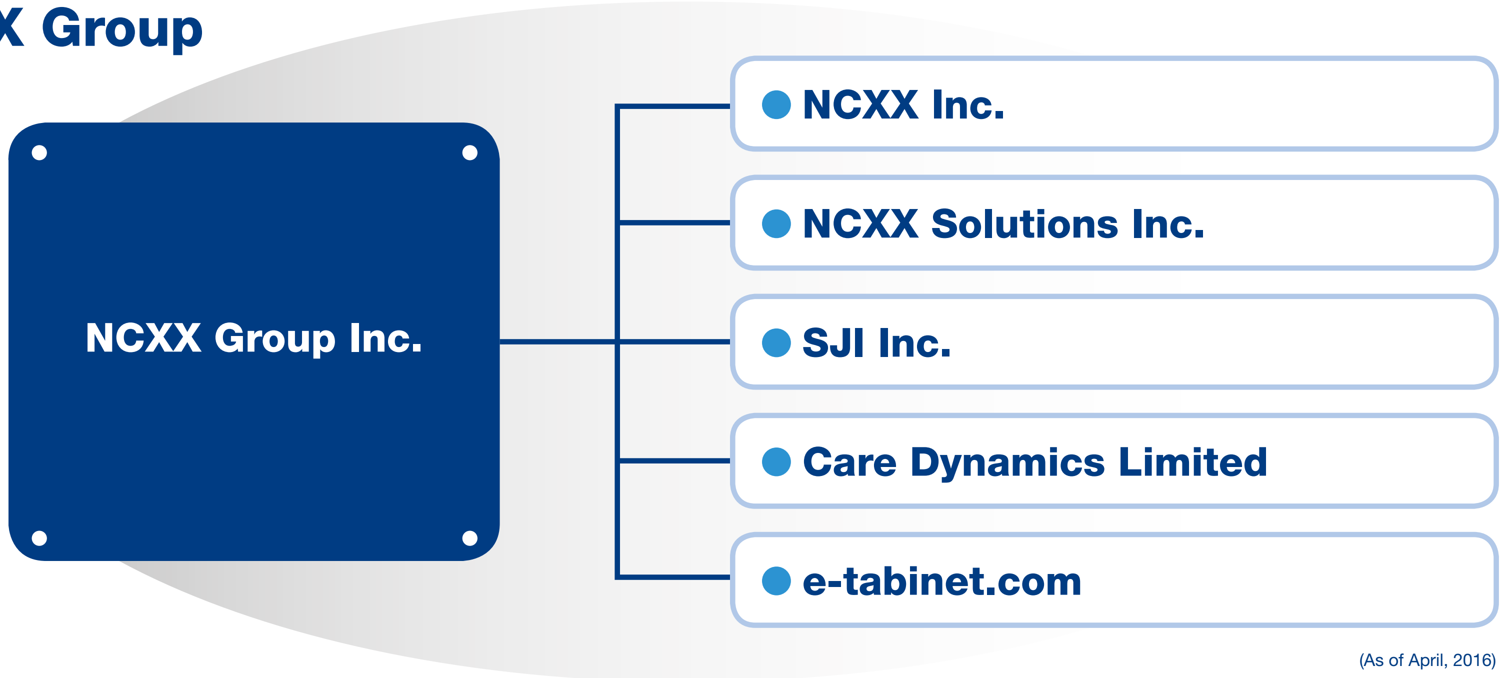
Overview of the NCXX Group

The NCXX Group comprises NCXX Group Inc. and six consolidated subsidiaries.

The Group's business segments are the device business and the Internet travel business.

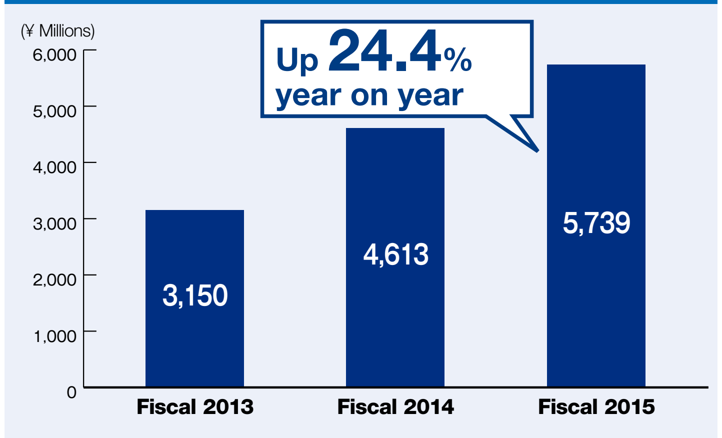
The device business involves the development-driven manufacture of communication devices. In addition to manufacturing communication devices, the Company owns modem technologies essential to basic telecommunication functions and technological development capabilities spanning both software and hardware aspects that are needed to develop telecommunication device products. The Company develops, manufactures, and sells wireless telecommunication devices and provides maintenance and other services. In addition, the Company provides Internet of Things (IoT) solutions by conducting systems development for industries such as manufacturing, finance, logistics, social infrastructure, and the public sector, covering every stage from consultation through to design, construction, operation, and maintenance.

In the Internet travel business, the Company's consolidated subsidiary e-tabinet.com and its subsidiary Web travel Co., Ltd. provide travel services through the Internet.

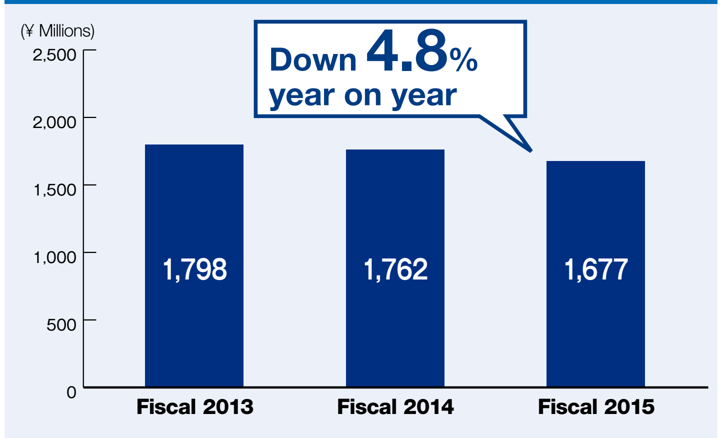


(As of April, 2016)

Device Business Net Sales



Internet Travel Business Net Sales



Overview of the NCXX Group

NCXX Inc.

NCXX Inc.'s operations involve the development and sale of telecommunication devices that use various wireless formats, and the provision of related system solutions and maintenance services. With the goal of achieving mass production of these telecommunications technologies, the company has adopted the electronics manufacturing services (EMS) and original design manufacturer (ODM) methods, and is promoting joint operations with its corporate clients, including those overseas. It has cultivated the required commercialization technology and expertise for these operations as a fabless company. Meanwhile, the company responds to market demand by constantly improving quality and supplying the market with reliable, safe products. The company's target markets are the consumer and machine to machine (M2M) sectors within the mobile telecommunications market, where its main customers are telecommunications service providers and mobile virtual network operators (MVNOs), along with corporate clients. The greatest strength of the company is its integrated operation from planning and development through to sales and maintenance. This enables it to flexibly meet customers' needs for high-variety, small-lot production, while its ability to keep a high level of quality sets it apart from other competing manufacturers.

NCXX Solutions Inc.

NCXX Solutions Inc.'s core business is the systems development business, serving industries such as manufacturing, finance, logistics, social infrastructure, and the public sector, covering every stage from consultation through to design, construction, operation, and maintenance. These services are provided as integrated, full-line services for platform construction of networks, databases, and so forth. Specifically, the company develops systems, such as purchasing and procurement systems that use the Internet for manufacturers and logistics service providers, financial strategy support systems such as Internet banking for financial institutions, a line of administrative software packages for information service providers, and network monitoring and information processing systems for telecommunication service providers. Moreover, the company is also aggressively developing a software product business in which activities include the provision of Internet of Things (IoT) products jointly developed with Group companies and application service provider (ASP) services.

* ASP services provide applications, software and so forth via the Internet to enable companies to advance their operations efficiently.

SJI Inc.

SJI Inc.'s core business is information services, such as system-related consulting and system maintenance and support. The company receives orders for systems development via major systems integration providers from end users in the financial sector, ICT sector, manufacturing, and distribution sector, among others. The company mainly develops systems such as purchasing and procurement systems that use the Internet for manufacturers and logistics service providers, financial strategy support systems such as Internet banking for financial institutions, a line of administrative software packages for information service providers, and network monitoring systems for telecommunication service providers. The Company is also focusing on the FinTech field, where it is utilizing over 40 years of experience in systems development for financial institutions.

Care Dynamics Limited

Care Dynamics Limited develops and sells Care Online, an ASP service for nursing care service providers that offers a system for centrally managing operations and information related to the nursing care business, including care plan creation, nursing care service provision, and invoicing to national health insurance organizations. Additionally, the company provides solutions that make use of conventional software services in addition to NCXX's services in hardware and telecommunications. Furthermore, in nursing care robot marketing, the company has taken over the consulting business from Versatile Inc., a fellow subsidiary of parent company FISCO Ltd. The company has incorporated and continued Versatile's expertise across the board, aiming to help create an environment where all nursing care providers can successfully introduce nursing care robots and continue to use them.

e-tabinet.com

e-tabinet.com and Web travel Co., Ltd., primarily provide travel services over the Internet consisting of optimal travel itineraries sought by customers through "Travel Estimate Services," which enable customers to request travel estimates online from travel agencies throughout Japan. The company also provides "Travel Concierge Services," where expert travel concierges with extensive travel experience propose customized travel itineraries free of charge over the Internet. Other services include providing specialized expertise and preparing optimal travel itineraries for customers who wish to take world trips, and customized travel itinerary preparation services for Chinese customers.

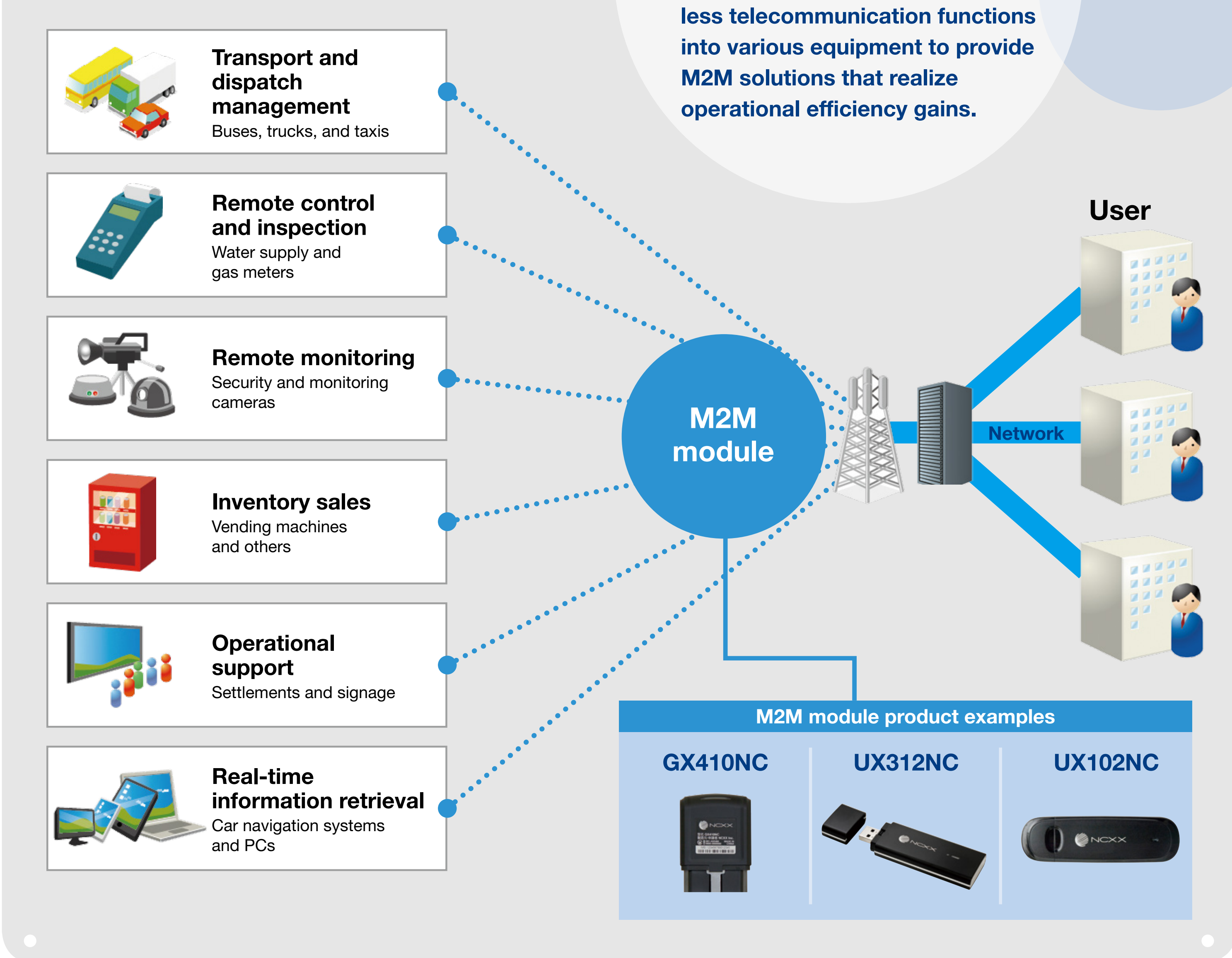
Introducing Our Businesses

Device Business
(NCXX Inc.)

M2M Solutions

Machine to Machine (M2M) refers to a system that automates various controls by enabling network-connected devices to exchange data with each other. One key advantage of M2M is that it enables data communication between devices without any human intervention. For this reason, M2M has been introduced not just to PCs and servers, but to a diverse array of fields, including management of driving conditions through integration with vehicle driving management systems, inventory management for vending machines and related monitoring of malfunctions and other issues, remote surveillance and monitoring for faults and so forth of elevators and ATMs, remote readings of water, electricity and gas meters, and security measures.

Main Target Fields for M2M



Introducing Our Businesses

Device Business
(NCXX Solutions Inc.)

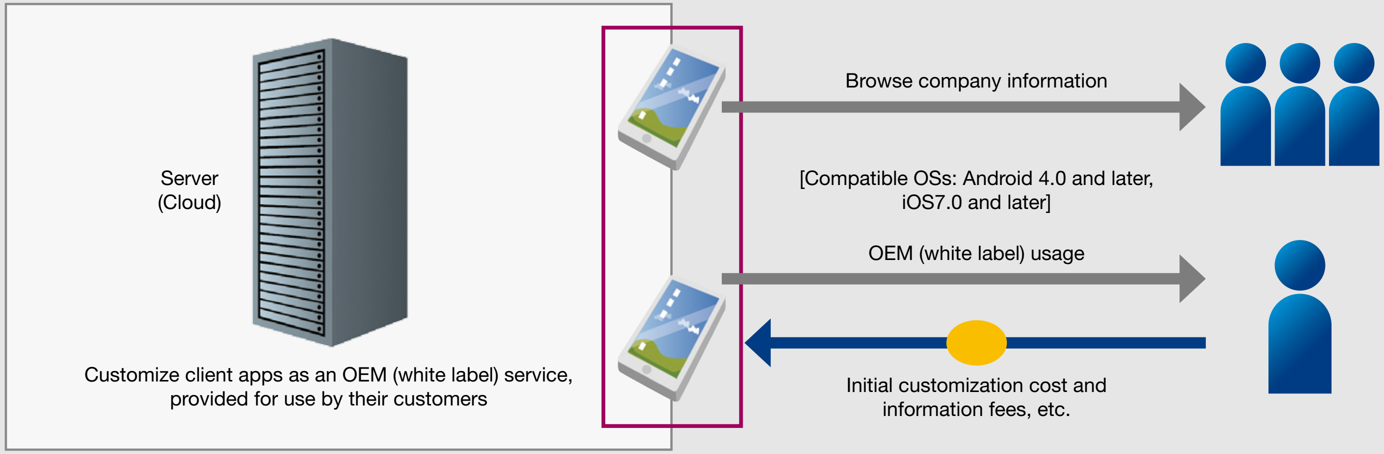
System Solutions

We provide high value-added solutions including integrated, full-line services from operational and IT consultation through to implementation. Specifically, we offer various services, such as a "Telematics Service" for realizing lower fuel consumption through eco-driving guidance and accident prevention. This service is enabled by swiftly grasping the driving status of a vehicle from a remote location, including its speed, travel time, travel distance, sudden start up and sudden acceleration. We also provide an app as a cloud (ASP/SaaS) service. Furthermore, with future business development we will develop various services, such as a "Corporate Information Provider Service," that provides apps as an OEM (white label) solution to companies (small and medium-sized securities companies, human resource service companies, smartphone handset manufacturers, and so forth).

Corporate Information Provider Service

Original Brand App

Provide customers with up-to-date information through original app	NCXX Solutions constantly updates information	Able to post stock promotions based on personalized customer marketing



Fees can be arranged flexibly based on initial cost + revenue share.

Implementation Example

Together with FISCO Ltd., NCXX Solutions developed and launched the smartphone app "FISCO" for providing investment information on listed companies.

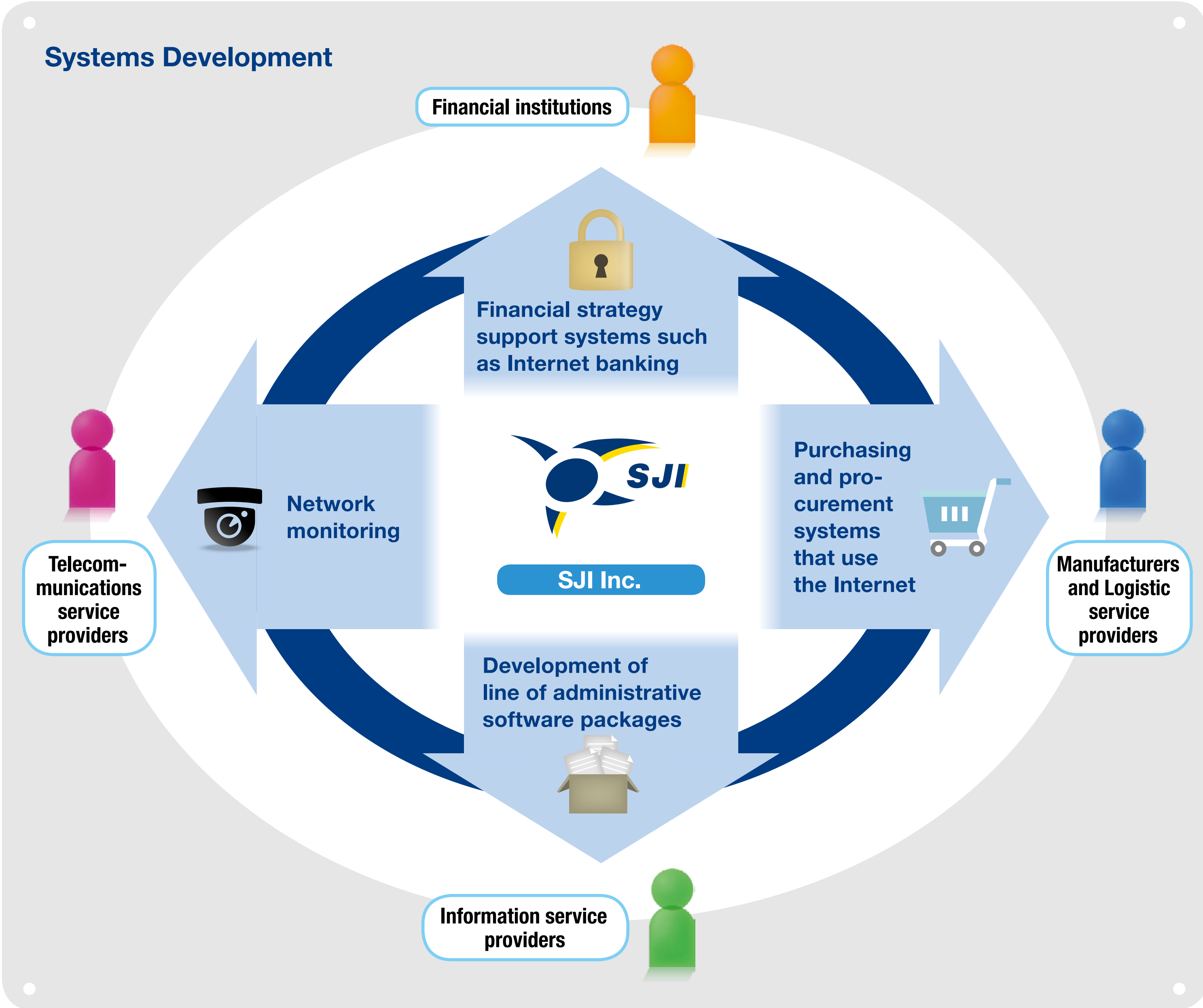
The app includes a "Company Information Function" that enables users to check multiple stocks while looking at listed companies by stock code order, and a "Market Flash Report Function" that delivers the latest investment news from analysts. Other functions include the "Event Schedule Function" that enables users to view a list of important recent event information and the "Favorites (Portfolio) Management Function" that lets users register and manage their favorite stocks easily.

Introducing Our Businesses

● Device Business
(SJI Inc.)

Information Service Business

SJI Inc. operates an information services business, with a primary focus on the systems development business. Group operating companies in Japan and China leverage their strengths in technology, speed, and scale in their respective markets and coordinate with one another to provide high quality, high-value-added services in an effort to achieve sustainable increases in corporate value and enhance shareholder profits. Systems developed by SJI Inc. include mission-critical information processing systems that cannot be allowed to fail and require large scale and high performance. Examples include financial strategy support systems such as Internet banking for financial institutions, purchasing and procurement systems that use the Internet for manufacturers and logistics service providers, a line of administrative software packages for information service providers, and network monitoring systems for telecommunications service providers.



Introducing Our Businesses

● Device Business
(Care Dynamics Limited)

Total Nursing Care Business Support Services

Care Dynamics develops and sells "Care Online," an ASP service for nursing care service providers offering a system for centrally managing operations and information related to the nursing care business, such as care plan creation, nursing care service provision, and invoicing national health insurance organizations. Looking ahead, the company will combine M2M technologies that utilize synergies with the Group to transition into a "total nursing care business support company." To this end, the company is expanding its conventional software service with NCXX's hardware and services in the telecommunication field to provide the highest level of service and total solutions to people involved in nursing care. It is also participating in the planning and development of a nursing care robot business.

Nursing Care Robot Business

Care Dynamics aims to realize the highest level of nursing care service quality through the harmonization of people and robots. The company supports sales and introduction and operation of robots at nursing care facilities. Care Dynamics will provide introduction consulting based on diverse trial data obtained through use of nursing care robots in actual front-line nursing care situations, and is now creating a manual for optimal introduction and operation of nursing care robots.

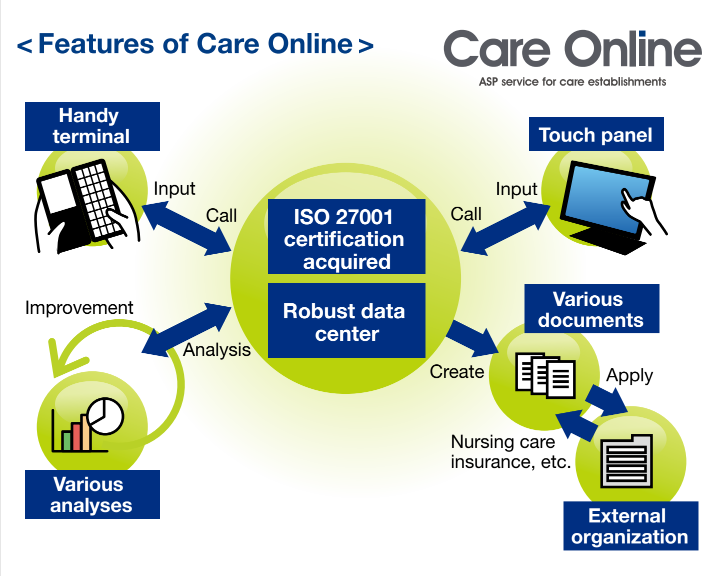
Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Nursing Care ICT Business

The telecommunication and communication technologies cultivated in the nursing care robot business will be used to supplement human workers on the front lines of nursing care, which tend to be in short supply. This offers a way for nursing care workers to provide higher quality services. Care Dynamics will draw on the basis of its accumulated experience in the nursing care solutions business to provide solutions that nursing care service providers truly need.

ASP Services for Nursing Care Service Providers

Care Dynamics provides "Care Online," an operation support system for nursing care service providers. The system is provided as cloud services corresponding to a suite of operations including care plan creation, nursing care service provision, and invoicing to national health insurance organizations. With simple operation that anyone can use and features that can be customized to suit the characteristics of each facility, the system caters to a full range of administrative processes in facilities. As of December 2014, 120 nursing care service providers have introduced the system at over 400 facilities.



Introducing Our Businesses

● Internet Travel Business
(e-tabinet.com)

Internet Travel

The main business in the Internet travel business is "Customized Travel Services" provided by e-tabinet.com's wholly owned subsidiary, Web travel Co., Ltd. Specialist "travel concierges" create multiple itineraries based on the requirements of the applicants, and propose the travel plans via email. From these, applicants select the travel concierge and plan that appeals to them. The service is therefore different from the package tours offered by major travel companies, combining high quality product proposals brimming with hospitality and the unrivalled convenience of the Internet to provide a service with a difference.

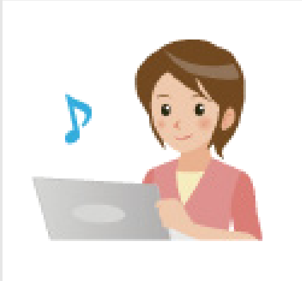
Features

- Proposal of high quality products brimming with hospitality that differ from major travel company package tours
- Unrivalled convenience of the Internet
- Relatively unaffected by low price trends caused by price competition with major tour companies

Service Flow

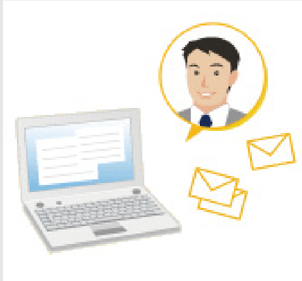
After hearing from customers about their goals, image, approximate budget, and other aspects of their trip, expert "travel concierges," provide a proposal and an estimate free of charge on a travel plan designed according to the customer's wishes. Since most of the service is conducted through e-mail and telephone, customers who are busy during work hours can have a plan created at a time that suits them. The service also includes taking care of tiresome details, reservations, and other tasks.

STEP. 1



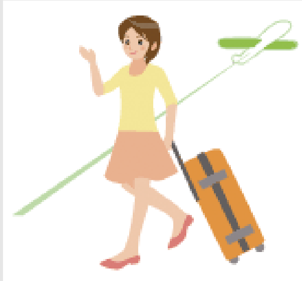
Send a travel estimate request using a special form

STEP. 2



Travel concierges reply with an estimate by e-mail

STEP. 3



Customers enjoy a unique, custom-made tour

Travel Concierges

Travel concierges are travel consultants who specialize in creating travel plans to meet individual clients' wishes. They each have their own specialty fields, enabling them to respond flexibly to increasingly diverse customer needs. However, the Internet is a medium that does not provide face to face interaction. Therefore, we post profiles of the travel concierges online, emphasizing their experience and personality, so that customers can feel peace of mind when they consult us.

As of April 2016, the service has over 346 unique and original travel concierges registered.

Greeting

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

The Internet of Things (IoT) market in which we are concentrating our business is continuing to attract an extremely high level of interest, with some forecasting the market at over ¥3 trillion in fiscal 2022. In this business environment, NCXX Group Inc. made SJI Inc., a systems development company, a subsidiary in June 2015. In doing so, we will make powerful progress in our strategy for building a total solution business model and differentiating ourselves in the IoT market. We will also leverage the abundant knowledge about system infrastructure that SJI acquired through systems development for financial institutions to aggressively capture business in the FinTech field, which is expected to see rapid market expansion going forward. In doing so, we will create new financial services and build our competitive advantage over other companies. At the same time, we will combine the technology assets of our Group companies to proactively develop businesses going forward in other growth fields such as robotics, automotive telematics, and agricultural ICT.

Tsukasa Akiyama
Representative Director and President
NCXX Group Inc.

Top Message

Connecting, Creating, and Growing as a Group

The Company made SJI a subsidiary on June 1, 2015. SJI is primarily engaged in the information service business of providing systems consulting, maintenance, and support. The company receives orders for systems development from end-users in the financial, ICT, manufacturing, and distribution sectors. In particular, SJI has over 40 years' experience in systems development for financial institutions, and one of its strengths is the financial systems expertise that it has developed over this time. Leveraging the characteristics of fabless manufacturing, the subsidiary has the strength of being able to develop products rapidly with a cost structure capable of adapting flexibly to market prices.

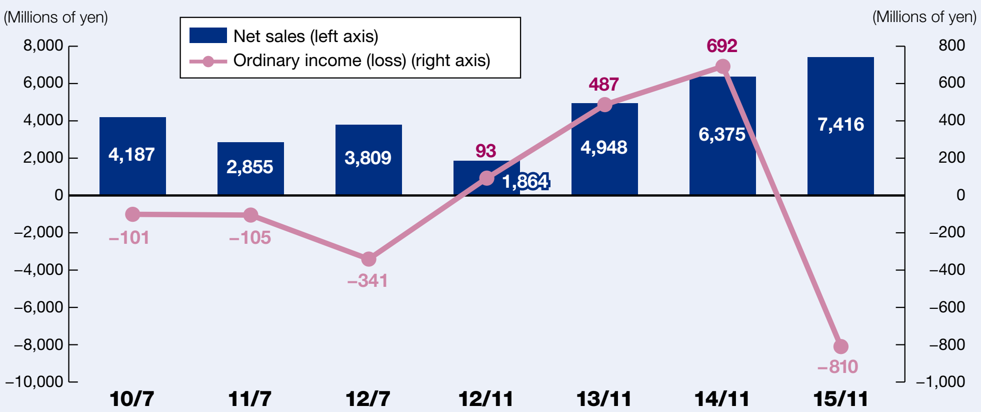
Other subsidiaries within our Group include systems developer NCXX Solutions Inc., and online travel agency e-tabinet.com. Another subsidiary, Care Dynamics Limited (renamed from Care Online Limited on January 19, 2015), develops and operates Care Online, which is a system for centrally managing operations and information in the nursing care business.

Top Message

Results for the Fiscal Year Ended November 30, 2015

In the fiscal year ended November 30, 2015 (December 1, 2014 to November 30, 2015), the Company saw its consolidated net sales increase 16.3% year on year to ¥7,416 million. Operating loss was ¥529 million (operating income of ¥82 million in the previous fiscal year), with an ordinary loss of ¥810 million (ordinary income of ¥692 million in the previous fiscal year). Income before income taxes and minority interests was ¥23 million (¥742 million in the previous fiscal year), reflecting extraordinary income from the sale of e-tabinet.com group shares and other factors. In the telematics field, which is expected to make a major contribution, two of the Company's new products were subject to customer requests for specification changes, resulting in significant delays in the sales plan and a significant decrease in sales. Moreover, the Company recognized ¥256 million for amortization of goodwill relating to the acquisition of shares of the newly consolidated SJI, which put downward pressure on profits. However, SJI attained profitability on a single-month basis from September onwards.

Consolidated Business Performance



* Transitional accounting period of 16 months (April 1, 2009 to July 31, 2010) for the fiscal year ended July 31, 2010. Transitional accounting period of four months (August 1, 2012 to November 30, 2012) for the fiscal year ended November 30, 2012.

Outlook for the Year Ending November 30, 2016

● NCXX Group Inc.

NCXX Group Inc. will continue to proactively enter key growth fields such as robot development, agribusiness, automotive telematics, and FinTech.

In the agriculture business, the greatest success of R&D activities over the past three years has been the Company's move to expand the size of its farming area from 462.8 m^2 (140 tsubo) at present to a total area of 5,421 m^2 (1,640 tsubo) from the next fiscal year in tandem with driving growth in the "sixth-order industrialization business" for the production, processing and sale of agricultural produce. Moreover, the Company will launch a franchise business that will conduct packaged sales of an entire system encompassing NCXX FARM's features, namely its chemical soil management based on a patented farming method plus digital management based on ICT systems, augmented by a new product sales support system and a full purchase guarantee for all agricultural produce. The Company will work to expand this franchise business into a new core business.

With regard to robot development, the Company has placed prototype nursing care robots in facilities and is undertaking repeated trials and testing regarding their communication with elderly people. The Company aims to produce robots that are easy to use on the frontline and that have an easily accessible cost structure, and is proceeding with development towards early commercialization.

● NCXX Inc., NCXX Solutions Inc., and SJI Inc.

NCXX handles telecommunications equipment products. NCXX will enlarge its domains and expand its horizons based on its successful activities in the fiscal year ended November 30, 2015. New business initiatives will also be undertaken by integrating different business sectors and telecommunication devices through the effective use of development assets that the Group has cultivated to date. Specifically, NCXX will continue to focus on the IoT field incorporating the M2M market and supply a wide range of solutions. These will include solutions to enhance convenience by embedding

Top Message

communication functions into industrial fields that had not required them before, and solutions to reduce personnel costs by refining remote control technologies for equipment and facilities.

Moreover, in the specialty business of automotive products, NCXX aims to provide completely new services. These services will include vehicle status monitoring and the acquisition of diverse vehicle data, which will be made possible by high-value-added telecommunications devices such as the OBD II-type automotive telematic data collecting unit, GX410NC, launched in fiscal 2015. Meanwhile, NCXX Solutions will develop servers to accumulate information gathered from driving and other data sources, along with applications to apply and make effective use of this data. To achieve rapid market penetration with this service, NCXX will aggressively seek alliances with leading partners that possess various technologies, and expand its business scale at an accelerating rate.

NCXX Solutions and SJI will actively undertake development for the entire Group's projects, including development of telecommunication equipment software, related applications, agricultural ICT and finance-related development, and robot-related systems and applications. They will aim to commercialize their own products while also providing business support for the Group overall.

Moreover, in initiatives for growth fields, the Group will leverage the systems development expertise in the financial field of new fiscal 2014 Group member SJI to expand into the FinTech field. We will also examine alliances with companies that possess advanced technologies as we aim to develop this business quickly.

Moreover, we will leverage the expertise that our Group companies have accumulated in systems development to expand our development business based on orders received from financial institutions, manufacturers, trading companies, and government organizations.

SJI's results from July to October 2015 have been incorporated, but for fiscal 2016, we plan to incorporate SJI's revised forecast figures for the fiscal year ended October 2016 as announced on December 21, 2015 (net sales ¥6,300 million, operating income ¥424 million, ordinary income ¥371 million, profit attributable to owners of parent ¥377 million).

At NCXX, the full-scale start of sales of two new products in the automotive telematics field that were originally scheduled to start sales in fiscal 2015 is forecast to increase operating income by approximately ¥300 million.

● Care Dynamics Limited

At Care Dynamics Limited, we will expand sales of the ASP system that we are already supplying to nursing care providers. We will also utilize our 400-strong network of service customers to promote adoption of nursing care robots. Our lineup of products is designed to meet the various needs of the elderly and nursing care facilities, and includes the HAL® robot suit developed by CYBERDYNE Inc. and nursing care robots for various applications.

● e-tabinet.com Inc.

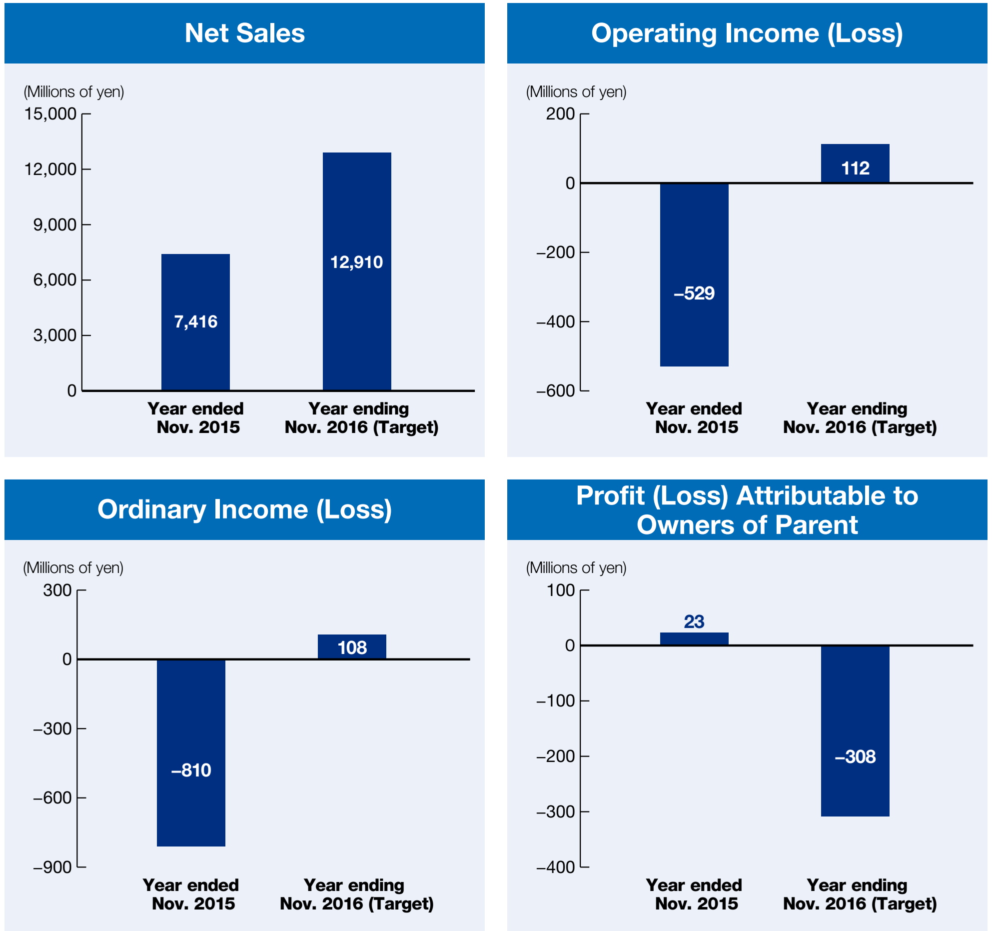
The e-tabinet.com group will work to upgrade and expand services by recruiting new travel concierges and enhancing their skills through training courses. In addition, we will strive to provide high-quality, customized travel services replete with the spirit of hospitality by recommending *Kodawari No Tabi* travel packages. Moreover, the Internet travel business will initiate inbound travel services targeting overseas visitors to Japan, whose numbers are increasing against the backdrop of the yen's depreciation, with a view to proactively capturing earnings opportunities.

Top Message

Other subsidiaries will also continue to expand their sales and increase operational efficiencies to contribute to the Group's performance.

As a result of the above, in our outlook for the fiscal year ending November 30, 2016, we are projecting consolidated net sales of ¥12,910 million, operating income of ¥112 million, ordinary income of ¥108 million, and loss attributable to owners of parent of ¥308 million. EBITDA is forecast at ¥733 million. The recognition of ¥541 million in amortization of goodwill in conjunction with the consolidation of SJI had a significant negative effect on all income items from operating income and below. Since amortization of goodwill is an expense that does not represent a cash outflow, it has resulted in a significant divergence between changes in cash flows and income items from operating income downward. In consideration of this, we have decided to disclose EBITDA as a reference indicator this year.

Moreover, we will leverage the expertise that our Group companies have accumulated in systems development to expand our development business based on orders received from financial institutions, manufacturers, trading companies, and government organizations.



Feature: New Value Generated from Advanced Technologies and Abundant Experience

The Group began its journey in 1984 with initial operations in the development and manufacture of telecommunication line equipment. Since then, the Group has achieved impressive technology development in the field of data communication, and has earned a reputation for excellence in telecommunications devices such as mobile Internet devices and M2M modules. In recent developments, the Group has integrated these technologies into fields such as nursing care robots and agriculture, and has started bold, proactive businesses to extend its horizons.

In 2012, the Group made e-tabinet.com a Group company and started the Internet travel business. In 2015, we added SJI Inc. as a Group company. SJI has strengths in building systems for financial institutions, and we will harness these to aggressively engage in the FinTech business, a new financial service.

The Group is pursuing the creation of value brimming with originality, starting with the advanced technologies and abundant experience of its Group companies, in pursuit of further growth.

Creating New Value

We will contribute to society by integrating our accumulated original technologies and knowledge, as well as our outstanding human resources.

Device Business

1 Automotive Telematics

We develop and sell on-board diagnostic (OBD) data communication units that are compatible with the OBD II interface, one of the leaders in the field in terms of the number of compatible vehicle models and number of data obtained.

2 FinTech

In line with our FinTech strategy, we are advancing surveys and research into advanced technologies such as artificial intelligence and development technologies such as platforms.

3 Agricultural ICT

As a model case for entering and expanding in the field of machine-to-machine (M2M) communications, we are taking on the agricultural ICT business through chemical soil management.

4 Robot Business

We are integrating advanced robotics technologies with our original telecommunications modules. We are involved in joint development of nursing care robots capable of remote control and status monitoring.

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Internet Travel Business

5 Internet Travel

We operate a travel-related e-marketplace. We also conduct a crowd sourcing business that provides customers with custom-made travel itineraries.

Business for Creation of New Value 1

Automotive Telematics

The GX410NC developed and sold by NCXX is a data communication unit compatible with the OBD II interface, a leader in the field in terms of the number of compatible vehicle models and number of data obtained. The GX410NC connects with the OBD II connector mounted in a car to enable diverse vehicle management solutions.

For example, it enables businesses and services based on data analysis, such as telematics insurance that determines insurance premiums based on individual driving information by collecting, analyzing and evaluating driving information such as sudden braking and sudden start up.

The GX410NC differs from other general products by using proprietary software technology that allows it to be compatible with an unrivaled 900 vehicle models. The device is also able to perform software updates through a mobile connection and can flexibly handle new vehicle models released each year as well as vehicles for special applications.

About OBD II	OBD II is an international standard in self-fault diagnosis performed by the on-board computer (ECU) of a vehicle.

Number of compatible vehicle models in Japan
900
(Vehicle model compatibility to be expanded in stages)

Basic data volume
10 types
(Up to 38 types depending on the vehicle model)

Compatible with special vehicles

Communication protocol HSPA/UMTS

Optimize costs for commercial vehicles and create new business!

Cost Optimization

Eco-driving support can significantly reduce the cost of fuel. Further cost reductions can be achieved through a lower accident rate and attendant improvements in insurance premium discount rates. Moreover, detecting faults in the vehicle before they become noticeable reduces repair bills. Finally, the system is expected to help increase awareness of following laws and regulations, and to reduce driver stress through efficient vehicle deployment.

New Business Creation

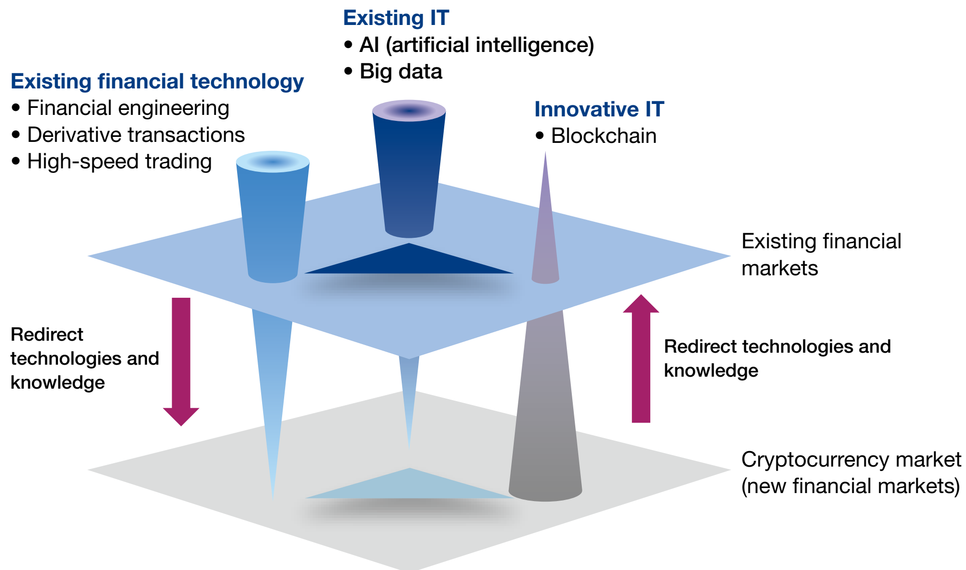
Accumulating driving information and vehicle malfunction information enables optimal maintenance and so forth, enabling close relationships to be built with customers. Moreover, the trade-in price of a used car can also be calculated accurately, providing benefits for both the dealership and the customer. Finally, the information can also be used for customer management and marketing, while car rental, leasing companies, and so forth can grasp customer movements and trends from the driving data.

Business for Creation of New Value 2

FinTech

FinTech is growing rapidly worldwide, based on expectations that it could spark a revolution comparable to the IT revolution. In Japan, FinTech has been attracting significant interest, following events such as the Cabinet of Japan's recent approval of draft regulations related to cryptocurrency. SJI Inc. has set up a FinTech Strategy Office, and is actively taking new initiatives in swift succession, such as commencing FinTech verification trials using blockchain technology based on a model of deposit account management at a financial institution. Going forward, the Group plans to vigorously push ahead with these measures to realize practical services for the financial sector. Notably, we have positioned blockchain and artificial intelligence (AI) as areas of focus.

Measures in the FinTech Field



FinTech Strategy Office

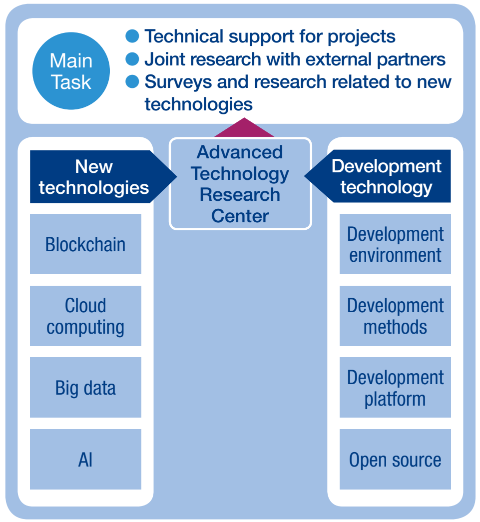
SJI plans to vigorously push ahead with initiatives in the FinTech field, in addition to existing information services businesses. The FinTech Strategy Office aims to create innovative financial services for society by researching new technologies in the FinTech field, and combining these technologies with the financial systems integration expertise SJI has amassed over the years.

Anticipated Future of the Finance Sector

Reasons for changes	Development of AI Deep learning	Apply blockchain
Anticipated changes in services	Perform tasks previously undertaken by people	Distributed financial infrastructure using blockchain
Anticipated future of the finance sector	Existing financial services will be transformed and new financial services based on FinTech will become widespread. ● Human operations will no longer be needed as numerous tasks will be automated and streamlined (Data analysis managers, loan officers, bank tellers, etc.) ● As a result of the above, the cost of financial services will be significantly reduced.	

Advanced Technology Research Center

As a new body set up under the FinTech Strategy Office, the Advanced Technology Research Center is an organization whose main task is to provide technical support for internal projects, conduct joint research with external partners and conduct surveys and research related to new technologies and trends. The center carries out surveys and research related to technologies that fit the Company's FinTech strategy, including blockchain, cloud computing, big data and AI. Concurrently, it also conducts surveys and research related to development technologies, such as new environments, techniques, platforms and open source.



Business for Creation of New Value 3

Agricultural ICT (NCXX FARM)

The NCXX Group Inc.'s main pillar is the device business, targeting the information and communications market with its rapid demand shifts and fierce competition. This market requires the Group to constantly seek new initiatives for driving business domain expansion. The Group has been vigorously advancing and expanding in the M2M field, based on its telecommunication technology assets.

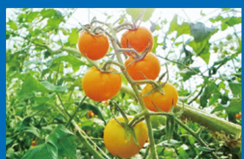
One model case is the agriculture business. The Group is working on NCXX FARM, an agricultural ICT business aimed at vegetable cultivation driven by digitally based chemical soil management and provision of technology to growers.

The testing plot of NCXX FARM is built on some idle land at the Company's Hanamaki Head Office. Here, we conduct various trial tests using new agricultural methods. We are working to create an attractive business model in the agriculture sector, including effective methods for land use, increasing energy saving and efficiency in agricultural operations, and local production for local consumption. By creating this business model, we aim to expand our business in order to contribute to local communities.

Safe, Secure, Ecological Produce and Technologies

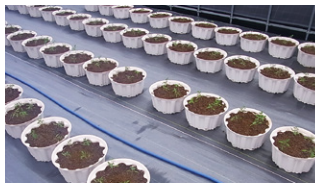
NCXX FARM utilizes digitally based chemical soil management. The company is pursuing safe, secure, and ecological vegetable cultivation, such as multi-stage pot cultivation that draws out the full natural life force inherent in the crops, reduced agrichemical cultivation, and efficiency increases in cultivation in small areas.

Creating an Appealing Agriculture Business Model



Technology for Raising Tasty Produce

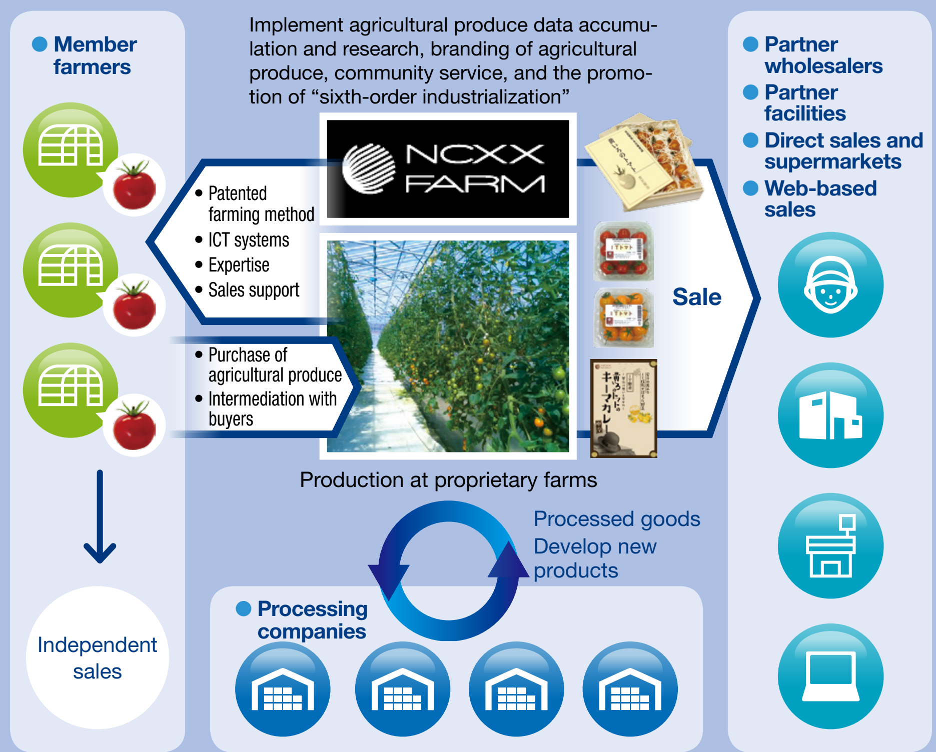
Unlike conventional approaches to crop cultivation that are based on instinct and experience alone, NCXX FARM converts cultivation conditions into data in order to optimize them, enabling stable agriculture technologies to be established. The company is also advancing initiatives with a view to providing these cultivation technologies to growers.



Full-Fledged Expansion of NCXX Farm

As the culmination of research and development in the agricultural ICT business, we will work to drive business expansion through "sixth-order industrialization" initiatives, which involve the growing, processing and sale of agricultural products, by increasing the size of the testing plot from the current 462.8 m^2 (140 tsubo) to a total area of 5,421 m^2 (1,640 tsubo). In addition, we have commenced a franchise business where we conduct packaged sales of the entire system, which combines chemical soil management based on a patented farming method and digital management based on ICT systems, which are hallmarks of NCXX Farm, with a new sales support system for products and purchases of agricultural produce and intermediation with buyers.

NCXX Farm Business Model



Business for Creation of New Value 4

Robot Business

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

NCXX Group Inc. is jointly developing nursing care robots with Vstone Co., Ltd.

Vstone has earned a strong reputation as a robotic products manufacturer for its work in the development and manufacture of bipedal robots and robots with omnidirectional sensors. The company has accumulated original expertise in fields including sensors and motors, such as the low-cost development of a bipedal robot about the size of a child in elementary school.

Our current joint development involves incorporating NCXX's telecommunication modules into nursing care robots developed by Vstone to control and monitor them remotely and use them to keep watch over the elderly. Furthermore, our Group company NCXX Solutions is continuing system development aimed at utilizing the data collected from robots, and pursuing various possibilities that cannot be realized with a standalone robot.

Moreover, Care Dynamics Limited, another Group company, has customer interface with over 400 nursing care facilities operated by 120 companies throughout Japan. Looking ahead, Care Dynamics will provide marketing, sales, and introduction support and consulting services for the nursing care robots developed by the Company. As part of this, the company will also sell products such as the HAL® robot suit made by CYBERDINE Inc.

The Company will use the raw data obtained from these front-line nursing care situations to promote the nursing care robot business. In the process, we will contribute solutions to the challenges of an aging society with a falling birthrate through the integration of services provided by humans and robots.

HAL® for Care Support (Lumbar Type)

This product uses HAL's original system that provides assistance with simple operation as needed in accordance with the wearer's intention. It relieves the load on the lumbar area of people assisting in nursing care.

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Walking Support Device (ACSIVE)

This is an unpowered walking support device that requires no electricity or motors. Using the action of a pendulum and spring, the device assists people in swinging their legs.

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Business for Creation of New Value 5

Internet Travel

e-tabinet.com operates "Tabiraku," where users can receive estimates on travel from multiple travel companies at a single point, as well as a travel-related e-marketplace. Furthermore, the e-tabinet.com group company Web travel Co., Ltd. operates a crowd sourcing business based on the travel business. In this business, pre-registered travel consultants called "travel concierges" respond to travel requests received via the Internet by providing each customer with a customized itinerary. As of April 2015, over 300,000 customers have already used the service.

Our strategy going forward is to start in our existing online travel business by initiating inbound travel services targeting overseas visitors to Japan, whose numbers are increasing against the backdrop of the yen's depreciation, with a view to proactively capturing earnings opportunities. Furthermore, we will expand the crowd sourcing business to fields other than travel, developing into a comprehensive creator of crowd sourcing platforms that are able to perform a variety of services, not only for individuals, but also for companies. e-tabinet.com will use these businesses as a driving force to propel it to an early initial public offering.

◎ Crowd sourcing in fields other than the travel business

◎ Crowd sourcing in the travel business

Current business fields

Lateral development of online business expertise

Capture inbound demand

[Inbound]

Increase in overseas visitors to Japan

Lateral development of crowd sourcing expertise

Incorporate concierges in fields outside of travel

[Outbound]

Crowd sourcing market expansion

Corporate Governance

Ⅰ Corporate Governance System

1. Outline of Corporate Governance System

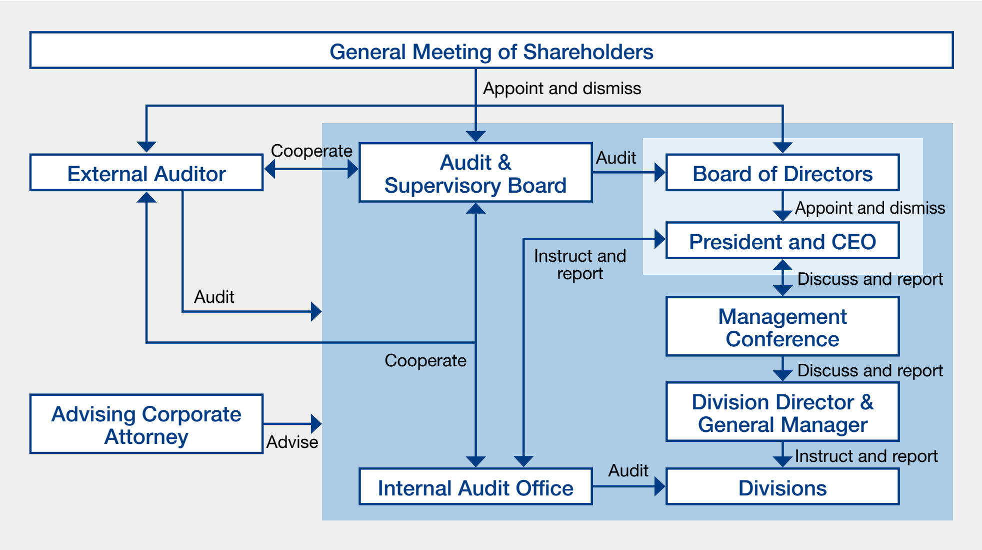
The Company has a corporate governance system comprising a Board of Directors, Audit & Supervisory Board members, an Audit & Supervisory Board, and an external auditor.

The Company's Board of Directors has five directors, one of whom is an outside director. As the body making management decisions, the Board of Directors resolves important business decisions in accordance with the Board of Directors Regulations. The Board meets once a month and as the need arises to supervise the execution of duties by directors based on monthly financial statements and other reports. It also invites the outside director to participate in Board meetings in order to obtain the outside director's views on management from an objective perspective based on his extensive experience.

The Company's Audit & Supervisory Board has three members, (including two outside members), comprising one full-time Audit & Supervisory Board member and two part-time Audit & Supervisory Board members. The Audit & Supervisory Board meets every month, in principle, to share information between the Audit & Supervisory Board members and facilitate efficient audits.

In addition, the Company strives to promptly grasp information on business management by holding a Management Conference once a week, with mainly the directors and general managers in attendance.

A schematic diagram of the Company's corporate governance system is presented below.



2. Number of Directors

The Company's Articles of Incorporation stipulate that the Board of Directors comprises a maximum of 10 directors.

3. Approval Criteria for the Appointment and Dismissal of Directors

The Company's Articles of Incorporation stipulate that the appointment of directors shall be approved by a majority of voting rights exercised at a meeting attended by shareholders holding at least one-third of all voting rights. The Articles of Incorporation also stipulate that the appointment of directors shall not be approved on the basis of cumulative voting.

The Articles of Incorporation also stipulate that the dismissal of a director shall be approved by two-thirds majority of voting rights exercised at a meeting attended by shareholders holding a majority of all voting rights.

4. Limited Liability Agreement

The Company has concluded an agreement limiting liability for damages with each director (excluding directors with executive responsibilities and similar posts) and each Audit & Supervisory Board member, pursuant to Article 423, paragraph 1 of the Companies Act, based on the provisions in Article 427, paragraph 1 of the same.

The liability for damages based on this agreement is limited to either an amount no larger than ¥1 million specified by the Company in advance, or the minimum liability amount as set forth by the law, whichever is higher.

Article 41 of the Company's Articles of Incorporation stipulates that "the Company can conclude an agreement limiting liability for damages with the external auditor, pursuant to Article 423-1 of the Companies Act, based on the provisions in Article 427-1 of the same. However, the upper limit of the liability amount under the contract shall be the amount provided in the law." As such, the Company's external audit contract with Toko Audit Corporation makes provisions for an article limiting liability. The limit on the amount of liability for damages in this contract is twice the amount of total remuneration for Toko Audit Corporation's auditing services.

5. Exemption of Directors and Audit & Supervisory Board Members from Liability

Pursuant to the provisions on liability set forth in Article 423-1 of the Companies Act, the Company's Articles of Incorporation stipulate that the Board of Directors may resolve to exempt a director (including past directors) or Audit & Supervisory Board member (including past Audit & Supervisory Board members) from their liability within the limit set forth by the law, provided that that person had acted in good faith and was not grossly negligent.

The aim of this provision is to enable the directors and Audit & Supervisory Board members to fulfill their roles to the fullest extent, and to enable the Company to appoint experienced and knowledgeable personnel to the Board of Directors and Audit & Supervisory Board.

6. Body Making Decisions to Pay Dividends and other Distributions from Surplus

In order to flexibly return profits to shareholders, the Company's Articles of Incorporation stipulate that the Board of Directors may resolve to pay an interim dividend to the shareholders and registered pledgees of the Company's shares, listed or recorded in the final register of shareholders as of May 31 each year.

Corporate Governance

II Establishment of an Internal Control System

The Company has developed company-wide internal rules governing all business operations, and executes business with proper separation of management based on these rules. At the same time, the Company has built an approval system based on rules governing the authorization of duties and the circular approval of decisions. In order to evaluate the effectiveness and sustainability of the Company's internal control system, the Internal Audit Office audits each business division to ensure that their important business duties are being executed both efficiently and accurately.

III Status of Internal Audits, Audit & Supervisory Board Audits and Accounting Audits

Each Audit & Supervisory Board member attends the Board of Directors meetings to audit the execution of duties by directors. The members also exchange information as required with the president and directors of the Company to share an understanding of the management priorities and issues. In addition to auditing the Company's minutes, circular approval documents, contracts, and business transaction records, the full-time Audit & Supervisory Board member is mainly responsible for interviewing relevant personnel, observing accounting audits, and conducting on-site surveys, as well as attending other important meetings apart from the Board of Directors.

The Company's Internal Audit Office, comprising one person in charge, cooperates with the Audit & Supervisory Board members throughout the year to conduct the required internal audits based on an internal audit plan. Results of the internal audits are reported in writing to the president and confirm the status of specific advice and recommendations given to the divisions receiving audits as well as the improvements they have made.

The Company has also concluded an external auditor contract with Toko Audit Corporation, under which it periodically receives accounting audits.

The Internal Audit Office, Audit & Supervisory Board, and external auditor cooperate with one another to conduct audits effectively and efficiently. To this end, they strive to conduct proper audits and confirm the status of improvements in response to the findings and issues they raise by exchanging information and opinions and sharing what they find.

IV Development Status of the Risk Management System

The Company's risk management system has rules that were developed based on the International Organization for Standardization (ISO) from the standpoint of preventing risks. When there is information thought to represent a market, credit, business, or management risk, the Management Conference confirms the status of compliance with laws and regulations of the Company and Group companies. At the same time, executives in charge of each division strive to raise risk awareness by rigorously disseminating information considered to represent a risk within their respective divisions. The Company is also striving to strengthen its legal risk management system by concluding an advisory contract with a law firm so that it can receive timely advice and instruction on legal risks of high importance, particularly the protection of personal information, statutory regulations, and so forth.

Internal audits are conducted periodically to verify that there are no problems with the Company's risk management system and compliance with laws and regulations.

V Status of Development of a System for Ensuring the Appropriateness of the Operations of Subsidiaries of the Company

The subsidiaries of the Company have adopted the basic policy of maintaining their independence by making management decisions autonomously in light of the characteristics of each company, such as the scale of operations, business characteristics and design of governing bodies, in tandem with maintaining cooperation and information sharing with the Company. Meanwhile, with regard to important matters concerning management at the Company's subsidiaries, the subsidiaries are requested to seek the approval of these matters from the Company or report them to the Company, based on internal rules. In parallel, subsidiaries regularly report on the status of business execution, financial condition and other matters to the Company. Moreover, the Internal Audit Office audits transactions between the Company and its subsidiaries.

VI Compensation of Corporate Officers

1. Total Compensation by Corporate Officer Position and Type of Compensation, and Number of Eligible Officers

Position	Total compensation (Thousands of yen)	Total by type of compensation (Thousands of yen)				Number of eligible officers
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding outside directors)	14,810	9,810	5,000	–	–	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	–	–	–	–	–	–
Outside officers	1,800	1,800	–	–	–	1

Notes: 1. The 22nd Ordinary General Meeting of Shareholders, held on June 29, 2006, resolved that the total compensation for the Company's directors (excluding salary as an employee) shall be limited to within 300 million yen per year. Separately from the above, the 30th Ordinary General Meeting of Shareholders, held on February 26, 2014, resolved that the total compensation in stock options shall be limited to within 100 million yen per year.
2. The 22nd Ordinary General Meeting of Shareholders, held on June 29, 2006, resolved that the total compensation for the Company's Audit & Supervisory Board members shall be limited to within 50 million yen per year.
3. There were three Audit & Supervisory Board members (of whom, two were outside Audit & Supervisory Board members) who received no compensation in fiscal 2015 (from December 1, 2014 to November 30, 2015).

2. Breakdown of Compensation by Corporate Officer

Omitted from record in this report as there were no corporate officers receiving 100 million yen or more in total compensation.

Corporate Governance

3. Material Information on Salary as an Employee for Corporate Officers Serving Concurrently as Employees

No items to report

4. Policy on Determining the Amount and Calculation Method of Corporate Officer Compensation

The Company has not established policies on the amount or calculation method of compensation for corporate officers.

VII Outside Director and Outside Audit & Supervisory Board Members

1. Functions and Roles relating to Corporate Governance

The Company has appointed one outside director and two outside Audit & Supervisory Board members.

Outside Director Sadatomo Matsudaira has extensive knowledge developed through his career as a newscaster over many years. Mr. Matsudaira was appointed because his knowledge is expected to help strengthen the Company's management team. There are no conflicts of interest between this individual and the Company.

Outside Audit & Supervisory Board member Mitsutoshi Urano possesses the extensive experience and knowledge needed to perform audit operations based on his past and current positions as certified tax accountant, representative director, and Audit & Supervisory Board member. Mr. Urano was appointed because his experience and knowledge are expected to help strengthen the Company's audit team. There are no conflicts of interest between this individual and the Company.

Outside Audit & Supervisory Board member Kazuhisa Nagabuchi currently serves as chairman of a non-profit organization, and has ample knowledge needed to audit and supervise corporate management. Mr. Nagabuchi was appointed because his knowledge is expected to help strengthen the Company's audit team. There are no conflicts of interest between this individual and the Company.

Based on the above, and as noted under "2. Personnel, Capital, Business, and Other Vested Interests between the Outside Director and Audit & Supervisory Board Members and the Company" in this report, the outside director and outside Audit & Supervisory Board members have no noteworthy vested interests in the Company from the standpoint of conflict of interest with general shareholders. Furthermore, they are expected to supervise and audit the execution of duties by the Company's directors from an independent position posing no risk of a conflict of interest with general shareholders, since they are expected to apply an outsider's perspective, drawing on their professional expertise and experience and knowledge working for other companies, in offering impartial advice and opinions to the Company.

2. View Concerning the Appointment Status of the Outside Director and Audit & Supervisory Board Members

The Company has no standards or policies regarding independence from the Company for the appointment of outside directors and outside Audit & Supervisory Board members. However, as noted above, the Company recognizes that the outside director and outside Audit & Supervisory Board members are fulfilling their functions and roles as expected and judges that there is no problem with their appointment status.

3. Supervision and Audit by the Outside Director and Audit & Supervisory Board Members, Their Mutual Cooperation in Internal, Audit & Supervisory Board, and Accounting Audits, and Relationship with the Internal Control Division

The Company's outside director voices timely opinions at Board of Directors meetings based on high-level knowledge and ample experience, and fulfills the functions of supervising and checking management from an independent position from the Company's management team.

The outside Audit & Supervisory Board members provide opinions and advice based on professional expertise and ample experience at the Company's Board of Directors and Audit & Supervisory Board meetings. They also maintain and strengthen the compliance of Company divisions with laws and regulations by deliberating and exchanging information with the Internal Audit Office and an external auditor, as well as by receiving reports from them.

[Details of Compensation for Auditing Certified Accountants and Their Staff] (Thousands of yen)

Classification	Previous fiscal year		Fiscal year under review	
	Compensation paid for audit certification activities	Compensation paid for non-audit activities	Compensation paid for audit certification activities	Compensation paid for non-audit activities
Reporting company	12,000	–	16,000	–
Consolidated subsidiaries	5,500	–	10,000	–
Total	17,500	–	26,000	–

Board of Directors and Audit & Supervisory Board Members

- Representative Director and President ············ Tsukasa Akiyama
- Representative Director and Vice President ······ Naoki Ishihara
- Director ············ Osamu Fukami
- Director ············ Yosuke Saito
- Outside Director ············ Sadatomo Matsudaira
- Audit & Supervisory Board Member ············ Kentaro Tawara
- Outside Audit & Supervisory Board Member ····· Mitsutoshi Urano
- Outside Audit & Supervisory Board Member ····· Kazuhisa Nagabuchi

CSR Activities

The NCXX Group believes that it is allowed to exist in society and to continue its business because it provides value to society and carries out its social responsibilities. Guided by our Corporate Philosophy, "Provide new value to people based on telecommunications technology, thereby contributing to the development of a more efficient and comfortable society," we are working as a group to actively engage in CSR activities that are deeply involved with our business.

CSR Activities

NCXX Group Inc.'s underlying desire as a manufacturer is to find ways to help people with disabilities or elderly people achieve things that they want to do but cannot, and to take on various individual wishes and realize them. Through our activities with various people in and outside the company, we encounter many ways of thinking, widen our field of view, and create new values and ideas. We believe this helps to invigorate our organization.

Based on this stance, we are engaged in the volunteer activities introduced below and also volunteer to support events held at nursing care facilities and the lives of aging households in depopulated villages. In addition, we are also working to serve communities through our businesses and to develop products that contribute to society.

Initiatives through Business

Volunteer Participation in the Tandem Parade Pre-Event for the Suzuka 8hours

The "Kaze no Kai" holds a tandem parade the night before the Suzuka 8 Hours Endurance Road Race (Suzuka 8hours). It is a social contribution activity, in which the contestants and former riders gather together to give tandem rides around the Suzuka circuit carrying people with disabilities as their passengers. The Group sponsors the tandem event on the Suzuka circuit as part of its CSR activities.

As one its products in the M2M field, the Group is developing a GPS data logger for motorcycles (a device that logs various information about the motorcycle). In developing products for motorcycles we conduct test operation of prototypes and data collection and analysis. In addition, with a philosophy and Japanese cultural trait of "winning through a team effort," we formed Team WINNER Z-TECH & NCXX Group (currently "NCXX Racing") in 2014 to enter the Suzuka 8hours to support motorcycles and Japan's largest motorcycle race.

Looking ahead, we will continue to support the activities of the Kaze no Kai and contribute to supporting the spread of motorcycle culture, which has a deep connection with our business activities.

Riding tandem

Contribution to Communities through the Agricultural ICT Business

The testing plot of NCXX FARM is built on some idle land at the Company's Hanamaki Head Office. Here, we conduct multi-variety harvesting by adopting new agricultural methods, automation of environmental management, which is important to cultivation, and optimal growing environment control, to verify effective methods for using the land and energy saving and efficiency increases in agricultural operations. We are promoting the use of ICT in agriculture to enhance the efficiency of conventional agriculture and improve profitability. We are also promoting initiatives to enable us to contribute to community revitalization. The farm in Hanamaki will continue to produce business models for appealing agriculture that can realize local production for local consumption, even in areas where the population aging has advanced.


NCXX FARM is currently acceptings visitors for observation anytime

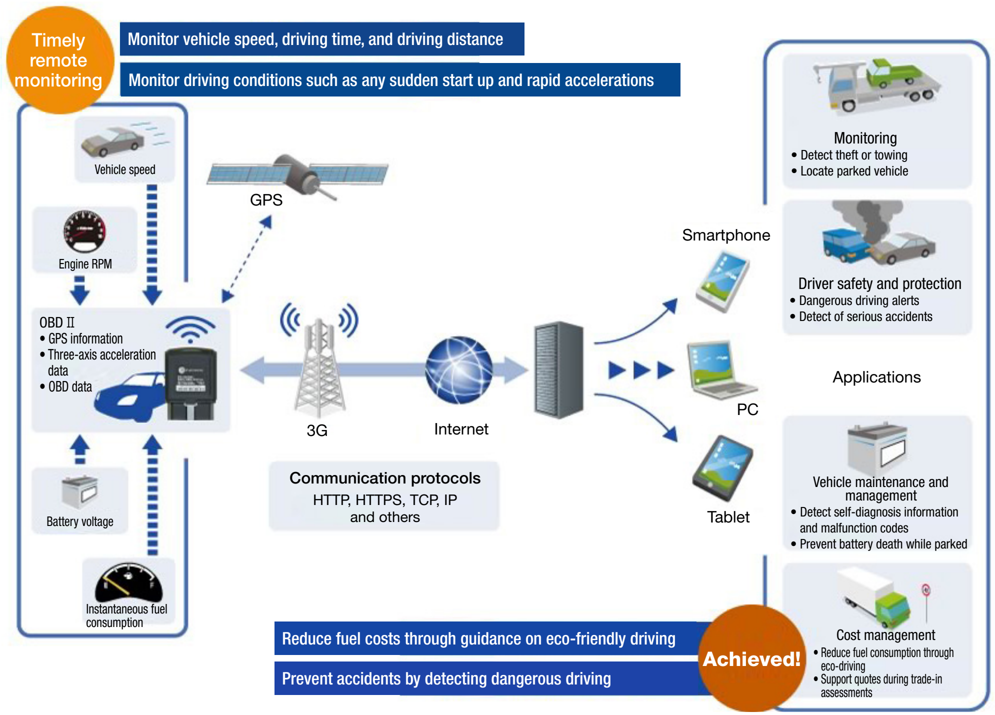

Our produce is also supplied to stores and events in Hanamaki City

Adopted as a commemorative product of Hanamaki City's voluntary hometown tax system

Reducing Fuel Consumption and Preventing Accidents Through Guidance on Safe Driving
Telematics Service

The NCXX Group's telematics service helps to reduce fuel costs by providing guidance on eco-friendly driving and helps to prevent accidents by providing guidance on safe driving. This is accomplished through timely remote monitoring of driving conditions such as vehicle speed, driving time, and driving distance, along with any sudden start up and rapid acceleration. The service is highly versatile, supporting an expansive range of markets spanning the transportation industry, taxi companies, rental car companies, and companies that own commercial vehicles, as well as gas stations, after-market automotive parts retailers and others.

The Group's Telematics Service



Reducing the Burden of Caregivers and Care Recipients at Nursing Care Sites
Contactless, Non-Confining Bed Monitoring System OWLSIGHT

OWLSIGHT is a monitoring system that is able to detect both the large movements of care recipients, such as getting out of bed and leaning over bed rails, and small movements like trembling and shivering. Because the system eliminates the need to constantly monitor the care recipient at their bedside, OWLSIGHT is expected to reduce the physical and mental workload of caregivers. For care recipients, the system imposes no physical burden and allows them to lead their lives normally because it is a contactless, non-confining system. In this manner, the system reduces the burden of both caregivers and care recipients.

Examples of Conditions Reported by the System

Rising | Getting out of bed | Leaning over bed rails

The system detects when care recipients rise from bed, or when they could fall based on their position. Through a screen indication and alert chime, the system sends notices to the handheld devices of caregivers, showing either a "Dangerous" or "Please check" indication according to the situation.

List screen | Details screen

Financial Section

27–31 Analysis of Operating Results and Financial Position
32–36 Consolidated Financial Statements
37–67 Notes

Analysis of Operating Results and Financial Position

[Review of Operations]

In the fiscal year ended November 30, 2015, the Japanese economy continued to follow a gradual recovery path, supported by signs of improving employment conditions and other factors.

The information and communications market, the Company's primary market, is seeing market penetration of communications infrastructure such as optical fiber and 4G, with the household broadband coverage ratio reaching almost 100%. Voice communications is transitioning to IP-based technology, and the introduction of IPv6*1 is gradually getting under way. In this environment, various forms of Software as a Service (SaaS) are evolving over networks, and are spreading to smart devices such as smartphones and tablets across all age groups, as a means of disseminating information. Moreover, highly unique new products such as wearable devices*2 are emerging onto the market, marking the beginning of a new phase in this market. Meanwhile, the M2M*3 field offers prospects for rapid market expansion. Indeed, the M2M market continues to attract an extremely high level of interest, with the size of the market projected to expand from around ¥230.0 billion in 2013 to over ¥1,000.0 billion in 2018. Furthermore, according to the 2015 White Paper on Information and Communications in Japan, the Internet of Things (IoT), a higher-level concept encompassing M2M that will connect a multitude of physical objects, not just devices, to the Internet, is predicted to experience exponential growth, along with rapid increases in data traffic volume and the evolution of artificial intelligence driven by the increasing sophistication of algorithms. In this climate, the White Paper has identified several priorities, such as developing network technologies, that will enable the exchange of a burgeoning volume of big data traffic, building platforms for a diverse array of IoT devices operating autonomously, ensuring security to support the adoption of ICT by society as a whole, and strengthening resilience to natural disasters. Each of these priorities are now on the verge of giving rise to new markets.

*1 IPv6 is one version of the Internet Protocol, the communications protocol that serves as the foundation of the Internet. It is a new standard that is scheduled to replace the now widely used IPv4 (IP version 4) standard.
*2 Wearable devices refer to devices that are designed to be used while being worn on the arm, head, and other parts of the body.
*3 Machine to Machine (M2M) refers to a system that automates various controls by enabling network-connected devices to exchange data with each other. One key advantage of M2M is that it enables data communication between devices without any human intervention. For this reason, M2M has been introduced not just to PCs and servers, but to a diverse array of fields, including management of driving conditions through integration with vehicle driving management systems, inventory management for vending machines and related monitoring of malfunctions and other issues, remote surveillance of elevators and ATMs and related monitoring of malfunctions and other issues, remote readings of electricity and gas meters, and security measures.

As an initiative targeting a new market, the Company commenced joint marketing activities in the automotive telematics*4 field with ZMP Inc. ("ZMP") in January 2015. By combining ZMP's technology for analyzing vehicle information with the Company's communications modules and communications technologies, the two companies will develop services such as surveillance of vehicle condition, transmission of audio and image data and other information while driving, and automatic software updates for adding new functions. Moreover, subsidiary NCXX Solutions Inc. ("NCXX Solutions") will consider initiatives including providing servers to archive data collected from driving information and other sources and developing applications to put this data to good use.

*4 Telematics is a word formed by combining the words telecommunications and informatics. It collectively refers to the provision of services to mobile entities using mobile communications systems such as mobile phones.

On April 1, 2015, the Company changed its name to NCXX Group Inc. In parallel, the Company made the transition to a holding company by splitting off its device business as a wholly owned subsidiary of the Company and reincorporating it as NCXX Inc. Following the transition to a holding company, the Company will focus on Group-wide management. By allocating personnel and funds according to the priority and size of new businesses, the Company will implement the optimal management of the entire Group. In addition, substantial authority for business execution will be transferred to operating companies to ensure flexible and speedy decision-making according to the conditions of each market. Furthermore, in the course of rapidly and efficiently implementing M&As, an effective option as a growth measure, the Company believes the holding company's flexibility and the management approach of not creating vertical hierarchies within the Group will greatly facilitate the implementation of M&As, thereby helping to significantly enhance the pace of growth.

In June, the Company entered into a business and capital alliance agreement with SJI Inc. ("SJI"), making SJI a subsidiary through an increase in capital through a private placement of shares and the acceptance of subscription rights to shares. Working together with NCXX Inc., which manufactures high value-added communications devices, and NCXX Solutions, SJI will provide not only hardware for device products, but also M2M solution services, including server applications and other application services. Through these efforts, the Company will push ahead with vertical integration of the value chain in the M2M market, which continues to grow, with the aim of (1) delivering the benefits of one-stop services and (2) maximizing profit throughout the value chain.

In the agricultural ICT business (NCXX FARM), over the past three years the Company has been conducting verification of chemical soil management based on a patented farming method (multi-stage pot cultivation) plus digital management based on ICT systems. At the same time, the Company has been accumulating expertise in growing cherry tomatoes and performing related data analysis, thereby improving systems to ensure stable production of high-quality vegetables. As a result, the Company was able to prove, based on its actual track record, that the harvest per unit area using multi-stage pot cultivation is 1.5 to 2.0 times greater than that of traditional farming methods. In regard to environmental management using ICT systems, the Company has boosted work efficiency through such means as automated control of agricultural equipment and automated irrigation. At the same time, the Company has amassed data on stabilizing the quality of cultivation, enabling the technology to be used effectively as a systems product in the future.

In addition, the Company sells the tomatoes it produces as "IT vegetables" through local farmer's markets, restaurants, e-commerce and other channels, in conjunction with undertaking initiatives to promote sixth-order industrialization, including developing various processed products. In other areas, the Company will continue to advance initiatives closely tied to communities. One notable example is the Company's production of souvenir gift-sets of "yellow tomatoes" from Hanamaki City, Iwate Prefecture, which were launched for sale in November 2013. These "yellow tomatoes" have been adopted as a commemorative product of Hanamaki City's voluntary hometown tax system.

Analysis of Operating Results and Financial Position

As the culmination of R&D activities over the past three years, the Company will expand the size of its farming area from 462.8 m^2 (140 *tsubo*) at present to a total area of 5,421 m^2 (1,640 *tsubo*) from the next fiscal year in tandem with driving growth in the sixth-order industrialization business for the production, processing and sale of agricultural produce. Moreover, the Company will launch a franchise business that will conduct packaged sales of an entire system encompassing NCXX FARM's features, namely its chemical soil management based on a patented farming method plus digital management based on ICT systems, augmented by a new product sales support system and a full purchase guarantee for all agricultural produce. The Company will work to expand this franchise business into a new core business.

In the nursing care robotics business, which the Company entered as a domain that is poised to expand the horizons of the M2M field, the Company has been conducting joint development of nursing care robots with Vstone Co., Ltd., a robotics product manufacturer, since April 2014. At present, a prototype robot focused on communicating with the elderly has been developed, and it is being introduced on a trial basis at partner facilities. The prototype is being repeatedly improved based on the opinions and other feedback of users at these sites. The Company will continue to pursue development, with a view to developing a commercial product as early as possible.

[Operating Results]

Looking at consolidated business results, in the device business, the Company had planned to sell two new product models in the automotive telematics field that would have contributed significantly to the Company's net sales from the beginning of the fiscal year under review, as well as the next fiscal year onward. However, net sales decreased sharply due to the reasons outlined below. Operating income also declined substantially given the extremely high profit margins of these products.

In regard to sales of the OBD II-type Data Collection Unit, one of the new products, the Company had planned to undertake original design manufacturer (ODM) production for a company associated with a major automotive firm and supply the product to this company. However, the Company had to conduct additional development because the customer requested a change in the product's specifications, resulting in major delays in the sales plan. The sales plan was postponed further and ultimately brought to a halt due to the customer's circumstances. For this reason, sales were approximately ¥1.9 billion below the sales forecast for the fiscal year under review. Meanwhile, the Company has also started selling the OBD II-type Data Collection Unit as a proprietary brand, and has already received many product inquiries from customers. Moreover, as a result of the recent ODM development project, the Company has amassed the expertise needed to customize the product in response to detailed requests from each customer. Accordingly, the Company will seek to make up for the decline in sales in the fiscal year under review by capturing demand through sales of proprietary brand products and customized products in the next fiscal year.

Furthermore, in regard to the other new product, the Company had to conduct additional development because the customer requested additional specifications. For this reason, the start of sales was delayed significantly, and part of the sales in the fiscal year under review was postponed to the next fiscal year. Consequently, sales of this product were about ¥1.3 billion lower than planned. For this product, the Company has started sales from the fourth quarter of the fiscal year under review. Although there are some concerns about opportunity losses due to the postponement of sales, the Company aims to fulfill all orders received within the next fiscal year.

The Company has consolidated the business results of SJI, which became a consolidated subsidiary on June 30, for the period from July to October. Efforts have been made to reduce costs at SJI since July, but they did not contribute sufficiently to business results in the fiscal year under review. In addition, the Company recorded amortization of goodwill of ¥164 million for the acquisition of shares, and non-operating expenses of ¥283 million due to the foreign exchange translation effect of the yen-denominated liabilities of SJI (Hong Kong) Limited, an overseas subsidiary of SJI. Consequently, SJI posted an operating loss and an ordinary loss.

Looking at SJI's business performance, SJI has already become profitable on a monthly basis, and is briefing customers on the situation as necessary to minimize the impact on product orders of the designation of SJI Inc. stock as Securities Under Supervision by the Tokyo Stock Exchange. Thanks to SJI's continuing efforts to restore trust, SJI is expected to start contributing positively to business results from the next fiscal year.

As a result of these efforts, consolidated net sales were ¥7,416 million, up 16.3% year on year. The operating loss was ¥529 million, compared to operating income of ¥82 million in the previous fiscal year. The ordinary loss was ¥810 million, compared to ordinary income of ¥692 million in the previous fiscal year. Income before income taxes and minority interests was ¥23 million, compared with ¥742 million in the previous fiscal year, mainly reflecting the impact of an extraordinary gain on the sale of shares of the e-tabinet.com Group. The bottom line was a net loss of ¥45 million, compared to net income of ¥630 million in the previous fiscal year.

Business performance by segment in the fiscal year under review was as follows:

(Device Business)

Steady sales were posted for the Company's mainstay USB data communication devices compatible with quad-band LTE, and USB data communication devices compatible with 3G, for uses such as surveillance cameras, business equipment, and car navigation systems. However, overall sales declined sharply due to the postponement of sales plans for two new product models.

Moreover, SJI, which became a consolidated subsidiary in the fiscal year under review, restored profitability on a monthly basis from September, owing to efforts to reduce costs since July. However, SJI recorded an operating loss for the fiscal year under review. The Company recorded amortization of goodwill of ¥164 million for the acquisition of SJI shares. As a result, a large operating loss was recorded in this segment.

NCXX Solutions and Care Dynamics Limited performed largely as planned. As a result, segment sales in the fiscal year ended November 30, 2015 were ¥5,739 million, up 24.4% year on year. The segment loss was ¥392 million, compared with segment income of ¥183 million in the previous fiscal year.

Analysis of Operating Results and Financial Position

(Internet Travel Business)

Looking at segment sales in the fiscal year under review, sales from travel to Europe, which notably have high unit travel prices and good profit margins, were significantly affected by the protracted impact of a string of terrorist attacks by Islamic State since the previous year. Indeed, major travel agencies have seen sales decline by 30%. The e-tabinet.com Group was also impacted. It saw the cancellation of around ¥80 million in the travel business, representing about 5% of annual sales. If orders that were not received are also included (i.e., the postponement of itineraries by customers who were considering travel, etc.), the impact is estimated at about ¥200 million. The e-tabinet.com Group strove to improve earnings over and above the industry trend, but was unable to make up for the drop in earnings. In terms of the sales mix, overseas travel business sales were ¥1,547 million, centered on honeymoon packages to Italy, Spain and France, and domestic travel business sales were ¥130 million. Segment sales thus totaled ¥1,677 million, down 4.8% year on year. Meanwhile, continuing cost-cutting initiatives proved effective, leading to a 0.6 percentage point decline in the selling, general and administrative expense ratio. Consequently, segment income increased 8.1% year on year to ¥40 million.

[Financial Position]

The Group's financial position as of November 30, 2015 was as follows.

(Assets)

Total assets were ¥14,303 million as of November 30, 2015, an increase of ¥7,324 million from a year earlier. The main contributing factors were increases of ¥1,685 million in notes and accounts receivable—trade, ¥2,191 million in short-term loans receivable, ¥2,038 million in accounts receivable—other, ¥4,301 million in goodwill, and ¥2,643 million in long-term accounts receivable—other, which were partly offset by a decrease of ¥1,025 million in cash and deposits.

(Liabilities)

Total liabilities were ¥9,576 million, an increase of ¥6,148 million from a year earlier. The main contributing factors were increases of ¥524 million in notes and accounts payable—trade, ¥484 million in short-term loans payable, ¥1,825 million in current portion of long-term loans payable, and ¥2,570 million in long-term loans payable.

(Net Assets)

Total net assets were ¥4,726 million, an increase of ¥1,175 million from a year earlier. The main contributing factors were increases of ¥607 million in capital stock and ¥689 million in capital surplus due to the exercise of convertible bonds with subscription rights to shares.

[Cash Flows]

Cash and cash equivalents ("cash") at November 30, 2015 were ¥2,905 million, a decrease of ¥1,025 million from the previous fiscal year-end.

Cash flows during the fiscal year under review and analysis of the main components are as follows:

(Cash Flows From Operating Activities)

Net cash used in operating activities was ¥1,090 million, compared with net cash provided by operating activities of ¥1,448 million in the previous fiscal year. The primary reason was an increase in notes and accounts receivable—trade of ¥220 million, the main factor reducing cash. This was partly offset by a decrease in accounts receivable—other of ¥1,103 million, the main factor increasing cash.

(Cash Flows From Investing Activities)

Net cash used in investing activities was ¥844 million, compared with ¥851 million in the previous fiscal year. The main uses of cash were purchase of property, plant and equipment of ¥385 million, purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥206 million, and increase in short-term loans receivable of ¥2,920 million.

(Cash Flows From Financing Activities)

Net cash provided by financing activities was ¥829 million, compared with ¥2,072 million in the previous fiscal year. This was mainly due to proceeds from long-term loans payable of ¥2,583 million and proceeds from issuance of bonds with subscription rights to shares of ¥1,157 million. These cash inflows were partly offset by a net decrease in short-term loans payable of ¥1,905 million, and repayment of long-term loans payable of ¥1,895 million.

Analysis of Operating Results and Financial Position

[Risk Information]

The Group presents the main factors that could pose a risk to its business development and related activities. From the standpoint of actively disclosing information to investors, the Group discloses matters that could have a material impact on investor judgment, even external factors beyond the control of the Company and matters that may not necessarily be considered as business risks.

The items outlined below do not represent an exhaustive listing of all risks affecting investment in the Company's stock.

The items in the following section that concern the future were assessed by the Group based on information available as of November 30, 2015. They are subject to uncertainties and may differ from actual results.

(1) Business Characteristics

1. Group Driven by Research and Development

The Group primarily comprises companies driven by research and development (R&D), and its source of competitiveness is the constant internal accumulation of new technology. If the Group has difficulty securing and nurturing competent technicians, or suffers an outflow of competent human resources, this could have a material impact on the Group's business and operating results.

As a policy, the Group adapts to technological and other advancements through its R&D activities. However, the Group may not be able to adapt promptly to changes in the business environment if they were brought about by new unforeseen technologies. Adapting to changes in the business environment may also involve large sums of R&D expenses and other expenses. Such events could have a material impact on the Group's business and operating results.

2. Fabless Manufacturing

The Group outsources the manufacturing of mobile telecommunications devices and other products to a large extent. As a result, business conditions at the outsourcing contractors, as well as the Group's cultivation and retention of outsourcing contractors and the Group's in-house manufacturing capabilities, could have a material impact on the Group's business and operating results.

3. Relationship with Telecommunications Service Providers

The Group's core products are data telecommunications terminals and other mobile devices developed and manufactured based on the specifications of telecommunications service providers. Furthermore, in these transactions the telecommunications service providers purchase all of the contracted output. As a result, changes in the content of the contracts, sales prices, and transaction terms with the telecommunications service providers, as well as the success or failure of renewing the contracts, could have a material impact on the Company's business and operating results.

4. Changes in Demand for Mobile Devices

Data telecommunications terminals and other mobile devices developed and manufactured by the Group are subject to severe product competition. As such, the trend in their demand has a tendency to change dramatically depending on such factors as technological advancement and the status of the product competition. The business is also characterized by the short turnaround in launching new products. As a policy, the Group seeks to adapt to changes in demand with fabless manufacturing. However, the Group is currently dependent on specific products because it develops and manufactures a limited variety of products. Consequently, drastic changes in demand and falls in the sale price of mobile devices brought about by factors such as business strategies of competitors and changing customer needs could have a material impact on the Group's business and operating results.

(2) Dependence on a Specific Business Partner

Dependence on a specific outsourcing contractor

In the year ended November 30, 2015, the Group outsourced the manufacturing of mobile devices to TRICHEER TELECOMMUNICATION LTD. This represents a 74.3% monetary share of the Group's outsourced processes for mobile telecommunications devices and other products, making TRICHEER TELECOMMUNICATION LTD., a major outsourcing contractor for the Group. Consequently, changes in the business transaction policy and manufacturing framework between the Group and this contractor could have a material impact on the Group's business and operating results.

Analysis of Operating Results and Financial Position

(3) Risks Related to Protection of Intellectual Property Rights

The Group is driven by R&D and is the rightful owner of numerous intellectual properties that have been submitted and registered for patent and registered with design rights and trademarks. The Group also strives to make sure that the products it develops and manufactures do not infringe on the intellectual property rights of third parties, and understands that there are no infringements at present. However, the possibility of infringing on the intellectual property rights of a third party in the future cannot be eliminated. Should the Group infringe on the intellectual property rights of a third party, it may experience legal action seeking damages, a decline in credibility, a deterioration in its corporate brand, and so forth, which could have a material impact on the Group's business and operating results. Conversely, should the intellectual property rights of the Group suffer infringement by a third party, the Group would be obliged to divert management resources toward taking the party to court and other defensive measures, which could have a material impact on the Group's business and operating results.

(4) Quality Control

The Group must recall and repair the mobile devices it develops and manufactures in the event of a product malfunction. Moreover, should an accident caused by defective products occur, the Company may be subject to claims for damages under the Product Liability Act.

In order to prevent such product defects and accidents from occurring, the Group has developed a quality control system that also encompasses the management of outsourcing contractors and suppliers to improve product safety and promote compliance with laws and regulations. In addition, the Group also subscribes to product liability insurance as a contingency in the event of product accidents. However, should a serious product defect or incident violating the Product Liability Act occur, the Group may have to bear product recall and repair expenses and payment of damages, as well as experience a decline in its credibility with corporate clients and society, a deterioration in its corporate brand value, and so forth, which could have a material impact on the Group's business and operating results.

(5) Statutory Regulations on Telecommunications

The Group mainly develops products regulated by the Radio Act of Japan. As a result, trends regarding the Radio Act and other statutory regulations on telecommunications could have a material impact on the Group's business and operating results.

(6) Protection of Personal Information

The Group holds the personal information and so forth of its customers in the conduct of its business of selling and providing product support and so forth for mobile communication devices. To prevent the acquired personal information and so forth of customers from leaking externally, the Group takes ample precautions such as limiting access to the personal information and strengthening the internal control system by periodically conducting internal audits. However, should a leak in personal information occur, the Company may be in violation of laws and regulations as well as its confidentiality agreements with client companies. As a result, the Group may receive claims for damages from client companies and other customers as well as experience a decline in its credibility with corporate clients and society, a deterioration in its corporate brand value, and so forth, which could have a material impact on the Group's business and operating results.

(7) Corporate Organization

In order to continue growing while strengthening the internal control system further at the same time, the Group sees a need to bolster competent human resources, as well as further enhance the organization of its administrative divisions, at each stage of business development. Consequently, should the Group be unable to bolster human resources as required at each stage of business development, or suffer an outflow of competent human resources, this could have a material impact on the Group's business and operating results.

(8) Relationship with the Parent Company

FISCO Ltd. (listed on the Tokyo Stock Exchange JASDAQ Growth) is the parent company of the Company, holding 57.47% of the voting rights both directly and indirectly as of November 30, 2015. The Company therefore belongs to a parent company group with FISCO at the center. As a result, changes in the parent company group's management policy and other circumstances could have a material impact on the Company's business and operating results.

Furthermore, SEQUEDGE INVESTMENT INTERNATIONAL LIMITED (unlisted), as the parent company of FISCO Ltd., is the ultimate parent company of the Company, holding a majority of the voting rights indirectly. Consequently, changes in the management policy and other circumstances of this company could also have a material impact on the Company's business and operating results.

(9) Fluctuations in the Foreign Exchange Market

The Company subcontracts the manufacturing of some of its products to a Chinese original design manufacturer (ODM) to enhance price competitiveness and profitability. As a result, business transactions denominated in foreign currencies may be affected by fluctuations in the foreign exchange market. To reduce this impact, the Company unwound a derivatives trade (foreign exchange margin trade) in the year ended November 30, 2015, and will strive in the future to make use of instruments such as foreign exchange forward contracts, and to reconfigure its product portfolio. However, trading conditions and foreign exchange market trends in the future could have a material impact on the Group's business and operating results.

Consolidated Financial Statements

[Consolidated Balance Sheets]

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Assets		
Current assets		
Cash and deposits	¥3,930,484	¥ 2,905,141
Notes and accounts receivable—trade	665,867	2,351,650
Work in process	484,430	661,180
Raw materials	3,086	10,763
Advance payments—trade	251,682	185,857
Deferred tax assets	17,668	1,019
Short-term loans receivable	448,887	2,640,314
Accounts receivable—other	7,367	2,046,360
Other	42,303	141,575
Allowance for doubtful accounts	–	(2,889,846)
Total current assets	5,851,779	8,054,017
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	*1 315,654	*1 518,244
Accumulated depreciation	(219,696)	(233,966)
Buildings and structures, net	95,958	284,278
Machinery, equipment and vehicles	28,954	31,409
Accumulated depreciation	(20,826)	(23,221)
Machinery, equipment and vehicles, net	8,127	8,187
Tools, furniture and fixtures	404,054	476,379
Accumulated depreciation	(322,349)	(353,037)
Tools, furniture and fixtures, net	81,705	123,341
Land	*1 151,737	*1 298,994
Total property, plant and equipment	337,529	714,801
Intangible assets		

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Goodwill	587,853	4,889,085
Software	48,145	89,845
Other	3,566	8,620
Total intangible assets	639,565	4,987,552
Investments and other assets		
Investment securities	*2 12,758	*2 89,955
Long-term accounts receivable—other	–	2,643,331
Long-term loans receivable	1,310	1,306,363
Other	136,066	294,020
Allowance for doubtful accounts	–	(3,786,947)
Total investments and other assets	150,134	546,723
Total noncurrent assets	1,127,229	6,249,077
Total assets	¥6,979,008	¥14,303,095

Please refer to page 37 for *1 and 2

Consolidated Financial Statements

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 109,723	¥ 634,554
Short-term loans payable	–	484,049
Current portion of bonds	200,000	100,000
Current portion of long-term loans payable	*1 290,675	*1 2,115,702
Accounts payable—other	112,999	588,967
Accrued expenses	122,392	273,172
Income taxes payable	64,489	43,832
Accrued consumption taxes	67,959	94,848
Advances received	219,641	195,147
Provision for product warranties	90,000	93,000
Provision for bonuses	21,180	153,253
Other	120,510	227,003
Total current liabilities	1,419,572	5,003,532
Noncurrent liabilities		
Convertible bonds with subscription rights to shares	1,215,000	1,165,000
Long-term loans payable	*1 735,836	*1 3,306,196
Liability for retirement benefit	3,407	3,511
Deferred tax liabilities	26,492	27,496
Other	27,622	70,959
Total noncurrent liabilities	2,008,358	4,573,163
Total liabilities	3,427,930	9,576,695

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	1,212,248	1,819,748
Capital surplus	1,018,821	1,708,701
Retained earnings	1,147,022	1,101,539
Treasury stock	(35)	(150,840)
Total shareholders' equity	3,378,057	4,479,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(320)
Deferred gains or losses on hedges	–	14
Foreign currency translation adjustments	23,120	104,081
Total accumulated other comprehensive income	23,120	103,775
Subscription rights to shares	858	30,185
Minority interests	149,041	113,290
Total net assets	3,551,077	4,726,400
Total liabilities and net assets	¥6,979,008	¥14,303,095

Consolidated Financial Statements

[Consolidated Statements of (Loss) / Income and Consolidated Statements of Comprehensive Income]

[Consolidated Statements of (Loss) / Income]

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Net sales	¥6,375,427	¥7,416,907
Cost of sales	*1 5,362,987	*1 6,412,185
Gross profit	1,012,439	1,004,721
Selling, general and administrative expenses	*2, 3 930,098	*2, 3 1,534,201
Operating (loss) income	82,341	(529,480)
Non-operating income		
Interest income	11,757	41,270
Foreign exchange gains	638,688	–
Other	7,791	20,228
Total non-operating income	658,238	61,499
Non-operating expenses		
Interest expenses	21,902	128,482
Foreign exchange losses	–	180,025
Commissions paid	2,855	–
Stock issuance cost	5,546	–
Bond issuance cost	5,784	–
Donations	11,500	–
Other	935	33,922
Total non-operating expenses	48,524	342,431
Ordinary (loss) income	692,055	(810,412)
Extraordinary income		
Gain on bargain purchase	56,822	20,571
Gain on sales of subsidiaries' stocks	–	432,106
Settlement received	–	271,745
Gain on forgiveness of debt	–	137,743
Gain on investments in capital	–	36,356
Reversal of allowance for doubtful accounts	–	35,991
Other	2,105	–
Total extraordinary income	58,927	934,515
Extraordinary losses		
Loss on retirement of property, plant and equipment	*4 330	*4 6,904
Loss on sales of subsidiaries' stocks	–	14,938
Loss on valuation of investment securities	8,196	986
Impairment loss	–	*5 2,117
Office transfer expenses	–	18,826
Provision of allowance for doubtful accounts	–	31,746
Settlement package	–	25,000
Other, net	–	11
Total extraordinary losses	8,526	100,530
Income before income taxes and minority interests	742,456	23,572
Income taxes	84,391	54,188
Income taxes—deferred	14,659	16,161
Total income taxes	99,051	70,350
(Loss) income before minority interests	643,405	(46,778)
Minority interests in (loss) income	13,093	(1,294)
Net (loss) income	¥ 630,311	¥ (45,483)

Please refer to page 37 for *1 and 2
Please refer to page 38 for *3 and 4

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Income (loss) before minority interests	¥643,405	¥(46,778)
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(320)
Deferred gains on hedges	–	14
Foreign currency translation adjustments	11,007	80,960
Total other comprehensive income	*1 11,007	*1 80,654
Total comprehensive income	¥654,412	¥ 33,876
Comprehensive income attributable to:		
Owners of the parent	¥641,319	¥ 35,170
Minority interests	13,093	(1,294)

Please refer to page 38 for *1

Consolidated Financial Statements

[Consolidated Statements of Changes in Net Assets]

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of the fiscal year	¥1,068,146	¥ 875,405	¥ 516,710	¥(35)	¥2,460,227	¥12,113	¥12,113	¥ –	¥192,827	¥2,665,168
Changes during the fiscal year										
Issuance of new shares	144,102	143,415			287,517					287,517
Net income			630,311		630,311					630,311
Net changes of items other than shareholders' equity						11,007	11,007	858	(43,786)	(31,921)
Total changes during the fiscal year	144,102	143,415	630,311	–	917,829	11,007	11,007	858	(43,786)	885,908
Balance at end of the fiscal year	¥1,212,248	¥1,018,821	¥1,147,022	¥(35)	¥3,378,057	¥23,120	¥23,120	¥858	¥149,041	¥3,551,077

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income						
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of the fiscal year	¥1,212,248	¥1,018,821	¥1,147,022	¥ (35)	¥3,378,057	¥ –	¥ –	¥ 23,120	¥ 23,120	¥ 858	¥149,041	¥3,551,077
Changes during the fiscal year												
Issuance of new shares	607,500	689,880			1,297,380							1,297,380
Net loss			(45,483)		(45,483)							(45,483)
Purchase of treasury stock				(150,805)	(150,805)							(150,805)
Net changes of items other than shareholders' equity						(320)	14	80,961	80,655	29,327	(35,750)	74,232
Total changes during the fiscal year	607,500	689,880	(45,483)	(150,805)	1,101,091	(320)	14	80,961	80,655	29,327	(35,750)	1,175,323
Balance at end of the fiscal year	¥1,819,748	¥1,708,701	¥1,101,539	¥(150,840)	¥4,479,148	¥(320)	¥14	¥104,081	¥103,775	¥30,185	¥113,290	¥4,726,400

Consolidated Financial Statements

[Consolidated Statements of Cash Flows]

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 742,456	¥ 23,572
Depreciation and amortization	27,653	55,538
Amortization of goodwill	60,290	220,352
Gain on bargain purchases	(56,822)	(20,571)
Decrease in allowance for doubtful accounts	–	(226,107)
Increase (decrease) in provision for bonuses	(23,015)	132,072
Increase in retirement benefit obligations	311	103
Increase in provision for product warranties	48,000	3,000
Interest and dividend income	(11,757)	(41,270)
Interest expenses	21,902	128,482
Bond issuance cost	5,784	7,518
Stock issuance cost	5,546	–
Foreign exchange losses	2,838	587
Loss on retirement of property, plant and equipment	330	6,904
Loss on valuation of investment securities	8,196	986
Loss on sales of subsidiaries' stocks	–	(417,846)
(Increase) decrease in notes and accounts receivable—trade	39,366	(220,951)
Increase in inventories	(51,612)	(114,508)
Decrease (increase) in accounts receivable—other	(532)	1,103,049
Decrease in advance payments	253,952	65,825
Decrease in derivatives	411,137	–
Decrease in notes and accounts payable—trade	(128,955)	(346,753)
(Decrease) increase in accounts payable—other	64,850	(514,086)
(Decrease) increase in accrued expenses	75,439	(536,801)
(Decrease) increase in accrued consumption taxes	39,066	(104,453)
Decrease in advances received	(88,151)	(37,283)
Impairment loss	–	2,117
Settlement package	–	75,572
Other, net	88,711	(112,662)
Subtotal	1,534,987	(867,612)
Interest and dividends income received	11,632	41,407
Interest paid	(20,328)	(122,198)
Settlement package paid	–	(75,572)
Income taxes paid	(77,640)	(66,032)
Net cash (used in) provided by operating activities	1,448,650	(1,090,008)

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Cash flows from investing activities		
Purchase of property, plant and equipment	(134,335)	(385,053)
Purchase of intangible assets	(33,616)	(60,029)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	*2 (31,845)	*2 (206,281)
Purchase of investments in subsidiaries	(162,336)	(89,275)
Proceeds from sales of investments in subsidiaries	–	858,722
Increase in short-term loans receivable	(443,475)	(2,920,033)
Collection of short-term loans receivable	350,000	28,432
Collection of long-term loans receivable	–	1,990,838
Payments for guarantee deposits	–	(87,217)
Proceeds from collection of guarantee deposits	–	5,947
Payments for transfer of business	(362,247)	–
Other, net	(33,277)	19,029
Net cash used in investing activities	(851,134)	(844,920)
Cash flows from financing activities		
Proceeds from collection of deposits	–	1,045,000
Net decrease in short-term loans payable	(152,500)	(1,905,640)
Proceeds from long-term loans payable	940,000	2,583,000
Repayment of long-term loans payable	(199,148)	(1,895,951)
Proceeds from issuance of bonds	200,000	–
Payment for the redemption of bonds	(200,000)	(100,000)
Proceeds from issuance of bonds with subscription rights to shares	1,209,215	1,157,481
Proceeds from issuance of common stock	281,971	–
Cash dividends paid	–	(1,238)
Purchase of treasury stock	–	(43,175)
Payments for installment payables—property and equipment	(6,873)	(10,008)
Net cash provided by financing activities	2,072,665	829,467
Effect of exchange rate change on cash and cash equivalents	7,036	80,118
Net (decrease) increase in cash and cash equivalents	2,677,218	(1,025,343)
Cash and cash equivalents at beginning of the fiscal year	1,253,266	3,930,484
Cash and cash equivalents at end of the fiscal year	*1 ¥ 3,930,484	*1 ¥ 2,905,141

Please refer to page 40 for *1 and 2

Notes

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 13

(2) Names of consolidated subsidiaries: SJI Inc., NCXX Inc., NCXX Solutions Inc., Care Dynamics Limited, 星際富通(福建)網絡科技有限公司, e-tabinet.com, Web travel Co., Ltd., SJI (Hong Kong) Limited, 聯迪恒星電子科技(上海)有限公司, 福建聯迪資訊科技有限公司, SJ Asia Pacific Limited, Hua Shen Trading (International) Limited, Rapid Capital Holdings Limited

Among the abovementioned companies, NCXX Inc. was included in the scope of consolidation from the fiscal year ended November 30, 2015, following its split-off and reincorporation as a subsidiary. From the fiscal year ended November 30, 2015, SJI Inc. and its subsidiaries (SJI (Hong Kong) Limited, 聯迪恒星電子科技(上海)有限公司, 福建聯迪資訊科技有限公司, SJ Asia Pacific Limited, Hua Shen Trading (International) Limited, Rapid Capital Holdings Limited) were included in the scope of consolidation, following the conversion of these companies into subsidiaries through the acquisition of SJI shares.

In the fiscal year ended November 30, 2015, Care Online Limited was renamed as Care Dynamics Limited.

(3) Number of non-consolidated subsidiaries: 2

(4) Name of non-consolidated subsidiary: Webtravel Asia & Pacific Pty Limited
ENPIX Corporation

(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 accounted for by the equity method: None

(2) Name of non-consolidated subsidiary not accounted for by the equity method:
Webtravel Asia & Pacific Pty Limited
ENPIX Corporation

(Reason 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
恒星信息(香港)有限公司	March 31*1
SJ Asia Pacific Limited	March 31*1
Hua Shen Trading (International) Limited	March 31*1
Rapid Capital Holdings Limited	March 31*1
SJI Inc.	October 31*2
星際富通(福建)網絡科技有限公司	December 31*1
聯迪恒星電子科技(上海)有限公司	December 31*1
福建聯迪資訊科技有限公司	December 31*1

*1 Based on financial statements prepared using a provisional settlement of accounts in conformity with the regular settlement of accounts at the end of the Company's fiscal year.

*2 The financial statements as of the fiscal year-end of the consolidated subsidiary are used. From the fiscal year ended November 30, 2015, the fiscal year-end has changed from March 31 to October 31, and differs from the end of the Company's fiscal year. However, the accounts have not been adjusted as there were no significant discrepancies upon the elimination of receivables, obligations and transactions among the consolidated companies. If significant discrepancies arise due to a difference in the fiscal year-end from the end of the Company's fiscal year, the accounts are adjusted upon consolidation.

4. Accounting standards

(1) Valuation standards and accounting treatment for important assets

1. Investment securities
   Subsidiaries' stocks and affiliates' stocks
      Stated at cost determined by the moving average method.
   Investment securities—other
      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) Work in process
      Specific identification method
   (ii) Raw materials
      Moving average method

Notes

(2) Method for depreciating and amortizing important depreciable assets

1. Property, plant and equipment

Property, plant and equipment are depreciated using the declining-balance method. However, buildings, excluding fixtures, acquired on or after April 1, 1998, are depreciated using the straight-line method.

The main estimated useful lives are as follows:

Buildings and structures:	3 to 39 years
Machinery, equipment and vehicles:	2 to 10 years
Tools, furniture and fixtures:	2 to 10 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.

(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 the fiscal year under review.

3. Allowance for doubtful accounts

In order to prepare for losses due to uncollectible receivables at certain consolidated subsidiaries, 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.

(4) Accounting method for retirement benefits

The Company records liabilities related to retirement benefits 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.

Transitional obligations for retirement benefits are expensed in equal amounts over 15 years.

In addition, certain consolidated subsidiaries have joined multi-employer employee pension fund plans. These plans have been accounted for in the same manner as defined contribution plans as it is not possible to reasonably calculate the amount of pension assets corresponding to any one of these subsidiaries' contributions.

The liabilities related to retirement benefits and retirement benefit expenses are calculated for the lump-sum retirement benefit plans of certain consolidated subsidiaries using the simplified method.

(5) 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.

(6) 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, 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.

(7) Method of calculating important revenues and expenses

Basis for calculating sales and cost of sales on contracted development

Completed contract basis

(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.

Notes

(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. Consolidated taxation
   The Company has adopted consolidated taxation.
3. Treatment of stock issuance costs
   Stock issuance costs are fully expensed when they arise.
4. Treatment of corporate bond issuance costs
   Stock issuance costs are fully expensed when they arise.

(New Accounting Standards Not Yet Applied)
Revised accounting standards for business combinations
- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013)
- Revised Accounting Standard for Earnings per Share (ASBJ Statement No. 2, September 13, 2013)
- Revised Guidance on Accounting Standards for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, September 13, 2013)

(1) Outline
Revisions were made to the treatment of changes in a parent company's shareholding in a subsidiary when additional shares of the subsidiary are acquired while retaining control, the treatment of acquisition costs, the presentation of net income and change of minority interests to non-controlling interests, and treatment of the establishment of provisional accounting treatment.

(2) Date of adoption
The Company is scheduled to adopt the revised accounting standards from the beginning of the fiscal year ending November 30, 2016.

In regard to the treatment of the establishment of provisional accounting treatment, the Company will apply the treatment to business combinations undertaken on or after the beginning of the fiscal year ending November 30, 2016.

(3) Impact of the adoption of the revised accounting standards
The Company is currently evaluating the impact of the revised accounting standards for business combinations on the consolidated financial statements.

(Change in Presentation)
(Consolidated Balance Sheets)
Long-term loans receivable, which were previously included in other under noncurrent assets in the fiscal year ended November 30, 2014, have been presented separately from the fiscal year ended November 30, 2015 due to its increased monetary importance. The consolidated financial statements in the fiscal year ended November 30, 2014 have been restated to reflect this change in presentation method.

As a result, the ¥137,376 thousand presented as other under noncurrent assets on the consolidated balance sheet as of November 30, 2014 has been restated as long-term loans receivable of ¥1,310 thousand and other of ¥136,066 thousand.

(Consolidated Balance Sheets)
*1 Collateral assets and collateralized liabilities
Assets pledged as collateral are as follows.

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Buildings	¥ 26,533	¥ 58,174
Land	151,097	295,714
Total	¥177,631	¥353,889

Note: In addition to the above, assets pledged as collateral include shares of subsidiaries eliminated upon consolidation.

Collateralized liabilities are as follows.

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Current portion of long-term loans payable	¥ 52,013	¥ 160,204
Long-term loans payable	195,306	1,182,942

Notes

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

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Investment securities (stocks)	¥10,904	¥15,739

*3 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, 2015 was as follows.

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Total amount of overdraft facilities and loan commitments	¥–	¥520,523
Outstanding loan balance	–	238,674
Difference	¥–	¥281,848

(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 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Cost of sales	¥11,458	¥258,034

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Director compensation	¥ 78,456	¥ 93,927
Salaries and allowances	278,855	394,690
Retirement benefit expenses	4,834	8,700
Commission fee	71,302	175,358
Depreciation	13,750	28,000
After-sales service expenses	13,794	1,406
Business consignment expenses	115,220	149,571
Amortization of goodwill	60,290	220,352

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Research and development expenses	¥1,406	¥17,413

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Buildings and structures	¥312	¥ 7
Machinery, equipment and vehicles	–	569
Tools, furniture and fixtures	17	1,352
Software	–	1,774
Restoration cost	–	3,200

*5 Impairment loss
Fiscal 2015 (From December 1, 2014 to November 30, 2015)
The Group recorded impairment losses on the following assets.

Use	Type	Location	Impairment loss (Thousands of yen)
Business assets	Buildings and accompanying facilities	Hakata-ku, Fukuoka City	¥2,096
Business assets	Tools, furniture and fixtures	Hakata-ku, Fukuoka City	21

(Background to recognizing impairment losses)
In regard to the above buildings and accompanying facilities, and tools, furniture and fixtures, the Company reduced the carrying amount of these assets, which are not expected to be used following a business office relocation, to the recoverable amounts, and recognized the amounts of the reductions as impairment losses in the fiscal year under review.
(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 Company uses the value in use to calculate the recoverable amount of business assets. However, the recoverable amount has been assessed as zero because there are no prospects for future cash flows.

Notes

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects for other comprehensive income

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Valuation difference on available-for-sale securities:		
Amount incurred during the fiscal year	¥ –	¥ (320)
Reclassification adjustments	–	–
Before tax effect adjustment	–	(320)
Tax effect	–	–
Valuation difference on available-for-sale securities	–	(320)
Deferred gains (losses) on hedges:		
Amount incurred during the fiscal year	–	14
Reclassification adjustments	–	–
Before tax effect adjustment	–	14
Tax effect	–	–
Deferred gains (losses) on hedges	–	14
Foreign currency translation adjustments:		
Amount incurred during the fiscal year	11,007	80,960
Reclassification adjustments	–	–
Before tax effect adjustment	11,007	80,960
Tax effect	–	–
Foreign currency translation adjustments	11,007	80,960
Total other comprehensive income	¥11,007	¥80,654

(Consolidated Statements of Changes in Net Assets)

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

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

(Number of shares)

	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
Issued shares				
Common shares(Note)	11,630,800	686,200	–	12,317,000
Total	11,630,800	686,200	–	12,317,000
Treasury stock				
Common share	79	–	–	79
Total	79	–	–	79

Note: The increase in common shares was due to a capital increase through a third-party placement of shares conducted on November 17, 2014.

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: Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year	Balance at the end of the fiscal year (Thousands of yen)
Filing company (Parent company)	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares(Note)	Common shares	–	643,086	–	643,086	¥ –
	4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares(Note)	Common shares	–	1,945,101	–	1,945,101	–
	Subscription rights to shares as stock options	–	–	–	–	–	858
Total		–	–	–	–	–	¥858

Note: The increase during the fiscal year was due to the issuance of bonds. The lump-sum method was adopted for reporting purposes.

Notes

3 Dividends

(1) Dividends paid

Not applicable

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

Not applicable

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

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

(Number of shares)

	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year
Issued shares				
Common shares(Note)	12,317,000	2,713,195	–	15,030,195
Total	12,317,000	2,713,195	–	15,030,195
Treasury stock				
Common share	79	72,437	–	72,516
Total	79	72,437	–	72,516

Notes: 1. The increase in common shares was due to the exercise of subscription rights to shares (2,588,187 shares) and a share exchange with NCXX Solutions Inc. (125,008 shares).
2. The increase in treasury stock was mainly due to a share repurchase under the provisions of the Articles of Incorporation pursuant to Article 165, Paragraph 2 of the Companies Act.

2 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: Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year	Balance at the end of the fiscal year (Thousands of yen)
Filing company (Parent company)							
	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares(Note 1)	Common shares	643,086	–	643,086	–	¥ –
	4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares(Note 1)	Common shares	1,945,101	–	1,945,101	–	–
	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares(Note 2)	Common shares	–	1,069,788	–	1,069,788	–
	Subscription rights to shares as stock options	–	–	–	–	–	11,157
Consolidated subsidiaries							
	Subscription rights to shares for the 1st Series of Callable Unsecured Convertible Bonds with Subscription Rights to Shares(Note 3)	Common shares	20,833,300	–	20,833,300	–	–
	5th Series of Subscription Rights to Shares(Note 4)	Common shares	–	114,284,000	34,286,000	79,998,000	–
Total		–	–	–	–	–	¥30,185

Notes: 1. The decreases in the 3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares and the 4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares were due to the exercise of subscription rights.
2. The increase during fiscal 2015 was due to the issuance of bonds. The lump-sum method was adopted for reporting purposes.
3. The decrease in the subscription rights to shares for the 1st Series of Callable Unsecured Convertible Bonds with Subscription Rights to Shares was due to the redemption of bonds on June 30, 2015.
4. The increase in the 5th Series of Subscription Rights to Shares of consolidated subsidiaries was due to the issuance of subscription rights to shares.
The decrease in the 5th Series of Subscription Rights to Shares of consolidated subsidiaries was due to the exercise of subscription rights to shares.

Notes

3 Dividends

(1) Dividends paid

Not applicable

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

Not applicable

(Consolidated Statements of Cash Flows)

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Cash and deposits	¥3,930,484	¥2,905,141
Cash and cash equivalents	3,930,484	2,905,141

*2 The main breakdown of assets and liabilities of subsidiaries that were consolidated by acquiring new shares in fiscal 2015

The breakdown of assets and liabilities of SJI Inc., at the point in time it was consolidated as a subsidiary through the acquisition of new shares, and the relationship between the acquisition price of SJI Inc. shares and the net amount paid to acquire SJI Inc. are as follows.

(Thousands of yen)

Current assets	¥ 7,540,936
Noncurrent assets	586,456
Goodwill	4,946,645
Current liabilities	(8,388,703)
Noncurrent liabilities	(1,123,928)
Subscription rights to shares	(76,113)
Acquisition price of SJI Inc. shares	3,485,293
Cash and cash equivalents of SJI Inc.	(3,279,012)
Net: Amount paid to acquire SJI Inc.	¥ 206,281

*3 Important non-cash transactions

1. In fiscal 2015, the Company conducted a stock exchange to make NCXX Solutions Inc. a wholly owned subsidiary and granted the common shares of the Company for this purpose. As a result, treasury stock increased by ¥107,631 thousand on a consolidated basis.
2. In fiscal 2015, deposits were allocated to the repayment of the principal of short-term loans payable at certain consolidated subsidiaries. As a result, short-term loans payable decreased by ¥400,000 thousand.

(Lease Transactions)

(As a lessee)

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

(Financial Instruments)

1. Conditions of financial instruments

(1) Policy regarding financial instruments

As a policy, the Group receives loans from banks and other FISCO Group companies primarily to procure operating funds, in tandem with managing surplus funds in the form of short-term deposits, and investment and loans to other FISCO Group companies. This is done in conformity with parent company FISCO Ltd.'s Group financial policy of optimizing funding efficiency by adjusting the surplus and shortage of funds among FISCO Group companies. Moreover, the policy of the Group is to use derivatives transactions for hedging against the risk of interest rates and exchange rates on loans payable fluctuating, and to refrain from using them for speculative purposes.

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

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

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

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

As a rule of thumb, trade payables, namely 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.

Notes

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

Certain variable interest rate loans the Company has received are exposed to the risk of interest rates fluctuating. To mitigate this risk, the Company uses interest rate swaps to hedge against the risk of interest payable on these loans fluctuating. For information regarding hedge accounting methods, hedge instruments and hedge targets, hedging policy, and method of evaluating hedging effectiveness, please refer to "Notes to the Consolidated Statements, 4 Accounting Standards, (6) Accounting methods for significant hedging."

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

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

2. Fair value of financial instruments

The carrying amounts in the consolidated balance sheet, fair values, and their differences as of November 30, 2013 and 2014 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 2014 (As of November 30, 2014)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥3,930,484	¥3,930,484	¥ –
(2) Notes and accounts receivable—trade	665,867	665,867	–
(3) Short-term loans receivable	448,887	448,887	–
Total	¥5,045,239	¥5,045,239	¥ –
(1) Notes and accounts payable—trade	¥ 109,723	¥ 109,723	¥ –
(2) Accounts payable—other	112,999	112,999	–
(3) Current portion of bonds	200,000	200,000	–
(4) Convertible bonds with subscription rights to shares	1,215,000	1,189,551	(25,448)
(5) Long-term loans payable (including current portion)	1,026,511	1,032,154	5,642
Total	¥2,664,234	¥2,644,428	¥(19,805)

Notes: 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) Short-term loans payable

Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.

Liabilities

(1) Notes and accounts payable—trade, (2) Accounts payable—other and (3) Current portion of bonds

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 bonds with subscription rights to shares

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

Fiscal 2015 (As of November 30, 2015)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥2,905,141	¥2,905,141	¥ –
(2) Notes and accounts receivable—trade	2,351,650	–	–
Allowance for doubtful accounts*1	443,349	–	–
	1,908,301	1,908,301	–
(3) Accounts receivable—other	2,046,360	–	–
Allowance for doubtful accounts*2	1,136,877	–	–
	909,483	909,483	–
(4) Short-term loans receivable	2,619,274	–	–
Allowance for doubtful accounts*3	1,201,863	–	–
	1,417,410	1,417,410	–
(5) Long-term loans receivable	1,327,403	–	–
Allowance for doubtful accounts*4	1,326,503	–	
	900	900	
(6) Long-term accounts receivable—other	2,643,331	–	–
Allowance for doubtful accounts*5	2,481,484	–	–
	161,847	161,847	–
Total	¥7,303,084	¥7,303,084	¥ –
(1) Notes and accounts payable—trade	¥ 634,554	¥ 634,554	¥ –
(2) Short-term loans payable	484,049	484,049	–
(3) Current portion of bonds	100,000	100,000	–
(4) Accounts payable—other	588,967	588,967	–
(5) Convertible bonds with subscription rights to shares	1,165,000	1,138,966	(26,034)
(6) Long-term loans payable (including current portion)	5,421,898	5,536,191	114,293
Total	¥8,394,469	¥8,482,727	¥ 88,259
Derivative transactions*6	¥ (497)	¥ (497)	¥ –

*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 short-term loans receivable.
*4 Excludes the allowance for doubtful accounts recorded for long-term loans receivable.
*5 Excludes the allowance for doubtful accounts recorded for long-term accounts receivable—other.
*6 Items that are net obligations are shown in parentheses.

Notes: 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 (4) Short-term loans receivable

Fair value is stated as the carrying amount because the fair value approximates the carrying amount given the short settlement period of these instruments.

(2) Notes and accounts receivable—trade, (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.

(5) Long-term loans receivable

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

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable, (3) Current portion of bonds and (4) 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.

(5) Convertible bonds with subscription rights to shares

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.

(6) 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.

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

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Unlisted stocks (investment securities)	¥12,758	¥94,790

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.

Notes

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

Fiscal 2014 (As of November 30, 2014)

(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	¥3,930,484	¥–	¥–	¥–
(2) Notes and accounts receivable—trade	665,867	–	–	–
(3) Short-term loans payable	448,887	–	–	–
Total	¥5,045,239	¥–	¥–	¥–

Fiscal 2015 (As of November 30, 2015)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥2,905,141	¥ –	¥–	¥–
(2) Notes and accounts receivable—trade*1	1,908,301	–	–	–
(3) Accounts receivable—other*1	909,483	–	–	–
(4) Short-term loans payable*1	1,417,410	–	–	–
(5) Long-term loans receivable*1	–	900	–	–
(6) Long-term accounts receivable—other*1	161,847	–	–	–
Total	¥7,302,184	¥900	¥–	¥–

*1 The above table does not include accounts receivable with indefinite redemption schedules of ¥443,349 thousand (allowance for doubtful accounts of ¥443,349 thousand), accounts receivable—other of ¥1,136,877 thousand (allowance for doubtful accounts of ¥1,136,877 thousand), short-term loans receivable of ¥1,201,863 thousand (allowance for doubtful accounts of ¥1,201,863 thousand), long-term loans receivable of ¥1,326,503 thousand (allowance for doubtful accounts of ¥1,326,503 thousand) and long-term accounts receivable—other of ¥2,481,484 thousand (allowance for doubtful accounts of ¥2,481,484 thousand.)

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

Fiscal 2014 (As of November 30, 2014)

(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
Current portion of bonds	¥200,000	¥ –	¥ –	¥ –	¥ –	¥ –
Convertible bonds with subscription rights to shares	–	–	1,215,000	–	–	–
Long-term loans payable	290,675	288,274	209,486	147,180	76,929	13,967
Accounts payable—installment purchase	6,442	6,229	6,327	1,126	–	–
Total	¥497,117	¥294,504	¥1,430,813	¥148,306	¥76,929	¥13,967

Fiscal 2015 (As of November 30, 2015)

(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
Current portion of bonds	¥ 100,000	¥ –	¥ –	¥ –	¥ –	¥ –
Convertible bonds with subscription rights to shares	–	–	1,165,000	–	–	–
Long-term loans payable	2,115,702	1,304,780	684,144	426,707	747,786	142,776
Short-term loans payable	484,049	–	–	–	–	–
Accounts payable—other	337,300	–	–	–	–	–
Total	¥3,037,051	¥1,304,780	¥1,849,144	¥426,707	¥747,786	¥142,776

Notes

(Investment Securities)
1. Investment securities—other
Fiscal 2014 (As of November 30, 2014)
Unlisted investment securities (carrying amount ¥12,758 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

Fiscal 2015 (As of November 30, 2015)
Unlisted investment securities (carrying amount ¥79,051 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

2. Loss on valuation of investment securities
The Company recorded a ¥986 thousand loss on valuation of investment securities (¥1,853 thousand on investment securities—other) in fiscal 2015.

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)
Fiscal 2014 (As of November 30, 2014)
Derivative transactions to which hedge accounting is applied
Interest rate

(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	¥200,000	¥121,662	(Note)

Note: 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 2015 (As of November 30, 2015)
Derivative transactions to which hedge accounting is applied
Interest rate

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Principled method	Interest rate swap transaction Variable interest—received Fixed interest—paid	Long-term loans payable	¥ 100,000	¥ –	(Note) ¥(497)
Special treatment of interest rate swaps	Interest rate swap transaction Variable interest—received Fixed interest—paid	Long-term loans payable	1,744,502	¥1,478,974	(Note)

Note: Calculation of fair value
(1) The transactions to which the principled method is applied are calculated based on quoted prices obtained from financial institution counterparties.
(2) 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. In addition, certain consolidated subsidiaries have adopted a lump-sum payment plan and an employee pension fund 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 have joined a multi-employer employee pension fund plan. These plans have been accounted for in the same manner as defined contribution plans as it is not possible to reasonably calculate the amount of pension assets corresponding to any one of these subsidiaries' contributions.

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

Notes

2. Simplified-method defined benefit plan

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Balance of liability for retirement benefit at the beginning of the fiscal year	¥3,096	¥3,407
Retirement benefit expenses	311	103
Balance of liability for retirement benefit at the end of the fiscal year	¥3,407	¥3,511

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

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Retirement benefit obligations for non-funded plans	¥ 3,511	¥3,511
Unappropriated transitional obligations for retirement benefits	(103)	–
Net liability on balance sheet	3,407	3,511
Liability for retirement benefit	3,407	3,511
Net liability on balance sheet	3,407	3,511

(3) Retirement benefit expenses

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Retirement benefit expenses based on the simplified method	¥311	¥103

3. Defined contribution pension plan

The required contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥23,796 thousand in fiscal 2014 and ¥44,595 thousand in fiscal 2015.

4. Prepaid retirement benefit plan

Payments made to the prepaid retirement benefit plans of the Company and its consolidated subsidiaries were ¥6,248 thousand in fiscal 2014 and ¥21,249 thousand in fiscal 2015.

5. Multi-employer plans

The required contributions to the multi-employer employee pension fund plans, which are accounted for in the same manner as defined contribution plans, was ¥53,680 thousand in fiscal 2015.

Matters concerning the multi-employer plans accounted for as retirement benefit expenses are as follows:

(1) Recent funding position of multi-employer plans

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Amount of pension assets	¥–	¥744,963,870
Total amount of actuarial obligation and minimum actuarial reserve based on pension fund finance calculations	–	737,816,144
Difference	¥–	¥ 7,147,726

(2) Group's share of contributions to the multi-employer plan

Fiscal 2014 –

Fiscal 2015 0.54% (From December 1, 2014 to November 30, 2015)

(3) Supplemental explanation

Certain consolidated subsidiaries that have adopted multi-employer plans became newly consolidated subsidiaries in the fiscal year under review. Accordingly, the accounting periods of these subsidiaries differ from the fiscal year of NCXX Group Inc. (from December 1, 2014 to November 30, 2015).

Moreover, certain consolidated subsidiaries have joined multi-employer employee pension fund plans. For some of these plans, the pension assets corresponding to any one of these subsidiaries' contributions cannot be reasonably calculated. Therefore, these plans are accounted for in the same manner as defined contribution pension plans.

Notes

(Stock Options)
1. Stock option expense item and amount

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Stock compensation expense under selling, general and administrative expenses	¥858	¥9,536

2. Stock option details, scale and change
(1) Stock option details

	11th Series of Subscription Rights to Shares
Status and number of option holders	NCXX Group Inc. directors: 5 NCXX Group Inc. employees: 3 NCXX Group Inc. subsidiary director: 1
Type of share and number of stock options(Note)	Common shares: 100,000 shares
Grant date	October 30, 2014
Vesting condition	An option holder must remain in continued service from the grant date (October 30, 2014) to the vesting date (October 30, 2016)
Required service period	October 30, 2014 to October 30, 2016
Exercise period	October 31, 2016 to October 30, 2020

Note: Recorded based on the number of eligible shares

(2) Stock option scale and change

Existing stock options as of fiscal 2015 (ended November 2015) 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
Before vesting	
As of November 30, 2014	–
Granted	100,000
Forfeited	–
Vested	–
Outstanding	100,000
After vesting	
As of November 30, 2014	–
Vested	–
Exercised	–
Forfeited	–
Exercisable	–

2. Unit price information

(Yen)

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

3. Method for estimating the fair value of stock options

There were no applicable matters with respect to stock options granted in the fiscal year under review.

4. Method for estimating the number of vested stock options

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

Notes

(Tax-Effect Accounting)

1. Main factors giving rise to deferred tax assets and liabilities

(Thousands of yen)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Deferred tax assets		
Accrued enterprise taxes	¥ 7,118	¥ 4,962
Provision for product warranties	32,076	30,745
Provision for bonuses	10,901	61,380
Allowance for doubtful accounts	–	734,576
Liability for retirement benefit	1,214	1,132
Excess depreciation and amortization	5,606	6,119
Loss on valuation of telephone subscription right	995	1,240
Loss on valuation of inventories	14,605	4,096
Loss on valuation of subsidiaries' stocks	31,789	62,123
Loss on valuation of investment securities	–	3,075
Loss on valuation of investments in capital of subsidiaries and affiliates	–	–
Carry forwards of unused tax losses	613,342	1,267,675
Others	4,115	56,020
Deferred tax assets subtotal	721,766	2,233,149
Valuation allowance	(704,097)	(2,231,994)
Deferred tax assets total	17,668	1,154
Deferred tax liabilities		
Goodwill adjustment	(26,492)	(26,139)
Others	–	(1,356)
Deferred tax liabilities total	(26,492)	(27,496)
Net deferred tax liabilities	¥ (8,823)	¥ (26,341)

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

(%)

	Fiscal 2014 (As of November 30, 2014)	Fiscal 2015 (As of November 30, 2015)
Statutory income tax rate	38.00%	35.64%
(Adjustments)		
Entertainment and other non-deductible expenses	0.6	36.8
Amortization of goodwill	1.7	22.7
Dividends and other non-taxable income	(0.0)	0.0
Inhabitants taxes—per capita levy	0.6	35.7
Change in valuation allowance	(2.5)	(560.8)
Downward adjustment to the ending balance of deferred tax assets due to changes in statutory tax rate	6.5	894.6
Carry forwards of unused tax losses and other deductions	(31.4)	(166.3)
Others	(0.2)	0.0
Effective income tax rate	13.3%	298.4%

3. Restatement of deferred tax assets and deferred tax liabilities due to changes in the corporate income tax rate, etc.

Following the promulgation of the "Act for Partial Revision of the Income Tax Act" (Act No. 9, 2015) and the "Act for Partial Revision of the Local Tax Act" (Act No. 2, 2015) on March 31, 2015, the corporate tax rate and other tax rates will be reduced from fiscal years beginning on or after April 1, 2015.

In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for the fiscal year under review has been reduced from the previous 35.6% to 33.06% for temporary differences expected to reverse in the fiscal year beginning on December 1, 2015, and to 32.26% for temporary differences expected to reverse in or after the fiscal year beginning on December 1, 2016.

This change in taxation rate will have a negligible impact.

(Asset Retirement Obligations)

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Under its real estate lease contract, the Company and all of its consolidated subsidiaries except for one company 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 asset remains unclear, and the Group has no plan for relocating. Consequently, no such asset retirement obligation was recorded in this report.

Notes

Fiscal 2015 (From December 1, 2014 to November 30, 2015)
In lieu of recording a liability for asset retirement obligations, one of the Company's consolidated subsidiaries has reasonably estimated the amount of a lease deposit for a real estate leasing agreement that is ultimately expected to become uncollectible, and having set an estimated period of use of 10 years from the move-in date, has recorded the cost of the lease deposit as an expense in each fiscal year.

Under real estate lease contracts, the Company and all consolidated subsidiaries except for one subsidiary 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 asset remains unclear, and the Group has no plan for relocating. Consequently, no such asset retirement obligation was recorded in this report.

(Real Estate Leasing)

Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Certain consolidated subsidiaries hold idle real estate in Shizuoka Prefecture. Certain other consolidated subsidiaries hold idle real estate in Tochigi Prefecture, and these consolidated subsidiaries have also acquired new properties in Fukuoka Prefecture and other regions and are using them as offices and for other purposes. However, since some of these properties are rented, real estate is treated as including the portion used as real estate for rent. Rental income (loss) related to real estate including the portion used as real estate for rent during the fiscal year under review was ¥4 million (Rental income is recorded under non-operating income, while main rental expenses are recorded under non-operating expenses). The carrying amount of idle real estate and real estate including the portion used as real estate for rent, as well as the main changes, fair value at the fiscal year-end, and the method of calculating fair value, are shown as follows:

(Thousands of yen)

	Carrying amount			
	Balance at December 1, 2014	Change during fiscal 2015	Balance at November 30, 2015	Fair value at fiscal year-end
Idle real estate	¥–	¥ 2,000	¥ 2,000	¥ 2,010
Real estate including the portion used as real estate for rent	–	317,443	317,443	317,443

Notes: 1. The carrying amount represents the acquisition cost less cumulative depreciation.
2. Method of calculating fair value
For certain idle real estate, there have been no material changes in the indicators believed to appropriately reflect market prices from the time of the most recent appraisal, and the changes have been negligible. As a result, fair value has been determined by recent principled calculations.
For other idle real estate and real estate including the portion used as real estate for rent, the carrying amount is stated as the fair value because the real estate was newly purchased during the fiscal year under review, and any changes in fair value are thus deemed to be negligible.

(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.

Please note that the systems development business operated by SJI Inc. has been included in the device business from the fiscal year ended November 30, 2015.

Reportable segment	Description of business
Device business	Development and sale of communication devices applying various wireless systems Development and sale of PLC modems Provision of systems solutions and maintenance services incidental to the above Systems development Cloud services ASP services for nursing care centers Purchasing and sale of mobile communication-related products in China
Internet travel business	Operation of e-marketplace for travel-related products Travel agency services for companies and individuals Travel estimate services Travel concierge services

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

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

Segment income for reportable segments is based on operating income.

Notes

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

(Thousands of yen)

	Reportable segment				
	Device business	Internet travel business	Total	Adjustments	Consolidated
Net sales					
Sales to third parties	¥4,613,375	¥1,762,051	¥6,375,427	¥ –	¥6,375,427
Inter-segment sales and transfers	–	–	–	–	–
Total	4,613,375	1,762,051	6,375,427	–	6,375,427
Segment income	183,881	37,540	221,422	(139,080)	82,341
Segment assets	1,946,745	512,758	2,459,503	4,519,504	6,979,008
Other items					
Depreciation and amortization	22,674	704	23,378	4,274	27,653
Amortization of goodwill	32,442	27,847	60,290	–	60,290
Increase in property, plant and equipment and intangible assets	45,871	–	45,871	127,476	173,348

Notes: 1. Segment income is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets represent corporate assets that are not allocated to reportable segments.
3. Adjustments for depreciation and amortization represent depreciation and amortization related to corporate assets.
4. Increase in property, plant and equipment and intangible assets mainly represents the increase in corporate assets.

Fiscal 2015 (From December 1, 2013 to November 30, 2015)

(Thousands of yen)

	Reportable segment				
	Device business	Internet travel business	Total	Adjustments	Consolidated
Net sales					
Sales to third parties	¥5,739,194	¥1,677,713	¥7,416,907	¥ –	¥ 7,416,907
Inter-segment sales and transfers	–	815	815	(815)	–
Total	5,739,194	1,678,528	7,417,722	(815)	7,416,907
Segment income (loss)	(392,904)	40,581	(352,322)	(177,158)	(529,480)
Segment assets	8,221,674	464,863	8,686,538	5,616,557	14,303,095
Other items					
Depreciation and amortization	35,728	378	36,106	19,431	55,538
Amortization of goodwill	186,831	33,520	220,352	–	220,352
Increase in property, plant and equipment and intangible assets	26,761	–	26,761	367,076	393,837

Notes: 1. Segment income is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets represent corporate assets that are not allocated to reportable segments.
3. Adjustments for depreciation and amortization represent depreciation and amortization related to corporate assets.
4. Increase in property, plant and equipment and intangible assets mainly represent the increase in corporate assets.

Notes

[Related Information]

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

1. Information by products and services

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 accounts 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

(Thousands of yen)

Name	Net sales	Segment
KAGA ELECTRONICS CO., LTD.	¥1,069,297	Device Business
SEIRYO ELECTRIC CORPORATION	705,642	Device Business

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

1. Information by products and services

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 accounts for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

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

3. Information by major customer

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

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Not applicable

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

(Thousands of yen)

	Device business	Internet travel business	Corporate and elimination	Total
Impairment loss	¥2,117	¥–	¥–	¥2,117

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

(Thousands of yen)

	Device business	Internet travel business	Corporate and elimination	Total
Amortized amount	¥ 32,442	¥ 27,847	¥–	¥ 60,290
Unamortized balance	341,166	246,687	–	587,853

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

(Thousands of yen)

	Device business	Internet travel business	Corporate and elimination	Total
Amortized amount	¥ 186,831	¥ 33,520	¥–	¥ 220,352
Unamortized balance	4,659,359	229,726	–	4,889,085

[Information on Gain on Bargain Purchase by Reportable Segment]

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

A ¥56,822 thousand gain on bargain purchase was recorded as extraordinary income subsequent to the acquisition of additional shares in a consolidated subsidiary in the Internet travel business.

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

A ¥20,571 thousand gain on bargain purchase was recorded as extraordinary income subsequent to the acquisition of additional shares in a consolidated subsidiary in the device business.

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 2014 (From December 1, 2013 to November 30, 2014)

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.	Minato-ku, Tokyo	¥1,210	Information services business, consulting business	Direct (33.11) Indirect (24.36)	Concurrent officers	Funds lent	¥150,000	Short-term loans receivable	¥150,000
							Interest received	4,126	Accounts receivable—other	56
							Convertible bonds with subscription rights to shares placed	600,000	Convertible bonds with subscription rights to shares	600,000
							Interest paid	3,282	Accounts payable—other	3,282

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

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.	Minato-ku, Tokyo	¥1,210	Information services business, consulting business	Direct (34.58) Indirect (19.95)	Concurrent officers	Funds lent	¥ 100,000	Short-term loans receivable	¥50,000
							Loans recovered	200,000	–	–
							Interest received	3,339	–	–
							Convertible bonds with subscription rights to shares exercised	600,000	–	–
							Interest on bonds	901	Accounts payable—other	4,183
							Debt guarantees received	1,256,343	–	–

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 exercise of convertible bonds with subscription rights to shares was due to the exercise of subscription rights to shares (200) placed on November 17, 2014, and subscription rights to shares (4) placed on February 7, 2014.
(3) The debt guarantees received are debt guarantees for bank loans. A guarantee fee is not paid.

Notes

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Not applicable.

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company as the filing company	Versatile Inc.	Minato-ku, Tokyo	¥95	Consulting business	–	Concurrent officers	Funds lent	¥900,000	Short-term loans receivable	¥900,000
							Interest received	10,767	Accounts receivable—other	10,767
	Chanty Co., Ltd.	Minato-ku, Tokyo	32	Advertising agency business	–	Concurrent officers	Funds lent	260,000	Short-term loans receivable	160,000
							Funds recovered	100,000	–	–
							Interest received	2,948	–	–
	FISCO IR Ltd.	Minato-ku, Tokyo	89	Information services business	–	Concurrent officers	Funds lent	160,000	–	–
							Funds recovered	160,000	–	–
							Interest received	1,197	–	–

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

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer and his relatives	Tsukasa Akiyama	Officer	–	Representative Director and President of NCXX Group Inc.	Debt guarantee received	¥53,987	–	¥–

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer and his relatives	Tsukasa Akiyama	Officer	–	Representative Director and President of NCXX Group Inc.	Debt guarantee received	¥45,316	–	¥–

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

Notes

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

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Minato-ku, Tokyo	¥1,210	Information services business, consulting business	(Ownership ratio) Direct (33.11) Indirect (24.36)	Concurrent officers	Funds recovered	¥200,000	Short-term loans receivable	¥200,000
							Funds lent	200,000		
							Interest received	5,501	Accounts receivable—other	–

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Minato-ku, Tokyo	¥1,210	Information services business, consulting business	(Ownership ratio) Direct (34.58) Indirect (19.95)	Concurrent officers	Funds lent	¥ –	Short-term loans receivable	¥200,000
							Interest received	3,999	–	–

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

(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 2014 (From December 1, 2013 to November 30, 2014)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company	FISCO Capital Ltd.	Minato-ku, Tokyo	¥33	Consulting business	–	–	Funds lent	¥80,000	Short-term loans receivable	¥80,000
							Interest received	1,891	Accounts receivable—other	131

Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Not applicable.

Notes

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

Fiscal 2014 (From December 1, 2013 to November 30, 2014)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer of a significant subsidiary and his relatives	Satoshi Ishii	Officer	–	Representative Director of a subsidiary	Debt guarantee received	¥27,320	–	¥–

Fiscal 2015 (From December 1, 2014 to November 30, 2015)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
A company and its subsidiary in which a majority of voting rights is owned by an officer of the parent company and his relatives, based on their own calculation	CN Japan Inc.	Minato-ku, Tokyo	¥35	International trading, manufacture and sale of apparel and accessories	–	Real estate leasing	Head office rent	¥16,051	–	¥–

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
Head office rent is based on a property subleasing agreement in which the parent company is the sub-lessor. The rent is the amount paid directly to the landlord under the original contract.

2. Notes on the parent company or significant related companies

(1) Parent company information

1. FISCO Ltd. (Listed on the Tokyo Stock Exchange JASDAQ Growth Market)
2. SEQUEDGE INVESTMENT INTERNATIONAL LIMITED (Unlisted)

(2) Summary financial information on significant related companies

Not applicable

Notes

(Business Combination)

I Business Combination Through Acquisition

1. Overview of business combination

(1) Name and business of acquired company

Name of target: SJI Inc.
Business: Systems development business

(2) Main reason for the business combination

The purpose of the business combination is to secure the software development capabilities needed to drive the Company's growth, and to increase the sales of both companies and raise business efficiency. Through the sharing of SJI's customer accounts and expertise, the two companies will conduct activities such as coordinating sales promotions using their respective sales bases; joint marketing of new products and joint research and development in software and other areas; and personnel exchanges.

(3) Business combination date

June 30, 2015

(4) Statutory basis of business combination

Share acquisition through the underwriting of a third-party placement of shares

(5) Name of company after business combination

No change

(6) Ratio of voting rights acquired

(%)

Voting rights owned before the business combination	–
Voting rights acquired on the business combination date	47.79
Voting rights after the acquisition	47.79

(7) Other matters concerning the transaction

In order to improve the financial position of SJI Inc., the Company has underwritten part of the capital increase through the third-party placement of shares by SJI Inc. by the debt-equity swap method.

2. Period of business results of the acquisition target included in the consolidated financial statements

July 1, 2015 to October 31, 2015

3. Acquisition cost of acquisition target and components

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥1,969,998
	Monetary claims	1,500,000
Direct acquisition expenses	Advisory and other fees	15,295
Acquisition cost		¥3,485,293

4. Amount of goodwill, reason for goodwill, amortization method and amortization period

(1) Amount of goodwill

¥4,946,645 thousand

(2) Reason for goodwill

Goodwill consists mainly of the premium expected from future business expansion of the device business at SJI Inc.

(3) Amortization method and amortization period

Straight line method over 10 years

5. Amount of assets and liabilities transferred on the business combination date and the main components

(Thousands of yen)

Current assets	¥7,540,936
Noncurrent assets	586,456
Total assets	¥8,127,393
Current liabilities	¥8,388,703
Noncurrent liabilities	1,123,928
Total liabilities	¥9,512,632

Notes

6. Estimated impact on NCXX Group Inc.'s consolidated statement of income for fiscal 2015, and the estimation method, assuming the business combination was completed on December 1, 2014

(Millions of yen)

Net sales	¥ 7,470
Operating income	536
Ordinary income	431
Income before income taxes and minority interests	11,024
Net income	9,238

(Estimation Method)

The estimated impact is calculated by subtracting information on sales and profits in the consolidated statements of income of the Company from the information on sales and profits calculated on the assumption that the business combination was completed on December 1, 2014. Notes on this business combination have not received accounting audit certification.

II Transactions with Entities under Common Control

1. Company split

On January 26, 2015, the Board of Directors of NCXX resolved to shift to a holding company structure by conducting an incorporation-type company split, effective April 1, 2015, and proceeded to do so on this basis. An overview of the resolution follows.

(1) Purpose of the company split

The Company is strengthening and expanding its entry into the so-called machine to machine (M2M) market, a growth market in which various means of information communication technology (ICT) are applied to develop various ICT systems and configurations required for interfacing machines with other machines. This is in contrast to the standalone smartphone and mobile telecommunication market, which is already in the process of saturating. In consideration of the above, the Company's policy had been to drive growth by securing R&D funds for investment in select markets, while continuing to maintain a stable earnings base.

However, amid major upheavals in the foreign exchange market recently, the Company concluded it was important to build an efficiently competitive sales framework, capable of responding rapidly to changes in the market, and decided to shift to a holding company structure. This will be done by implementing a company split in which a newly established NCXX Inc. will succeed the Company's device business (excluding the agricultural ICT business). The Company plans to remain in charge of growing the nursing care robotics business and agriculture business after being renamed NCXX Group Inc., the holding company of the Group.

By transitioning to a holding company, the Company plans to specialize in managing the Group. Meanwhile, the new structure will enable it to delegate a significant degree of business execution authority to the operating companies. This can be expected to optimize Group management while enhancing the business autonomy of the operating companies and synergies within the Group. The flexibility of a holding company structure should also contribute significantly to the speedy and smooth execution of M&A transactions as a promising growth option for the Group.

(2) Summary of the company split

1. Schedule for the incorporation-type company split

Date of resolution on the plan for an incorporation-type company split by the Board of Directors
January 26, 2015

Date of General Meeting of Shareholders for approval of the incorporation-type company split plan
February 25, 2015

Effective date of the incorporation-type company split April 1, 2015

2. Method of company split

An incorporation-type company split with the Company as the divesting company and the newly established NCXX Inc. as the succeeding company.

3. Company split allocation

In conjunction with the incorporation-type company split, the newly established NCXX Inc. will issue 26,000 shares of common stock, all for placement with the Company.

4. Handling of newly issued subscription rights to shares and corporate bonds with subscription rights to shares

The incorporate-type company split will not affect the handling of subscription rights to shares and corporate bonds with subscription rights to shares issued by the Company.

5. Decrease in capital stock due to the company split

The incorporation-type company split will not cause an increase or decrease in the Company's capital stock.

Notes

6. Rights and obligations to be assumed by the newly established NCXX Inc.
The newly established NCXX Inc. will assume the assets, liabilities, contractual status, and other rights and obligations deemed necessary to execute the split-off business at the time of the incorporation-type company split.

7. Outlook for execution of obligations
Regarding obligations to be borne by the Company and the newly established NCXX Inc. on and after the effective date, the amount of assets after the incorporation-type corporate split is expected to exceed the amount of liabilities. Moreover, no situation that would impede the execution of obligations to be borne after the incorporation-type company split is currently expected. Therefore, the Company judges that there are no issues regarding the outlook for execution of obligations to be borne by the Company and the newly established NCXX Inc. after the incorporation-type company split.

(3) Overview of the incorporation-type company split

	Company to be split (As of November 30, 2014)		Newly established company (April 1, 2015)
Name	NCXX Inc.		Same
Head office location	2-32-1 Kunuginome, Hanamaki City, Iwate Prefecture		Same
Name and title of representative	Tsukasa Akiyama, Representative Director and President		Same
Business	Device business, robotics business, agricultural ICT business		Device business
Capital Stock	¥1,212 million		¥310 million
Establishment date	April 21, 1984		April 1, 2015
Issued shares	12,317,000 shares		26,000 shares
Fiscal year-end	November 30		Same
Major shareholders and their shareholding ratio	FISCO Ltd.	33.11%	NCXX Group Inc. 100%
	DIAMOND AGENCY, Inc.	24.35%	
	Abit Holdings Co., Ltd.	2.83%	
	Japan Securities Finance Co., Ltd.	2.11%	
	Index Corporation	1.94%	
	Tomonori Morimoto	1.62%	
	Mizuho Securities Asia Limited Client Account 69250601	1.45%	
	Investment Partnership F Target Fund	0.85%	
	Kabushiki Kaisha Okoso	0.58%	
	KST Trust Fund Investment Partnership	0.54%	

(4) The Company's (the divesting company's) financial status and business performance in fiscal 2014

	(Millions of yen)
Net sales	¥ 6,375
Operating income	82
Ordinary income	692
Net income	630
Net income per share (Yen)	¥ 54.07
Net assets per share (Yen)	276.14

(5) Overview of division to be split

1. Details of business division to be split
Device business (excluding the agricultural ICT business)

2. Operating performance of business to be split (as of November 30, 2014)

(Millions of yen)

	Business to be split (a)	The Company's consolidated results (b)	Ratio (a/b)
Net sales	¥2,827	¥6,375	44.3%

3. Items and carrying amounts of assets and liabilities to be split (as of November 30, 2014)

	(Millions of yen)
Assets	
Current assets	¥ 842
Noncurrent assets	190
Total	¥1,033

	(Millions of yen)
Liabilities	
Current liabilities	¥–
Noncurrent liabilities	–
Total	¥–

Note: The figures above were calculated based on the balance sheet as of November 30, 2014. Actual amounts involved in the company split will take into account changes to the amounts listed above through to the effective date of the split.

(6) Overview of accounting treatment

The aforementioned transactions were treated as transactions concerning entities under common control based on the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and the "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

Notes

2. Conversion to a wholly owned subsidiary through share exchange

In accordance with a resolution of the Board of Directors meeting held on June 26, 2015, the Company concluded a share exchange agreement on the same day with NCXX Solutions Inc. NCXX Solutions Inc. became a wholly owned subsidiary through a share exchange on July 24, 2015.

(1) Overview of business combination

1. Objective of the share exchange

Since its foundation, the Company has been working amid the shift in telecommunication technology from analog to digital and IP to integrate in-house manufacture of modulation and demodulation circuits and telecommunication control software, which are core telecommunication technologies. The Company applies this accumulated technology and expertise to development investment with a constant awareness of the market in the shift from wired to wireless communications and PHS to global telecommunication equipment.

Meanwhile, through an absorption-type corporate split on January 31, 2014, NCXX Solutions Inc. assumed the system development businesses of SJI Inc.'s Chubu Division, Kansai Division, and Kyushu Division, and also received a partial (20%) investment from SJI Inc. Now NCXX Solutions Inc. provides integrated one-stop services in manufacturing, finance, distribution, and corporate and public sectors. Services cover all aspects from consulting to "system development businesses" including design, construction, operation, and maintenance, as well as infrastructure construction such as networks and databases (NCXX Solutions was a dormant company before the absorption-type corporate split.)

Since the absorption-type company split, the Company has worked to develop businesses that produce strong synergy effects by strengthening links between the two companies. In this environment, the Company decided to make SJI Inc. into a consolidated subsidiary as described in the press release dated June 1, 2015 "Notice regarding capital and business alliance with SJI Inc., and conversion to a subsidiary by private placement of new shares and acceptance of share subscription rights, and loan" (Japanese only). Going forward, NCXX Solutions Inc. and SJI Inc. will generate synergies with one another as members of the Group.

2. Schedule of the share exchange

Board of Directors meeting for decision on the share exchange (both companies)	June 26, 2015 (Friday)
Conclusion of share exchange agreement (both companies)	June 26, 2015 (Friday)
General Meeting of Shareholders for approval of share exchange (NCXX Solutions Inc.)	July 21, 2015 (Tuesday)
Scheduled date of share exchange (Effective date)	July 24, 2015 (Friday)

Note: The Company plans to conduct a simple share exchange without obtaining approval from the General Meeting of Shareholders, pursuant to Article 796 Paragraph 2 of the Companies Act.

(2) Method of the reorganization

A share exchange with the company becoming the wholly owning parent company in share exchange and NCXX Solutions Inc. becoming the wholly owned subsidiary company in share exchange.

(3) Details of allocations in the share exchange

(Millions of yen)

Company name	The Company (wholly owning parent company in share exchange)	NCXX Solutions Inc. (wholly owned subsidiary company in share exchange)
Details of allocation in the share exchange	1	52
Number of shares to be issued in the share exchange	The Company will allocate and exchange 52 shares of common stock for every share of common stock of NCXX Solutions Inc.	

Note: The number of shares to be issued by the Company in the share exchange: 125,008 shares of common stock

(4) Grounds and reason for the allocation details

To ensure fairness and propriety in calculating the share exchange ratio used in the share exchange, the Company requested Tokyo Financial Advisers Co., Ltd. (hereinafter "Tokyo FA") to calculate it, having selected it as an independent calculation agent from both the Company and NCXX Solutions Inc.

The Company carefully considered the share exchange ratio making reference to the ratio calculated by the independent calculation agent, Tokyo FA, and the two companies also conducted numerous careful discussions in light of overall factors such as the two companies' financial position, assets, share price trends, and future prospects. As a result, the two companies finally decided that the abovementioned share exchange ratio is appropriate and concluded the share exchange agreement between themselves in accordance with the resolutions of their boards of directors.

Notes

(5) Overview of the companies in the share exchange

	Wholly owning parent company in share exchange (As of February 28, 2015)		Wholly owned subsidiary company in share exchange (As of February 28, 2015)	
Name	NCXX Inc.		NCXX Solutions Inc.	
Business	Management strategy formulation and management of Group companies Planning, development, and sale of nursing care and rehabilitation robots, etc. Planning, development, and sale of agricultural ICT		Design, development, sale and maintenance of computer software and systems, as well as management and consulting services	
Establishment (founding) date	April 21, 1984		September 16, 2010	
Location	2-32-1 Kunuginome, Hanamaki City, Iwate Prefecture		5-4-30 Minamiaoyama, Minato-ku, Tokyo, Japan	
Name and title of representative	Tsukasa Akiyama, Representative Director		Naoki Ishihara, Representative Director	
Capital Stock	¥1,819 million		¥300 million	
Issued shares	14,905,187 shares		12,020 shares	
Net assets	¥4,599 million (consolidated)		¥606 million (non-consolidated)	
Total assets	¥6,698 million (consolidated)		¥1,175 million (non-consolidated)	
Fiscal year-end	November 30		Same	
Number of employees	235 (consolidated) (November 30, 2014)		181 (non-consolidated) (November 30, 2014)	
Main business partners	KAGA ELECTRONICS CO., LTD. SEIRYO ELECTRIC CORPORATION		OGIS-RI Co., Ltd. AISIN AW CO., LTD.	
Major shareholders and their shareholding ratio	FISCO Ltd. FISCO DIAMOND AGENCY, Inc.	29.59% 21.76%	NCXX Group Inc. SJI Inc.	80% 20%
Main banks	Resona Bank, Limited		Same	

	Wholly owning parent company in share exchange (As of February 28, 2015)	Wholly owned subsidiary company in share exchange (As of February 28, 2015)
Relationships between the companies	Capital relationships	The Company owns 80% of the shares of NCXX Solutions Inc.
	Personnel relationships	Naoki Ishihara, Representative Director of the Company, concurrently serves as Representative Director of NCXX Solutions Inc. Two directors of the Company concurrently serve as directors of NCXX Solutions Inc. One Audit & Supervisory Board member of the Company concurrently serves as Audit & Supervisory Board member of NCXX Solutions Inc.
	Trading relationships	The Company has software development outsourcing transactions with NCXX Solutions Inc. The Company has loaned ¥190 million to NCXX Solutions Inc. (Loaned on November 27, 2014 and repaid on November 27, 2015).
	Classification as a related party	NCXX Solutions Inc. is classified as a related party, as it is a Group company of NCXX Group Inc.

Notes

Business Results for the Past Three Fiscal Years

(Millions of yen)

	NCXX Inc. (Wholly owning parent company) (consolidated)			NCXX Solutions Inc. (Wholly owned subsidiary) (non-consolidated)		
	Year ended November 30, 2012	Year ended November 30, 2013	Year ended November 30, 2014	Year ended March 31, 2013	Year ended January 31, 2014	Year ended November 30, 2014
Net assets	¥ 1,222	¥ 2,665	¥ 3,551	¥ 1	¥ 480	¥ 606
Total assets	2,156	4,077	6,979	1	621	1,175
Net sales	1,864	4,948	6,375	0	0	1,707
Operating income	95	259	82	0	0	19
Ordinary income	93	487	692	0	0	20
Net income	86	430	630	0	(1)	7
Net income per share (Yen)	¥ 9.77	¥ 39.79	¥ 54.07	¥ (8,874.05)	¥ (111.56)	¥ 578.28
Dividends per share (Yen)	–	–	–	–	–	–
Net assets per share (Yen)	123.84	212.57	276.14	31,685.15	49,850.36	50,458.52

(6) Overview of accounting treatment

The aforementioned transactions were treated as transactions concerning entities under common control based on the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and the “Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

(Per Share Information)

(Yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Net assets per share	¥276.14	¥308.98
Net income per share	54.07	3.14
Diluted net income per share	51.60	–

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

(Thousands of yen)

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Amounts for net income (loss) per share		
Net income (loss)	¥ 630,311	¥ (45,483)
Amounts not attributable to common shareholders	–	–
Net income (loss) related to common shares	630,311	(45,483)
Average number of common shares during the period (Shares)	11,657,041	14,507,488
Amounts for diluted net income per share		
Adjustments to net income	¥ 2,034	¥ –
[Of which, interest expenses (after tax adjustment)]	[2,034]	[–]
Increase in number of common shares (Shares)	597,795	–
[Of which, convertible bonds with subscription rights to shares (Shares)]	[597,795]	[–]

	Fiscal 2014 (From December 1, 2013 to November 30, 2014)	Fiscal 2015 (From December 1, 2014 to November 30, 2015)
Outline of dilutive shares excluded from the calculation of diluted net income per share because of not having a dilutive effect	11th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares)	Subscription rights to shares attached to the NCXX Group Inc. 5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (1,165 subscription rights for 1,069,788 underlying shares)

Notes: 2. Although there were potentially dilutive shares, diluted net income per share for the fiscal year under review is not disclosed as a net loss per share was recorded.

Notes

(Subsequent Events)

1. Issuance of stock compensation-type stock options (subscription rights to shares)

On January 26, 2016, the Board of Directors of the Company decided to submit a resolution for approval by the 32nd Ordinary General Meeting of Shareholders to be held on February 25, 2016, 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 the Company and its related companies as stock options granted at particularly advantageous terms. The goal will be to raise the motivation and morale of the directors and employees by providing them with an incentive to enhance the Group's earnings performance and corporate value.

The resolution was subsequently approved by the 32nd Ordinary General Meeting of Shareholders held on February 25, 2016.

Details regarding the subscription rights to shares are as follows.

(1) Name of subscription rights to shares

13th Series of Subscription Rights to Shares of NCXX Inc.

(2) Total number of subscription rights to shares and the class and number of underlying shares

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).

Class and number of underlying shares

There shall be 100 shares of common stock underlying each subscription right to shares. And the maximum number of shares issued upon exercise of the maximum 1,000 subscription rights to shares shall be 100,000 shares of common stock. As a result, 50,000 shares of common stock shall be issued upon exercise of the maximum 500 rights allotted to the directors of the Company (with a proportionate 10,000 shares of common stock going to the outside directors 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) Allotment date of subscription rights to shares

The decision shall be delegated to the Board of Directors of the Company.

(5) 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 (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.

Notes

(6) 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.

(7) 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 and its related companies in order to exercise the rights, apart from when the Board of Directors makes a special exception.

(8) 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 may acquire the particular subscription rights to shares from the holders free of charge if the closing price 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 "(7) Conditions for exercising subscription rights to shares."

(9) 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.

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

(11) 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.

(12) 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.

Notes

2. Purchase of treasury stock

At a Board of Directors meeting held on February 12, 2016, the Company passed a resolution to purchase treasury stock pursuant to Article 156 of the Companies Act, as applied by replacing terms pursuant to the provisions of Article 165-3 of the Companies Act.

(1) Reason for the purchase of treasury stock

Treasury stock was purchased as part of the execution of flexible capital management policies in line with changes in the operating environment, in conjunction with efforts to enhance shareholder value per share.

(2) Matters concerning the purchase of treasury stock

1. Type of shares to be purchased	Common shares of NCXX Group Inc.
2. Total number of shares to be purchased	Up to 400,000 shares (Shareholding percentage of issued shares (excluding treasury stock): 2.67%)
3. Total purchase value of shares	Up to ¥0.2 billion
4. Purchase period	From February 12, 2016 to November 20, 2016

[Consolidated Supplementary Schedules]

[Schedule of corporate bonds]

Issuer	Series	Issuance date	Starting balance in fiscal 2015 (Thousands of yen)	Ending balance in fiscal 2015 (Thousands of yen)	Interest (%)	Collateral	Maturity date
NCXX Group Inc.	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares	February 7, 2014	¥ 400,000 [–]	¥ – [–]	1.0	None	February 6, 2017
NCXX Group Inc.	4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	November 17, 2014	815,000 [–]	– [–]	0.5	None	November 16, 2017
NCXX Group Inc.	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	March 30, 2015	– [–]	1,165,000 [–]	0.5	None	March 29, 2018
NCXX Group Inc.	2nd Series of Unsecured Ordinary Corporate Bonds	December 11, 2013	200,000 [200,000]	– [–]	2.25	None	December 10, 2014
NCXX Group Inc.	3rd Series of Unsecured Ordinary Corporate Bonds	December 11, 2014	– [–]	100,000 [100,000]	1.4	None	December 10, 2015
Total	–	–	¥1,415,000 [200,000]	¥1,265,000 [100,000]	–	–	–

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

Series	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Type of shares to be issued	Common shares
Issue price of subscription rights (Yen)	Gratis
Issue price of shares (Yen)	¥1,089
Total face amount (Thousands of yen)	¥1,165,000
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 March 30, 2015 to March 29, 2018

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.

3. Scheduled redemptions due within five years subsequent to November 30, 2015 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
¥100,000	¥–	¥1,165,000	¥–	¥–

[Schedule of borrowings]

(Thousands of yen)

Category	Starting balance in fiscal 2015	Ending balance in fiscal 2015	Average interest rate (%)	Repayment
Short-term loans payable	¥ –	¥ 484,049	3.1	–
Current portion of long-term loans payable	290,675	2,115,702	2.3	–
Current portion of lease obligations	–	2,862	2.6	–
Long-term loans payable (excluding current portion)	735,836	3,306,196	0.1	2016 to 2030
Lease obligations (excluding current portion)	–	5,075	1.1	2016 to 2020
Other interest-bearing debt				
Current portion of accounts payable —other	–	337,300	1.4	–
Current portion of accounts payable —installment purchase	6,442	6,182	1.5	–
Long-term accounts payable —installment purchase	13,682	7,371	0.5	2015 to 2018
Total	¥1,046,635	¥6,264,740	–	–

Notes: 1. Average interest rate represents the weighted average interest rate for the balance at November 30, 2015.
2. Scheduled repayments of long-term loans payable (excluding current portion) and other interest-bearing debt (excluding current portion) due within five years subsequent to November 30, 2015 are as follows.

(Thousands of yen)

	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
Long-term loans payable	¥1,304,780	¥684,144	¥426,707	¥747,786	¥142,776
Long-term accounts payable —installment purchase	6,307	1,063	–	–	–
Lease obligations	2,910	1,149	592	423	–

3. Interest-free loans account for ¥23,308 thousand of the balance of long-term loans payable (excluding current portion) as of November 30, 2015.

[Schedule of asset retirement obligations]

The schedule of asset retirement obligations is omitted from record in these financial statements as the matters that must be recorded in this statement are disclosed as a note in conformity with Article 15-3 of the Ordinance on Consolidated Financial Statements.

[Other]

Quarterly and other information for fiscal 2014

(Thousands of yen)

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year
Net sales	¥1,010,714	¥2,200,015	¥4,574,741	¥7,416,907
Income (loss) before income taxes and minority interests	(158,463)	(260,821)	(389,770)	23,572
Net loss	(162,186)	(251,112)	(429,577)	(45,483)
Net loss per share (Yen)	¥ (12.13)	¥ (17.75)	¥ (29.83)	¥ (3.14)

(Yen)

(Quarterly period)	First quarter	Second quarter	Third quarter	Fiscal year
Quarterly net income (loss) per share	¥(12.13)	¥(5.97)	¥(12.39)	¥26.47

Company Overview

Name	NCXX Group Inc.
Date of establishment	April 21, 1984
Capital stock	¥1,819,748,000 (as of November 30, 2015)
Consolidated group employees	712 (as of November 30, 2015)
Business operations	■ Management strategy formulation and management of Group companies ■ Planning, development, and sale of nursing care and rehabilitation robots, etc. ■ Planning, development, and sale of agricultural ICT ■ Businesses associated with or related to the above
Location	Hanamaki Head Office: 2-32-1 Kunuginome, Hanamaki City, Iwate Prefecture, Japan TEL: +81-198-27-2851 FAX: +81-198-27-2850 Tokyo Head Office: 2F CoSTUME NATIONAL Aoyama Complex, 5-4-30 Minamiaoyama, Minato-ku, Tokyo, Japan TEL: +81-3-5766-9870 FAX: +81-3-5766-9871

History

Date	Event
Apr. 1984	Established as Honda Electron Co., Ltd. with capital stock of ¥10 million invested by Honda Tsushin Kogyo Co., Ltd. Head Office was located in Himonya, Meguro-ku, Tokyo. Started design and manufacture of telecommunication line equipment
Aug. 1985	Constructed Hanamaki Plant in Hanamaki City, Iwate Prefecture and started operations
Aug. 1986	Participated in the establishment of Iwateken Koudo Gijutsu Shinkou Kikou (Iwate Prefecture Advanced Technology Promotion Organization)
Aug. 1987	Relocated Head Office to Shibaura, Minato-ku, Tokyo
Sept. 1998	HOKUBU Communication & Industrial Co.,Ltd. and its group company become the major shareholders
Oct. 1999	Acquired ISO quality certification (ISO 9001, JQA-QM 3856)
Jan. 2002	Launched world's first 128 kbps data telecommunication card
June 2002	Established the Hanamaki R&D Center as a base for development of PHS data telecommunication cards
Apr. 2003	Established the Tokyo R&D Center and established bases for development of PLC and wireless
Sept. 2003	Relocated Head Office to Kyobashi, Chuo-ku, Tokyo
Dec. 2003	Acquired ISO environmental certification (ISO 14001, JQA-EM 3575)
June 2004	Index Corporation acquired 2,416 shares, making the Company a subsidiary
Jan. 2005	Received supreme prize for excellence in the modem category of the BCN Award
June 2005	Sold the semiconductor manufacturing equipment business to SHIBAURA MECHATRONICS CORPORATION and specialized in the information and telecommunication business
Sept. 2005	Changed company name from Honda Electron Co., Ltd. to Net Index Co., Ltd.
Sept. 2005	Established Net Index ES Co., Ltd., and spun off the manufacturing and service divisions
Nov. 2005	Introduced the W-SIM, which is the world's smallest PHS module, and the first SIM-STYLE voice handset
June 2007	Listed on the JASDAQ securities exchange (securities code: 6634)
Nov. 2010	Relocated the Head Office to Hanamaki City, Iwate Prefecture
July 2012	FISCO Ltd. acquired 47,401 shares, making the Company a subsidiary Made e-tabinet.com into a subsidiary
Dec. 2012	Changed company name from Net Index Co., Ltd. to NCXX Inc.
Dec. 2013	Made NCXX Solutions Inc. and Care Online Limited into subsidiaries
Feb. 2014	Transferred the domestic systems development business of SJI Inc. to subsidiary NCXX Solutions Inc. through an absorption-type company split
Apr. 2015	Changed the company name from NCXX Inc. to NCXX Group Inc.
Apr. 2015	Established NCXX Inc. as a newly incorporated company. Transferred the device business to NCXX Inc. through a corporate split.
June 2016	Made SJI Inc. a subsidiary

Shareholder Information (As of November 30, 2015)

Overview of Shares

Total number of issuable shares: 30,000,000
Total number of shares issued: 15,030,195
Number of shareholders: 5,463

Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding percentage of issued shares (%)
FISCO Ltd.	5,198,700	34.58
Diamond Agency, Inc.	3,000,000	19.95
ABIT Corporation	349,000	2.32
Tomonori Morimoto	200,000	1.33
SJI Inc.	125,008	0.83
Kensuke Yabuta	79,000	0.52
Japan Securities Finance Co., Ltd.	78,100	0.51
NCXX Group Inc.	72,516	0.48
Investment Partnership F Target Fund	68,100	0.45
Shoji Hihara	57,300	0.38

Shareholder Memo

Listed exchanges	Tokyo Stock Exchange, JASDAQ
Listing date	June 22, 2007
Securities code	6634
Business year	December 1 to November 30
Ordinary General Meeting of Shareholders	Within three months of the final closing date of each year
Shareholder record date	November 30
Record dates for dividends from retained earnings	November 30, May 31
Number of shares in one trading unit	100 shares
Method of Posting Notices	The Company provides notification by electronic notices. However, when the Company cannot provide notices by the electronic method due to accidents or other unavoidable reasons, it will post the notices in the Nikkei newspaper. Notices are provided on the Company's website at the following address http://www.ncxxgroup.co.jp/irinfo/notification/
Transfer agent	Mitsubishi UFJ Trust and Banking Corporation, 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Handling office of the transfer agent (postal address)	Mitsubishi UFJ Trust and Banking Corporation, Securities Agency Division, 4-5, Marunouchi 1-Chome, Chiyoda-ku, Tokyo
Contact office of the same transfer agent	Mitsubishi UFJ Trust and Banking Corporation branches throughout Japan