Next
Communication
with NCXX.

INTEGRATED REPORT 2017

NCXX Group Inc.

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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.

User Guide

This PDF offers various functions to make it easier to use and to find information.

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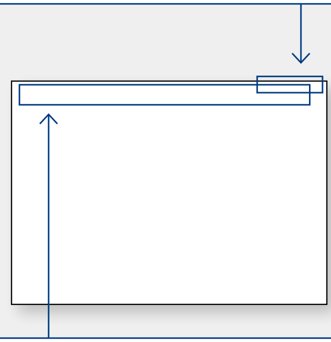

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Corporate Philosophy

Provide new value to people based on telecommunications technology, thereby contributing to the development of a more efficient and comfortable society

Management Vision

Connecting, Creating, and Growing:

The Company will create new value and contribute to society by integrating the Group's accumulated original technologies and knowledge, as well as its outstanding human resources

NCXX Group Inc.

http://ncxxgroup.co.jp/en

- **NCXX Inc.**
  http://www.ncxx.co.jp/
- **NCXX Solutions Inc.**
  http://www.ncxx-sl.co.jp/
- **CAICA Inc.**
  http://www.caica.jp/e-toppage/
- **Care Dynamics Limited**
  http://www.care-dynamics.jp/
- **e-tabinet.com**
  http://www.e-tabinet.com/
- **TITICACA, Co. Ltd.**
  http://www.titicaca.jp/english/

Overall Image of the NCXX Group

IoT Solutions

The Internet of Things (IoT) refers to a system that automates various controls by enabling “things” such as sensors and devices connected through the Internet to exchange data with each other. By equipping each of these devices with a wireless communication function, we propose a variety of solutions that realize greater operational efficiency.

System Solutions

We provide integrated one-stop services in the manufacturing, finance, distribution, and corporate and public sectors. Services cover all aspects from commercialization using blockchain technology and consulting to system development businesses, including design, construction, operation, and maintenance, as well as infrastructure construction such as networks and databases.

Internet Travel

For customers who wish to take a one-of-a-kind trip, not being satisfied with regular travel tours and wanting to make trips that do not appear in guidebooks, our travel consultants, known as travel concierges, propose individually customized trips.

Total Nursing Care Business Support Service

We will solve various problems faced by nursing care providers, including by the provision of Care Online, a business support system for nursing care providers, and by the proposal, development and sales of nursing care robots and nursing care ICT systems.

Robot Business

We aim to provide new value in a variety of fields, including nursing care, by combining robot and communication technologies and creating a new kind of robot, in the broad sense of the word, that is connected to a network, rather than the narrow sense of “robot” meaning an independent device (equipment) operated autonomously.

Agricultural ICT Business

We aim to realize an agricultural business in which anyone can succeed by selling safe, secure and delicious healthy vegetables grown through digitally managed soil chemistry, and by providing cultivation technologies for producers.

Business Domains

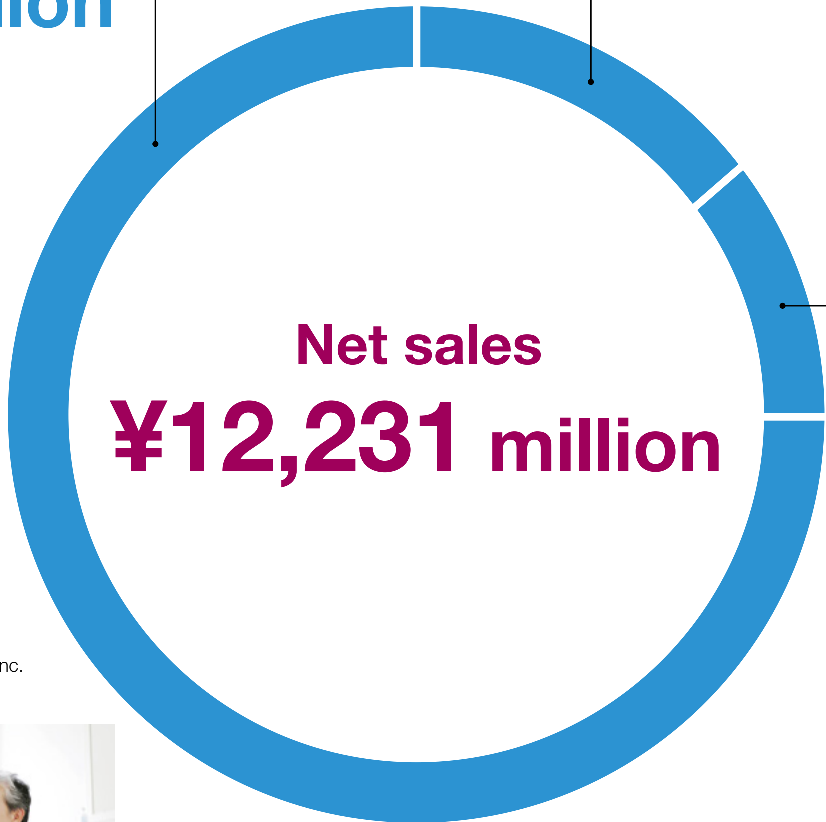
Device business

¥9,111 million

Prof. Sankai, University of Tsukuba/CYBERDYNE Inc.

Prof. Sankai, University of Tsukuba/CYBERDYNE Inc.

Prof. Sankai, University of Tsukuba/CYBERDYNE Inc.



Internet travel business

¥1,623 million

Brand retail platform business

¥1,495 million

Value Creation Process

Changing Society

- Dramatic development of communication infrastructure
- Increasing capacity of hardware
- Explosive popularization of mobile terminals
- Transformation of existing financial services through the development of artificial intelligence (AI)
- Diffusion of new financial services by FinTech
- Utilization of blockchain technology

- Climate change risk
- Worsening environmental conditions
- Increasing awareness of the need for food safety
- An aging society with a falling birthrate
- Declining regional vitality

Management Strategy

Social Issues to be Addressed

Making use of information and communication technologies

- Responding to risks including data leaks, tampering and loss

Construction of financial systems

- Creating innovative financial services that make full use of resources in financial systems construction expertise
- Optimization of costs

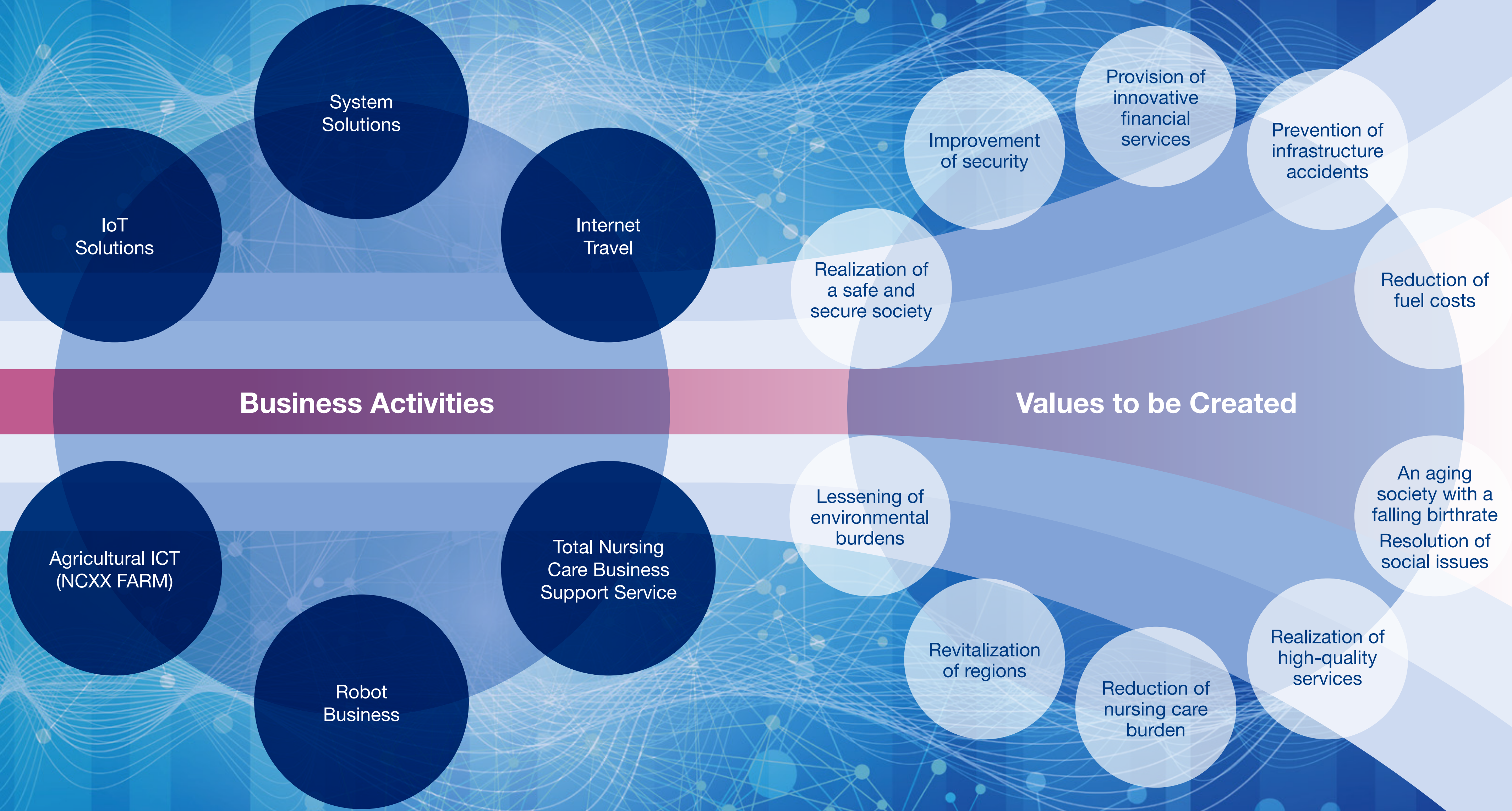
Conservation of the environment and food

- Effective use of land
- Creating attractive business models in agriculture
- Creation of “Safe, Secure, Ecological” crops and technologies

Diversity & Inclusion

- Shortage of nursing care staff
- Improvement of living conditions of growers and workers
- Support for domestic regions and developing countries

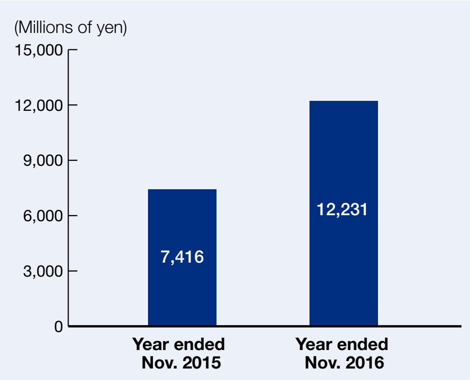
Value Creation Process



Financial Highlights

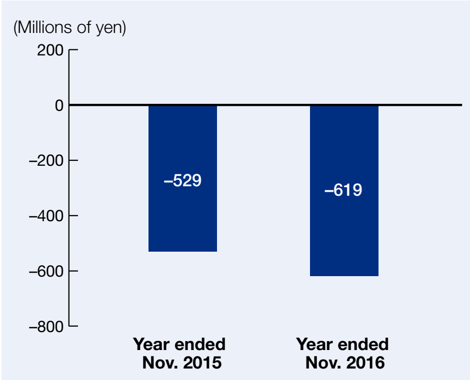
Net sales

¥12,231 million



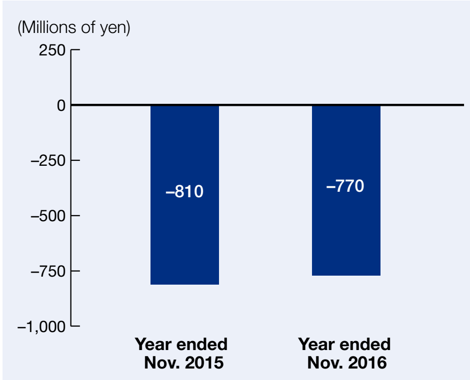
Operating loss

¥–619 million



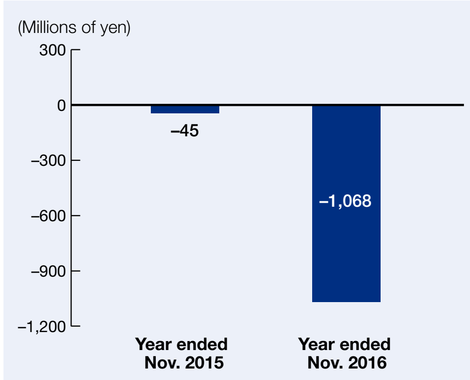
Ordinary loss

¥–770 million



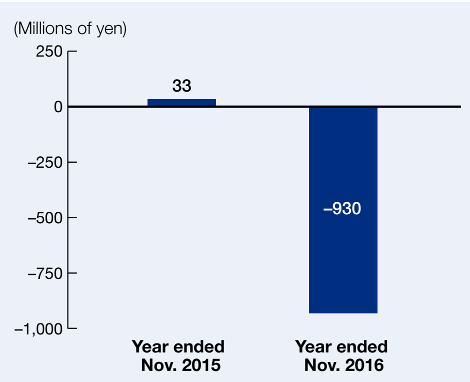
Loss attributable to owners of parent

¥–1,068 million



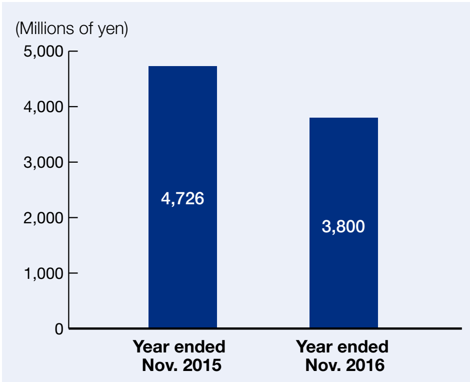
Comprehensive income (loss)

¥–930 million



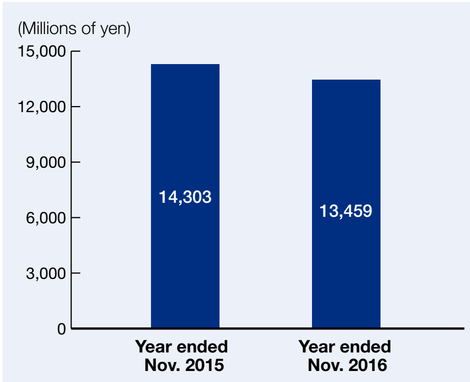
Net assets

¥3,800 million



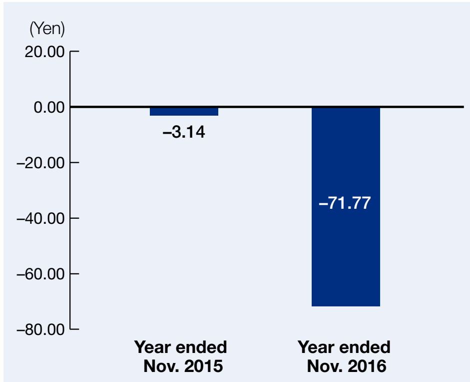
Total assets

¥13,459 million



Net loss per share

¥–71.77



Core Performance Indicators

NCXX Group Inc. and consolidated subsidiaries

(Thousands of yen)

Terms	28th term	29th term	30th term	31st term	32nd term	33rd term
Fiscal year-end	July 2012	November 2012	November 2013	November 2014	November 2015	November 2016
Net sales	3,809,346	1,864,422	4,948,289	6,375,427	7,416,907	12,231,134
Ordinary income (loss)	(341,634)	93,535	487,207	692,055	(810,412)	(770,026)
Profit (loss) attributable to owners of parent	(632,161)	86,385	430,325	630,311	(45,483)	(1,068,435)
Comprehensive income	(615,571)	92,782	458,901	654,412	33,876	(930,013)
Net assets	1,130,214	1,222,996	2,665,168	3,551,077	4,726,400	3,800,538
Total assets	2,590,372	2,156,521	4,077,632	6,979,008	14,303,095	13,459,907
Net assets per share (Yen)	113.88	123.84	212.57	276.14	308.98	241.60
Net income (loss) per share (Yen)	(162.25)	9.77	39.79	54.07	(3.14)	(71.77)
Diluted net income per share (Yen)	–	–	–	51.60	–	–
Equity ratio (%)	38.9	50.8	60.6	48.7	32.0	26.7
Return on equity (%)	(89.6)	8.2	24.1	21.5	(1.1)	26.1
Price-earnings ratio (%)	–	19.4	17.9	9.3	–	–
Cash flows from operating activities	199,328	211,835	(409,985)	1,448,650	(1,090,008)	341,581
Cash flows from investing activities	(359,348)	(231,821)	75,496	(851,134)	(844,920)	686,866
Cash flows from financing activities	353,583	93,355	1,241,206	2,072,665	829,467	(2,047,010)
Cash and cash equivalents	267,549	341,622	1,253,266	3,930,484	2,905,141	1,881,667
Number of employees	85	69	66	235	712	873
(Average number of temporary employees)	(–)	(–)	(–)	(–)	(–)	(423)

Notes: 1. Consumption taxes are not included in the net sales.
2. In accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act of Japan, the Company's consolidated financial statements for the 28th term were audited by RSM Seiwa, and the Company's consolidated financial statements from the 29th term to the 33rd term were audited by Toko Audit Corporation.
3. Although there were potentially dilutive shares for the 28th term, 32nd term, and 33rd term, the Company recorded a net loss per share. There were no potentially dilutive shares for the 29th term and 30th term. Accordingly, diluted net income per share is not disclosed for these terms.
4. The price-earnings ratio is not disclosed for the 28th term, 32nd term, and 33rd term, because the Company recorded a net loss per share for those terms.
5. The 29th term comprises the 4 months from August 1, 2012 to November 30, 2012, due to a change in the accounting period.
6. The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net assets per share and net income (loss) per share are calculated as if the stock split had been conducted at the beginning of the 28th term.
7. The Company has adopted the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), and effective from the fiscal year ended November 30, 2016, the Company's net income (loss) is treated as profit (loss) attributable to owners of parent.
8. The average number of temporary employees has not been disclosed as the number from the 28th term to the 32nd term is less than one-tenth of the number of employees.

Strategy

Top Message

Greeting

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

According to the key points of the *2016 White Paper on Information and Communications in Japan* released by the Ministry of Internal Affairs and Communications in July 2016, "Further ICT investment in IoT, big data, AI, and other forms of ICT is expected to accelerate Japan's economic growth and boost the country's real GDP by about ¥33.1 trillion by FY2020." The Company is concentrating on the ICT domain, a market that is expected to continue to develop moving ahead. At the same time, FinTech is swiftly expanding around the globe, coming into practical use, and has great potential. Determined to make great strides in this growth field, we made SJI Inc. (now CAICA Inc.), which possesses blockchain, AI and other technology central to FinTech, a subsidiary in August 2016.

Further, in the same month, we also made TITICACA, Co. Ltd. a subsidiary. This marked the launch of the brand retail platform business focused on the sale of apparel and accessories. In addition to such new initiatives, we will keep proactively developing business in the growth areas of agricultural ICT, automotive telematics, robotics, and Internet travel.

Tsukasa Akiyama

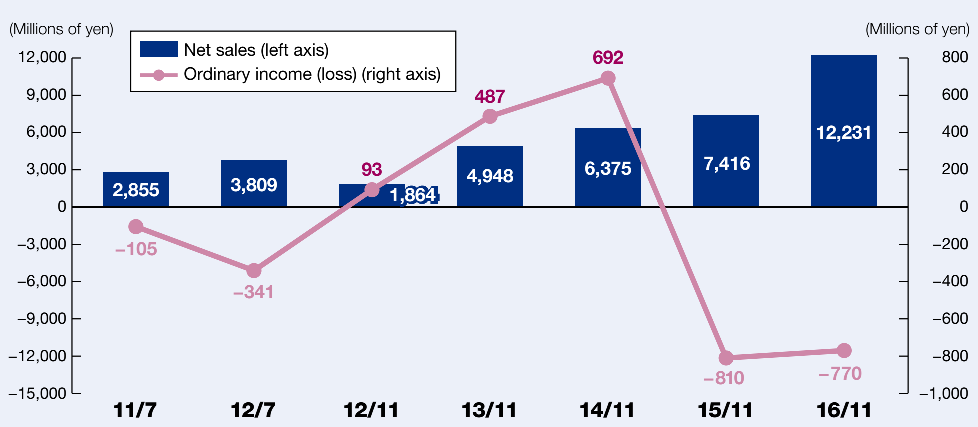
Representative Director and President
NCXX Group Inc.

Top Message

Results for Fiscal 2016

In fiscal 2016 (December 1, 2015 to November 30, 2016), the Company's consolidated net sales grew a sharp 64.9% year on year to ¥12,231 million, reflecting SJI Inc. (now CAICA Inc.) being made a subsidiary. However, orders for new projects did not grow as we had anticipated due to the designation of SJI stock as securities on alert by the Tokyo Stock Exchange remaining in effect, and some product orders trailed plans at NCXX Inc. Consequently, we posted an operating loss of ¥619 million (¥529 million in the previous fiscal year), an ordinary loss of ¥770 million (¥810 million in the previous fiscal year), before income taxes and non-controlling interests of ¥863 million (income of ¥23 million in the previous fiscal year), and a loss attributable to owners of parent of ¥1,068 million (¥45 million in the previous fiscal year).

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, 2017

NCXX Group Inc.

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

In the agricultural ICT business (NCXX FARM), we advanced integration of agricultural production, manufacturing, and retailing—a so-called "senary" industry business. We also promoted franchise business entailing sales of packaged services—chemical soil management based on a patented farming method and digital management based on ICT systems. In "senary" industry business, we launched yellow tomato keema curry gift sets in boxes made of paulownia wood in September 2016, and additive-free 100% tomato juice chock-full of two varieties of yellow tomatoes with high sugar content in October 2016. Iwate Ginga Plaza, a store in Tokyo's Ginza district featuring products from Iwate Prefecture, also started carrying some of our products.

In addition, we periodically hold seminars at the Company's farm about the patented farming method and agricultural ICT. This has spurred a rise in inquiries and visitors from around Japan including local government bodies and educational corporations utilizing the seminars as a part of training.

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 realize robots that are easy to use on the front lines and that have an easily accessible cost structure, and is proceeding with development towards early commercialization.

Device Business (NCXX Inc., NCXX Solutions Inc., CAICA Inc., and Care Dynamics Limited)

NCXX Inc. focused on providing solutions using GX4x0NC, the OBD II-type automotive telematic data collecting unit launched in 2015. In collaboration with NCXX Solutions Inc., NCXX developed Drive Care, an OBD II solution for nursing care transportation service vehicles, and rolled it out in August 2016. While orders did not come into full

Top Message

swing in the fiscal year under review, we will strengthen sales activities so as to quickly achieve that while continuing to follow up with customers. For NCXX, we are projecting sales of ¥1,490 million in fiscal 2017, up from ¥1,248 million in fiscal 2016.

NCXX Solutions Inc. saw solid orders in the fiscal year under review as in the previous fiscal year, including for system rebuilding from a local bank and system development associated with energy liberalization from a major gas company. The Kanto Office began full-fledged operations in the previous fiscal year, and is making solid progress expanding business orders and securing engineers, with a focus on financial systems. NCXX Solutions is also working to enhance the free investment information service provided by its parent company FISCO Ltd. via the FISCO smartphone app and the PC browser-based FISCO Web through functional additions and improvements. For NCXX Solutions, we are projecting sales of ¥2,770 million in fiscal 2017, up from ¥2,504 million in fiscal 2016.

Care Dynamics Limited is a provider of ASP systems to nursing care businesses. It has already deployed ASP systems at more than 400 nursing care facilities. With the launch of new services such as support for the introduction of nursing care robots and the provision of nursing care ICT, Care Dynamics is evolving into a comprehensive nursing care business support enterprise.

In regard to support for the introduction of nursing care robots, in May and June 2016, Care Dynamics held special events for companies considering deploying the HAL® robot suit. At these events, the companies could actually try out and experience what it is like to use HAL technology. These events were part of the “Special Project to Support the Introduction of Robotic Devices for Nursing Care” (allocated by the 2017 supplementary budget) by the Ministry of Health, Labour and Welfare. As a result, Care Dynamics captured a large number of orders, encompassing HAL as well as other products offered by the company, thereby making a significantly positive contribution to net sales in the fiscal year under review.

In terms of new services, we are offering support services for nursing care businesses engaged in the distribution of a variety of nursing care robots. We also launched Drive Care, the OBD II solution for nursing care transportation service vehicles previously mentioned. Given the above, we are forecasting sales at Care Dynamics will rise to ¥115 million in fiscal 2017 from ¥110 million in fiscal 2016.

While it became difficult for CAICA Inc. to acquire orders for some projects due to its ongoing designation under its former company name SJI Inc. as securities on alert by the Tokyo Stock Exchange since April 28, 2016, the designation was removed on September 24, 2016. By steadily advancing an array of measures to bolster finances while working to restore confidence, we made substantial improvements on the financial front. With a transition to a real growth stage in sight ahead, we renamed SJI Inc. as CAICA Inc. on February 1, 2017 with the aim of strengthening brand power. CAICA established a new five-year medium-term management plan commencing in the fiscal year ended October 2017, “Setting the Stage for New Growth,” and intends to embrace M&A as part of efforts to achieve the plan. We have hit the ground running especially in the FinTech field, steadily amassing projects including commissioned work to support verification testing at a major corporation and orders for blockchain-related system development. To be a top blockchain technology player, we are focusing on hiring and developing talent. We are also expanding from our current development support business into operations and maintenance services. In the future, we aim to shift to a recurring revenue business model, with an eye to selling in-house developed software packages. For CAICA, we are projecting sales of ¥5,999 million in fiscal 2017, compared with ¥5,337 million in fiscal 2016.

● Internet Travel Business (e-tabinet.com, Web travel Co., Ltd., and Gloria Tours Inc.)

In this segment, the Company’s consolidated subsidiary e-tabinet.com and its subsidiary Web travel Co., Ltd. provide travel services through the Internet. The segment’s mainstay is “Travel Estimate Services,” which entail delivering travel itineraries that are perfect fits for customers by enabling customers to request travel estimates online from travel agencies throughout Japan. Another offering is “Travel Concierge Services,” where expert travel concierges propose customized travel itineraries free of charge. Other services include providing specialized expertise and preparing optimal travel

Top Message

itineraries for customers who wish to take world trips, as well as creating tailor-made travel itineraries for Chinese customers. We will continue endeavoring to deliver high-quality, personalized travel services replete with the spirit of hospitality by recommending *Kodawari No Tabi* ("Journeys for the Discerning Traveler") travel packages.

We are also focusing on the disabled sports market ahead of the 2020 Tokyo Olympics and Paralympics. In fiscal 2016, e-tabinet.com acquired all of the outstanding shares in Gloria Tours Inc. on October 6, 2016. Gloria Tours provides travel arrangements for international disabled sports competitions and assistance with receiving overseas VIPs as well as support for operating various events, among other things.

In April 2016, we newly established a ski website targeting overseas visitors to Japan to tap into that strong inbound demand. In October 2016, we managed to include the listing of 204 ski trails in Japan on the website with the help of Jitsugyo no Nihon Sha, Ltd., a publisher established in 1897.

As a result of the above, we are forecasting segment sales will grow to ¥2,645 million in fiscal 2017 from ¥1,650 million in fiscal 2016.

● Brand Retail Platform Business (TITICACA, Co. Ltd. and Versatile Inc.)

We made the importer and retailer of ethnic clothing and sundries TITICACA, Co. Ltd. a subsidiary on August 1, 2016, and the companies Versatile Inc. and FISCO International Limited subsidiaries in December 2016. With this, we newly established the brand retail platform business segment focused on the sale of accessories. Moving forward, we will engage in the retailing of sundries, apparel, and so forth, as well as the licensing of brand trademarks. TITICACA turned to profit for the single month of October 2016, and we will continue working to stabilize earnings in the next fiscal year including by closing unprofitable stores and revamping personnel frameworks. As a result of the above, we are forecasting segment sales will rise to ¥5,221 million in fiscal 2017 from ¥1,495 million in fiscal 2016.

In addition, we aim to grow and stabilize this segment so that it becomes a new earnings pillar. To that end, we will take steps to develop and popularize IoT-related services for the fashion industry as well as engage in licensing of the trademark for CoSTUME NATIONAL, an apparel and accessory retailer and importer and distributor. Further, we will look to develop not just apparel and accessories but wine and other retailing operations as a foothold for developing business in Asia.

IT is also being applied to the fashion industry, with store inventory management utilizing devices and virtual fitting rooms using augmented reality (AR). As we move forward developing and promoting IoT-related services for the fashion industry, we aim to grow the brand retail platform business into one of the Group's earnings bases.

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

For fiscal 2017, we are projecting consolidated net sales of ¥18,495 million, operating income of ¥91 million, an ordinary loss of ¥74 million, and a loss attributable to owners of parent of ¥209 million. EBITDA is forecast at ¥728 million.

We aim to be a highly profitable company by creating significant added value, and regard gross profit margin and operating profit margin as important management benchmarks. In addition, we are working to achieve a better balance regarding M&A and other investments by clarifying their significance in terms of Group strategies and conditions and timelines for recouping the investments, and ensuring effective governance. Going forward, we will keep striving to grow profit by further expanding sales, making the entire Group more efficient, endeavoring to strengthen our core competencies, and lowering costs.

Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.

Feature 1: Creating New Value with Blockchain Technology

Conducting Experiments in Sharing Real Estate Data

CAICA Inc. has started conducting experiments in sharing and utilizing real estate data using blockchain technology in collaboration with LIFULL Co., Ltd. (Listing: 2120 TSE-1; Headquarters: Chiyoda-ku, Tokyo; President: Takashi Inoue) and Tech Bureau Corporation (Headquarters: Osaka City, Osaka; President: Takao Asayama).

Specifically, CAICA is building and verifying the effectiveness of a mechanism for linking scattered real estate information on a blockchain using data such as that found on LIFULL HOME'S, a real estate and housing information website operated by LIFULL that possesses a total of approximately 8 million data items. CAICA aims to become Japan's largest systems integrator for cryptocurrencies, and is conducting a variety of initiatives that utilize blockchain technology.

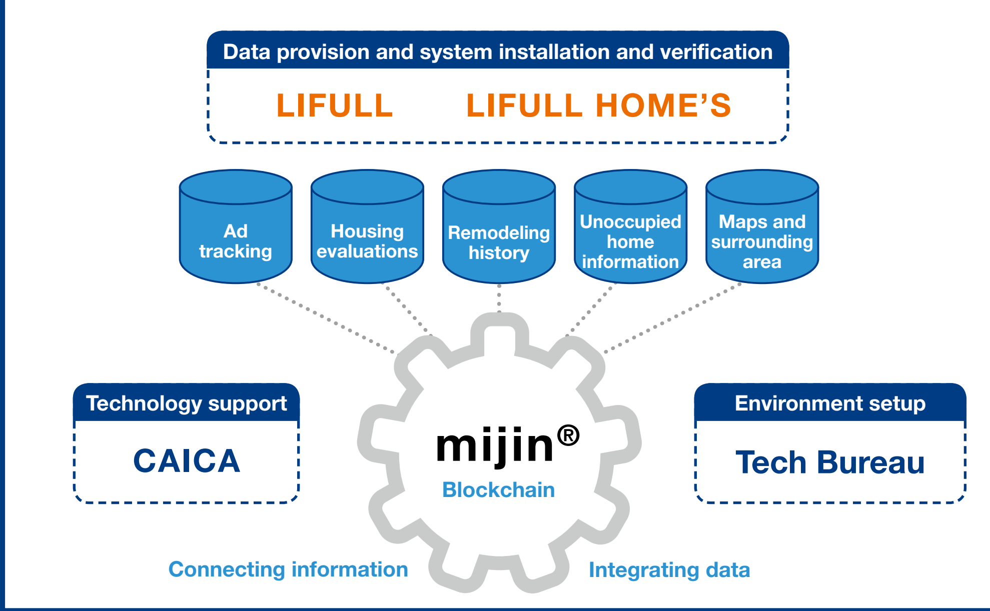
Aim of Experiments and Use of Blockchain Technology

For these experiments, CAICA is providing consulting services and technical support for the installing of the blockchain on mijin®, Tech Bureau's versatile blockchain platform.

The distinctive features of blockchain technology include tamper-proof data, security based on user authentication and encryption, a pure peer-to-peer open ledger network with zero downtime, data proof of existence and authentication with time stamps and electronic signatures, as well as traceability. By leveraging these features, it will be possible to integrate and unify real estate data related to certified copies of registers, contracts and public certifications. Moreover, blockchain technology also has the potential to substantially increase business efficiency while reducing the cost and time required to design, develop, and install these systems.

In the future, disperse sources of data will be brought together and integrated, including open data provided by national and local governments, registry databases, tax ledgers, and national ID information. In addition to stimulating the real estate market, we believe this data integration will help solve social problems, such as identifying owners of unoccupied homes.

Conceptual Illustration of the Experiments



BlockLog Attendance Management Service

In June 2017, CAICA released a beta version of its new BlockLog attendance management service that uses blockchain technology. CAICA originally announced it began development of BlockLog, a combination of the words blockchain and log, in March 2017. BlockLog is a service featuring an iOS app that uses the GeoFence feature of iPhones with blockchain technology to automatically record when people come to and leave work. It enables managers to check the relevant statistics on when employees leave work.

The NCXX Group's agricultural ICT business, known as NCXX FARM, already uses BlockLog. The NCXX Group aims to provide higher-value-added services by combining it with IoT and leveraging its superiority in communications technologies and devices.

Feature 2: Making Cyber-Physical Systems a Reality

Establishing a Presence in New Markets

The world is currently standing on the threshold of the Fourth Industrial Revolution, following the First Industrial Revolution driven by steam, the Second Industrial Revolution driven by electricity and the Third Industrial Revolution driven by IT. In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the Internet, making it possible to perform sophisticated analysis of the big data that will be generated.

As a result of the development of AI and blockchain technologies, a society that is far more efficient and less labor intensive than what we have today is predicted to take shape in the future. Experts believe that the Physical Part of society will be managed largely on an automated basis. This means that Cyber-Physical Systems will become a reality. A Cyber-Physical System is a system that quantifies various states of the Physical Part of the real world that are subject to control, and quantitatively analyzes this data in the Cyber Part in order to derive new insights and knowledge, which are then fed back and used to control the Physical Part of the real world.

In such a world, the ability to collect and retain big data from the Physical Part of the real world through IoT technology and the ability to manage and analyze this data through AI and blockchain technologies in the Cyber Part will become increasingly crucial.

Eyeing a future where unprecedented markets like those described above will take shape, the NCXX Group aims to establish a presence as a developer of IoT devices and solutions that link various devices.

Efforts to Bolster Security

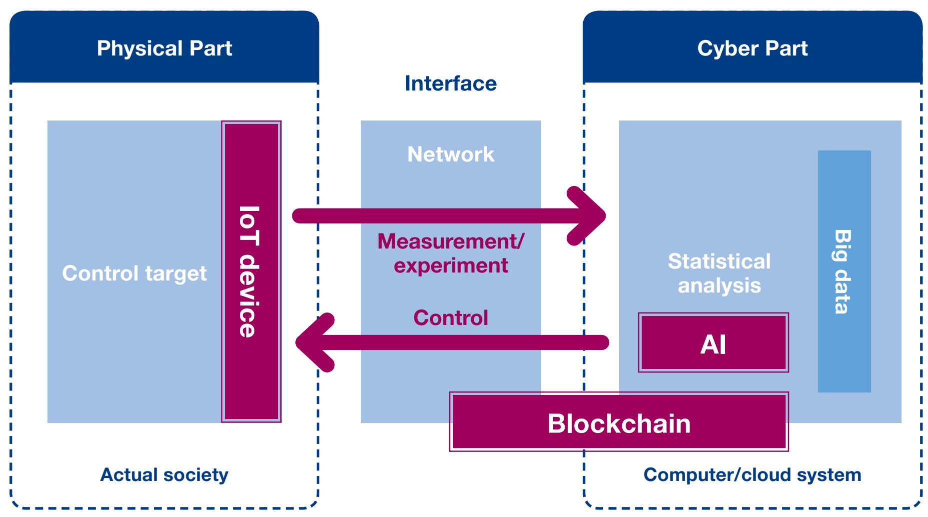
The Cyber-Physical Systems that will be realized in the Fourth Industrial Revolution will handle big data including large quantities of private information. Security will therefore play an extremely important part. The Basic Act on Cybersecurity was established in November 2014. This law clarifies the responsibilities, strategies and basic policies of the national government, various institutions and other bodies. However, the costs of security measures borne by business enterprises have continued to increase steadily, mainly to deal with the growing threat of information leaks by insiders and targeted cyberattacks. The information security market (applications and services) in Japan will remain on a sustained growth track in the near term. For listed companies in Japan, enhancing the quality of security measures and reducing the cost burden of those measures have become key priorities for increasing corporate value.

In this environment, on January 1, 2017, the Group concluded a capital and business alliance with Terilogy Co., Ltd. (Listing: JASDAQ 3356; Head Office: Chiyoda-ku, Tokyo; President: Takao Tsubuki; "Terilogy"), which provides cutting edge network security solutions for large Japanese companies. The aim of the alliance is to realize a society where IoT equipment can be used securely as a result of safeguarding devices, systems, and crucial information from various threats on a variety of networks. Under the agreement, the two companies will jointly develop products that integrate the Group's IoT device technologies with Terilogy's security technologies.

The NCXX Group's Role in Cyber-Physical Systems

In a Cyber-Physical System, a blockchain is used to provide a reliable, secure distributed database for data that is sent from IoT equipment, and AI enables automatic action and transactions triggered by sensors.

Overview of a Cyber-Physical System

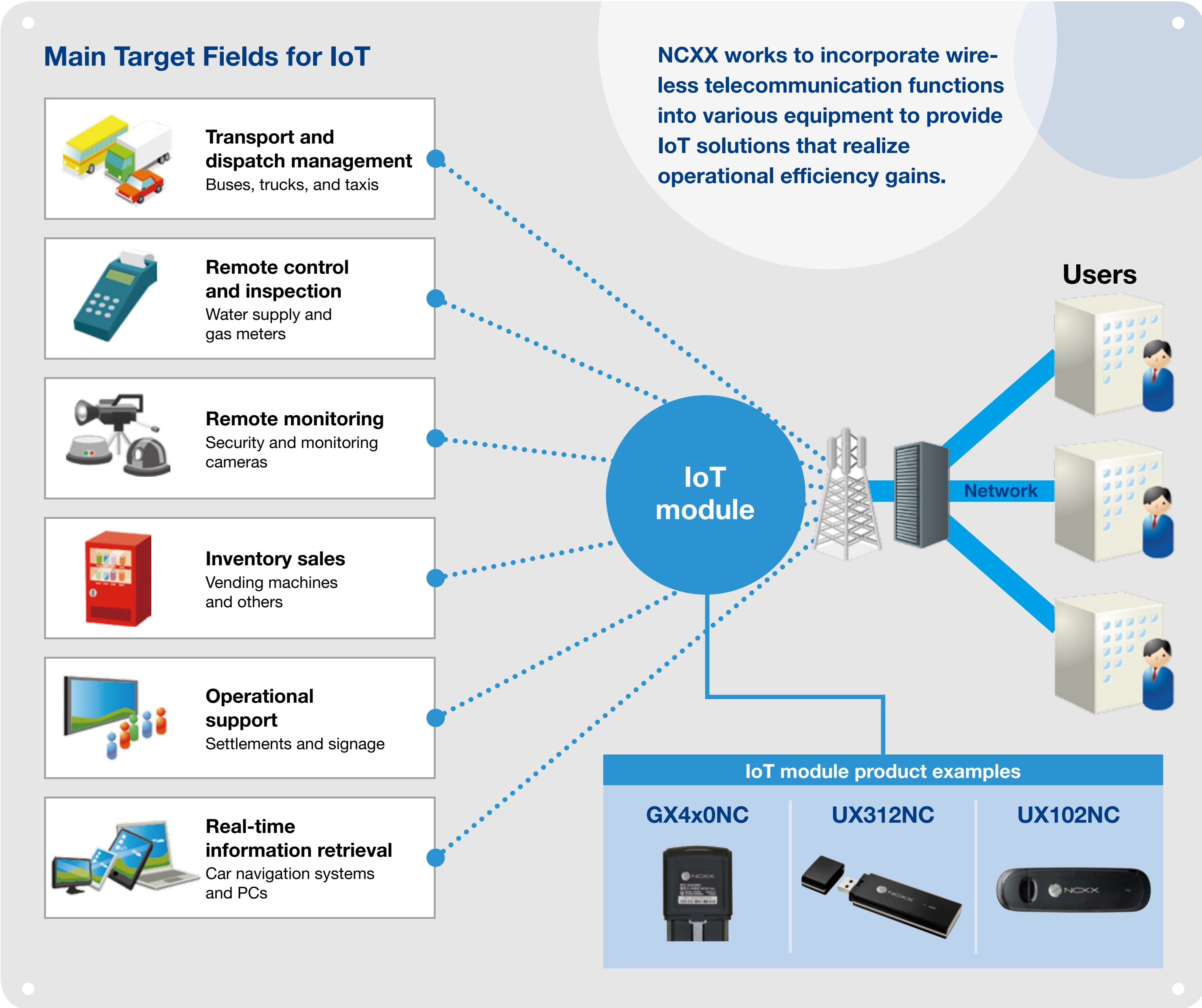


Introducing Our Businesses

Device Business
(NCXX Inc.)

IoT Solutions

IoT refers to a system that automates various controls by enabling “things” such as sensors and devices connected through the Internet 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.



Introducing Our Businesses

Device Business
(NCXX Solutions Inc.)

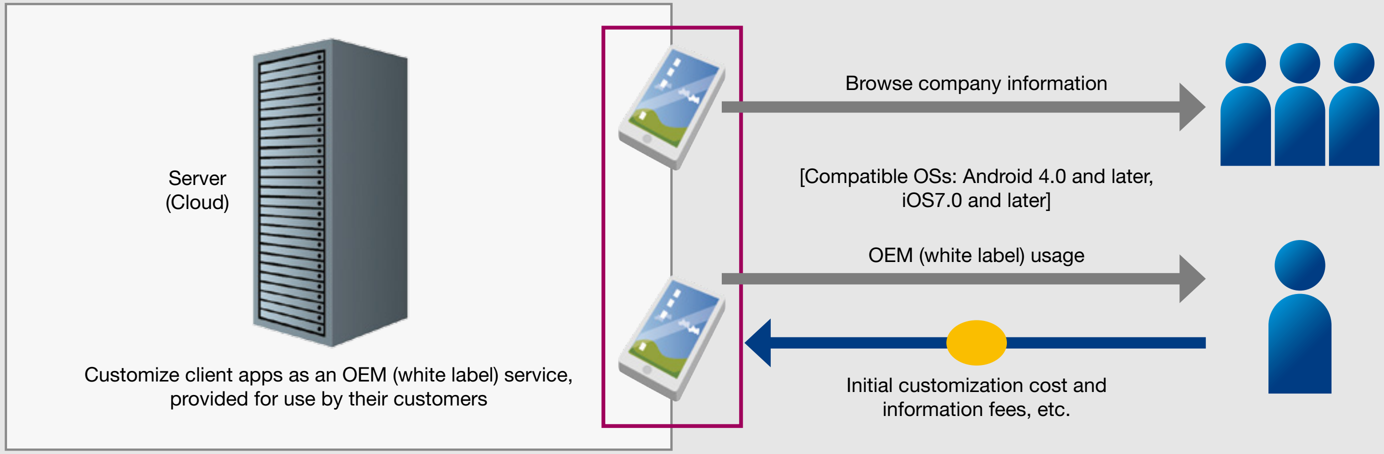
System Solutions

We provide 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. Specifically, we offer various services, such as a Telematics Service and app for realizing lower fuel consumption and accident prevention through eco-driving and safe driving guidance. This service is provided as a cloud (ASP/SaaS) service, and enables a timely grasp of the driving status of a vehicle from a remote location, including its speed, travel time, travel distance, and sudden starts and stops. Furthermore, with future business development, we will develop various services, such as a Corporate Information Provider Service that provides apps as OEM (white label) solutions to companies (small- and medium-sized securities companies, human resource service companies, and so forth). We are also developing ICT services for the agriculture and nursing care sectors.

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, NCXX Solutions developed and operates the smartphone app “FISCO” for providing investment information on listed companies. The app includes a Company Information Function that enables users to check all 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.

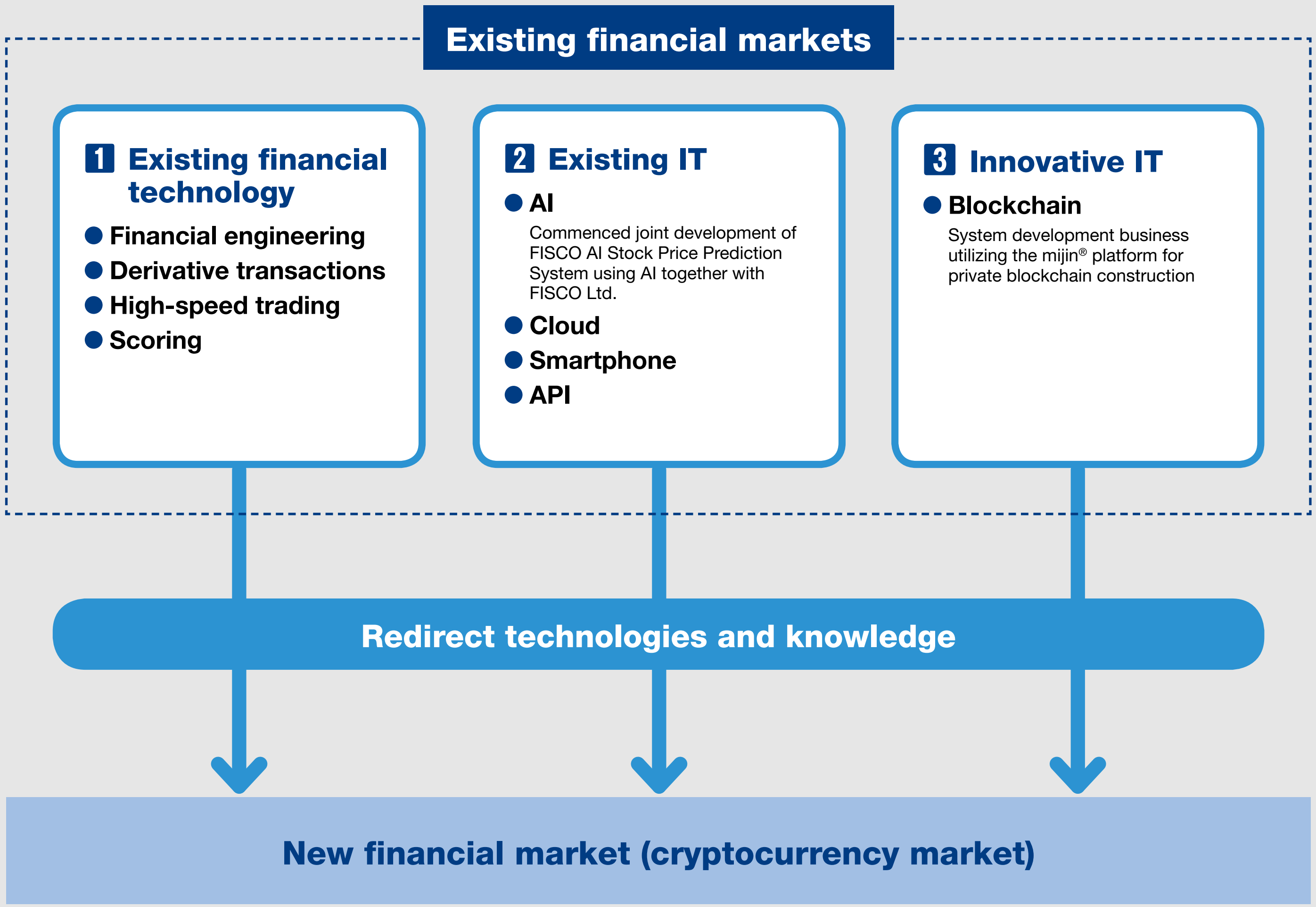
Introducing Our Businesses

Device Business
(CAICA Inc.)

System Solutions

CAICA is involved in the existing device business, but also has strategic focus on development in the FinTech-related business, particularly in AI and blockchain technologies. In AI, CAICA is working on development of a stock price prediction system using AI together with its parent company FISCO. In blockchain ("distributed ledger") technology, CAICA is taking on new challenges, such as issuing CAICA Coin corporate tokens. There are high expectations that FinTech can deliver cheaper systems to replace financial services traditionally provided by large financial institutions and so forth. Demand in the FinTech field represents a huge opportunity for CAICA, which has acquired a deep knowledge of system infrastructure through developing systems for many financial institutions.

The NCXX Group's Existing Fields and New Service Domains in the FinTech Field



Technology flow between new and existing financial markets has begun, and will accelerate going forward.
The NCXX Group has a wide range of potential domains for providing services.

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 NCXX Group to transition into a "total nursing care business support company." To this end, the company is expanding its conventional software service with the addition of 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 frontline nursing care situations, and is now creating a manual for optimal introduction and operation of nursing care robots.

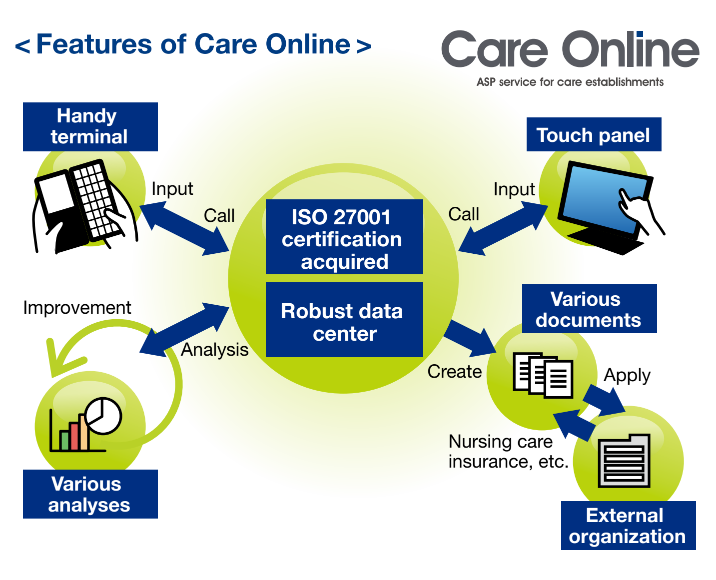
Prof. Sankai, University of Tsukuba/CYBERDYNE Inc.

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 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 applicants, and propose travel plans via email. From these, applicants select the travel concierge and plan that appeals to them. The service is therefore different from ordinary package tours, combining high-quality product proposals brimming with hospitality and the unrivalled convenience of the Internet to provide 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

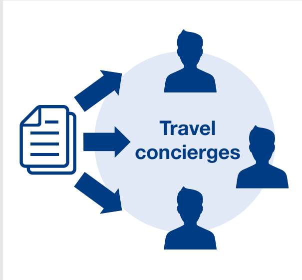
Service Flow

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

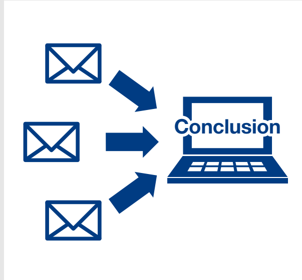
Send a travel estimate request using a special form

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 November 2017, the service has over 361 unique and original travel concierges registered.

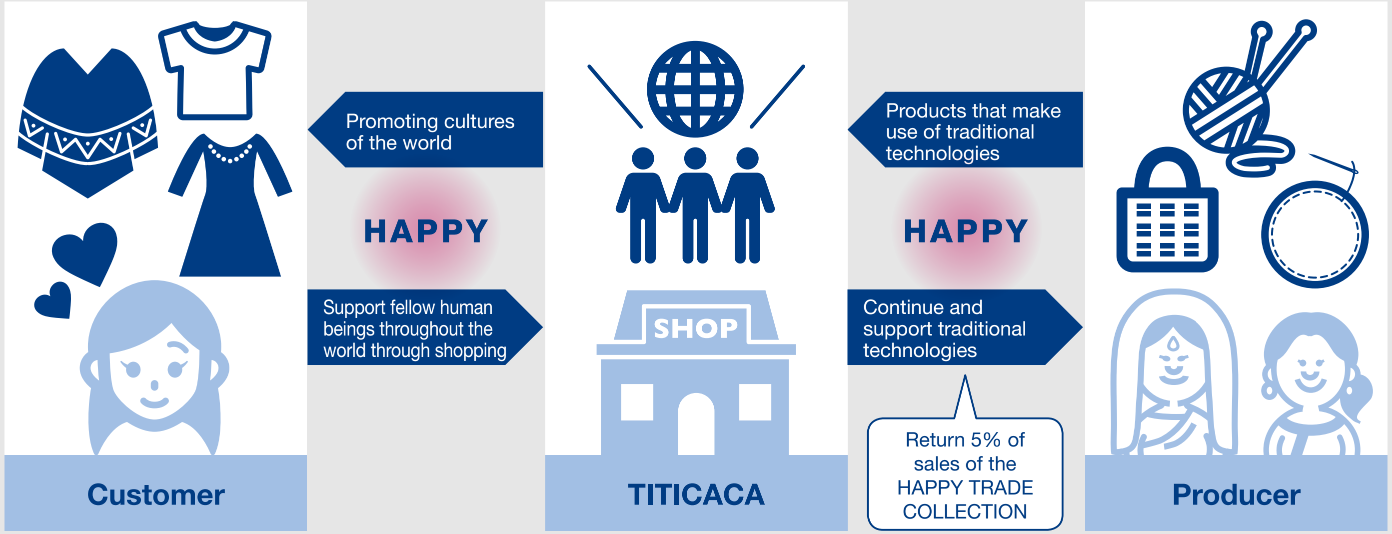
Introducing Our Businesses

Apparel Business
(TITICACA, Co. Ltd.)

Retail and Wholesale Sales of Clothing and Accessories

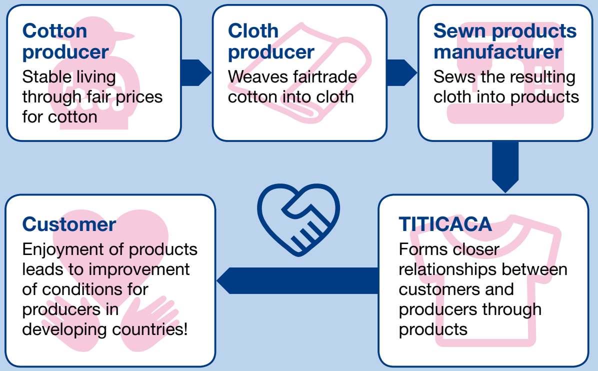
TITICACA deals directly with producers in countries around the world, such as Central and South America, with integrated in-house operations spanning planning, manufacture, and sale of original ethnic apparel and accessories. The company creates original products with a hand-crafted style designed to match market demand. TITICACA also strives to “bridge the world’s happiness” by undertaking various activities. For example, the company supports the transfer of traditional technologies and improving the skills of young people by allocating 5% of sales from the HAPPY TRADE COLLECTION, designed to protect the welfare of producers and connect cultures. TITICACA also promotes fair trade, which aims to improve the standard of living for producers and workers in developing countries and help them to be autonomous through the purchase of their materials and products at fair prices.

HAPPY TRADE COLLECTION



What Is Fairtrade?

Fairtrade is a system of trade that aims to improve the standard of living for producers and workers in developing countries through the purchase of their materials and products at fair prices. Producing products that are designated as “fairtrade” and allowing customers to purchase them leads to mutual prosperity for supplier countries.



The International Fairtrade Certification Mark

The International Fairtrade Certification Mark assures customers that international Fairtrade Standards set out by Fairtrade Labeling Organizations International are met at every stage in the value chain of a product, from production of its raw materials through to import and export, processing, manufacturing, and completion as a Fairtrade Certified Product.

Sustainability

Corporate Governance

I Corporate Governance System

1. Outline of Corporate Governance System

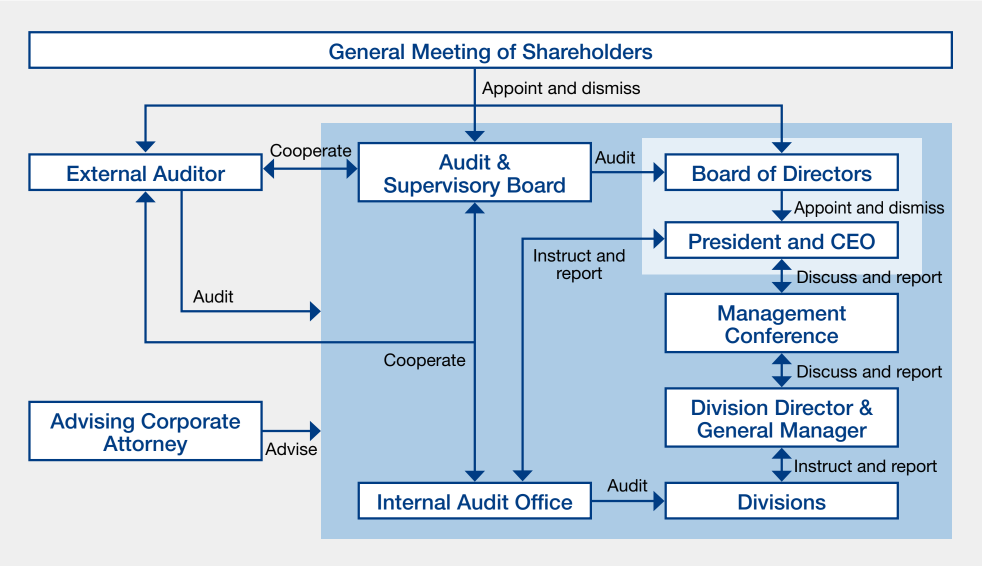
The Company has a corporate governance system comprising a Board of Directors, Audit & Supervisory Board members, an Audit & Supervisory Board, and an external auditor.

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)	8,868	4,868	4,000	–	–	6
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	900	900	–	–	–	2
Outside officers	2,700	2,700	–	–	–	6

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 2016 (from December 1, 2015 to November 30, 2016).

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	Fiscal 2015		Fiscal 2016	
	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	16,000	–	17,800	–
Consolidated subsidiaries	10,000	–	26,620	–
Total	26,000	–	44,420	–

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	Hiroshi Sasaki
Outside Audit & Supervisory Board Member	Mitsutoshi Urano
Outside Audit & Supervisory Board Member	Kazuhisa Nagabuchi

Interview with an Outside Director

We expect synergies across business lines.

Sadatomo Matsudaira

Outside Director
NCXX Group Inc.

November	1944	Born
April	1969	Joined Japan Broadcasting Corporation
April	2010	Appointed Professor, Kyoto University of Art and Design (current)
June	2010	Appointed Guest Professor, Kokugakuin University (current)
February	2016	Appointed Director of the Company (current)

Diversity at the NCXX Group from an Outsiders' Perspective

About two years have passed since I was appointed an outside director of the NCXX Group. The NCXX Group is well known for its core system solutions business, but it also has diverse operations in other areas including Internet travel services and agricultural ICT. I believe the NCXX Group is unique in that it creates synergies by harnessing the individual characteristics of these diverse businesses instead of operating them independently.

NCXX FARM, which operates in Hanamaki City, Iwate Prefecture, applies technologies developed in the device business to create ICT solutions for agriculture. I feel this is one example of how synergies across diverse businesses can be created, generating the momentum to increase corporate value.

Role of Outside Directors

I believe the role of an outside director is to stand between the corporation and shareholders, and work for the betterment of shareholders. As a board member independent of management, I provide advice while siding with non-controlling interests in particular. This means that I will oppose moves by management in some circumstances.

At Board of Directors meetings, I pose questions about matters that would be of interest to shareholders. When acquiring a company, for example, I would ask whether the purchase amount is appropriate and why the acquisition is being made at that particular time.

At many companies, I hear that discussions at meetings of the Board of Directors can become fragmented due to differing degrees of information being held by inside directors and outside directors. This is not the case at the NCXX Group.

Most Important Point of Corporate Governance

I think companies should seek growth for the benefit of society and shareholders. To benefit both sides, it is important to have open and transparent management, which requires transparency and openness in the decision-making process. There is no reason to obfuscate this process. If management hesitates on transparency, it raises a red flag for outside directors to investigate, in my opinion.

Interview with an Outside Director

When management makes a decision, the inside directors are keenly aware of how it affects frontline employees, so they may agonize over the decision. While taking into account how decisions affect employees, outside directors, however, primarily judge management's decisions based on whether they are good or bad (beneficial or harmful) for shareholders, thereby clarifying the judgment criteria. When management makes a decision that favors internal considerations, I believe it is my duty to criticize such a decision. In this sense, it is very important for companies to have outside directors in order to achieve growth. I believe it is a sign of healthy corporate management.

What Makes the NCXX Group Attractive?

The NCXX Group has a diverse variety of independently operating businesses, such as IoT solutions, system solutions, Internet travel services, comprehensive nursing care support services, robots, and agricultural ICT. However, they are all interconnected in some way, and operate well together while leveraging their individual advantages.

I believe the NCXX Group is a unique corporate group, one of only a few in the world that is involved in such a diverse range of businesses spanning communications equipment, software, travel, apparel, agriculture and others. As a company, I believe the NCXX Group has significant business potential and possibilities, and look forward to seeing how it grows in the future.

IoT is an often-heard word these days, and it refers to the concept of connecting things over the Internet. This is exciting for many investors because IoT entails efforts at researching and commercializing new ideas that are being made possible by new technologies that network together many things instead of connecting a single thing. In this context as well, I believe the NCXX Group is a promising company indeed.

CSR Activities

The NCXX Group'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 elderly residents 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

Suzuka 8 Hours Endurance Motorcycle Night Cruising Event
Volunteer Cosponsor of Motorcycle Sidecar Parade "Feel the Wind"

The NCXX Group encourages its employees to volunteer as an opportunity to interact directly with their communities. As a part of these efforts, we cosponsored the "Feel the Wind" event for people with disabilities, where participants ride in pairs on motorcycles around the race circuit at night. The main sponsor of the event is the volunteer group Association of Following the Wind. The NCXX Group co-sponsored this event which helps people with disabilities and the elderly experience something that they would not be able to experience on their own. In other words, the aim is to turn the dreams and ambitions of people into reality, which relates to the NCXX Group's mission of manufacturing goods. Our employees can grow as individuals by volunteering, and such events both vitalize companies and society and also bring them closer together. We intend to provide many of our employees with opportunities to actively participate in their communities as volunteers.

Riding tandem

Publicizing the Agricultural ICT Business
Exhibit at 1st Iwate Smart Agricultural Festival

NCXX FARM set up an exhibit at the 1st Iwate Smart Agricultural Festival sponsored by Iwate Prefecture and held at the Iwate Industry Culture Convention Center Apio from August 25 to 26, 2017. On the first day, its exhibit was visited by many local high school and college students. On the second day, many families came out with their children. We put on display a live video feed of fields being cultivated, demonstrated the remote operation of farm equipment via ICT, and showcased our processed products.

Industry representatives and same-sector peers were more interested in this exhibit than the general public

CSR Activities

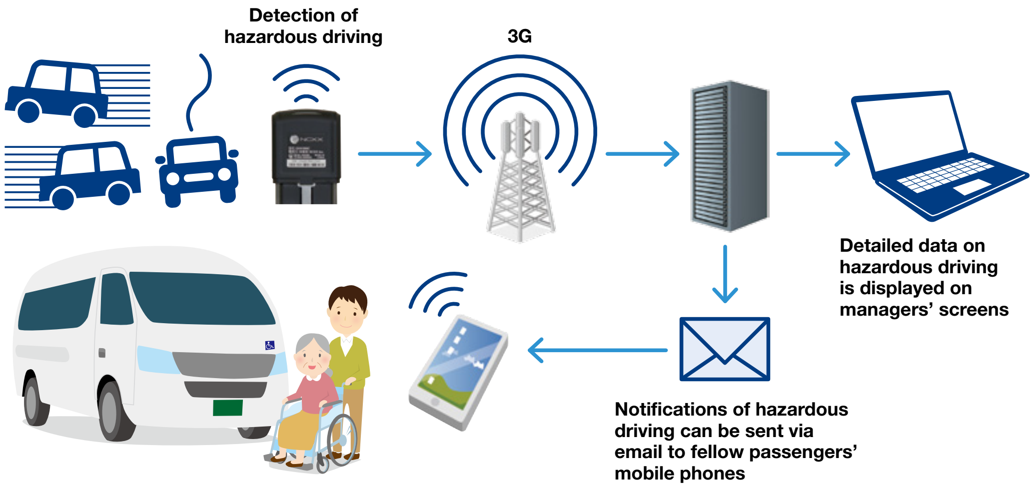
Reducing Risk in Delivering Nursing Care Services
OBD II-Type Automotive Telematics Data Collecting Unit “GX4x0NC”

NCXX offers the GX4x0NC, an OBD II-type automotive telematics data collecting unit that is compatible with more than 1,200 car models in Japan. It can be installed in a variety of welfare vehicle models as well. The unit can collect 10 types of basic vehicle data, including instantaneous mileage, vehicle speed, acceleration and GPS-based location. Driving data on vehicles with this device installed is sent over 3G networks to servers, where the data can be quantified and visualized to detect hazardous driving. With this system, fleet managers and supervisors can track driving conditions for multiple welfare vehicles at the same time, and be quickly notified of any hazardous driving while vehicles are sent out to pick people up.

OBD II Solution for Nursing Care Service Vehicles

It can prevent hazardous driving and reduce the risk of traffic accidents.

The system can detect hazardous driving (i.e., fast acceleration, hard braking, sharp turns) when vehicles are sent out to pick people up, allowing managers to accurately supervise drivers. It promotes safer transportation services by reducing the risk of traffic accidents by preventing hazardous driving.



Second Sale of Charity T-Shirts
¥500 from Each Double Smile T-Shirt Is Donated to Developing Countries

TITICACA Co. Ltd. designs and sells apparel and accessories imbued with traditional culture from around the world, based on bridging the world’s happiness through Happy Trade. For the second year in a row, a Double Smile T-Shirt was put on sale as a charity T-shirt that was produced by the actress Alice Hirose. Reflecting her desire for both creators and buyers to be happy, TITICACA and Alice Hirose collaborated together with the overarching aim of bridging the happiness of the customers who buy the T-shirts, the people who make them and the people who benefit from the donations. For each charity T-shirt sold, ¥500 is donated to help people in the Philippines.



Financial Section

Analysis of Operating Results and Financial Position

[Review of Operations]

In the fiscal year ended November 30, 2016, the Japanese economy saw corporate earnings follow a recovery trend, supported by the Japanese government's economic policies together with monetary policies. On the other hand, the economic outlook still remains uncertain based on the yen's appreciation and concerns about the impact on the European economy of the U.K.'s decision to withdraw from the European Union.

In the information and communications market, the Company's primary market, ICT offers heightened prospects for growth in the near future. According to the *2016 White Paper on Information and Communications in Japan* published by the Ministry of Internal Affairs and Communications in July 2016, "Further ICT investment in IoT, big data, AI, and other forms of ICT is expected to accelerate Japan's economic growth and boost the country's real GDP by about ¥33.1 trillion by FY2020." Moreover, according to market predictions published by Nomura Research Institute, Ltd. in November 2016, the IoT market in Japan is expected to remain on a growth trajectory, increasing from ¥520 billion in 2015 to ¥3.2 trillion in 2022. Markets driven by innovative technologies continue to offer prospects for further expansion. In addition, FinTech is experiencing rapid growth around the world, and with a shift to an implementation phase in Japan, it is not a technology for the distant future. As such, FinTech is expected to broaden the horizons of business even further.

In this business environment, the Company focused on providing server applications and IoT-related services including other application services, as well as supplying hardware device products, through its subsidiary NCXX Inc. ("NCXX"), which manufactures high-value-added communication equipment devices, and its subsidiary NCXX Solutions Inc. ("NCXX Solutions"). The latter company undertakes the systems development business, serving industries such as manufacturing, finance, logistics, social infrastructure, and the public sector and covering every stage from consultation through to design, construction, operation and maintenance.

Moreover, SJI Inc. became a subsidiary of the Company in June 2015. (In February 2017, the company name changed to CAICA Inc. ("CAICA").) For more than 40 years, CAICA has conducted systems development primarily for the financial sector, as well as the manufacturing sector, public sector, distribution sector and certain other areas. Currently, CAICA has positioned FinTech-related businesses as a strategic area of focus, advancing various initiatives with a focus on blockchain technology as a particularly crucial priority.

In these and other ways, the Group will undertake a wide range of activities, from supplying IoT-related device products and delivering related solutions to focusing on cutting-edge technologies such as blockchain technology. By doing so, the Group aims to provide new collaborative solutions that link IoT, blockchain technology and various industry sectors (automotive, robotics, agriculture and so on).

Furthermore, in August 2016, the Company converted TITICACA, Co. Ltd. ("TITICACA") into a subsidiary and commenced a new brand retail platform business* centered on the sale of fashion accessories. Recently, several moves have been afoot to reshape the fashion industry through digitalization. Various initiatives are being drawn up, such as managing store inventories using digital devices, offering fitting services using augmented reality (AR), and recommending items according to customer preferences by converting sales data into big data and integrating it with AI. Also, wearable devices could be operated and biometric data could be transmitted using highly conductive fabrics and sensors embedded directly in apparel. Going forward, the Group will conduct measures to develop and popularize IoT-related services for the fashion industry, along with seeking to grow the brand retail platform business into one of the Group's core earnings pillars.

* The brand retail platform business refers to the retail business including general merchandise and apparel and the licensing business for brand trademarks.

In regard to the agricultural ICT business (NCXX FARM) undertaken by the Company, the Group announced its plans to increase the size of its testing plot from 462.8 m^2 (140 tsubo) to a total area of 5,421 m^2 (1,640 tsubo) in December 2015. In the process, the Group will work to promote the commercialization of "sixth-order industrialization" initiatives, which involve the growing, processing and sale of agricultural products, and a franchise business, which involves packaged sales combining chemical soil management based on a patented farming method and digital management based on ICT systems.

In terms of "sixth-order industrialization" initiatives, in September 2016, the Group launched the sale of keema curry with yellow tomato packaged in a paulownia wood box as a gift product. Moreover, in October 2016, the Group began selling additive-free 100% yellow tomato juice, which is made using generous servings of two types of yellow tomatoes with high sugar content.

In addition, the Group has been strengthening product promotions through means including actively participating in product fairs in various regions. Iwate Ginga Plaza, a shop selling regional specialties from Iwate Prefecture in the Ginza district of Tokyo, has begun carrying some of the Group's products.

In the franchise business, the Group has commenced packaged sales to companies and started operation of the system in November. In addition, the Group regularly conducts presentations on its patented farming method and agricultural ICT. It has seen an increase in tours and inquiries from across Japan, including the use of these presentations by local municipalities and educational institutions as part of their training programs.

The Group will continue working to establish a business model for harvesting safe food materials in a stable and efficient manner by upgrading ICT systems and accumulating expertise at its proprietary testing plot.

[Operating Results]

Looking at consolidated business results, net sales increased significantly as a result of the inclusion of CAICA's business results. However, due to the impact of the aforementioned decision to maintain the securities on alert designation for the shares of CAICA on April 28, 2016, orders for new projects did not increase as much as expected and ended up falling short of budget. In addition, orders received by NCXX for certain products were lower than planned. Consequently, net sales underperformed the forecast.

Turning to operating profitability, the Group posted an operating loss for two main reasons. First, NCXX recorded an increase of ¥329 million in costs of products manufactured because it reduced inventories in line with a conservative review of products in process for an outsourced development project that had been postponed with certain customers since the previous fiscal year. Second, CAICA was unable to generate profits as planned due to lower net sales.

Analysis of Operating Results and Financial Position

Moreover, CAICA conducted the transfer of shares of subsidiaries, recording a gain on sales of shares of subsidiaries of ¥182 million as an extraordinary gain. On the other hand, TITICACA recorded an impairment loss totaling ¥320 million, including stores it has decided to close within the fiscal year under review, as a revaluation loss. This was done by identifying an additional 18 stores that are highly likely to become unprofitable, after strictly reassessing the sales outlook of the autumn-winter collection for 2016–2017 and the profitability of each store after TITICACA joined the Group.

As a result of these efforts, consolidated net sales were ¥12,231 million, up 64.9% year on year. The operating loss was ¥619 million, compared to an operating loss of ¥529 million in the previous fiscal year. The ordinary loss was ¥770 million, compared to an ordinary loss of ¥810 million in the previous fiscal year. The loss before income taxes was ¥863 million, compared with income before income taxes of ¥23 million in the previous fiscal year. The loss attributable to owners of parent was ¥1,068 million, compared with a loss attributable to owners of parent of ¥45 million in the previous fiscal year. EBITDA, a reference indicator reflecting the amortization of goodwill associated with the conversion of companies into subsidiaries, was ¥18 million.

EBITDA = operating income + depreciation + amortization of goodwill
(selling, general and administrative expenses)

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

(Device Business)

NCXX continued to post steady sales of its LTE-USB dongle for M2M and mobile computing, due to its enhanced maintenance and support structure in Japan. In regard to new products, NCXX distributed over 4,000 samples of its OBD II-type automotive telematic data collecting unit GX4x0NC to approximately 20 companies, primarily corporations and trading companies providing fleet management solutions. However, a greater-than-expected amount of time was needed for trial operation periods eyeing introduction and systems development by clients upon introducing the product. For this reason, NCXX has not yet captured orders in earnest during the fiscal year under review. NCXX will work to strengthen sales and customer support with the aim of winning orders in the next fiscal year.

CAICA has been working to put a framework in place for achieving full-fledged growth from the next fiscal year onward. In parallel, CAICA has been steadily pushing ahead with operations, including cultivating new customers, by undertaking Group-wide sales activities in collaboration with the parent company group as well as proactively conducting sales and proposal activities targeting existing customers. Moreover, in the FinTech field, CAICA has made a solid start by steadily accumulating projects through such means as winning orders for bitcoin-related systems development and providing contract-based support for the field trials of major corporations. However, the decision to maintain the securities on alert designation for the shares of CAICA on April 28, 2016 made it difficult for CAICA to acquire certain orders for new projects. In addition, although CAICA had hoped that new orders would increase as credibility was restored soon after the cancellation of the securities on alert designation on September 24, 2016, many of its customers have fiscal years that end in March. Therefore, new orders were anticipated to increase in earnest beginning in April 2017, when the new fiscal year begins for most of CAICA's customers. Consequently, CAICA's performance fell short of plans in the fiscal year under review.

NCXX Solutions and Care Dynamics performed largely as planned.

As a result, segment sales in the fiscal year ended November 30, 2016 were ¥9,111 million, up 58.8% year on year. The segment loss was ¥423 million, compared with a segment loss of ¥392 million in the previous fiscal year.

(Internet Travel Business)

Looking at segment sales, amid a gradual recovery from a string of terrorist attacks by the Islamic State since the previous year and the lingering impacts of the Kumamoto Earthquakes in Japan, overseas travel business sales were ¥1,471 million, centered on honeymoon packages to destinations believed to be safe, such as Canada, the U.S., and Australia, and domestic travel business sales were ¥151 million. In addition, since the start of October 2016, the number of requests for travel estimates from customers has increased 22% year on year on the WEB TRAVEL website, and the number of requests for travel estimates, including the e-tabinet.com website, has followed a recovery path. The cumulative number of orders received as of the fourth quarter was 7% higher than in the previous fiscal year, and a gross profit margin of 16% has been maintained. As with the trend in the third quarter, travelers who had postponed their itineraries due to concerns about the impact of terrorism have changed their travel destinations to the mainland U.S. and Alaska, Australia and Hawaii, leading to a recovery trend. This trend is expected to continue in the near future. On a full-year basis, the number of orders received was 2,937, up 1% year on year, marking a gradual recovery from lingering terror-related impacts in December 2015. Orders received since the third quarter onward have been trending firmly.

Meanwhile, with backup support from the Company, the Internet travel business has won a project to provide consulting on promoting experience-based tourism as part of the "Grant for regional revitalization acceleration." The project was requested by Hanamaki City, Iwate Prefecture. Measures include initiatives to refer travelers to this area, such as by publishing information on various activities in Hanamaki City within the "e-tabi Catalogue" of the e-tabinet.com website.

Consequently, segment sales in the fiscal year ended November 30, 2016 were ¥1,623 million, down 3.3% year on year. Segment income decreased 73.2% year on year to ¥10 million.

(Brand Retail Platform Business)

The Company established TITICACA as a new reportable segment called the brand retail platform business, following its conversion into a subsidiary in August 2016. Further, TITICACA changed its fiscal year-end from March to October. Accordingly, its business results for the three months from August to October 2016 are included in consolidated figures and year-on-year comparisons for the segment are not shown.

Segment sales in the fiscal year ended November 30, 2016 were ¥1,495 million. Segment loss was ¥15 million.

Analysis of Operating Results and Financial Position

[Financial Position]

The Group's financial position as of November 30, 2016 was as follows.

(Assets)

Total assets were ¥13,459 million as of November 30, 2016, a decrease of ¥843 million from a year earlier. The main components of this change were decreases of ¥1,023 million in cash and deposits and ¥1,999 million in accounts receivable—other and increases of ¥884 million in merchandise, ¥337 million in buildings and structures, and ¥553 million in the other component of investments and other assets.

(Liabilities)

Total liabilities were ¥9,659 million, an increase of ¥82 million from a year earlier. The main components of this change were decreases of ¥250 million in accounts payable—other and ¥1,092 million in interest-bearing debt* and ¥335 million in asset retirement obligations, and ¥676 million in deferred tax liabilities.

(Net Assets)

Total net assets were ¥3,800 million, a decrease of ¥925 million from a year earlier. The main contributing factor was a decrease of ¥1,068 million in retained earnings, which was partly offset by an increase of ¥67 million in capital surplus.

* Interest-bearing debt is the sum of short-term loans payable, current portion of long-term loans payable and long-term loans payable

[Cash Flows]

Cash and cash equivalents ("cash") at November 30, 2016 were ¥1,881 million, a decrease of ¥1,023 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 provided by operating activities was ¥341 million, compared with net cash used in operating activities of ¥1,090 million in the previous fiscal year. The primary reason was decreases in notes and accounts receivable—trade of ¥1,470 million and accounts receivable—other of ¥93 million, the main factors increasing cash. This was partly offset by a loss before income taxes of ¥863 million and a decrease in notes and accounts payable—trade of ¥547 million, the main factors reducing cash.

(Cash Flows from Investing Activities)

Net cash provided by investing activities was ¥686 million, compared with net cash used in investing activities of ¥844 million in the previous fiscal year. The main sources of cash were proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation of ¥512 million and proceeds from sales of shares in subsidiaries of ¥554 million, both of which increased cash. The main use of cash was an increase in short-term loans receivable of ¥420 million, which reduced cash.

(Cash Flows from Financing Activities)

Net cash used in financing activities was ¥2,047 million, compared with net cash provided by financing activities of ¥829 million in the previous fiscal year. This was mainly due to the repayment of long-term loans payable of ¥2,653 million, the main factor reducing cash. This cash outflow was partly offset by proceeds from long-term loans payable of ¥779 million, the main factor increasing cash.

[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, 2016. 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.

Analysis of Operating Results and Financial Position

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, 2016, the Group outsourced the manufacturing of mobile devices to TRICHEER TELECOMMUNICATION LTD. 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.

(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 and selling apparel and general merchandise. 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.

Analysis of Operating Results and Financial Position

(8) Relationship with the Parent Company

FISCO Ltd. (listed on the Tokyo Stock Exchange JASDAQ Growth Market) is the parent company of the Company, holding 49.83% of the voting rights both directly and indirectly as of November 30, 2016. In addition, SEQUEDGE INVESTMENT INTERNATIONAL LIMITED is another affiliate of the Company. 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.

(9) Fluctuations in the Foreign Exchange Market

The Company subcontracts the manufacturing of some of its products to overseas manufacturers and so forth 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 strives 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.

Also, fluctuations in the foreign exchange markets could impact the Group's operating results and financial position since the Group has assets overseas. Further, in the event that changes in legislation or government policies in Japan or overseas hinder smooth remittances, the Group's business operations and accounting processes may be affected, which could in turn impact the Group's operating results and financial position.

(10) Profitability of System Development Projects

When undertaking system development, the Group estimates in advance the total number of work hours (labor hours) needed to meet customer requirements and determines the costs necessary to create the system as part of its activities to win orders. However, if problems arise during system development and work hours exceed the budgeted time, the Group could end up bearing that cost.

Additionally, the Group may be called on to bear the cost of an increase in labor hours even if it relates to specification changes made during development.

Further, the Group may incur the cost of fixing defects that arise after the developed system has been delivered to the customer and the customer has finished inspecting it and determined it to be free of issues.

The Group therefore strives to increase the accuracy of estimates at the time of the contract by creating detailed estimates for each development process (phase), and taking other steps to keep the actual number of labor hours in line with the budgeted number. While the Group gives sufficient consideration to project profitability, profitability could deteriorate due to factors such as development projects becoming large in scale and escalating competition to win orders.

(11) Investments and Loans

To expand business going forward, the Group may undertake M&As or business investments targeting alliances, or engage in joint venture business development, subsidiary establishment, or capital expenditures in Japan or overseas.

The Group's policy in making investments and loans is to thoroughly evaluate the recoverability and risks of those prospective investments and loans in advance. However, it is sometimes difficult to accurately project the impact on the Group from business conditions at investees and should investments or loans become unrecoverable, the Group's operating results and financial position could be affected.

(12) Merchandise Purchases

The Group company TITICACA mostly sells imported products. Therefore, events in relevant countries such as unanticipated changes in legislation, political uncertainty, major natural disasters, social unrest, and sharp fluctuations in foreign exchange rates could affect TITICACA's merchandise supply framework and the Group's operating results and financial position.

(13) Impairment of Property, Plant and Equipment

Group company TITICACA recognizes impairment losses on the portion of the assets of stores that are persistently unprofitable or that it has decided to relocate or close for which the book value of property, plant and equipment is determined to be unrecoverable. In the event of an increase in such unprofitable stores going forward, the posting of significant impairment losses would be expected, which could affect the Group's business performance and financial position.

(14) Losses from Store Relocations and Closings

The Group company TITICACA may relocate or close stores due to tenancy agreements expiring. In that event, costs will arise for the removal of property, plant and equipment to restore the leased space to its original condition, new investments in relocation sites, and so forth. If store relocations and closings increase in the future, the posting of a large amount of losses associated with the removal of property, plant and equipment, as well as selling, general and administrative expenses would be expected, which could affect the Group's business performance and financial position.

(15) Disasters, etc.

In the event that a major natural disaster or accident in the vicinity of stores, warehouses, and so forth causes physical damage to such facilities; disrupts sales, distribution, purchasing, or other business activities; or causes personal injury, the Group's business performance and financial position could be affected.

Consolidated Financial Statements

[Consolidated Balance Sheets]

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Assets		
Current assets		
Cash and deposits	¥ 2,905,141	¥ 1,881,667
Notes and accounts receivable—trade	2,351,650	1,736,837
Merchandise	–	884,860
Work in process	661,180	208,295
Raw materials	10,763	7,717
Supplies	–	29
Accounts receivable—other	2,046,360	46,995
Advance payments—trade	185,857	202,436
Short-term loans receivable	2,640,314	365,760
Deferred tax assets	1,019	5,770
Other	141,575	174,556
Allowance for doubtful accounts	(2,889,846)	(162,362)
Total current assets	8,054,017	5,352,563
Non-current assets		
Property, plant and equipment		
Buildings and structures	*1 518,244	*1 1,328,715
Accumulated depreciation	(233,966)	(707,310)
Buildings and structures, net	284,278	621,404
Machinery, equipment and vehicles	31,409	46,700
Accumulated depreciation	(23,221)	(33,013)
Machinery, equipment and vehicles, net	8,187	13,686
Tools, furniture and fixtures	476,379	1,077,483
Accumulated depreciation	(353,037)	(925,436)
Tools, furniture and fixtures, net	123,341	152,046
Land	*1 298,994	*1 298,354
Construction in progress	–	135
Total property, plant and equipment	714,801	1,085,626

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Intangible assets		
Software	89,845	135,289
Goodwill	4,889,085	4,371,717
Other	8,620	22,916
Total intangible assets	4,987,552	4,529,923
Investments and other assets		
Investment securities	*3 89,955	*3 153,872
Long-term accounts receivable—other	2,643,331	1,551,743
Long-term loans receivable	1,306,363	1,739,624
Other	294,020	847,021
Allowance for doubtful accounts	(3,786,947)	(1,800,467)
Total investments and other assets	546,723	2,491,794
Total non-current assets	6,249,077	8,107,344
Total assets	¥14,303,095	¥13,459,907

Consolidated Financial Statements

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 634,554	¥ 586,979
Short-term loans payable	484,049	249,334
Current portion of bonds	100,000	300,000
Current portion of long-term loans payable	*1 2,115,702	*1 1,844,650
Accounts payable—other	588,967	338,608
Accrued expenses	273,172	283,738
Income taxes payable	43,832	51,059
Accrued consumption taxes	94,848	86,999
Advances received	195,147	258,231
Asset retirement obligations	–	63,815
Provision for bonuses	153,253	186,659
Provision for product warranties	93,000	92,000
Provision for loss on store closing	–	64,284
Other	227,003	93,844
Total current liabilities	5,003,532	4,500,206
Non-current liabilities		
Convertible bonds with subscription rights to shares	1,165,000	1,165,000
Long-term loans payable	*1 3,306,196	*1 2,719,875
Net defined benefit liability	3,511	29,724
Asset retirement obligations	–	335,224
Deferred tax liabilities	27,496	703,564
Other	70,959	205,774
Total non-current liabilities	4,573,163	5,159,163
Total liabilities	9,576,695	9,659,369

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Net assets		
Shareholders' equity		
Capital stock	1,819,748	1,819,748
Capital surplus	1,708,701	1,776,350
Retained earnings	1,101,539	33,104
Treasury stock	(150,840)	(107,897)
Total shareholders' equity	4,479,148	3,521,304
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(320)	14,695
Deferred gains or losses on hedges	14	1,131
Foreign currency translation adjustments	104,081	56,533
Total accumulated other comprehensive income	103,775	72,359
Subscription rights to shares	30,185	37,539
Non-controlling interests	113,290	169,334
Total net assets	4,726,400	3,800,538
Total liabilities and net assets	¥14,303,095	¥13,459,907

Please refer to page 44 for *1 and 3

Consolidated Financial Statements

[Consolidated Statements of Income and Consolidated Statements of Comprehensive Income]
[Consolidated Statements of Income]

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Net sales	¥7,416,907	¥12,231,134
Cost of sales	*1 6,412,185	*1 9,848,278
Gross profit	1,004,721	2,382,855
Selling, general and administrative expenses	*2, 3 1,534,201	*2, 3 3,002,419
Operating loss	(529,480)	(619,563)
Non-operating income		
Interest income	41,270	39,834
House rent income	–	14,432
Miscellaneous income	–	14,031
Other	20,228	1,124
Total non-operating income	61,499	69,423
Non-operating expenses		
Interest expenses	128,482	148,261
Foreign exchange losses	180,025	54,228
Other	33,922	17,396
Total non-operating expenses	342,431	219,886
Ordinary loss	(810,412)	(770,026)
Extraordinary income		
Gain on sales of shares of subsidiaries	432,106	182,271
Reversal of provision for bonuses	–	14,936
Settlement received	271,745	–
Gain on forgiveness of debt	137,743	–
Gain on investments in capital	36,356	–
Gain on sales of non-current assets	–	*4 933
Gain on reversal of subscription rights to shares	–	600
Gain on reversal of estimated damages on delays	–	58,586
Reversal of allowance for doubtful accounts	35,991	28,665
Gain on bargain purchase	20,571	36,745
Other	–	390
Total extraordinary income	934,515	323,130

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Extraordinary losses		
Loss on retirement of property, plant and equipment	*6 6,904	*6 7,505
Loss on valuation of investment securities	986	867
Loss on sales of subsidiaries' stocks	14,938	–
Impairment loss	*7 2,117	*7 321,868
Office transfer expenses	18,826	–
Settlement package	25,000	–
Provision for loss on store closing	–	12,850
Loss on sales of non-current assets	–	*5 4,152
Provision of allowance for doubtful accounts	31,746	66,070
Other	11	3,554
Total extraordinary losses	100,530	416,869
Profit (loss) before income taxes	23,572	(863,765)
Income taxes	54,188	35,136
Income taxes—deferred	16,161	(304)
Total income taxes	70,350	34,832
Loss	(46,778)	(898,597)
Profit (loss) attributable to non-controlling interests	(1,294)	169,837
Loss attributable to owners of parent	¥ (45,483)	¥ (1,068,435)

Please refer to page 44 for *1 and 2
Please refer to page 45 for *3 to 7

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Loss	¥(46,778)	¥ (898,597)
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(320)	15,015
Deferred gains or losses on hedges	14	1,116
Foreign currency translation adjustments	80,960	(47,548)
Total other comprehensive income (loss)	*1 80,654	*1 (31,415)
Total comprehensive income (loss)	¥ 33,876	¥ (930,013)
Comprehensive income (loss) attributable to:		
Owners of parent	¥ 35,170	¥(1,020,165)
Non-controlling interests	(1,294)	90,151

Please refer to page 46 for *1

Consolidated Financial Statements

[Consolidated Statements of Changes in Net Assets]

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 or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling 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
Loss attributable to owners of parent			(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

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

(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 or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at beginning 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
Changes during the fiscal year												
Issuance of new shares		67,648			67,648							67,648
Loss attributable to owners of parent			(1,068,435)		(1,068,435)							(1,068,435)
Purchase of treasury stock				(10,324)	(10,324)							(10,324)
Transfer of treasury stock				53,267	53,267							53,267
Net changes of items other than shareholders' equity						15,015	1,116	(47,548)	(31,415)	7,353	56,043	31,981
Total changes during the fiscal year	–	67,648	(1,068,435)	42,942	(957,843)	15,015	1,116	(47,548)	(31,415)	7,353	56,043	(925,862)
Balance at end of the fiscal year	¥1,819,748	¥1,776,350	¥ 33,104	¥(107,897)	¥ 3,521,304	¥14,695	¥1,131	¥ 56,533	¥ 72,359	¥37,539	¥169,334	¥ 3,800,538

Consolidated Financial Statements

[Consolidated Statements of Cash Flows]

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Cash flows from operating activities		
Profit (loss) before income taxes	¥ 23,572	¥ (863,765)
Depreciation and amortization	55,538	120,956
Amortization of goodwill	220,352	517,372
Share-based compensation expenses	–	9,566
Decrease in allowance for doubtful accounts	(226,107)	(249,973)
Increase (decrease) in provision for bonuses	132,072	(47,504)
Increase (decrease) in provision for product warranties	3,000	(1,000)
Decrease in provision for loss on store closing	–	(41,172)
Increase (decrease) in net defined benefit liability	103	(5,263)
Gain on bargain purchases	(20,571)	(36,745)
Interest and dividend income	(41,270)	(39,834)
Interest expenses	128,482	148,261
Bond issuance cost	7,518	–
Foreign exchange losses	587	29,416
Loss on valuation of investment securities	986	867
Gain on sales of shares of subsidiaries	(417,846)	(182,271)
Loss on retirement of property, plant and equipment	6,904	7,505
Gain on sales of property, plant and equipment	–	(933)
Loss on sales of property, plant and equipment	–	3,930
Impairment loss	2,117	321,868
Gain on reversal of estimated damages on delays	–	(58,586)
Settlement package	75,572	–
Gain on reversal of subscription rights to shares	–	(600)
Decrease (increase) in notes and accounts receivable—trade	(220,951)	1,470,894
Decrease in accounts receivable—other	1,103,049	93,405
Decrease (increase) in inventories	(114,508)	385,528
Decrease in advance payments	65,825	59,584
Decrease in notes and accounts payable—trade	(346,753)	(547,726)
Decrease in accrued consumption taxes	(104,453)	(86,487)
Decrease in accounts payable—other	(514,086)	(619,079)
Decrease in accrued expenses	(536,801)	(39,716)
Increase (decrease) in advances received	(37,283)	52,265
Difference on execution of asset retirement obligations	–	8,084
Other, net	(112,662)	17,004
Subtotal	(867,612)	425,851
Interest and dividends income received	41,407	87,058
Interest paid	(122,198)	(110,995)
Settlement package paid	(75,572)	–
Income taxes paid	(66,032)	(60,334)
Net cash provided by (used in) operating activities	(1,090,008)	341,581

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Cash flows from investing activities		
Purchase of investment securities	–	(59,950)
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(206,281)	*2, 3 (5,748)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	–	*3 512,670
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	*4 (4,518)
Purchase of shares of subsidiaries	(89,275)	–
Proceeds from sales of shares of subsidiaries	858,722	554,359
Purchase of property, plant and equipment	(385,053)	(112,885)
Proceeds from sales of property, plant and equipment	–	34,591
Purchase of intangible assets	(60,029)	(38,203)
Proceeds from sales of intangible assets	–	2
Payments for asset retirement obligations	–	(50,964)
Increase in short-term loans receivable	(2,920,033)	(420,000)
Collection of short-term loans receivable	28,432	37,929
Collection of long-term loans receivable	1,990,838	14,960
Payments for investments in capital	–	(10)
Proceeds from sales of investments in capital	–	52,238
Payments for guarantee deposits	(87,217)	(10,068)
Proceeds from collection of guarantee deposits	5,947	180,629
Other, net	19,029	1,833
Net cash provided by (used in) investing activities	(844,920)	686,866
Cash flows from financing activities		
Proceeds from collection of deposits	1,045,000	–
Net decrease in short-term loans payable	(1,905,640)	(434,714)
Proceeds from long-term loans payable	2,583,000	779,000
Repayment of long-term loans payable	(1,895,951)	(2,653,994)
Payments for installment payables—property and equipment	(10,008)	(7,266)
Repayments of lease obligations	–	(2,862)
Redemption of bonds	(100,000)	(100,000)
Proceeds from issuance of bonds with subscription rights to shares	1,157,481	300,000
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	–	84,700
Purchase of treasury stock	(43,175)	(10,284)
Dividends paid to non-controlling interests	–	(1,554)
Cash dividends paid	(1,238)	(33)
Net cash provided by (used in) financing activities	829,467	(2,047,010)
Effect of exchange rate change on cash and cash equivalents	80,118	(4,910)
Net decrease in cash and cash equivalents	(1,025,343)	(1,023,474)
Cash and cash equivalents at beginning of the fiscal year	3,930,484	2,905,141
Cash and cash equivalents at end of the fiscal year	¥*1 2,905,141	¥*1 1,881,667

Please refer to page 48 for *1 and 2
Please refer to page 49 for *3 and 4

Notes

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 12

(2) Names of consolidated subsidiaries: TITICACA, Co. Ltd., Gloria Tours Inc., CAICA Inc. (formerly 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., SJ Asia Pacific Limited, Hua Shen Trading (International) Limited, Rapid Capital Holdings Limited

Among the abovementioned companies, TITICACA, Co. Ltd. was included in the scope of consolidation from fiscal 2016, subsequent to the Company acquiring its shares and converting it into a subsidiary. Gloria Tours Inc. was included in the scope of consolidation from fiscal 2016, subsequent to the Company's consolidated subsidiary e-tabinet.com acquiring its shares and converting it into a subsidiary.

SJI (Hong Kong) Limited ("SJI-HK") and one of its consolidated subsidiaries were removed from the scope of consolidation from fiscal 2016, subsequent to SJI selling all of its shares in SJI-HK.

(3) Number of non-consolidated subsidiaries: 2

(4) Names of non-consolidated subsidiaries: 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) Names of non-consolidated subsidiaries not accounted for by the equity method:
Webtravel Asia & Pacific Pty Limited
ENPIX Corporation

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

3. Fiscal year of consolidated subsidiaries

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

Name	Fiscal year-end
SJ Asia Pacific Limited	March 31*1
Hua Shen Trading (International) Limited	March 31*1
Rapid Capital Holdings Limited	March 31*1
CAICA Inc. (formerly SJI Inc.)	October 31*2
TITICACA, Co. Ltd.	October 31*3
星際富通(福建)網絡科技有限公司	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. The fiscal year-end differs from the end of the Company's fiscal year. However, the accounts have not been adjusted as there were no significant discrepancies upon the elimination of receivables, obligations and transactions among the consolidated companies. If significant discrepancies arise due to a difference in the fiscal year-end from the end of the Company's fiscal year, the accounts are adjusted upon consolidation.

*3 The financial statements as of the fiscal year-end of the consolidated subsidiary are used. From fiscal 2016, the subsidiary's 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 policies

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

The main estimated useful lives are as follows:

Buildings and structures:	5 to 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 fiscal 2016.

3. Provision for loss on store closing

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

4. Allowance for doubtful accounts

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

(4) Accounting method for retirement benefits

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

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

(5) 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

Notes

(8) Method and period of amortization of goodwill

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

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

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

(10) Other notes to the consolidated financial statements

1. Accounting method for consumption taxes
   National and local consumption taxes are accounted for by the net tax method.
2. 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.

(Changes in Accounting Policies)

Effective from fiscal 2016, the Company has adopted the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013; hereinafter, the “Business Combinations Standard”), the Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013; hereinafter, the “Consolidated Financial Statements Standard”) and the Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013; hereinafter, the “Business Divestitures Standard”) and related standards. Accordingly, the Company has adopted the method of recording the difference arising from a change in the Company’s shareholding in a subsidiary when additional shares of the subsidiary are acquired while retaining control as capital surplus, and expensing the acquisition-related costs in the fiscal year when the costs are incurred. In addition, the accounting for business combinations to be performed at or after the beginning of fiscal 2016 was changed to a method of recognizing an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment for the allocated acquisition cost in the consolidated financial statements for the fiscal year in which the date of the business combination falls. Moreover, the Company has changed the presentation of net income and related items, and the presentation of minority interests to non-controlling interests. The consolidated financial statements for fiscal 2015 have been reclassified to reflect this change in presentation.

The Company has adopted the Business Combinations Standard and other standards in accordance with the transitional treatment stipulated in Paragraph 58-2 (4) of the Business Combination Standard, Paragraph 44-5 (4) of the Consolidated Financial Statements Standard and Paragraph 57-4 (4) of the Business Divestitures Standard. The Company has adopted these standards prospectively from the beginning of fiscal 2016.

These changes had a negligible impact on profit and loss.

Effective from fiscal 2016, the Company has adopted the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) in accordance with the revision of the Corporation Tax Act of Japan. Accordingly, the Company has changed the depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change had a negligible impact on profit and loss.

(New Accounting Standards Not Yet Applied)

Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Outline

The accounting treatments for recoverability of deferred assets fundamentally adhere to the framework of Auditing Guidance No. 66, Auditing Treatment for Judgment of Recoverability of Deferred Assets, issued by the Japanese Institute of Certified Public Accountants (JICPA). The framework classifies entities into five categories and assesses deferred tax assets based on their respective categories. However, the following necessary revisions were made to accounting treatments.

1. Accounting treatments of entities not satisfying any of the category criteria from Category 1 to Category 5
2. Category criteria of Category 2 and Category 3
3. Accounting treatments of unscheduled deductible temporary differences for entities in Category 2
4. Accounting treatments for reasonably estimated period for taxable income before temporary differences for entities in Category 3
5. Accounting treatments for entities satisfying the category criteria of Category 4 and also falling in Category 2 or Category 3

(2) Date of adoption

The Company is scheduled to adopt the revised accounting standards from the beginning of the fiscal year ending November 30, 2017.

(3) Impact of the adoption of the revised accounting standards

The Company is evaluating the impact at the time of preparing the consolidated financial statements.

Notes

(Consolidated Balance Sheets)

*1 Collateral assets and collateralized liabilities
Assets pledged as collateral are as follows.

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Buildings	¥ 58,174	¥ 54,076
Land	295,714	297,214
Total	¥353,889	¥351,291

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 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Current portion of long-term loans payable	¥ 160,204	¥ 160,204
Long-term loans payable	1,182,942	1,022,738

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

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
FISCO Ltd.	¥43,000	¥26,200

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

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Investment securities (stocks)	¥15,739	¥15,739

*4 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, 2016 was as follows.

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Total amount of overdraft facilities and loan commitments	¥520,523	¥300,000
Outstanding loan balance	238,674	140,000
Difference	¥281,848	¥160,000

(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 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Cost of sales	¥258,034	¥503,538

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Director compensation	¥ 93,927	¥147,570
Salaries and allowances	389,816	758,012
Retirement benefit expenses	13,574	16,944
Commission fee	175,358	355,154
Depreciation	28,000	89,006
After-sales service expenses	1,406	12,265
Business consignment expenses	149,571	157,192
Amortization of goodwill	220,352	517,372

Notes

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Research and development expenses	¥17,413	¥25,587

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Tools, furniture and fixtures	¥–	¥933

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Memberships, etc.	¥–	¥4,152

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Buildings and structures	¥ 7	¥5,480
Machinery, equipment and vehicles	569	–
Tools, furniture and fixtures	1,352	1,982
Software	1,774	–
Restoration cost	3,200	–
Other	–	43

*7 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 fiscal 2015.
(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.

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

The Group recorded impairment losses on the following assets.

Use	Type	Location	Impairment loss (Thousands of yen)
Business assets	Telephone subscription rights	Meguro-ku, Tokyo	¥ 1,249
Store equipment	Buildings and structures	Koshigaya City, Saitama Prefecture Hamamatsu City, Shizuoka Prefecture Kisarazu City, Chiba Prefecture and other	251,478
	Tools, furniture and fixtures		50,008
	Software		634
	Other		18,497

(Background to recognizing impairment losses)
Regarding telephone subscription rights, the Company reduced the carrying amounts to the recoverable amounts and recognized the amounts of the reductions as impairment losses in fiscal 2016, as their market value has declined over a long period of time and is not expected to recover.

Regarding store equipment, the Group recognized as impairment losses under property, plant and equipment the portion of carrying value determined to be unrecoverable for stores that TITICACA has decided to close or expects to continue to generate losses from operations, having revised its management policy in light of factors including impact from the external environment. This applies to 22 stores.

Notes

(Asset grouping method)
The Group conducts asset grouping based on the minimum unit generating cash flows in a manner generally independent of the cash flows of other assets and asset groups.
(Method of calculating the recoverable amount)
In principle, the Company uses the value in use to calculate the recoverable amount of business assets. However, the Company uses the estimated value of disposal to calculate the recoverable amount of telephone subscription rights.

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

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects for other comprehensive income

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Valuation difference on available-for-sale securities:		
Amount incurred during the fiscal year	¥ (320)	¥ 15,015
Reclassification adjustments	–	–
Before tax effect adjustment	(320)	15,015
Tax effect	–	–
Valuation difference on available-for-sale securities	(320)	15,015
Deferred gains (losses) on hedges:		
Amount incurred during the fiscal year	14	1,116
Reclassification adjustments	–	–
Before tax effect adjustment	14	1,116
Tax effect	–	–
Deferred gains (losses) on hedges	14	1,116
Foreign currency translation adjustments:		
Amount incurred during the fiscal year	80,960	215,164
Reclassification adjustments	–	(262,712)
Before tax effect adjustment	80,960	(47,548)
Tax effect	–	–
Foreign currency translation adjustments	80,960	(47,548)
Total other comprehensive income	¥80,654	¥ (31,415)

(Consolidated Statements of Changes in Net Assets)

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 1)	12,317,000	2,713,195	–	15,030,195
Total	12,317,000	2,713,195	–	15,030,195
Treasury stock(Note 2)				
Common shares	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.

Notes

2 Subscription rights to shares

Category	Components of subscription rights to shares	Type of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares: 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 (11th series)	–	–	–	–	–	11,157
Consolidated subsidiaries	Subscription rights to shares for the 1st Series of Callable Unsecured Convertible Bonds with Subscription Rights to Shares	–	–	–	–	–	–
	5th Series of Subscription Rights to Shares	–	–	–	–	–	19,028
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 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 2016 (From December 1, 2015 to November 30, 2016)

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	15,030,195	–	–	15,030,195
Total	15,030,195	–	–	15,030,195
Treasury stock(Note)				
Common shares	72,516	83,542	–	156,058
Total	72,516	83,542	–	156,058

Note: 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.

Notes

2 Subscription rights to shares

Category	Components of subscription rights to shares	Type of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares: 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)							
	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	Common shares	1,069,788	–	–	1,069,788	¥ –
	6th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (Note 1)	Common shares	–	466,562	–	466,562	–
	Subscription rights to shares as stock options (11th series)	–	–	–	–	–	19,775
	Subscription rights to shares as stock options (13th series) (Note 2)	–	–	–	–	–	348
Consolidated subsidiaries							
	5th Series of Subscription Rights to Shares	–	–	–	–	–	17,416
Total		–	–	–	–	–	¥37,539

Notes: 1. The increase during fiscal 2016 was due to the issuance of bonds. The lump-sum method was adopted for reporting purposes.
2. The exercise period has not commenced for the 13th series of subscription rights to shares as stock options.

3 Dividends

(1) Dividends paid

Not applicable

(2) Dividends with a record date that 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 statements of cash flows at the end of the fiscal year

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Cash and deposits	¥2,905,141	¥1,881,667
Cash and cash equivalents	2,905,141	1,881,667

The main breakdown of assets and liabilities of subsidiaries that were consolidated by acquiring new shares in fiscal 2016

*2 The breakdown of assets and liabilities of Gloria Tours 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 Gloria Tours Inc. shares and the net amount paid to acquire Gloria Tours Inc. are as follows.

(Thousands of yen)

Current assets	¥ 325,258
Non-current assets	27,521
Current liabilities	(216,401)
Non-current liabilities	(50,095)
Negative goodwill	(32,282)
Acquisition price of Gloria Tours Inc. shares	54,000
Cash and cash equivalents of Gloria Tours Inc.	(48,252)
Net: Amount paid to acquire Gloria Tours Inc.	¥ 5,747

Notes

*3 The breakdown of assets and liabilities of TITICACA, Co. Ltd., 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 TITICACA, Co. Ltd. shares and the net amount paid to acquire TITICACA, Co. Ltd. are as follows.

(Thousands of yen)

Current assets	¥ 2,016,399
Non-current assets	1,485,343
Current liabilities	(2,086,420)
Non-current liabilities	(1,490,458)
Non-controlling interests	(496)
Negative goodwill	(4,462)
Acquisition price of TITICACA, Co. Ltd. shares	(80,094)
Cash and cash equivalents of TITICACA, Co. Ltd.	(432,574)
Net: Amount received to acquire TITICACA, Co. Ltd.	¥ (512,670)
Amount paid to acquire TITICACA, Co. Ltd.	1

*4 The main breakdown of assets and liabilities of companies that are no longer consolidated subsidiaries due to disinvestment in fiscal 2016
恒星信息(香港)有限公司 and its subsidiaries

(Thousands of yen)

Current assets	¥ 453,150
Non-current assets	569,348
Current liabilities	(1,329,360)
Non-current liabilities	–
Sale amount of equity stake	0
Cash and cash equivalents of 恒星信息(香港)有限公司 and its subsidiaries	(4,518)
Net: Payments for sales of investments in 恒星信息(香港)有限公司 and its subsidiaries	¥ (4,518)

*5 Important non-cash transactions
Amounts of assets and liabilities related to installment purchase transactions

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Amounts of assets and liabilities related to installment purchase transactions	¥–	¥63,126

(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.

Notes

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

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

The short-term loans 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.

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

Certain variable interest rate loans the Company has received are exposed to the risk of interest rates fluctuating. To mitigate this risk, the Company uses interest rate swaps to hedge against the risk of interest payable on these loans fluctuating. For information regarding hedge accounting methods, hedge instruments and hedge targets, hedging policy, and method of evaluating hedging effectiveness, please refer to "Notes to the Consolidated Statements, 4. Accounting policies, (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 sheets, 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 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	¥ (497)	¥ (497)	¥ –

Notes

*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.

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 and (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 sheets, is included and shown in this item.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable 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.

Fiscal 2016 (As of November 30, 2016)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥1,881,667	¥1,881,667	¥ –
(2) Notes and accounts receivable—trade	1,736,837	–	–
Allowance for doubtful accounts*1	111,674	–	–
	1,625,162	1,625,162	–
(3) Accounts receivable—other	46,995	–	–
Allowance for doubtful accounts*2	9,927	–	–
	37,067	37,067	–
(4) Short-term loans receivable	325,000	–	–
	325,000	325,000	–
(5) Long-term loans receivable	1,780,384	–	–
Allowance for doubtful accounts*3	289,484	–	–
	1,490,900	1,490,900	–
(6) Long-term accounts receivable—other	1,551,743	–	–
Allowance for doubtful accounts*4	1,551,743	–	–
	–	–	–
Total	¥5,359,797	¥5,359,797	¥ –
(1) Notes and accounts payable—trade	¥ 586,979	¥ 586,979	¥ –
(2) Short-term loans payable	249,334	249,334	–
(3) Accounts payable—other	338,608	338,608	–
(4) Convertible bonds with subscription rights to shares (including current portion)	1,465,000	1,455,619	(9,380)
(5) Long-term loans payable (including current portion)	4,564,526	4,592,474	27,948
Total	¥7,204,448	¥7,223,016	¥18,568
Derivative transactions	¥ –	¥ –	¥ –

Notes

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

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 and (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 sheets, is included and shown in this item.

Liabilities

(1) Notes and accounts payable—trade, (2) Short-term loans payable and (3) Accounts payable—other

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

(4) Convertible bonds with subscription rights to shares (including current portion)

Fair value is measured as the present value of the total amount of bond principal and interest, discounted using an interest rate adjusted for the remaining maturity and the credit risk of the bonds.

(5) Long-term loans payable (including current portion)

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

Derivative transactions

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 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Unlisted stocks (investment securities)	¥94,790	¥153,872

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.

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

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).

Notes

Fiscal 2016 (As of November 30, 2016)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Cash and deposits	¥1,881,667	¥ –	¥–	¥–
(2) Notes and accounts receivable—trade*1	1,625,162	–	–	–
(3) Accounts receivable—other*1	37,067	–	–	–
(4) Short-term loans payable*1	325,000	–	–	–
(5) Long-term loans receivable*1	–	1,490,900	–	–
(6) Long-term accounts receivable—other*1	–	–	–	–
Total	¥3,868,896	¥1,490,900	¥–	¥–

*1 The above table does not include accounts receivable with indefinite redemption schedules of ¥111,674 thousand (allowance for doubtful accounts of ¥111,674 thousand), accounts receivable—other of ¥9,927 thousand (allowance for doubtful accounts of ¥9,927 thousand), long-term loans receivable of ¥289,484 thousand (allowance for doubtful accounts of ¥289,484 thousand) and long-term accounts receivable—other of ¥1,551,743 thousand (allowance for doubtful accounts of ¥1,551,743 thousand).

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

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	–	–	–	–	–
Total	¥2,699,751	¥1,304,780	¥1,849,144	¥426,707	¥747,786	¥142,776

Fiscal 2016 (As of November 30, 2016)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Convertible bonds with subscription rights to shares	¥ 300,000	¥1,165,000	¥ –	¥ –	¥ –	¥ –
Long-term loans payable	1,844,650	985,874	633,871	855,634	133,606	110,888
Short-term loans payable	249,334	–	–	–	–	–
Accounts payable—installment purchase	14,802	9,773	8,931	9,158	9,191	12,075
Total	¥2,408,786	¥2,160,647	¥642,802	¥864,792	¥142,797	¥122,963

(Investment Securities)
1. Investment securities—other

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.

Fiscal 2016 (As of November 30, 2016)

Unlisted investment securities (carrying amount ¥153,872 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

Fiscal 2015 (As of November 30, 2015)

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

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.

Notes

Fiscal 2016 (As of November 30, 2016)
The Company recorded a ¥867 thousand loss on valuation of investment securities (¥867 thousand on investment securities—other).

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

(Derivative Transactions)
1. Derivative transactions to which hedge accounting is not applied

Currency related
Fiscal 2015 (As of November 30, 2015)
Not applicable

Fiscal 2016 (As of November 30, 2016)

(Thousands of yen)

Category	Type of transaction	Contract amount	Amount of contract exceeding one year	Fair value	Valuation gain or loss
Off-market transaction	Foreign currency forward contract Purchased US dollars	¥300,604	¥–	(Note) ¥(29,424)	(Note) ¥(29,424)

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

2. Derivative transactions to which hedge accounting is applied
(1) Currency related

Fiscal 2015 (As of November 30, 2015)
Not applicable

Fiscal 2016 (As of November 30, 2016)

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Allocation method (*furiate shori*) for foreign currency forward contracts, etc.	Foreign currency forward contracts	Accounts payable	¥31,954	¥–	(Note) ¥143

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

(2) Interest rate

Fiscal 2015 (As of November 30, 2015)

(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.

Notes

Fiscal 2016 (As of November 30, 2016)

(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	2,483,000	1,368,456	(Note)

Note: Calculation of fair value
(1) 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.
(2) The method of calculating fair value is based on the forward exchange rate.

(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.

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 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Balance of liability for retirement benefit at the beginning of the fiscal year	¥3,407	¥ 3,511
Increase from new consolidation	–	23,097
Retirement benefit expenses	103	3,115
Balance of liability for retirement benefit at the end of the fiscal year	¥3,511	¥29,724

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

(Thousands of yen)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Retirement benefit obligations for non-funded plans	¥3,511	¥29,724
Net liability on the consolidated balance sheets	3,511	29,724

(3) Retirement benefit expenses

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Retirement benefit expenses based on the simplified method	¥103	¥3,115

3. Defined contribution pension plan

The required contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥44,595 thousand in fiscal 2015 and ¥71,697 thousand in fiscal 2016.

4. Prepaid retirement benefit plan

Payments made to the prepaid retirement benefit plans of the Company and its consolidated subsidiaries were ¥21,249 thousand in fiscal 2015 and ¥38,970 thousand in fiscal 2016.

Notes

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, were ¥53,680 thousand in fiscal 2015 and ¥39,950 thousand in fiscal 2016.

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 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Amount of pension assets	¥744,963,870	¥737,151,599
Total amount of actuarial obligation and minimum actuarial reserve based on pension fund finance calculations	737,816,144	715,710,918
Difference	¥ 7,147,726	¥ 21,440,681

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

Fiscal 2015 0.54% (From December 1, 2014 to November 30, 2015)
Fiscal 2016 0.47% (From December 1, 2015 to November 30, 2016)

(3) Supplemental explanation

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.

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Stock compensation expense under selling, general and administrative expenses	¥9,536	¥9,566

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

	11th Series of Subscription Rights to Shares	13th Series of Subscription Rights to Shares
Status and number of option holders	NCXX Group Inc. directors: 5 NCXX Group Inc. employees: 3 NCXX Group Inc. subsidiary director: 1	NCXX Group Inc. directors: 3 NCXX Group Inc. subsidiary directors: 8 NCXX Group Inc. subsidiary employees: 3
Type of share and number of stock options(Note)	Common shares: 100,000 shares	Common shares: 100,000 shares
Grant date	October 30, 2014	October 5, 2016
Vesting condition	An option holder must remain in continued service from the grant date (October 30, 2014) to the vesting date (October 30, 2016)	Not applicable
Required service period	October 30, 2014 to October 30, 2016	Not applicable
Exercise period	October 31, 2016 to October 30, 2020	October 6, 2018 to October 5, 2021

Note: Recorded based on the number of eligible shares

Notes

(2) Stock option scale and change

Existing stock options as of fiscal 2016 (ended November 2016) are recorded herein on the basis of the number of eligible shares.

1. Number of stock options

(Shares)

	11th Series of Subscription Rights to Shares	13th Series of Subscription Rights to Shares
Before vesting		
As of November 30, 2015	100,000	–
Granted	–	100,000
Forfeited	4,000	–
Vested	96,000	–
Outstanding	–	100,000
After vesting		
As of November 30, 2015	–	–
Vested	96,000	–
Exercised	–	–
Forfeited	–	–
Exercisable	96,000	–

2. Unit price information

(Yen)

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

3. Method for estimating the fair value of stock options

The method for estimating the fair value of stock options granted in fiscal 2016 is as follows.

1. Valuation method used Monte Carlo simulation
2. Main assumptions and estimates

	13th Series of Subscription Rights to Shares
Closing price on October 5, 2016 for the Company's common stock on the Tokyo Stock Exchange (JASDAQ) (¥)	¥436
Exercise price (¥)	¥458
Volatility (%)	76.13 %
Exercise period	October 6, 2018 to October 5, 2021
Estimated period to expiry	3.5 years
Risk-free interest rate (%)	(0.259)%
Dividend yield (%)	0 %

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 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Deferred tax assets		
Accrued enterprise taxes	¥ 4,962	¥ 5,350
Provision for product warranties	30,745	28,391
Provision for bonuses	61,380	70,992
Allowance for doubtful accounts	734,576	1,275,037
Liability for retirement benefit	1,132	9,173
Excess depreciation and amortization	6,119	5,935
Loss on valuation of telephone subscription rights	1,240	1,553
Loss on valuation of inventories	4,096	620,483
Loss on valuation of subsidiaries' stocks	62,123	111,065
Loss on valuation of investment securities	3,075	3,209
Loss on valuation of investments in capital of subsidiaries and affiliates	–	3,033,926
Carryforwards of unused tax losses	1,267,675	1,682,976
Others	56,020	772,925
Deferred tax assets subtotal	2,233,149	7,621,019
Valuation allowance	(2,231,994)	(7,615,249)
Deferred tax assets total	1,154	5,770
Deferred tax liabilities		
Goodwill adjustment	(26,139)	(29,649)
Fund balance difference	(1,356)	(673,914)
Deferred tax liabilities total	(27,496)	(703,564)
Net deferred tax liabilities	¥ (26,341)	¥ (697,685)

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

(%)

	Fiscal 2015 (As of November 30, 2015)	Fiscal 2016 (As of November 30, 2016)
Statutory income tax rate	35.64%	–%
(Adjustments)		
Entertainment and other non-deductible expenses	36.8	–
Amortization of goodwill	22.7	–
Dividends and other non-taxable income	0.0	–
Inhabitants taxes—per capita levy	35.7	–
Change in valuation allowance	(560.8)	–
Downward adjustment to the ending balance of deferred tax assets due to changes in statutory income tax rate	894.6	–
Carryforwards of unused tax losses and other deductions	(166.3)	–
Others	0.0	–
Effective income tax rate	298.4%	–%

Note: Disclosure on the difference in the statutory income tax rate and the effective income tax rate in fiscal 2016 is omitted as loss before income taxes was recorded.

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. 15 2016) and the "Act for Partial Revision of the Local Tax Act" (Act No. 13, 2016) on March 29, 2016, the corporate tax rate and other tax rates were reduced from fiscal years beginning on or after April 1, 2016. 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 32.3% to 30.9% for temporary differences expected to reverse in fiscal 2016 and 2017, and to 30.6% for temporary differences expected to reverse in or after fiscal 2018.

These tax rate changes do not impact income/losses.

Notes

(Business Combination)

I Business Combination through Acquisition (TITICACA, Co. Ltd.)

1. Overview of business combination

(1) Name and business of acquired company

Name of the acquired company: TITICACA, Co. Ltd.
Business: Import and sale of ethnic apparel and ethnic general merchandise

(2) Main reason for the business combination

To deploy IoT in the fashion industry, in keeping with the Company's goal to introduce IoT into new lines of business

(3) Business combination date

August 1, 2016

(4) Statutory basis of business combination

Share acquisition

(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	90.00
Voting rights after the acquisition	90.00

(7) Main rationale for deciding on the acquisition target

The Company acquired shares of TITICACA, Co. Ltd. for cash consideration.

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

August 1, 2016 to October 31, 2016

3. Acquisition cost of acquisition target and breakdown by consideration type

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥ 8,893
	Revenue from transfer of receivables	(88,987)
Acquisition cost		¥(80,094)

4. Main acquisition-related expenses and amounts

Advisory and other fees ¥6,728 thousand

5. Amount of gain on bargain purchase and reason

(1) Amount of gain on bargain purchase

¥4,462 thousand

(2) Reason for gain on bargain purchase

The gain on bargain purchase owes to total assets less total liabilities transferred from the acquired company exceeding the acquisition cost.

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

(Thousands of yen)

Current assets	¥2,016,399
Non-current assets	1,485,343
Total assets	¥3,501,743
Current liabilities	¥2,086,420
Non-current liabilities	1,490,458
Total liabilities	¥3,576,879

Notes

7. Estimated impact on NCXX Group Inc.'s consolidated statements of income for fiscal 2016, and the estimation method, assuming the business combination was completed on December 1, 2015

(Thousands of yen)

Net sales	¥5,596,515
Operating loss	572,351
Ordinary loss	729,197
Loss before income taxes	3,586,523
Loss attributable to owners of parent	3,258,604

(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, 2015.

Notes on this business combination have not received accounting audit certification.

II Business Combination through Acquisition (Gloria Tours Inc.)

1. Overview of business combination

(1) Name and business of acquired company

Name of the acquired company: Gloria Tours Inc.
Business: Travel business

(2) Main reason for the business combination

The Company determined the business combination can fully contribute to the Group's growth and business value enhancement, including by combining the expertise of subsidiary e-tabinet.com with that of Gloria Tours Inc. to enable the cultivation of new customer bases and provide a wide range of travel packages.

(3) Business combination date

October 6, 2016

(4) Statutory basis of business combination

Share acquisition

(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	77.71
Voting rights after the acquisition	77.71

(7) Main rationale for deciding on the acquisition target

The Company's consolidated subsidiary e-tabinet.com (77.71% of voting rights) acquired shares of Gloria Tours Inc. for cash consideration.

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

October 6, 2016 to November 30, 2016

3. Acquisition cost of acquisition target and breakdown by consideration type

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥54,000
Acquisition cost		¥54,000

4. Main acquisition-related expenses and amounts

Advisory and other fees ¥9,062 thousand

Notes

5. Amount of gain on bargain purchase and reason

(1) Amount of gain on bargain purchase

¥32,282 thousand

(2) Reason for gain on bargain purchase

The gain on bargain purchase owes to total assets less total liabilities transferred from the acquired company exceeding the acquisition cost.

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

(Thousands of yen)

Current assets	¥325,258
Non-current assets	27,521
Total assets	¥352,779
Current liabilities	¥216,401
Non-current liabilities	50,095
Total liabilities	¥266,496

7. Estimated impact on NCXX Group Inc.'s consolidated statements of income for fiscal 2016, and the estimation method, assuming the business combination was completed on December 1, 2015

(Thousands of yen)

Net sales	¥659,257
Operating income	33,770
Ordinary income	33,882
Income before income taxes	33,132
Profit attributable to owners of parent	11,709

(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, 2015.

Notes on this business combination have not received accounting audit certification.

(Asset retirement obligations)

Asset retirement obligations recorded on consolidated balance sheets

(1) Overview of recorded asset retirement obligations

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

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

The period of use is estimated at 18 years from the acquisition of the lease asset, and a discount rate between 1.0% and 1.9% is used to calculate the asset retirement obligation amounts.

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Balance at the beginning of the fiscal year	¥–	¥ –
Increase from consolidated subsidiary acquisition	–	455,237
Adjustment reflecting the passage of time	–	955
Decrease from execution of obligations	–	(57,152)
Balance at the end of the fiscal year	¥–	¥399,040

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

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

Notes

(Real Estate Leasing)

Fiscal 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.

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

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 ¥5 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, 2015	Change during fiscal 2016	Balance at November 30, 2016	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	(11,341)	306,102	306,102

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.

Notes

(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.

Effective from the fiscal year ended November 30, 2016, the apparel retailing business undertaken by TITICACA, Co. Ltd. has been newly included in the brand retail platform business.

Reportable segment	Description of business
Device business	Development and sale of communication devices applying various wireless systems 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
Brand retail platform business	Retailing of general merchandise, apparel and other items Brand license business

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.

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

Fiscal 2015 (From December 1, 2014 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

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

(Thousands of yen)

	Reportable segment					
	Device business	Internet travel business	Brand retail platform business	Total	Adjustments	Consolidated
Net sales						
Sales to third parties	¥9,111,540	¥1,623,855	¥1,495,738	¥12,231,134	¥ –	¥12,231,134
Inter-segment sales and transfers	1,266	–	–	1,266	(1,266)	–
Total	9,112,807	1,623,855	1,495,738	12,232,401	(1,266)	12,231,134
Segment income (loss)	(423,651)	10,894	(15,223)	(427,980)	(191,582)	(619,563)
Segment assets	6,637,396	640,079	2,196,350	9,473,826	3,986,080	13,459,907
Other items						
Depreciation and amortization	51,217	539	22,337	74,094	46,862	120,956
Amortization of goodwill	486,523	30,848	–	517,372	–	517,372
Increase in property, plant and equipment and intangible assets	59,428	1,266	14,621	75,317	153,074	228,391

Notes: 1. Segment income (loss) is adjusted to operating income in the consolidated statements of income. Adjustments for segment income mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets 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.

[Related Information]

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

1. Information by product and service

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

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan 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.

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

1. Information by product and service

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

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan 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.

Notes

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 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

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

(Thousands of yen)

	Device business	Internet travel business	Brand retail platform business	Corporate and elimination	Total
Impairment loss	¥1,249	¥–	¥320,618	¥–	¥321,868

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

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

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

(Thousands of yen)

	Device business	Internet travel business	Brand retail platform business	Corporate and elimination	Total
Amortized amount	¥ 486,523	¥ 30,848	¥–	¥–	¥ 517,372
Unamortized balance	4,172,839	198,877	–	–	4,371,717

[Information on Gain on Bargain Purchase by Reportable Segment]

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.

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

A ¥32,282 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.

A ¥4.462 thousand gain on bargain purchase was recorded as extraordinary income subsequent to the acquisition of additional shares in a consolidated subsidiary in the brand retail platform 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 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	–	–

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

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	¥1,235	Information services business, consulting business	Direct (29.58) Indirect (20.25)	Concurrent officers	Funds lent	¥ 350,000	Long-term loans receivable	¥400,000
							Interest received	4,887	–	–
							Interest on bonds	–	Accounts payable—other	4,183
							Debt guarantees received	1,078,139	–	–

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

Notes

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

Fiscal 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	–	–

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

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	¥30,000	Long-term loans receivable	¥930,000
							Interest received	18,606	–	–
	Chanty Co., Ltd.	Minato-ku, Tokyo	32	Advertising agency business	–	Concurrent officers	Funds lent	–	Long-term loans receivable	160,000
							Interest received	3,208	–	–

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.

Notes

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

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	–	¥–

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

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	¥37,312	–	¥–

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

(2) 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 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	–	–

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

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	¥1,235	Information services business, consulting business	(Ownership ratio) Direct (29.58) Indirect (20.25)	Concurrent officers	Funds lent	¥ –	Short-term loans receivable	¥200,000
							Interest received	4,010	–	–

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.

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

Not applicable

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

Not applicable

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

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.

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

Not applicable

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

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

Not applicable

Fiscal 2016 (From December 1, 2015 to November 30, 2016)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer of a significant subsidiary	Takao Hayashi	Officer	–	Debt guarantee received	Debt guarantee received	¥–	–	¥78,261

Notes

2. Notes on the parent company or significant related companies

(1) Parent company information

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

(2) Summary of financial information on significant related companies

Not applicable

(Per Share Information)

(Yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Net assets per share	¥308.98	¥241.60
Net loss per share	(3.14)	(71.77)
Diluted net income per share	–	–

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

(Thousands of yen)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
Net loss per share		
Loss attributable to owners of parent	¥(45,483)	¥(1,068,435)
Amounts not attributable to common shareholders	–	–
Loss attributable to owners of parent related to common shares	(45,483)	(1,068,435)
Average number of common shares during the period (Shares)	14,507,488	14,885,214
Diluted net income per share		
Adjustments to profit attributable to owners of parent	–	–
[Of which, interest expenses (after tax adjustment)]	(–)	(–)
Increase in number of common shares (Shares)	–	–
[Of which, convertible bonds with subscription rights to shares (Shares)]	(–)	(–)

	Fiscal 2015 (From December 1, 2014 to November 30, 2015)	Fiscal 2016 (From December 1, 2015 to November 30, 2016)
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)	11th Series of Subscription Rights to Shares (960 subscription rights for 96,000 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) Subscription rights to shares attached to the NCXX Group Inc. 6th Series of Unsecured Convertible Bonds with Subscription Rights to Shares (30 subscription rights for 466,562 underlying shares) Subscription rights to shares attached to the NCXX Group Inc. 13th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares)

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.

(Subsequent Events)

I Business Combination through Acquisition (Versatile Inc. and FISCO International Limited)

At a meeting of the Board of Directors held on December 14, 2016, NCXX Group Inc. passed a resolution to convert Versatile Inc. (“Versatile”) and FISCO International Limited (“FIL”) into consolidated subsidiaries through the acquisition of 93.68% of the issued shares of Versatile and 100% of the issued shares of FIL from FISCO Ltd. (“FISCO”), the parent of NCXX Group Inc. On the same day, NCXX Group Inc. entered into a share transfer agreement with FISCO, and acquired the shares of both companies on December 29, 2016.

(Versatile Inc.)

1. Overview of business combination

(1) Name and business of acquired company

Name of the acquired company: Versatile Inc.

Business: Consulting business, import and sales of alcoholic beverages, sales of fashion accessories, and restaurant business

(2) Main reason for the business combination

To develop the brand retail platform business, which is a focus for the Group going forward.

(3) Business combination date

December 29, 2016

Notes

(4) Statutory basis of business combination
Share acquisition

(5) Name of company after business combination
No change

(6) Ratio of voting rights acquired
93.68%

(7) Main rationale for deciding on the acquisition target
The Company had acquired 93.68% of the voting rights of Versatile Inc. by offsetting them against a loan claim against FISCO Ltd.

2. Acquisition cost of the acquisition target and breakdown by consideration

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥400,000
Acquisition cost		¥400,000

3. Main acquisition-related expenses and amounts
Stock valuation cost ¥500 thousand

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

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

(FISCO International Limited)
1. Overview of business combination
(1) Name and business of acquired company

Name of the acquired company:	FISCO International Limited
Business:	Information services business, investment education business, and consulting business

(2) Main reason for the business combination
To develop the brand retail platform business, which is a focus for the Group going forward.

(3) Business combination date
December 29, 2016

(4) Statutory basis of business combination
Share acquisition

(5) Name of company after business combination
No change

(6) Ratio of voting rights acquired
100.00%

(7) Main rationale for deciding on the acquisition target
The Company acquired the shares for cash consideration.

2. Acquisition cost of the acquisition target and breakdown by consideration type

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥86,000
Acquisition cost		¥86,000

3. Main acquisition-related expenses and amounts
Stock valuation cost ¥500 thousand

Notes

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

Currently unconfirmed.

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

Currently unconfirmed.

II Capital and Business Alliance with Terilogy Co., Ltd.

At a meeting of the Board of Directors held on January 17, 2017, the Company passed a resolution to enter into a capital and business alliance with Terilogy Co., Ltd. (Listing: Tokyo Stock Exchange, JASDAQ Standard; Securities Code: 3356; Head Office: Chiyoda-ku, Tokyo; President: Takao Tsubuki; “Terilogy”). SEQUEDGE INVESTMENT (“SEQUEDGE”) will also acquire a certain amount of shares of Terilogy. SEQUEDGE is a fellow subsidiary of SEQUEDGE INVESTMENT INTERNATIONAL LIMITED, which is classified as another affiliated company of the Company.

1. Reasons for the capital and business alliance

Rapid market expansion is anticipated in the IoT market, a primary focus for the Company. In fact, the size of the market is estimated to expand from approximately ¥350.0 billion in 2014 to over ¥3,000.0 billion in 2022 (Source: IT Navigator 2017 Edition, Nomura Research Institute, Ltd.). Interest in the IoT market has remained extremely strong. In this business environment, the Company has been focusing on providing server applications and IoT-related services including other application services, as well as supplying hardware device products, through its subsidiary NCXX Inc., which manufactures high-value-added communication equipment devices, and its subsidiary NCXX Solutions Inc. The latter company undertakes the systems development business, serving industries such as manufacturing, finance, logistics, social infrastructure, and the public sector, and covering every stage from consultation through to design, construction, operation and maintenance.

Moreover, SJI Inc. became a subsidiary of the Company in June 2015, changing its name to CAICA Inc. (“CAICA”) in February 2017. For more than 40 years, CAICA has conducted systems development primarily for the financial sector, as well as the manufacturing sector, public sector, distribution sector and certain other areas. Currently, CAICA has positioned FinTech-related businesses as a strategic area of focus, advancing various initiatives with a focus on blockchain technology as a particularly crucial priority.

In these and other ways, the Company will undertake a wide range of activities, from supplying IoT-related device products and delivering related solutions to focusing on cutting-edge technologies such as blockchain technology. By doing so, the Company will provide various services by supplying solutions, beginning with communications services to various industry sectors.

Meanwhile, Terilogy provides cutting-edge solutions in the network security field to major corporations in Japan. Terilogy provides security management services encompassing all network stages ranging from network gateways to endpoints, including the development and supply of Momentum, a high-performance capturing software that enables high-speed packet capture and packet storage. Terilogy has also entered into a sales agent agreement with KELA Group of Israel to monitor information exchanged within the hacker community over the DarkNet*, thereby providing a consulting service in which Terilogy detects and collects information that could threaten companies and delivers an analysis of the results to corporate clients.

Moreover, the information security market (applications and services) in Japan has continued to grow on the back of expanding demand for measures to address targeted cyberattacks. Furthermore, in the area of IoT and security, the number of IoT devices connected to the Internet is expected to surpass 53.0 billion in 2020 (*2015 White Paper Information and Communications in Japan*, Ministry of Internal Affairs and Communications, Japan). The Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communications hosted the IoT Acceleration Consortium and formulated the IoT Security Guidelines in July 2016. These and other developments have made it an urgent priority for business enterprises to examine security measures in view of the widespread adoption of IoT systems and the unique characteristics of services using those systems.

* The DarkNet refers to a parallel network set up to provide anonymity to users (anonymity does not exist on the open web).

Meanwhile, the world is currently standing on the threshold of the Fourth Industrial Revolution, following the First Industrial Revolution driven by steam, the Second Industrial Revolution driven by electricity and the Third Industrial Revolution driven by IT. In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the Internet, making it possible to perform sophisticated analysis of the big data that will be generated. As a result of the development of AI and blockchain technologies, a society that is far more efficient and less labor intensive than what we have today is predicted to take shape in the future. Experts believe that the Physical Part of society will be managed largely on an automated basis. This means that Cyber-Physical Systems will become a reality. A Cyber-Physical System is a system that quantifies various states of the Physical Part of the real world that are subject to control, and quantitatively analyzes this data in the Cyber Part in order to derive new insights and knowledge, which are then fed back and used to control the Physical Part of the real world.

In such a world, the ability to collect and retain big data from the Physical Part of the real world through IoT technology and the ability to manage and analyze this data through AI and blockchain technologies in the Cyber Part will become increasingly crucial. Additionally, in Cyber-Physical Systems that process the exchange of big data, including large amounts of private information, security will be a critically important technology throughout the system.

Notes

In Japan, the Basic Act on Cybersecurity was established in November 2014. This law clarifies the responsibilities, strategies and basic policies of the national government, various institutions and other bodies. However, the costs of security measures borne by business enterprises have continued to increase steadily, mainly to deal with the growing threat of information leaks by insiders and targeted cyberattacks. The information security market (applications and services) in Japan will remain on a sustained growth track in the near term. For listed companies in Japan, enhancing the quality of security measures and reducing the cost burden of those measures have become key priorities for increasing corporate value.

In this environment, the Group has decided to undertake the joint development of products that integrate the Group's IoT device development technology and Terilogy's security technologies. This is in order to realize a society where IoT devices can be used securely as a result of safeguarding devices, systems, and crucial information from various threats on a variety of networks.

One example is connected cars—automobiles that will be able to connect to a cloud system and receive various information services. However, hackers could potentially gain access to and remotely control these vehicles and cause information leaks. To mitigate these threats, the Group seeks to develop onboard automotive devices based on NCXX's OBD II-type automotive telematic data collecting unit GX4x0NC. The Group will also seek to develop products that will ensure security for communications between IoT devices, and security for communications between IoT devices and cloud systems, for various IoT devices including surveillance cameras and ATM and M2M communication gateways. In parallel, the Group will also undertake joint marketing of new products, with NCXX focusing on hardware and NCXX Solutions focusing on software, and undertake collaboration on promoting sales, leveraging the sales platforms of the Group and Terilogy.

The Group and Terilogy have decided to enter into a business alliance because they believe these initiatives are aligned with the strategies pursued by both companies and will lead to an increase in corporate value. The two companies have also decided to enter into a capital alliance in order to closely and steadily advance the foregoing initiatives.

With regard to this matter, Terilogy had been conducting a wide search for potential business alliance and collaboration partners in security-related products and services, its main business. In the process, SEQUEDGE INVESTMENT, which has a strong track record of investing in publicly listed companies, was identified as a potential candidate. Initially, inquiries were made to SEQUEDGE INVESTMENT in order to seek an investment for a 20% voting interest in Terilogy. In response, SEQUEDGE INVESTMENT referred NCXX Group Inc. to Terilogy, based on the potential for capturing strong synergies between the latter two companies.

Thereafter, the Company and Terilogy advanced discussions, as stronger synergies could be expected if the two companies collaborated. In order to implement a solid business alliance, the two companies also agreed to enter into a capital alliance. The Company judged that strong synergies could be expected through a collaboration with Terilogy, and that the investment was appealing from the perspective of the Company's management strategy. Therefore, the Company considered acquiring the shares of Terilogy.

Based on the findings of due diligence, the Group determined that receiving a transfer of the shares held by Representative Director Takao Tsubuki and Director Akihiko Abe would be an appropriate means of capital participation. Based on mutual consent that Terilogy would continue to manage its businesses under the current management team, both companies concluded that a transfer of under 20% of the shares would be appropriate. In addition, taking into account the impact on the Company's management, and based on discussions with the seller, the Company concurrently decided to submit a proposal to SEQUEDGE INVESTMENT seeking its participation in the investment.

Moreover, on the same day, CAICA will also enter into a business alliance with Terilogy covering the use of blockchain technology and security products. For details, please refer to the press release titled "Notice Regarding Business Alliance with Terilogy Co., Ltd. on Joint Development of Products Applying Blockchain Technology," issued on January 17, 2017.

2. Details of the capital and business alliance

(1) Details of the business alliance

1. Joint development of IoT products with NCXX
2. Collaboration on sales promotion leveraging the sales platforms of the Company, NCXX, and NCXX Solutions and Terilogy
3. Joint marketing of new products between the Company, NCXX, and NCXX Solutions and Terilogy

(2) Details of the capital alliance

The Company plans to purchase 2,291,700 shares (14.9% of voting rights) of the issued shares of Terilogy for ¥630,217,500 and SEQUEDGE INVESTMENT plans to purchase 753,700 shares (4.9% of voting rights) of the issued shares of Terilogy for ¥207,267,500 from Representative Director Takao Tsubuki and Director Akihiko Abe.

In addition, the Company plans to dispatch two directors to Terilogy, subject to the approval of the 28th Ordinary General Meeting of Shareholders of Terilogy.

Notes

3. Overview of the counterparty to the capital and business alliance

(1) Name	Terilogy Co., Ltd.	
(2) Location	1-13-5 Kudan-kita, Chiyoda-ku, Tokyo 102-0073, Japan	
(3) Name and title of representative	Takao Tsubuki, President	
(4) Business	1. Import and sales of hardware and software products 2. Sales of networking products 3. System consulting, implementation and education for end users 4. Network implementation and deployment 5. Maintenance services for networking products 6. Customer application software development	
(5) Capital stock	¥1,182,604 thousand	
(6) Establishment (founding) date	July 14, 1989	
(7) Major shareholders and their shareholding ratio	Takao Tsubuki 30.24% Akihiko Abe 9.76%	
(8) Relationships between the companies	Capital relationships	Not applicable
	Personnel relationships	Not applicable
	Trading relationships	Not applicable
	Classification as a related party	Not applicable

(9) Business results and financial condition over the past three fiscal years

(Millions of yen)

	Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016
Net assets	¥ 933	¥ 723	¥ 699
Total assets	2,656	3,052	2,455
Net assets per share (Yen)	¥60.71	¥ 47.03	¥45.47
Net sales	¥2,560	¥ 2,804	¥2,639
Operating profit	(121)	(212)	26
Ordinary profit	(153)	(207)	0
Profit before tax	(144)	(207)	(17)
Profit for the year	(147)	(211)	(19)
Profit per share (Yen)	¥ (9.58)	¥(13.76)	¥ (1.25)
Dividends per share (Yen)	–	–	–

4. Schedule

January 17, 2017	Date of resolution by the respective boards of directors of the Company, NCXX, NCXX Solutions, and SEQUEDGE INVESTMENT
January 17, 2017	Date of signing of the capital and business alliance agreement by the Company Date of signing of the capital and business alliance agreement by NCXX and NCXX Solutions
January 17, 2017	Date of commencement of business alliance
February 1, 2017	Payment date

III Capital Increase through the Exercise of the 5th Series of Subscription Rights to Shares at CAICA Inc. (formerly SJI Inc.)

The 5th Series of Subscription Rights to Shares issued by CAICA Inc. (formerly SJI Inc.) on June 30, 2015 was exercised from January 13, 2017 to January 18, 2017 as follows:

(1) Overview of the exercised subscription rights to shares

1. Name of subscription rights to shares
   5th Series of Subscription Rights to Shares (third-party allotment)
2. Exercise price
   ¥35 per share
3. Number of exercised subscription rights to shares
   7,000
4. Exercising party
   SEQUEDGE INVESTMENT INTERNATIONAL LIMITED
5. Number of shares granted
   7,000,000 shares
6. Total exercise price
   ¥245,000,000

(2) Number of shares issued through the exercise of subscription rights to shares and capital

1. Increase in the number of issued shares
   7,000,000 shares
2. Increase in the amount of capital
   ¥124,831,000

Notes

IV Transfer of a Portion of Shares of a Subsidiary (CAICA Inc.; formerly SJI Inc.)

The Company transferred a portion of its shares of consolidated subsidiary CAICA Inc. (formerly SJI Inc.; Listing: JASDAQ 2315; Headquarters: Meguro-ku, Tokyo; Representative Director and President: Tianquan Liu; "CAICA").

With the transfer, the Company's percentage of voting rights in CAICA (including holdings of subsidiaries) changed from 52.55% to 47.38%, falling below 50%. However, CAICA's status as a consolidated subsidiary of the Company remains unchanged. The Company holds 51,428,000 subscription rights to shares of CAICA.

1. Purpose of the share transfer

The Company acquired the shares of CAICA approximately 1.5 years ago in June 2015 with the intention of holding them over the medium to long term.

The Company has sufficient operating capital and liquidity for the next few months, and decided to transfer a portion of shares of CAICA, considering its holdings of CAICA's new share subscription rights, to provide capital for new business and so forth.

2. Details of the share transfer

1. Stock: Common shares of CAICA Inc.
2. Number of shares: 13,000,000
3. Method of sale: Negotiated transaction
4. Sale price: ¥1,050 million

V Issuance of Stock Compensation-Type Stock Options (subscription rights to shares)

On January 30, 2017, the Board of Directors of the Company decided to submit a resolution for approval by the 33rd Ordinary General Meeting of Shareholders to be held on February 23, 2017, 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 subsidiaries as stock options granted at particularly advantageous terms. The goal will be to raise the motivation and morale of the directors and employees by providing them with an incentive to enhance the Group's earnings performance and corporate value.

Details regarding the subscription rights to shares are as follows.

(1) Total number of subscription rights to shares

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

(2) Class and number of underlying shares

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

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

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

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

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

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

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

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

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

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

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

Notes

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

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

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

(5) Exercise period of subscription rights to shares

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

(6) Conditions for exercising subscription rights to shares

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

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

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

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

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

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

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

(10) Handling of fractions

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

(11) Other

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

[Consolidated Supplementary Schedules]

[Schedule of corporate bonds]

Issuer	Series	Issuance date	Starting balance in fiscal 2016 (Thousands of yen)	Ending balance in fiscal 2016 (Thousands of yen)	Interest (%)	Collateral	Maturity date
NCXX Group Inc.	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	March 30, 2015	¥1,165,000 [–]	¥1,165,000 [–]	0.5	None	March 29, 2018
NCXX Group Inc.	6th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	June 13, 2016	– [–]	300,000 [300,000]	0.7	None	June 12, 2017
NCXX Group Inc.	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares	December 11, 2014	100,000 [100,000]	– [–]	1.4	None	December 10, 2015
Total	–	–	¥1,265,000 [100,000]	¥1,465,000 [300,000]	–	–	–

Notes: 1. Amounts in parentheses are the current portion of bonds.

Notes

2. Details on bonds with subscription rights to shares are as follows.

Series	5th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	6th Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Type of shares to be issued	Common shares	Common shares
Issue price of subscription rights (Yen)	Gratis	Gratis
Issue price of shares (Yen)	¥1,089	¥643
Total face amount (Thousands of yen)	¥1,165,000	¥300,000
Total amount of shares to be issued upon exercise of subscription rights to shares (Millions of yen)	–	–
Percentage of shares granted per subscription right (%)	100%	100%
Exercise period of the subscription rights	From March 30, 2015 to March 29, 2018	From June 13, 2016 to June 12, 2017

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, 2016 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
¥300,000	¥1,165,000	¥–	¥–	¥–

[Schedule of borrowings]

(Thousands of yen)

Category	Starting balance in fiscal 2016	Ending balance in fiscal 2016	Average interest rate (%)	Repayment
Short-term loans payable	¥ 484,049	¥ 249,334	1.6	–
Current portion of long-term loans payable	2,115,702	1,844,650	1.2	–
Current portion of lease obligations	2,862	2,910	0.7	–
Long-term loans payable (excluding current portion)	3,306,196	2,719,875	1.1	2017 to 2029
Lease obligations (excluding current portion)	5,075	2,164	1.6	2017 to 2020
Other interest-bearing debt				
Current portion of accounts payable —other	337,300	–	–	–
Current portion of accounts payable —installment purchase	6,182	14,802	2.3	–
Long-term accounts payable —installment purchase	7,371	49,331	2.4	2017 to 2023
Total	¥6,264,740	¥4,883,068	–	–

Notes: 1. Average interest rate represents the weighted average interest rate for the balance at November 30, 2016.
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, 2016 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	¥985,874	¥633,871	¥855,634	¥133,606	¥110,888
Long-term accounts payable —installment purchase	9,773	8,931	9,158	9,391	12,075
Lease obligations	1,149	592	423	–	–

Notes

[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 2016

(Thousands of yen)

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year
Net sales	¥2,579,399	¥5,499,288	¥8,093,304	¥12,231,134
Loss before income taxes and non-controlling interests	(94,372)	(326,648)	(589,520)	(863,765)
Loss attributable to owners of parent	(102,741)	(385,313)	(673,414)	(1,068,435)
Net loss per share (Yen)	¥ (6.93)	¥ (25.87)	¥ (45.23)	¥ (71.77)

(Yen)

(Quarterly period)	First quarter	Second quarter	Third quarter	Fiscal year
Net loss per share	¥(6.93)	¥(18.97)	¥(19.36)	¥(26.55)

Company Overview

Name	NCXX Group Inc.
Date of establishment	April 21, 1984
Capital stock	¥1,819,748,000 (as of November 30, 2017)
Consolidated Group employees	873 (as of November 30, 2017)
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 of the Company, making it 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
Aug. 2016	Made TITICACA, Co. Ltd. a subsidiary

Shareholder Information (As of November 30, 2016)

Overview of shares

Total number of issuable shares:	30,000,000
Total number of shares issued:	15,030,195
Number of shareholders:	5,788

Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding percentage of issued shares (%)
FISCO Ltd.	4,381,700	29.15
Diamond Agency, Inc.	3,000,000	19.95
Investment Business Limited Partnership Digital Asset Fund	450,400	2.99
SEQUEDGE INVESTMENT INC.	269,600	1.79
Japan Trustee Services Bank, Ltd. (trust account)	181,300	1.20
CAICA Inc. (formerly SJI Inc.)	125,008	0.83
Heringu Handeru K.K.	101,000	0.67
Tomonori Morimoto	100,000	0.66
SEQUEDGE INVESTMENT INTERNATIONAL LIMITED (standing proxy: SEQUEDGE INVESTMENT INC.)	97,000	0.64
Tachibana Securities Co., Ltd.	79,700	0.53

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