January 19, 2018

Consolidated Financial Results for the Fiscal Year Ended November 30, 2017

(Japanese Accounting Standards)

Name of listed company:	**NCXX Group Inc.**
Listing:	Tokyo Stock Exchange, JASDAQ Standard
Stock code:	6634
URL:	http://www.ncxxgroup.co.jp/
Representative:	Tsukasa Akiyama, Representative Director and President
Contact person:	Naoki Ishihara, Representative Director and Vice President Tel: +81-3-5766-9870

Scheduled date of General Shareholders' Meeting:	February 22, 2018
Scheduled date to file Securities Report:	February 22, 2018
Scheduled date to commence dividend payments:	—
Supplementary explanatory materials prepared:	None
Explanatory meetings:	None

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2017 (From December 1, 2016 to November 30, 2017)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2017	12,198	(0.3)	(914)	—	(940)	—	902	—
November 30, 2016	12,231	64.9	(619)	—	(770)	—	(1,068)	—

Note: Comprehensive income
For the year ended November 30, 2017: ¥1,022 million [—%]
For the year ended November 30, 2016: ¥(930) million [— %]

	Earnings per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/ Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2017	60.68	—	24.2	(7.5)	(7.5)
November 30, 2016	(71.77)	—	(26.1)	(5.5)	(5.1)

Reference: Equity in earnings of affiliates
For the year ended November 30, 2017: ¥43 million
For the year ended November 30, 2016: ¥— million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2017	11,532	4,526	33.5	259.74
November 30, 2016	13,459	3,800	26.7	241.60

Reference: Equity
As of November 30, 2017: ¥3,865 million
As of November 30, 2016: ¥3,593 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the fiscal year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
November 30, 2017	(1,388)	3,929	(1,851)	2,529
November 30, 2016	341	686	(2,047)	1,881

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended November 30, 2016	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended November 30, 2017	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending November 30, 2018 (forecasts)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2018 (From December 1, 2017 to November 30, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending November 30, 2018	11,398	(6.6)	743	—	698	—	563	(37.6)	37.84

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Yes

New: 8 companies (Corporate names) Versatile Inc., Versatile Milano S.R.L., MEC S.R.L.SOCIETA' AGRICOLA, FISCO International Limited, FISCO International (Cayman) Limited, FISCO International (Cayman) L.P., FACETASM, e frontier, Inc.

Excluded: 7 companies (Corporate names) CAICA Inc., SJ Asia Pacific Limited, Hua Shen Trading (International) Limited, Rapid Capital Holdings Limited, 星際富通（福建）網絡科技有限公司, 星際富溢（福建）信息諮詢有限公司, NCXX Solutions Inc.

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
- a. Changes in accounting policies due to revisions to accounting standards and other guidelines: None
- b. Changes in accounting policies due to reasons other than a. above: None
- c. Changes in accounting estimates: None
- d. Restatement of revisions: None

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)
- As of November 30, 2017 15,030,195 shares
- As of November 30, 2016 15,030,195 shares

b. Number of shares of treasury stock at the end of the period
- As of November 30, 2017 146,473 shares
- As of November 30, 2016 156,058 shares

c. Average number of shares
- For the year ended November 30, 2017 14,875,370 shares
- For the year ended November 30, 2016 14,885,214 shares

(Reference) Summary of Non-consolidated Operating Results

Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2017
(From December 1, 2016 to November 30, 2017)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit (loss)	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2017	94	(249.2)	(815)	—	(868)	—	(599)	—
November 30, 2016	27	(89.1)	(135)	—	(154)	—	(75)	—

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
November 30, 2017	(40.16)	—
November 30, 2016	(5.02)	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2017	8,272	4,149	49.9	276.92
November 30, 2016	9,067	4,660	51.2	310.67

Reference: Equity
As of November 30, 2017: ¥4,127 million
As of November 30, 2016: ¥4,640 million

* This report is unaudited.

* Proper use of earnings forecasts and other special matters

The financial forecasts in this report reflect projections based on management's future assumptions, expectations, and plans as of the issue date of this report. Actual financial results could differ materially from the predicted values due to risks associated with future changes in economic conditions, markets, etc., and other uncertain factors. For information about the conditions, assumptions, and other factors underlying the financial forecasts, please see "1. Analysis of Operating Results and Financial Position (1) Analysis of Operating Results" beginning on page 2 of this report.

Attachment Contents

1. Summary of Operating Results

(1) Summary of Operating Results for the Fiscal Year Ended November 30, 2017

Forward-looking statements in this document are judged to be appropriate by the Group (the Company and its consolidated subsidiaries) as of the last day of the fiscal year under review.

1) Operating Results for the Fiscal Year Ended November 30, 2017

In the fiscal year ended November 30, 2017, 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 partly on unstable political trends overseas and concerns about the impact of geopolitical risk.

The Japanese government has incorporated the concept of the Fourth Industrial Revolution into its growth strategy. In the Fourth Industrial Revolution, physical things of all kinds, including automobiles and home electric appliances, will be connected to the Internet, making Cyber-Physical Systems 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 to derive new insights and knowledge, which are then fed back and used to control the Physical Part of the real world. The general belief is that 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 be crucial to success.

In this operating environment, in January 2017, the Company entered into a capital and business tie-up with Terilogy Co., Ltd. (Listing: 3356 TSE JASDAQ; Headquarters: Chiyoda-ku, Tokyo; President: Akihiko Abe) to jointly develop products that combine the NCXX Group's IoT device development technologies with Terilogy's security technologies. Terilogy provides cutting-edge solutions in network security for major Japanese corporations to create a society where IoT devices can be used safely, protecting key equipment, systems and information from various online threats.

In April 2017, CAICA Inc. ("CAICA") (Listing: 2315 TSE JASDAQ; Headquarters: Meguro-ku, Tokyo; President: Niu Yu) became an equity-method affiliate, instead of a consolidated subsidiary, in light of voting rights being below 50%. This decision was made because an adequate relationship of cooperation has been established based on a capital and business partnership, including the proactive exchange of personnel on a project basis, the introduction of a Bitcoin payment system for the TITICACA Online Shop operated by subsidiary TITICACA, Co. Ltd. ("TITICACA") and the development of an attendance management system using blockchain technology for subsidiary NCXX Inc. Further information can be found in the "Notice regarding capital and business alliance with SJI Inc., and conversion to a subsidiary by private placement of new shares and acceptance of share subscription rights, and loan" (Japanese only) issued on June 1, 2015. (SJI changed its trade name to CAICA in February 2017.) Since the capital and business partnership will remain in force without modification in the future, CAICA does not have to be a consolidated subsidiary of the Company, and as a Group company, CAICA will be able to continue working on new services for Cyber-Physical Systems for the Fourth Industrial Revolution envisioned by the Group, including participating in joint development projects that combine its blockchain and AI technologies with the IoT technologies of subsidiary NCXX Inc.

In August 2017, the Company transferred 51% of the shares outstanding in consolidated subsidiary NCXX Solutions Inc. ("NCXX Solutions") and 49% of the shares outstanding in NCXX Inc. to CAICA. As a result, NCXX Solutions changed from a consolidated subsidiary to an equity-method affiliate. The aim of this transaction is to spur growth at both companies by combining CAICA's latest AI and blockchain technologies with NCXX Solutions' know-how in IoT-related services through device products that are highly relevant to NCXX Inc. Moreover, this move is in line with our plan to create a business structure able to rapidly introduce products that address latent needs in the marketplace. We aim to accelerate the development of device products that link IoT and blockchain technology, such as IoT payment platform services that utilize cryptocurrencies and tokens, through collaboration with Fisco Cryptocurrency Exchange Inc., a group member of FISCO Ltd. ("FISCO"), the parent company, leveraging its cryptocurrency platform while providing information about cryptocurrency markets including Bitcoin. For example, this initiative entails providing smart locks[*1] and settlement systems for condominiums and rental offices in the sharing economy, as well as providing smart keys[*2] for rental cars and car sharing services, in addition to ride hailing services.

*1, *2: Smart locks and smart keys are devices that allow people who have paid and registered to then access a designated property or automobile, locking and unlocking access using their smartphones or other electronic devices.

Meanwhile, the brand retail platform business[*3] was launched in 2016. To expand this business, in December 2016, Versatile Inc. ("Versatile") and FISCO International Limited ("FIL") became consolidated subsidiaries of the Company. after their shares were acquired from FISCO Ltd., the parent company. Together with these subsidiaries, the Company commenced the trademark licensing business of CoSTUME NATIONAL, which is engaged in import and sales operations. The Company has begun exploring business expansion initiatives with CoSTUME NATIONAL in Asia using fashion accessories, as well as wine and other retail business, as a foothold in the region.

Additionally, in April 2017, the Company entered into a capital and business partnership agreement with CSMEN Co., Ltd. (“CSMEN”) (Listing: 3083 TSE JASDAQ; Headquarters: Chuo-ku, Tokyo; President: Masao Aoki), acquiring 19.01% of its shares. CSMEN is a retail company focused on apparel sales, operating 50 stores in Japan (as of November 30, 2017) under brands including the METHOD and RyugiAssaku casual wear brands. Moreover, in May 2017, Versatile acquired a 51% stake in FACETASM, which operates 50 stores in Japan (as of April 30, 2017) under its FACETASM brand of casual fashion, turning it into a subsidiary.

*3 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 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 July 2017, the Group’s Keema Curry with Yellow Tomatoes, a pouched curry made from cherry tomatoes, won an award at the 2017 Iwate Unmei-mon!! Gran Prix (2017 Furusato Food Competition in Iwate Prefecture), a local food contest in Iwate Prefecture.

In the franchise business, the Group regularly conducts presentations on the franchise business at its proprietary testing plot. 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. Looking at its track record of introducing systems for the fiscal year ended November 30, 2017, the Group delivered systems to companies in Iwate Prefecture. As a new development initiative, the Group developed and began trial operation of a prototype data recording and management app that can be used by farmers to easily monitor harvest and management data. Development has continued with a view to linking the app with weather and market information and to the Group’s ICT and accounting systems in the future. In the area of ICT systems, the Group commenced the development of an environmental management prediction system, as a new function designed to automatically perform environmental management by comprehensively integrating the growth of vegetables and factors essential to health management. In addition, the current system has achieved a solid track record to date and the addition of new functions will significantly enhance its user friendliness. Considering those factors, the Group has proactively conducted advertising activities such as running magazine and video advertisements, as well as holding events to dramatically expand the franchise business from the next fiscal year onward.

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.

Looking at consolidated business results, net sales increased on account of additions to the scope of consolidation, namely TITICACA in August 2016 and Gloria Tours Inc. (“Gloria Tours”) in October 2016. Meanwhile, net sales declined because CAICA and NCXX Solutions became equity-method affiliates, from February and September, 2017 respectively. In addition, NCXX Inc. has been developing a successor model to its LTE data telecommunications terminal, one of its core products, and plans to introduce the new model to the market in 2018. In the run-up to the introduction of this new successor model, certain customers have refrained from purchasing the current model. As a result, sales proceeds fell short of budget. In addition, e-tabinet.com (“e-tabinet.com”) had maintained a gradual recovery following a string of terrorist incidents by the Islamic State since the previous year. However, in April 2017, the bankruptcy of Tellmeclub Inc. became a social issue, leading to the outflow of customers to larger travel agencies. This resulted in a decline in the number of requests for travel estimates from customers at e-tabinet.com. Consequently, sales proceeds of e-tabinet.com fell short of budget.

Turning to operating income, profits decreased in line with the aforementioned decrease in net sales. Operating income also declined because the Group proactively conducted advertising activities, such as running magazine and video advertisements, as well as holding agriculture-related events. These activities were undertaken to dramatically expand apps and systems in the agricultural ICT business, as well as the franchise business from the next fiscal year onward.

As a result of these efforts, consolidated net sales were ¥12,198 million, down 0.3% year on year. perating loss was ¥914 million, compared to an operating loss of ¥619 million in the previous fiscal year. The ordinary loss was ¥940 million, compared to an ordinary loss of ¥770 million in the previous fiscal year. Profit before income taxes was ¥1,024 million, compared with a loss before income taxes of ¥863 million in the previous fiscal year. Profit attributable to owners of parent was ¥902 million, compared with a loss attributable to owners of parent of ¥1,068 million in the previous fiscal year.

Since goodwill amortization associated with companies becoming subsidiaries is an expense unrelated to cash outflows, a considerable gap emerges in changes in cash flow and fluctuations in operating income and below. EBITDA, an benchmark that takes these factors into consideration, was ¥(447) million, compared with ¥18 million a year earlier.

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:

ICT, IoT, Device Business

NCXX Inc. focused on providing solutions using GX410NC and GX420NC, OBD II-type automotive telematic data collecting units launched in 2015. In collaboration with NCXX Solutions, NCXX Inc. developed the safe driving assistance service Drive Care (http://www.care-dynamics.jp/obd2/), an OBD II solution for nursing care transportation service vehicles, and rolled it out in August 2016.

This system enables the managers or supervisors of businesses that provide various transportation services for nursing care facilities and other customers to confirm the status of multiple fleet vehicles operating simultaneously. The system can monitor any dangerous driving behaviors (sudden starts, sudden stops, sharp turns) that may arise while each vehicle is being operated. By displaying these incidents in formats that are easy for managers and supervisors to understand, such as lists and graphs, they will be able to better monitor the driving behavior of drivers and provide appropriate instructions tailored to each driver. In addition, managers and supervisors will be able to ascertain the extent of improvement of each driver and follow up on drivers appropriately by continuously checking driving performance data.

Also, the system can be used to reduce the maintenance and management costs of welfare service vehicles by making effective use of the various types of data that can be obtained. For example, managers and supervisors will be able to improve average fuel economy by instructing drivers on environmentally friendly driving practices, curtail wear of tires and other parts of vehicles, and issue vehicle inspection alerts to prevent vehicle malfunctions.

In the fiscal year ending November 30, 2018, the Group will continue to provide automotive telematic solutions that integrate high-valued-added communication devices and software, as well as various other types of solutions.

e frontier, Inc., which conducts software development and sales, became a subsidiary in July 2017. e frontier sells internally developed software, such as AI-driven programs for the games of go, shogi and mahjong. The company has strengthened download-based sales of licenses to its approximately 500,000 e-mail newsletter subscribers. It will also bolster content sales in creative fields, such as software for computer graphics (CG) production. In terms of specific measures, e frontier is preparing to sell polygon data collections that can be used easily by creators of games, video and other content. It is also making preparations to produce digital books together with CG artists.

As a result, segment sales in the fiscal year ended November 30, 2017 were ¥893 million, down 29.9% year on year. Segment loss was ¥438 million, compared with a segment loss of ¥365 million in the previous fiscal year.

FinTech Systems Development Business

In addition to a continuous and consistent order intake from existing customers, NCXX Solutions steadily received orders from new customers in the current fiscal year, following on from the previous fiscal year. These orders included a system reconstruction project for a regional bank, and systems development in connection with the liberalization of the energy sector from a major gas company. NCXX Solutions has seen steady hiring of engineers and business order intake centered on financial systems at the Kanto Division, as well as at its offices in Chubu, Kansai and Kyushu.

In terms of collaboration with Group companies, NCXX Solutions is working to enhance services with respect to the free smartphone app “FISCO app” and the PC browser version “FISCO Web,” which it supplies to its parent company FISCO. We have been continuing our measures to enhance services, including the release of upgraded versions from time to time featuring faster search capabilities and additional functions such as coordination with favorites and alerts, as well as a job-hunting app aimed at graduating students who are looking for jobs.

In addition, NCXX Inc. has been pursuing initiatives in the area of IoT services. As one such initiative, NCXX Inc. has concentrated on the development of solutions utilizing the aforementioned GX410NC/GX420NC, OBD II-compliant automotive telematic data collecting units. We have developed and now provide "Bus Rides" as a smartphone app that displays the current location of shuttle buses for driving schools, preschools and other organizations, and any delays; and "Hazard Maps" as a service for displaying maps of hazardous areas (i.e., where drivers brake hard, accelerate fast, or turn suddenly) with a greater likelihood of accidents based on data acquired from IoT.

Furthermore, in the field of agricultural ICT, NCXX Solutions is undertaking version upgrades in step with expansion in the Company’s franchise business, including providing functions to perform automatic recovery in the event of an error in communications systems. Also, NCXX Solutions has become a member of the Council of Industry-Academia-Government Collaboration of the Ministry of Agriculture, Forestry and Fisheries, with plans to conduct a demonstration trial for developing a model for increasing the production volume of tomatoes.

As noted earlier, in September 2017, the status of NCXX Solutions was changed from a consolidated subsidiary of the Company to an equity-method affiliate.

CAICA has steadily pushed ahead with various measures to improve its financial health, such as reducing interest-bearing debt and thoroughly cutting expenses. The shareholders' equity ratio improved sharply to 72.0% from 21.7% at the end of the previous fiscal year, thanks to the steady repayment of interest-bearing debt, the execution of share acquisition rights, and the accumulation of profits. In November 2017, CAICA raised ¥2,330 million through the issuance of new shares via a third-party allotment to fund M&As and capital and business alliances.

In addition, as disclosed in the medium-term management plan “A Stage of Proactively Advancing to New Growth,” CAICA has adopted a policy of proactively conducting M&As and capital and business alliances to expand the scale of its business. Based on this policy, in the fiscal year ended November 30, 2017, CAICA implemented the M&As and capital and business alliances shown in the following table.

February 2017	Made Tokyo Tech Corporation, which handles systems development, into a subsidiary
August 2017	Made NCXX Solutions Inc. a subsidiary Converted NCXX Inc. into an equity-method affiliate
August 2017	Accepted capital increase by allotment of new shares to third parties for Fisco Cryptocurrency Exchange Inc.
August 2017	Formed a capital and business alliance with FISCO Ltd.
September 2017	Formed a capital and business alliance with Oceans inc.

CAICA has acquired systems development engineers and customers by conducting M&As and business alliances with peer companies in the same industry and companies that offer prospects for capturing synergies in FinTech-related businesses. CAICA conducts business primarily in Tokyo, whereas NCXX Solutions has bases in western Japan, specifically Nagoya, Osaka, and Fukuoka. By making NCXX Solutions a subsidiary, CAICA is now able to provide systems development services throughout Japan. CAICA aims to win orders for FinTech-related projects that could not previously be undertaken by each individual subsidiary. To this end, CAICA will share knowledge of FinTech-related businesses that it has amassed to date with the subsidiaries it has acquired to facilitate coordination on systems development among CAICA and its subsidiaries Tokyo Tech Corporation and NCXX Solutions. For example, CAICA will provide integration services for the construction of IoT settlement platforms using cryptocurrency and tokens, as well as utilize IoT and blockchain technologies. With the capital and business alliance with Oceans inc. (“Oceans”), CAICA has begun implementing measures to undertake the initial development of the KIZUNA Platform system, as well as the development of various systems that will be needed in connection with upgrading and expanding services. Going forward, CAICA aims to expand business with end-user companies such as Oceans, along with expanding business with the major system integrators that make up its existing customer base.

As noted earlier, in February 2017, the status of CAICA was changed from a consolidated subsidiary of the Company to an equity-method affiliate.

Care Dynamics Limited (“Care Dynamics”) 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 services such as support for the introduction of nursing care robots and the provision of nursing care ICT, Care Dynamics has evolved into a comprehensive nursing care business support enterprise.

As a service for assisting caregivers, Care Dynamics offers nursing care robots as a sales agency, distribution of instructive leaflets of corporations using manga illustrations, and services for creating advertisements. Care Dynamics continues to provide tours of nursing care facilities that have adopted the "Drive Care" OBD II solution for nursing care transportation services, and offers free trials of the solution.

Moreover, Care Dynamics provides a replacement support service and reassesses electricity providers to help nursing care facilities cut their electricity bills. Care Dynamics also offers a service that introduces systems for saving water.

As a result, segment sales in the fiscal year ended November 30, 2017 were ¥3,070 million, down 60.8% year on year. Segment loss was ¥36 million, compared with segment loss of ¥61 million in the previous fiscal year.

Internet Travel Business

In the Internet travel business, e-tabinet.com and their subsidiaries have received a large number of positive comments from many highly satisfied customers for their ability to fulfill their increasingly diverse and sophisticated needs, amid a proliferation of travel products and services. The crucial factor behind this success is that e-tabinet.com has been able to build a solid structure as Japan's only Internet-based travel agency offering customized services with a carefully chosen staff of highly experienced registered "travel concierges" (travel consultants).

In 2015, e-tabinet.com launched a specialized site for inbound tourists visiting Japan from abroad, and implemented search engine optimization with a focus on Asia. The number of tourists visiting Japan is projected to increase by 17% to 28 million by the end of the fiscal year ended November 30, 2018, a pace far greater than what had been initially anticipated. This is expected to lead to shortages in the tourism facilities needed to support the large number of tourists visiting Japan. Against this backdrop, e-tabinet.com set up a new dedicated skiing website in English to address the strong demand for this information among inbound tourists visiting Japan. In October 2016, e-tabinet.com published information on 204 ski courses at resorts in Japan in cooperation with Jitsugyo no Nihon Sha, Ltd., a long-standing publisher founded in 1897. Jitsugyo no Nihon Sha publishes business and trade journals as well as literary works and other materials.

Additionally, e-tabinet.com will also focus on the market for para-sports ahead of the Tokyo 2020 Olympic and Paralympic Games. In October 2016, it made Gloria Tours Inc., a company specializing in sending Paralympic athletes to various events and organizing numerous international para-sports tournaments, a subsidiary. Along with the concierge business of Web travel Co., Ltd., e-tabinet.com seeks to build a niche market base that most general travel agencies would find difficult to serve.

Meanwhile, the number of travel concierges has been growing steadily, increasing sharply from 380 at the previous fiscal year-end to 450 as of September 30, 2017. In addition, e-tabinet.com has been advancing the crowdsourcing business as a platform for concierges to make the most of their unique talents in areas other than travel. By fostering a stronger sense of community and belonging among concierges, e-tabinet.com will work to recruit and retain talented personnel.

The travel concierges take the lead in planning *Kodawaru Hito No Tabi* ("Journeys for the Discerning Traveler") travel itineraries, an initiative that has continued for the past few years, as part of which new *Kodawari No Tabi* travel packages are announced every month. In September 2017, they released "Travel Canada by Rail," a trip featuring luxury, fine dining and stunning natural scenery. In October, their special travel package was "Feeling the Pulse of the Earth in New Zealand," a journey to the geothermally active regions and fjords steeped in Maori culture. In November, they released a travel package called "An Enjoyable Asian Cruise for First-Time Passengers," a trip to rediscover various well-trodden sites in Asia. Looking ahead, the travel concierges will continue to propose interesting Kodawari no Tabi

Amid a gradual recovery from a string of terrorist attacks by the Islamic State since the previous year, overseas travel business sales were ¥1,973 million, centered on best-selling packages to Europe and honeymoon packages to Australia, and domestic travel business sales were ¥209 million. Business performance had remained on a gradual recovery path following the impact of the terrorist attacks. However, in April 2017, the bankruptcy of Tellmeclub Inc. became a social issue, leading to the outflow of customers to larger travel agencies. This had an impact on the number of requests for travel estimates. For the Web travel website, the number of requests for travel estimates decreased by 10% year on year. For the e-tabinet.com website, the number of requests for travel estimates also decreased by 10% year on year. However, as a result of measures to enhance order rates, the number of orders received increased by 11% year on year, and the gross profit margin was maintained at 16%, mostly the same as in the previous fiscal year.

As a result, segment sales in the fiscal year ended November 30, 2017 were ¥2,183 million, up 34.4% year on year. Segment loss was ¥1 million, compared with segment profit of ¥10 million in the previous fiscal year.

Brand Retail Platform Business

TITICACA has closed 18 stores in a twelve-month period, reducing the number of stores from 111 as of October 31, 2016 to 93 as of the end of October 2017. TITICACA has been pushing ahead with structural reforms, such as the closure of unprofitable stores and revisions to its personnel system. As a result, it restored operating profitability in the fiscal year ended October 31, 2017.

As a coordinated Group measure this fiscal year, TITICACA participated in a camping event sponsored by GARVY, a popular outdoor and family camping magazine published by Jitsugyo no Nihon Sha, in August 2017, in a bid to raise recognition of its brand in this particular customer category.

As a result, segment sales in the fiscal year ended November 30, 2017 were ¥5,926 million, up 296.3% year on year. Segment loss was ¥63 million, compared with segment loss of ¥15 million in the previous fiscal year.

Information Service Consulting Business

The information service consulting business provides consulting services on business strategy, recruiting assistance and other business matters, as well as advisory services for retail stores. Versatile, which became a subsidiary in December 2016, sells wine imported from overseas subsidiary MEC S.R.L. SOCIETA' AGRICOLA, operates a food business, and has a global licensing business for CoSTUME NATIONAL. Versatile aims to grow this business by acquiring trademarks in Europe and the United States to complement its existing trademark licensing business across Asia. In the fiscal year ended November 30, 2017, there were barely any sales. An operating loss was posted that represents SG&A expenses.

As a result, segment sales in the fiscal year ended November 30, 2017 were ¥71 million. Segment loss was ¥57 million.

2) Outlook for the Fiscal Year Ending November 30, 2018

The Company aims to upgrade and expand IoT-related services, including automotive telematic solutions. It also aims to provide services that integrate IoT and blockchain technologies, and to offer cryptocurrency services and other services related to the cryptocurrencies and various tokens issued by Group companies, such as NCXX Coin. Working closely with CAICA and NCXX Solutions, which have become equity-method affiliates in the current fiscal year, the Company will seek to provide the aforementioned services as early as possible. The Company will also strive to implement steady and efficient agribusinesses through the introduction of ICT, and expand these initiatives to the franchise business. Moreover, as a new initiative, the Company will work to develop an AI-based cryptocurrency trading system, along with investing in cryptocurrencies and various tokens using this system.

NCXX Inc., which handles IoT devices, will proactively undertake software development using GX410NC, an automotive telematics product. In addition, rather than supplying terminals that only perform data telecommunications, NCXX will augment terminals with high value-added functions such as AI and image analysis capabilities, in an effort to develop new edge device products.

Care Dynamics will continue to expand sales of its ASP system to nursing care providers. Leveraging its 400-strong network of service customers, Care Dynamics will meet the various needs of the elderly and nursing care facilities with a full range of services. These services include support for the introduction of nursing care robots, including the HAL® robot suit developed by CYBERDYNE Inc. and monitoring systems, as well as services to reduce air conditioning costs and backup power supply services using simple solar panels.

The e-tabinet.com group will continue to deliver high-quality personalized travel services brimming with the spirit of hospitality by recommending Kodawari No Tabi (“Journeys for the Discerning Traveler”) travel packages. Along with this, the group will focus on recruiting new travel concierges not only from among candidates in Japan, but also those living abroad as it works to upgrade and enhance training courses such as e-learning programs that travel concierges can attend from home. Moreover, the group will proactively form collaborations with leading partners to provide inbound travel services targeting overseas visitors to Japan, whose numbers are increasing against the backdrop of the yen’s depreciation, with a view to proactively capturing earnings opportunities. Notably, in the fiscal year ending November 30, 2018, the group will push ahead with market development initiatives targeting the European market as well as the Asian region. Meanwhile, in the previous year, the group acquired the shares of Gloria Tours Inc., a company specializing in sending Paralympic athletes to various events and organizing numerous international para-sports tournaments. e-tabinet.com will focus on further developing the market for para-sports ahead of the 2020 Tokyo Olympic and Paralympic Games. Along with the travel concierge business of Web travel Co., Ltd., e-tabinet.com seeks to build a niche market base that most general travel agencies would find difficult to serve.

In the agricultural ICT business, the Company will mark its third settled planting since expanding its proprietary testing plot to a total area of 5,421 m2 (1,640 tsubo). During this settled planting, the Company will verify further increases in the harvest using high-density cultivation techniques, which are one feature of its patented farming method known as “stacked planter cultivation.” The Company is also conducting “sixth-order industrialization” initiatives, which involve the growing, processing and sale of agricultural products. Here, the Company has commenced shipments to nationwide supermarket chains, in addition to conducting local farm-direct sales and sales at supermarkets in Iwate Prefecture, with the aim of further expanding sales channels. In the franchise business, the Company has developed an additional “recording and management app” for farmers that enables them to monitor harvest and management statistics. It has also advanced development of an “environmental management and prediction system” that will conduct automated environmental management by comprehensively integrating factors essential to vegetable growth and factors essential to health management. The Company will strive to ensure that these initiatives lead to increased sales.

TITICACA, Co., Ltd. (“TITICACA”) has been pushing ahead with the closure of unprofitable stores and revisions to its personnel system. As a result, it restored operating profitability on a full-year basis in October 2017. In addition, TITICACA will work to expand its customer base and put revenues and earnings on an even more stable footing. This will be done by providing services mindful of offering greater customer convenience, such as the release of an official smartphone app, and the introduction of mobile payment services for Chinese tourists.

Versatile Inc. (“Versatile”) will implement measures to develop and popularize IoT-related services for the fashion industry, along with working to expand and put the brand retail platform business on a stable footing so that it becomes a new earnings driver. In the process, Versatile will seek to expand the trademark licensing business of CoSTUME NATIONAL, which conducts the marketing, import and sale of fashion accessories, as well as wine and other retail business, along with business expansion initiatives based on those businesses in Asia.

e frontier, Inc. (“e frontier”) has a track record in the development and sales of products such as AI Shogi, AI Igo and AI Mahjong software programs featuring AI-driven thinking routines. e frontier will develop a cryptocurrency trading system using its AI technologies. In the future, e frontier aims to sell licenses to general consumers and corporate customers who conduct cryptocurrency trading. In systems development, e frontier will work closely with CAICA, an integrator of all manner of systems development pertaining to cryptocurrency and a partner with whom e frontier has entered into a business alliance. CAICA has a track record of deploying a cryptocurrency derivative system and high-frequency trading system[*4]. In e frontier’s development project, the company will conduct development by obtaining and analyzing CAICA’s past trading information from cryptocurrency exchanges in Japan and abroad (i.e. obtain vast volumes of data including price, order book information and trading volume by price).

In addition, e frontier has entered into a business alliance with Fisco Cryptocurrency Exchange Inc. Under this alliance, e frontier will conduct demonstration trials at the latter company’s cryptocurrency exchange and will provide vast amounts of past trading information. Moreover, the company aims to develop systems with higher usability by providing expertise obtained as a user of the aforementioned cryptocurrency derivative system and high-frequency trading system.

Furthermore, e frontier will start a cryptocurrency investment management business in earnest based on the use of these systems.

*4 The derivative system and high-frequency trading system aims to automatically generate profits by covering multiple cryptocurrency exchanges in Japan and overseas, and checking and analyzing trends in those exchanges.
These systems will give users opportunities to generate gains, while holding down risk considerably.

Based on the foregoing measures, the Company's consolidated business forecast for the fiscal year ending November 30, 2018 is as follows. The Company is forecasting net sales of ¥11,398 million, operating income of ¥743 million, ordinary income of ¥698 million and profit attributable to owners of parent of ¥563 million. EBITDA is projected at ¥935 million.

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

(2) Summary of Financial Position as of November 30, 2017

1) Assets, Liabilities, and Net Assets

Assets

Total assets were ¥11,532 million as of November 30, 2017, a decrease of ¥1,927 million from a year earlier. The main components of this change were increases of ¥647 million in cash and deposits, ¥768 million in advance payments-trade, ¥3,377 million in investment securities, and decreases of ¥1,137 million in notes and accounts receivable-trade, ¥350 million in short-term loans receivable, ¥3,974 million in goodwill, ¥1,343 million in long-term loans receivable.

Liabilities

Total liabilities were ¥7,006 million, a decrease of ¥2,653 million from a year earlier. The main components of this change were decreases of ¥300 million in the current portion of bonds, ¥2,148 million in interest-bearing debt*, and ¥118 million in provision for bonuses.

Net Assets

Total net assets were ¥4,526 million, an increase of ¥725 million from a year earlier. The main contributing factors were increases of ¥994 million in capital surplus, ¥902 million in retained earnings, ¥125 million in valuation difference on available-for-sale securities, ¥468 million in non-controlling interests, which were partly offset by a decrease of ¥1,809 million in capital stock.

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

2) Cash Flows

Cash and cash equivalents ("cash") at November 30, 2017 were ¥2,529 million, an increase of ¥647 million from the previous fiscal year-end.

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

Cash Flows from Operating Activities

Net cash used in operating activities was ¥1,388 million, compared with net cash provided by operating activities of ¥341 million in the previous fiscal year. The primary reasons were a gain on sales of investment securities of ¥2,973 million, a gain on sales of shares of subsidiaries of ¥887 million and an increase in advance payments of ¥470 million, the main factors reducing cash. These factors were partly offset by profit before income taxes of ¥1,024 million and impairment loss of ¥1,830 million, the main factors increasing cash.

Cash Flows from Investing Activities

Net cash provided by investing activities was ¥3,929 million, compared with net cash provided by investing activities of ¥686 million in the previous fiscal year. The positive factors were ¥6,491 million in proceeds from sales of investment securities, and ¥611 million from collection of long-term loans receivable. Negative factors were ¥2,797 million in payments for the purchase of investment securities, and ¥490 million in payments for the purchase of shares in subsidiaries resulting in change in scope of consolidation.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥1,851 million, compared with net cash used in financing activities of ¥2,047 million in the previous fiscal year. This was mainly due to repayment of long-term loans payable of ¥2,059 million and payments for redemption of bonds with subscription rights to shares of ¥300 million, the main factors reducing cash. These cash outflows were partly offset by proceeds from long-term loans payable of ¥342 million and proceeds from issuance of shares resulting from exercise of subscription rights to shares of ¥244 million, the main factors increasing cash.

(Reference) Cash Flow Indicators

	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2014	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Equity ratio (%)	60.6	48.7	32.0	26.7	33.5
Market-value equity ratio (%)	203.4	89.1	87.7	55.3	51.2
Interest-bearing debt to cash flow ratio (Years)	—	169.9	—	17.7	—
Interest coverage ratio (Times)	—	71.3	—	3.1	—

Notes: Calculation methods for cash flow indicators
Equity ratio: total net assets – non-controlling interests / total assets
Market-value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / interest payments

* Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.
* The figures used for cash flow and interest payments represent net cash provided by operating activities and interest paid, respectively, recorded on the consolidated statements of cash flows.
* Interest-bearing debt to cash flow ratio and interest coverage ratio for the fiscal years ended November 30, 2013, 2015 and 2017 are not disclosed because operating activities used net cash in those fiscal years.

2. Basic Policy Regarding Selection of Accounting Standards

The Group has adopted Japanese GAAP as its accounting standards in order to ensure comparability with peer industry companies in Japan.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2016 (As of November 30, 2016)	Fiscal 2017 (As of November 30, 2017)
Assets		
Current assets		
Cash and deposits	1,881,667	2,529,595
Notes and accounts receivable - trade	1,736,837	599,269
Merchandise	884,860	1,066,862
Finished goods	—	3,931
Work in process	208,295	245,736
Raw materials	7,717	3,617
Supplies	29	15
Accounts receivable - other	46,995	114,228
Advance payments - trade	202,436	970,582
Short-term loans receivable	365,760	15,000
Suspense payments	—	5,840
Deferred tax assets	5,770	416
Other	174,556	325,010
Allowance for doubtful accounts	(162,362)	(53,097)
Total current assets	5,352,563	5,827,009
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,328,715	1,523,941
Accumulated depreciation	(707,310)	(1,174,291)
Buildings and structures, net	621,404	349,650
Machinery, equipment and vehicles	46,700	89,553
Accumulated depreciation	(33,013)	(65,410)
Machinery, equipment and vehicles, net	13,686	24,142
Tools, furniture and fixtures	1,077,483	1,119,713
Accumulated depreciation	(925,436)	(950,393)
Tools, furniture and fixtures, net	152,046	169,320
Land	298,354	192,132
Construction in progress	135	—
Total property, plant and equipment	1,085,626	735,245
Intangible assets		
Software	135,289	62,710
Goodwill	4,371,717	397,006
Trademark right	—	6,300
Other	22,916	3,964
Total intangible assets	4,529,923	469,982
Investments and other assets		
Investment securities	153,872	3,531,593
Long-term accounts receivable - other	1,551,743	163,181
Long-term loans receivable	1,739,624	396,140
Other	847,021	628,537
Allowance for doubtful accounts	(1,800,467)	(219,321)
Total investments and other assets	2,491,794	4,500,130
Total non-current assets	8,107,344	5,705,358
Total assets	13,459,907	11,532,367

(Thousands of yen)

	Fiscal 2016 (As of November 30, 2016)	Fiscal 2017 (As of November 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	586,979	600,601
Short-term loans payable	249,334	191,660
Current portion of convertible bond-type bonds with share acquisition rights	300,000	1,165,000
Current portion of long-term loans payable	1,844,650	836,382
Accounts payable - other	338,608	259,459
Accrued expenses	283,738	350,077
Income taxes payable	51,059	24,509
Accrued consumption taxes	86,999	16,601
Advances received	258,231	268,271
Asset retirement obligations	63,815	28,780
Deferred tax liabilities	—	2,076
Provision for bonuses	186,659	67,796
Provision for product warranties	92,000	106,000
Provision for sales returns	—	13,376
Provision for loss on store closing	64,284	16,592
Other	93,844	48,250
Total current liabilities	4,500,206	3,995,438
Non-current liabilities		
Convertible bonds with subscription rights to shares	1,165,000	—
Long-term loans payable	2,719,875	1,637,685
Net defined benefit liability	29,724	29,708
Asset retirement obligations	335,224	360,907
Deferred tax liabilities	703,564	767,129
Other	205,774	215,450
Total non-current liabilities	5,159,163	4,175,881
Total liabilities	9,659,369	3,010,881
Net Assets		
Shareholders' equity		
Capital stock	1,819,748	10,000
Capital surplus	1,776,350	2,770,501
Retained earnings	33,104	935,697
Treasury stock	(107,897)	(86,159)
Total shareholders' equity	3,521,304	3,630,038
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,695	139,894
Deferred gains or losses on hedges	1,131	(57)
Foreign currency translation adjustments	56,533	95,981
Total accumulated other comprehensive income	72,359	235,818
Subscription rights to shares	37,539	22,211
Non-controlling interests	169,334	637,979
Total net assets	3,800,538	4,526,047
Total liabilities and net assets	13,459,907	11,532,367

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Net sales	12,231,134	12,198,921
Cost of sales	9,848,278	7,604,901
Gross profit	2,382,855	4,594,019
Selling, general and administrative expenses	3,002,419	5,508,575
Operating loss	(619,563)	(914,555)
Non-operating income		
Interest income	39,834	12,881
House rent income	14,432	4,293
Foreign exchange gains	—	43,082
Share of profit of entities accounted for using equity method	—	43,691
Miscellaneous income	14,031	—
Other	1,124	28,428
Total non-operating income	69,423	132,377
Non-operating expenses		
Interest expenses	148,261	71,540
Foreign exchange losses	54,228	—
Commission fee	—	49,196
Other	17,396	37,336
Total non-operating expenses	219,886	158,072
Ordinary loss	(770,026)	(940,251)
Extraordinary income		
Gain on sales of shares of subsidiaries	182,271	888,152
Reversal of provision for bonuses	14,936	—
Gain on sales of non-current assets	933	553
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	28,665	2,968
Gain on bargain purchase	36,745	—
Gain on change in equity	—	25,605
Gain on sales of investment securities	—	2,973,909
Other	390	503
Total extraordinary income	323,130	3,891,693
Extraordinary losses		
Loss on retirement of non-current assets	7,505	6,912
Loss on valuation of investment securities	867	—
Loss on sales of shares of subsidiaries	—	450
Impairment loss	321,868	1,830,642
Provision for loss on store closing	12,850	—
Loss on sales of non-current assets	4,152	81,790
Provision of allowance for doubtful accounts	66,070	—
Loss on liquidation of subsidiaries	—	4,145
Other	3,554	2,708
Total extraordinary losses	416,869	1,926,649
Profit (loss) before income taxes	(863,765)	1,024,792
Income taxes	35,136	157,377
Income taxes - deferred	(304)	8,856
Total income taxes	34,832	166,233
Profit (loss)	(898,597)	858,559
Profit (loss) attributable to non-controlling interests	169,837	(44,033)
Profit (loss) attributable to owners of parent	(1,068,435)	902,592

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Profit (loss)	(898,597)	858,559
Other comprehensive income		
Valuation difference on available-for-sale securities	15,015	125,199
Deferred gains or losses on hedges	1,116	(1,188)
Foreign currency translation adjustments	(47,548)	39,020
Share of other comprehensive income of entities accounted for using equity method	—	427
Total other comprehensive income	(31,415)	163,458
Total comprehensive income	(930,013)	1,022,017
Comprehensive income attributable to:		
Owners of the parent	(1,020,165)	1,065,710
Non-controlling interests	90,151	(43,692)

(3) Consolidated Statements of Changes in Equity

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

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	1,819,748	1,708,701	1,101,539	(150,840)	4,479,148
Changes during the fiscal year					
Issuance of new shares		67,648			67,648
Transfer to legal capital surplus or other capital surplus from capital stock due to capital reduction					
Loss attributable to owners of parent			(1,068,435)		(1,068,435)
Purchase of treasury stock				(10,324)	(10,324)
Transfer of treasury shares				53,267	53,267
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	―	67,648	(1,068,435)	42,942	(957,843)
Balance at the end of the fiscal year	1,819,748	1,776,350	33,104	(107,897)	3,521,304

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	(320)	14	104,081	103,775	30,185	113,290	4,726,400
Changes during the fiscal year							
Issuance of new shares							67,648
Transfer to legal capital surplus or other capital surplus from capital stock due to capital reduction							
Loss attributable to owners of parent							(1,068,435)
Purchase of treasury stock							(10,324)
Transfer of treasury stock							53,267
Change of scope of consolidation							
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	15,015	1,116	(47,548)	(31,415)	7,353	56,043	(925,862)
Balance at the end of the fiscal year	14,695	1,131	56,533	72,359	37,539	169,334	3,800,538

Fiscal 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the fiscal year	1,819,748	1,776,350	33,104	(107,897)	3,521,304
Changes during the fiscal year					
Issuance of new shares		124,831			124,831
Transfer to legal capital surplus or other capital surplus from capital stock due to capital reduction	(1,809,748)	1,809,748			—
Profit attributable to owners of parent			902,592		902,592
Purchase of treasury stock				(12,982)	(12,982)
Change in ownership interest of parent due to transactions with non-controlling interests		(183,930)			(183,930)
Change of scope of consolidation		(756,498)		34,720	(721,778)
Net changes of items other than shareholders' equity					—
Total changes during the fiscal year	(1,809,748)	994,150	902,592	21,738	108,733
Balance at the end of the fiscal year	10,000	2,770,501	935,697	(86,159)	3,630,038

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at the beginning of the fiscal year	14,695	1,131	56,533	72,359	37,539	169,334	3,800,538
Changes during the fiscal year							
Issuance of new shares							124,831
Transfer to legal capital surplus or other capital surplus from capital stock due to capital reduction							—
Profit attributable to owners of parent							902,592
Purchase of treasury stock							(12,982)
Change in ownership interest of parent due to transactions with non-controlling interests							(183,930)
Change of scope of consolidation	—	—	—	—	—	—	(721,778)
Net changes of items other than shareholders' equity	125,199	(1,188)	39,448	163,458	(15,327)	468,644	616,776
Total changes during the fiscal year	125,199	(1,188)	39,448	163,458	(15,327)	468,644	725,509
Balance at the end of the fiscal year	139,894	(57)	95,981	235,818	22,211	637,979	4,526,047

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(863,765)	1,024,792
Depreciation and amortization	120,956	212,551
Impairment loss	321,868	1,830,642
Amortization of goodwill	517,372	254,073
Gain on bargain purchases	(36,745)	–
Increase (decrease) in allowance for doubtful accounts	(249,973)	134,212
Decrease in provision for bonuses	(47,504)	(56,052)
Increase (decrease) in provision for product warranties	(1,000)	14,000
Decrease in provision for loss on store closing	(41,172)	(47,691)
Decrease in net defined benefit liability	(5,263)	(276)
Increase in other provision	–	143
Share-based compensation expenses	9,566	2,088
Interest and dividend income	(39,834)	(12,883)
Interest expenses	148,261	71,540
Foreign exchange losses (gains)	29,416	(2,970)
Share of loss (profit) of entities accounted for using equity method	–	(43,691)
Loss (gain) on valuation of investment securities	867	–
Loss (gain) on sales of investment securities	–	(2,973,909)
Gain on sales of shares of subsidiaries	(182,271)	(887,702)
Loss on retirement of non-current assets	7,505	6,912
Loss on retirement of non-current assets	2,996	81,236
Difference on execution of asset retirement obligations	8,084	(3,967)
Gain on reversal of estimated damages on delays	(58,586)	–
Gain on reversal of subscription rights to shares	(600)	–
Loss (gain) on change in equity	–	(25,605)
Decrease in notes and accounts receivable-trade	1,470,894	86,678
Decrease (increase) in inventories	385,528	(214,177)
Decrease (increase) in advance payments	59,584	(470,126)
Decrease (increase) in accounts receivable –other	93,405	(209,323)
Increase (decrease) in notes and accounts payable-trade	(547,726)	149,635
Decrease in accounts payable –other	(619,079)	(155,899)
Decrease in accrued consumption taxes	(86,487)	(3,659)
Increase (decrease) in accrued expenses	(39,716)	142,874
Increase in advances received	52,265	11,658
Other, net	17,004	(171,237)
Subtotal	425,851	(1,256,135)
Interest and dividend income received	87,058	6,496
Interest paid	(110,995)	(80,004)
Income taxes paid	(60,334)	(58,396)
Net cash provided by (used in) operating activities	341,581	(1,388,039)

(Thousands of yen)

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Cash flows from investing activities		
Purchase of property, plant and equipment	(112,885)	(133,698)
Proceeds from sales of property, plant and equipment	34,591	9,456
Purchase of intangible assets	(38,203)	(97,002)
Proceeds from sales of intangible assets	2	8,273
Payments for asset retirement obligations	(50,964)	(27,228)
Purchase of investment securities	(59,950)	(2,797,907)
Proceeds from sales of investment securities	—	6,491,645
Proceeds from sales of shares of subsidiaries	554,359	—
Payments for investments in capital	(10)	(9,547)
Proceeds from sales of investments in capital	52,238	—
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(5,748)	(490,371)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	512,670	281,601
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	577,075
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(4,518)	(60,964)
Payments of short-term loans receivable	(420,000)	(20,000)
Collection of short-term loans receivable	37,929	330,000
Payments of long-term loans receivable	—	(344,918)
Collection of long-term loans receivable	14,960	611,709
Payments for guarantee deposits	(10,068)	(136,080)
Proceeds from collection of guarantee deposits	180,629	260,893
Payments for distribution of dividends	—	(524,300)
Other, net	1,833	417
Net cash provided by (used in) investing activities	686,866	3,929,054
Cash flows from financing activities		
Net decrease in short-term loans payable	(434,714)	(295,340)
Proceeds from long-term loans payable	779,000	342,804
Repayment of long-term loans payable	(2,653,994)	(2,059,670)
Redemption of bonds	(100,000)	—
Proceeds from issuance of bonds with subscription rights to shares	300,000	—
Payments for redemption of bonds with subscription rights to shares	—	(300,000)
Repayments of lease obligations	(2,862)	(1,104)
Payments for installment payables-property and equipment	(7,266)	—
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	84,700	244,999
Purchase of treasury stock	(10,284)	(12,982)
Cash dividends paid	(33)	—
Dividends paid to non-controlling interests	(1,554)	—
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	229,320
Net cash provided by (used in) financing activities	(2,047,010)	(1,851,972)
Effect of exchange rate change on cash and cash equivalents	(4,910)	(41,113)
Net increase (decrease) in cash and cash equivalents	(1,023,474)	647,928
Cash and cash equivalents at beginning of the fiscal year	2,905,141	1,881,667
Cash and cash equivalents at end of the fiscal year	1,881,667	2,529,595

(5) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Additional Information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has adopted "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the first three months of fiscal 2017.

(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 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 fiscal 2017, due to an increase in consolidated subsidiaries, the number of segments has been increased from three to six segments. The Company's six new segments are the ICT, IoT, Device Business, FinTech System Development Business, Internet Travel Business, Brand Retail Platform Business, Information Service Consulting Business and Other. Previously, the Company had three segments: the Device Business, the Internet Travel Business, and the Brand Retail Platform Business.

Segment information for fiscal 2016 has been prepared and disclosed based on the reportable segments adopted after the corporate reorganization.

Segment	Description of business
I CT, IoT, Device Business	Management of Group businesses and research and development (R&D) activities in the agricultural ICT business and robotics business Development and sale of communication devices applying various wireless systems Provision of systems solutions and maintenance services incidental to the above Purchasing and sale of mobile communication-related products in China
FinTech System Development Business	Systems development Cloud services ASP services for nursing care centers
Internet Travel Business	Operation of e-marketplace for travel-related products Travel agency services for companies and individuals Travel estimate services Travel concierge services
Brand Retail Platform Business	Retailing of general merchandise, apparel and other items Brand license business Restaurant business
Information Service Consulting Business	Various consulting services, including investor relations (IR) support services, financial strategies, business strategies, and recruitment support services Fund arrangement and administration services
Other	Grape farming, and wine brewing and sales Wine sales Software development and sales

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 profit for reportable segments is based on operating income.

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

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

(Thousands of yen)

	Reportable segment							Adjustments	Consolidated
	I CT, IoT, Device Business	FinTech System Develop-ment Business	Internet Travel Business	Brand Retail Platform Business	Information Service Consulting Business	Other	Total		
Net sales									
Sales to third parties	1,274,595	7,836,945	1,623,855	1,495,738	—	—	12,231,134	—	12,231,134
Inter-segment sales and transfers	623	2,216	—	—	—	—	2,840	(2,840)	—
Total	1,275,218	7,839,162	1,623,855	1,495,738	—	—	12,233,975	(2,840)	12,231,134
Segment profit (loss)	(365,311)	(61,244)	10,894	(15,223)	—	—	(430,886)	(188,677)	(619,563)
Segment assets	982,318	5,655,077	640,079	2,196,350	—	—	9,473,826	3,986,080	13,459,907
Other items									
Depreciation and amortization	1,381	49,835	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	1,763	57,665	1,266	14,621	—	—	75,317	153,074	228,391

*Notes:
1. Segment profit is adjusted to operating loss in the consolidated statements of income. Adjustments for segment profit mainly represent general and administration expenses that are not allocated to reportable segments.
2. Adjustments for segment assets of ¥5,301,519 thousand represent corporate assets that are not allocated to reportable segments (cash and deposits, short-term loans receivable, and others.)
3. Adjustments for depreciation and amortization of ¥47,501 thousand represent depreciation and amortization related to corporate assets.
4. Adjustments for increase in property, plant and equipment and intangible assets mainly represent the increase in corporate assets.

Fiscal year ended November 30, 2017 (From December 1, 2016 to November 30, 2017)

(Thousands of yen)

	Reportable segment								
	I CT, IoT, Device business	FinTech System Develop-ment Business	Internet Travel Business	Brand Retail Platform Business	Information Service Consulting Business	Other	Total	Adjustments	Consolidated
Net sales									
Sales to third parties	893,294	3,070,723	2,183,047	5,926,905	71,419	53,531	12,198,921	—	12, 198,921
Inter-segment sales and transfers	43,011	88	7,601	54,805	2,176	—	107,683	(107,683)	—
Total	936,305	3,070,811	2,190,648	5,981,711	73,595	53,531	12,306,604	(107,683)	12, 198,921
Segment profit (loss)	(438,154)	(36,276)	(1,154)	(63,897)	(57,779)	23,553	(573,709)	(340,846)	(914,555)
Segment assets	704,657	9,114	371,007	3,519,940	115,650	222,997	4,943,368	6,588,998	11,532,367
Other items									
Depreciation and amortization	20,761	44,227	539	130,927	8,221	—	204,676	7,875	212,551
Amortization of goodwill	—	137,037	30,848	32,277	20,445	33,463	254,073	—	254,073
Increase in property, plant and equipment and intangible assets	29,292	6,453	1,250	107,074	—	—	144,071	82,505	226,576

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

2. Adjustment for segment assets of ¥6,588,998 thousand comprises corporate assets not allocated to the reportable segments and eliminations to offset claims and obligations of consolidated subsidiaries.

3. Adjustments for depreciation and amortization of ¥9,168 thousand represent depreciation and amortization related to corporate assets.

4. Adjustments for increase in property, plant and equipment and intangible assets mainly represent the increase in corporate assets.

(Per Share Information)

Fiscal 2016 (From December 1, 2015 to November 30, 2016)		Fiscal 2017 (From December 1, 2016 to November 30, 2017)	
Net assets per share	¥241.60	Net assets per share	¥ 259.74
Net loss per share	¥71.77	Net income per share	¥60.68
Diluted loss per share	—	Diluted loss per share	—

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

	Fiscal 2016 (From December 1, 2015 to November 30, 2016)	Fiscal 2017 (From December 1, 2016 to November 30, 2017)
Net income (loss) per share		
Gain (loss) attributable to owners of parent (Thousands of yen)	(1,068,435)	(902,592)
Amounts not attributable to common shareholders (Thousands of yen)	—	—
Gain (loss) attributable to owners of parent related to common shares (Thousands of yen)	(1,068,435)	902,592
Average number of common shares during the period (Shares)	14, 885,214	14,875,370
Diluted net income per share		
Adjustments to profit attributable to owners of parent (Thousands of yen)	—	—
[Of which, interest expenses (after tax adjustment) (Thousands of yen)]	(—)	(—)
Increase in number of common shares (Shares)	—	—
[Of which, convertible bonds with subscription rights to shares (Shares)]	(—)	(—)
Outline of dilutive shares excluded from the calculation of diluted net income per share because of not having a dilutive effect	Subscription rights to shares attached to NCXX Group Inc.'s 11th Series of Subscription Rights to Shares (960 subscription rights for 96,000 underlying shares) Subscription rights to shares attached to NCXX Inc.'s 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 NCXX Group Inc.'s 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 NCXX Group Inc.'s 13th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares)	Subscription rights to shares attached to NCXX Group Inc.'s 11th Series of Subscription Rights to Shares (960 subscription rights for 96,000 underlying shares) Subscription rights to shares attached to NCXX Inc.'s 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 NCXX Group Inc.'s 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 fiscal 2016 is not disclosed as a net loss per share was recorded.
3. Diluted net income per share for fiscal 2017 is not disclosed as there were no shares with a potentially dilutive effect.

(Subsequent Events)

I. Notice concerning issuance conditions and other matters for the 14th Series of Stock Options (subscription rights to shares)

The Company has passed a resolution on the specific issuance details pertaining to the "Issuance of Subscription Rights to Shares as Stock Options" approved by its 33rd Ordinary General Meeting of Shareholders held on February 23, 2017. Details regarding the issuance are as follows.

1. Outline of the issuance of subscription rights to shares

(1) Issue date of subscription rights to shares	January 15, 2018
(2) Number of subscription rights to shares to be issued	900 (Number of underlying shares for each subscription right to shares: 100 shares)
(3) Issue price of subscription rights to shares	No monetary payment shall be required.
(4) Class and number of underlying shares	90,000 shares of the common stock of the Company
(5) Amount payable upon the exercise of subscription rights to shares	¥458 per share
(6) Total amount of shares to be issued upon the exercise of subscription rights to shares	¥41,220,000
(7) Exercise period of subscription rights to shares	January 16, 2020 to January 15, 2023
(8) Amount of the issue price to be incorporated in capital stock and capital reserve in the event new shares are issued upon the exercise of subscription rights to shares	Amount to be incorporated in capital ¥229 of the amount payable per share Amount to be incorporated in capital reserve ¥229 of the amount payable per share
(9) Number of eligible recipients of subscription rights to shares	Directors of the Company 5 Directors of subsidiaries 3 Employees of subsidiaries 2

2. Matters concerning transactions with the controlling shareholder

A portion of the issuance of these subscription rights to shares will be allotted to Mr. Osamu Fukami, who concurrently serves as Director of FISCO Ltd., the parent company. Therefore, the issuance of these subscription rights to shares is considered to be a transaction with the controlling shareholder.

(1) Consistency with the Corporate Governance Report

In its Corporate Governance Report, the Company has established "Guidelines Concerning Measures to Protect Minority Shareholders When Undertaking Transactions with the Controlling Shareholder." Under these Guidelines, the Company has set the following policy: "The Company makes reasonable decisions on transactions with the controlling shareholder, as it would with transactions under ordinary conditions, based on an understanding of the market conditions surrounding each transaction and objective information on the relevant market and other factors. Accordingly, the Company takes appropriate steps to ensure that the interests of minority shareholders are not undermined." The aforementioned subscription rights to shares were determined in accordance with the foregoing guidelines. The allotment of stock options to the Director holding the concurrent post is designed to align the Director's interests with those of shareholders by allowing him to bear a certain degree of responsibility for the Company's business performance and stock price. The Company believes that this arrangement can be expected to enhance the Group's business performance and corporate value, thereby contributing positively to the interests of all shareholders, including minority shareholders. Based on this belief, the Company has determined that the arrangement is in accord with the aforementioned guidelines.

(2) Matters concerning measures to ensure fairness and measures to avoid conflicts of interest

The subscription rights to shares have been submitted to and approved by resolution at the 33rd Ordinary General Meeting of Shareholders, and have been issued based on rules and procedures established internally.

In addition, the issuance details and conditions are appropriate as they are consistent with the details and conditions found in conventional issuances of subscription rights to shares.

Mr. Osamu Fukami, who concurrently serves as a Director of FISCO Ltd., the parent company, has participated in this resolution. However, the Company has obtained an opinion from its legal adviser stating that the granting of stock options within the scope resolved upon at the General Meeting of Shareholders does not constitute a conflict of interest.

(3) Summary of opinion from an individual free of any conflicts of interests with the controlling shareholder indicating that the transactions do not undermine the interests of minority shareholders

When the Board of Directors passed a resolution on January 15, 2018 to approve the issuance of the subscription rights to shares, the Company obtained an opinion from Outside Director Sadatomo Matsudaira, an independent Board Member free of any conflicts of interests with the controlling shareholder. In his opinion, Mr. Matsudaira stated that the subscription rights to shares would be issued based on rules and procedures established internally; the issuance details and conditions are appropriate as they are consistent with the details and conditions found in conventional issuances of subscription rights to shares, and that the subscription rights to shares would not undermine the interests of minority shareholders.。

(Reference)
Board of Directors' resolution January 15, 2018
Date of approval by the General Meeting of Shareholders February 23, 2017

II. Signing of syndicated loan agreement by consolidated subsidiary

TITICACA, Co. Ltd. ("TITICACA"), a consolidated subsidiary of the Company, has signed a syndicated loan agreement (hereinafter, the "Syndicated Loan Agreement") with The Bank of Yokohama, Ltd., the arranger, and executed the Syndicated Loan Agreement on December 15, 2017. Additionally, the Company has assumed joint and several suretyship for the Syndicated Loan Agreement based on a resolution passed by its Board of Directors on November 16, 2017.

1. Purpose of signing the syndicated loan agreement

The purpose of the syndicated loan agreement is to ensure flexible and stable fund procurement by securing a commitment line through the syndication method, stabilize fundraising by refinancing existing long-term debt according to cash flows, and systematically reduce interest-bearing debt, in order to strengthen the financial position in addition to executing growth strategies.

2. Outline of the syndicated loan agreement

	Syndicated loan agreement	
Agreement format	Commitment line	Term loan
Agreement amount	¥250 million	¥300 million
Agreement date	December 13, 2017	
Execution date	December 15, 2017	
Agreement period	1 year	5 years
Use of funds	Working capital	Refinancing funds
Repayment method	Lump-sum repayment on maturity date	From the end of January 2018, repayment of 5.0% of the total amount every three months (a total of 14 payments) and repayment of 30.0% of the total amount on the maturity date (a total of 1 payment)
Guarantor	The Company (TITICACA's parent)	
Collateral	Unsecured	
Arranger and agent	The Bank of Yokohama, Ltd.	
Participating financial institutions	THE SHIGA BANK, LTD. THE HOKURIKU BANK, LTD.	

III. Other important investments

TITICACA, Co. Ltd., a consolidated subsidiary of the Company, commenced investment in cryptocurrency.

1. Purpose of investment

TITICACA is considering undertaking new cryptocurrency-related businesses. By harnessing experience and data obtained through this investment in cryptocurrency, TITICACA will work to generate new earnings streams through the integration of existing businesses and cryptocurrency-related businesses.

2. Description of cryptocurrency investment

(1) Name of main cryptocurrency: Bitcoin
(2) Amount of investment (acquisition cost): ¥1,000 million

3. Significant impact on business activities

TITICACA has determined that this investment will help to improve business performance over the medium and long terms.

4. Fund procurement method

Internal funds