April 13, 2018

Consolidated Financial Results
for the Three Months Ended February 28, 2018

(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 to file Quarterly Securities Report:	April 13, 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 Three Months Ended February 28, 2018 (From December 1, 2017 to February 28, 2018)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended February 28, 2018	4,006	(1.7)	1,285	—	966	—	1,216	95.4
Three months ended February 28, 2017	4,074	58.0	(78)	—	(122)	—	622	—

Note: Comprehensive income
Three months ended February 28, 2018: ¥1,575 million [91.8%]
Three months ended February 28, 2017: ¥821million [—%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended February 28, 2018	81.75	—
Three months ended February 28, 2017	41.84	34.39

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
February 28, 2018	12,891	6,104	42.1	364.81
November 30, 2017	11,532	4,526	33.5	259.74

Reference: Equity
As of February 28, 2018: ¥5,429 million
As of November 30, 2017: ¥3,865 million

2. Cash Dividends

	Annual dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended November 30, 2017	–	0.00	–	0.00	0.00
Fiscal year ending November 30, 2018	–				
Fiscal year ending November 30, 2018 (forecasts)		0.00	–	0.00	0.00

Note: Changes since most recently announced dividend forecast: None

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

Note: Changes since most recently announced earnings forecast: None

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

(2) Application of special accounting practices for quarterly consolidated financial statements: None

(3) 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

(4) Number of common shares issued
   a. Total number of issued shares at the end of the period (including treasury stock)
      As of February 28, 2018 15,030,195 shares
      As of November 30, 2017 15,030,195 shares
   b. Number of shares of treasury stock at the end of the period
      As of February 28, 2018 146,473 shares
      As of November 30, 2017 146,473 shares
   c. Average number of shares (Quarterly cumulative total)
      For the three months ended February 28, 2018 14,883,721 shares
      For the three months ended February 28, 2017 14,882,356 shares

*This report falls outside the scope of quarterly review procedures by Certified Public Accountants or the independent auditor.

* Proper use of earnings forecasts and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors.

Attachment Contents

1. Qualitative Information Concerning Quarterly Financial Statements

Forward-looking statements in this document are judged to be appropriate by the Group (the Company and its consolidated subsidiaries) as of the date of filing this report.

(1) Description of Business Results

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 first three months of the fiscal year under review.

In the three months of the fiscal year ending November 30, 2018, the Japanese economy continued to expand moderately, stimulated by government measures. Overseas, however, the outlook was uncertain with concerns about destabilizing trends in politics and 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 2016, the size of the Cyber-Physical System / IoT market, a strategic focus for the Company, increased to ¥194.0 trillion globally and ¥11.1 trillion in Japan. By 2030, the market is expected to grow to ¥404.4 trillion globally and ¥19.7 trillion in Japan. Looking at fields that have outstanding growth rates in Japan, the agriculture sector has posted an average annual growth rate of 20.2%. (Source: 2017 Survey of Trends in Emerging Fields by the Japan Electronics and Information Technology Industries Association)

In this business environment, in January 2018, the Company entered into a business alliance agreement with Fisco Cryptocurrency Exchange Inc. (“FCCE”) regarding the development of an AI trading system for cryptocurrency by e frontier, Inc. (“e frontier”), a subsidiary of the Company. 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. As a new initiative, e frontier has now begun developing an AI-based cryptocurrency trading system. Leveraging its aforementioned experience in software development, e frontier is considering the development of investment decision-making functions using probabilistic decision-making processes based on accumulated data logs, as well as genetic algorithms and machine learning techniques. In the future, e frontier aims to sell licenses to general consumers and corporate customers who conduct cryptocurrency trading. e frontier will aim to use the system to support derivative trading in various tokens, such as FISCO Coin, NCXX Coin and CAICA Coin, in addition to cryptocurrencies such as Bitcoin. Moreover, e frontier has started investing in Bitcoin in conjunction with performing demonstration trials of the software it is currently developing.

Turning to another initiative in January 2018, NCXX Solutions Inc. (“NCXX Solutions”), an equity-method affiliate of the Company, conducted a stock swap to become a wholly owned subsidiary of CAICA Inc. (“CAICA”), another equity-method affiliate. By converting NCXX Solutions into a wholly owned subsidiary, CAICA will strive to further increase operational efficiency and synergies, as well as bolster consolidated profitability and enhance Group-wide corporate value. The Company and NCXX Solutions will continue to undertake IoT-related joint development even after NCXX Solutions becomes a wholly owned subsidiary of CAICA as described above.

Moreover, in February 2018, the Company entered into a capital and business partnership with CSMEN Co., Ltd. (Listing: 3083 TSE JASDAQ; Headquarters: Chuo-ku, Tokyo; President: Masao Aoki), an apparel brand retailer. This was done by underwriting a portion of a capital increase through a third-party allotment of shares of CSMEN. CSMEN offers prospects for capturing synergies with the Company’s brand retail platform business.

In the agricultural ICT business (NCXX FARM), following on from the previous fiscal year, the Group continued to promote the commercialization of “sixth-order industrialization business” initiatives, which involve the growing, processing and sale of agricultural products, and a franchise business, which involves conducting packaged sales that combine chemical soil management based on a patented farming method and digital management based on ICT systems.

In “sixth-order industrialization business” initiatives, the Group began full-scale growing of ground cherries. In December 2017, the Group launched sales of ground cherries at Ginga Plaza, a shop selling regional specialties from Iwate Prefecture in Tokyo, in addition to selling this product at farmers’ markets. In February 2018, the Group’s ground cherries were spotlighted by a news program covering farmers’ markets. The program was produced by Iwate Menkoi-TV, a local television station in Iwate Prefecture.

In addition, as a pilot program, the Group has started growing strawberries (Tochiotome) in stacked planters. This method stands in stark contrast to the conventional method of growing strawberries on raised benches. The planters are stacked on alternate levels of shelves. This technique enables the Group to make more effective use of space, thereby increasing the number of strawberry plants per area and the size of the harvest. The Group will continue to advance verification trials during the current fiscal year, with the aim of commercializing this strawberry product in earnest.

In the franchise business, the Group regularly conducts presentations on the franchise business at its proprietary test plot. It has continued to address various needs, including the use of these presentations by local municipalities and various agricultural groups as part of their training programs. In the previous fiscal year, the Group began trial operation of a data recording and management app that can be used by farmers to easily monitor harvest and management data. The Group is taking this trial operation to the next level by reflecting feedback from the verification results in the app, with the aim of commercializing it as early as possible. The Group has continued to conduct development 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, in the previous fiscal year the Group commenced the development of an environmental management prediction system, as a new function designed to automatically perform environmental management by comprehensively integrating factors essential to the growth of vegetables and factors essential to health management. The Group will continue to push ahead with the development of this system in the current fiscal year. 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, NCXX Inc. ("NCXX") saw sales and profits surpass forecasts due to growth in sales of GX410NC/GX420NC, the OBD II-compliant automotive telematic data collecting unit. These units were supplied to businesses to which NCXX provides telematics services. The businesses use these services to raise their operating efficiency, reduce costs, and support safe driving. Going forward, these units offer prospects for growth in sales volumes for applications such as fleet management of business vehicles and the use of the units overseas. Following on from the previous fiscal year, TITICACA, Co. Ltd. ("TITICACA") has continued to push ahead with structural reforms, such as the closure of unprofitable stores and revisions to its personnel system. As a result, TITICACA has further reduced its SG&A expenses, leading to much larger operating income than initially forecast. Consequently, TITICACA has restored profitability by dramatically improving its earnings. TITICACA will continue to improve earnings by continually advancing structural reforms. Furthermore, in the course of developing the aforementioned AI-based trading system for cryptocurrency, e frontier has started investing in Bitcoin in conjunction with performing demonstration trials of software it is currently developing. e frontier has already delivered significant results by generating gains on this investment.

Meanwhile, net sales finished the period with a slight decline owing to the conversion of CAICA and NCXX Solutions into equity-method affiliates. However, operating income rose significantly year on year due to improved business performance at NCXX and TITICACA, as well as the recording of gains on investment in cryptocurrency in the Group's proprietary account.

As a result of these efforts, consolidated net sales were ¥4,006 million, down 1.7% year on year. Operating income was ¥1,285 million, compared to an operating loss of ¥78 million in the same period of the previous fiscal year. Ordinary income was ¥966 million, compared to an ordinary loss of ¥122 million. Income before income taxes was ¥1,232 million, up 60.2% year on year. Profit attributable to owners of parent was ¥1,216 million, up 95.4% year on year. EBITDA, a reference indicator reflecting the amortization of goodwill associated with the conversion of companies into subsidiaries was ¥1,331 million, compared to ¥146 million in the same period of the previous fiscal year.

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

In the three months ended February 28, 2018, the Group has already posted business results that exceed its consolidated financial forecasts for the fiscal year ending November 30, 2018. However, the Group is still closely reviewing its financial forecasts for the full fiscal year. If it becomes necessary to revise the financial forecasts after this review, the Group will promptly disclose any revisions to its forecasts.

Business performance by segment in the three months ended February 28, 2018 was as follows:

From the three months ended February 28, 2018, the FinTech Systems Development Business and the Information Service Consulting Business were excluded from the reportable segments and the Cryptocurrency and Blockchain Business was added as a new reportable segment.

IoT-Related Business

NCXX focused on providing solutions that use GX410NC/GX420NC, its OBD II-compliant automotive telematic data collecting unit, which has been available for sale since 2015.

In addition, NCXX secured the compatibility of UX302NC, an LTE/3G data telecommunications terminal sold since 2014, and developed UX302NC-R, a new device that has passed the Inter-Operability Testing (IoT) certification of NTT DOCOMO, INC., in addition to featuring upgrades reflecting customer requests. UX302NC-R is scheduled for launch sometime in spring 2018 and is expected to contribute immensely to sales in the current fiscal year.

The Group will continue to provide automotive telematic solutions that integrate high-valued-added communication devices and software, as well as providing various M2M/IoT solutions.

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 new services such as support for the introduction of nursing care robots since the previous fiscal year 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, we offer nursing care robots as a sales agency, distribute instructive leaflets of corporations, and services for creating advertisements. We also plan tours of nursing care facilities that have adopted the “Drive Care” OBD II solution for nursing care transportation vehicles.

Moreover, we provide a replacement support service and reassess electricity providers to help nursing care facilities cut their electricity bills. We also offer a service that introduces systems for saving water. Additionally, we have launched a new service to present proposals for reducing insurance premiums.

As a result of the aforementioned reclassification of segments, the ICT, IoT, Device Business and the FinTech Systems Development Business have been integrated to form the IoT-Related Business. In addition, net sales and operating income decreased sharply following the conversion of NCXX Solutions Inc. into an equity-method affiliate.

As a result, segment sales for the three months ended February 28, 2018 were ¥233 million, down 88.5% year on year. The segment loss was ¥103 million, compared with a segment loss of ¥43 million in the same period in the previous fiscal year.

Internet Travel Business

Amid a flood of travel products, e-tabinet.com and its subsidiaries provide services that meet the diverse and increasingly advanced needs of consumers. It has received many comments from highly satisfied customers. Web travel Co., Ltd. (“Web travel”) has built an unparalleled reputation as Japan’s only Internet-based custom-itinerary travel agency with its travel concierges, who are hand-picked travel consultants with extensive experience.

In 2015, we launched a website specifically for foreign tourists, and raised our profile in search engine results targeting Asia as a part of efforts to promote travel services. The number of tourists visiting Japan increased by 17% year on year to 28 million by the end of fiscal 2017. Going forward, we remain committed to further improving our website for foreign tourists, widening our focus to cover not only Asia but also Europe and the U.S

Gloria Tours Inc. (“Gloria Tours”), which joined the Group in October 2016, specializes in sending Paralympic athletes to various events and organizing numerous international para-sports tournaments. Interest in para-sports events has increased every year ahead of the 2020 Tokyo Olympic and Paralympic Games. In the current fiscal year, Gloria Tours sent Paralympic athletes to the PyeongChang Paralympics, thereby assisting with the travel needs of the athletes and their family members. Going forward, Gloria Tours will continue to redouble efforts in para-sports. In addition, as part of these efforts, Gloria Tours is working to raise awareness and encourage widespread adoption of para-sports. To this end, Gloria Tours supported the publication of a new para-sports journal with help from para-athlete associations and Jitsugyo no Nihon Sha, Ltd.

Meanwhile, with steady growth in the number of registered travel concierges, we are seeking talented personnel for crowd sourcing operations as a means to leverage the unique skills of these concierges in areas other than travel. More specifically, we are taking measures to enhance a sense of belonging by outsourcing work that leverages the skills of concierges, such as helping in the information publishing business of parent company FISCO Ltd., writing short comments for investor relations news at FISCO IR Ltd., and translating web pages of interest to foreign tourists.

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 December 2017, the travel concierges released “Day Trips from Paris,” a travel package designed to make trips to France even more appealing. In January 2018, the special travel package was “Macao,” a crossroads of East and West, and in February 2018, the travel concierges released “Visit the Outlying Okinawan Islands,” a travel package designed to allow travelers to enjoy a slower pace of life. Looking ahead, the travel concierges will continue to propose interesting *Kodawari no Tabi*.

Amid a gradual recovery from terrorist attacks since the previous year, overseas travel business sales were ¥403 million, centered on mainstay honeymoon packages to Europe and Australia, and domestic travel business sales were ¥38 million. In total for the Web travel website and the e-tabinet.com website, the number of requests for travel estimates from customers declined 19% from the previous year, slightly impacted by a decrease in requests for travel estimates for Asia. The number of orders received was up 3% year on year in the three months ended February 28, 2018 and the gross profit margin held steady at 15%. Conditions in Europe have returned to a stable footing, leading to a gradual recovery in the number of orders received. With an increasing number of travelers to Europe and the Americas, the number of orders received is expected to continue following a similar trend going forward.

Gloria Tours reported a decrease in overseas sales due to a decline in overseas trips by groups of athletes immediately after the PyeongChang Paralympics. However, at this time, overseas sales have surpassed expectations, helped in part by the rescheduling of overseas trips that had been postponed in the previous year.

As a result, segment sales in the three months ended February 28, 2018 were ¥441 million, up 12.6% year on year. The segment loss was ¥4 million, compared with a segment loss of ¥18 million in the same period in the previous fiscal year.

Brand Retail Platform Business

TITICACA had 94 stores as of the end of January 2018, reflecting the opening of one store (Yokohama World Porters) in the three months ended February 28, 2018, after closing down 18 stores over the previous twelve-month period, compared with 111 stores as of the end of October 2016. TITICACA restored operating profitability in January 2018 as a result of the closure of unprofitable stores and structural reforms, including revisions to the personnel structure.

In marketing initiatives, TITICACA implemented a tie-up with *Coco*, an animated film produced by Disney/Pixar Animation Studios, which tells the story of a young boy's grand adventure through the rich and vibrant community of the Land of the Dead. From March 2018, a massive campaign featuring character merchandise reflecting the film's worldview was held at all TITICACA stores in Japan (except for stores in major shopping malls and standalone* outlet stores) and TITICACA's online shopping website. Even after the launch of sales, the campaign merchandise has continued to perform steadily.

Versatile Inc. 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 three months ended February 28, 2018, there were barely any sales. An operating loss was posted that represents SG&A expenses.

As a result, in the three months ended February 28, 2018, segment sales were ¥1,962 million, up 18.8% year on year, and segment operating income came to ¥87 million, up 30.7%.

Cryptocurrency and Blockchain Business

e frontier has started investing in cryptocurrency in a proprietary account, and has recorded sales and gains related to this investment. Furthermore, in the course of developing the aforementioned AI-based trading system for cryptocurrency, e frontier has started investing in Bitcoin in conjunction with performing demonstration trials of software it is currently developing. e frontier has already delivered significant results. Taking into account this investment performance, e frontier will continue to conduct demonstration trials, as it works to commercialize the AI-based trading system for cryptocurrency.

As a result, in the three months ended February 28, 2018, segment sales were ¥1,360 million and segment operating income came to ¥1,360 million.

(2) Description of Financial Position

1) Assets, Liabilities, and Net Assets

Assets

Total assets at February 28, 2018 increased ¥1,359 million to ¥12,891 million compared with the end of the previous fiscal year. The main factors behind this change comprised a decrease of ¥1,142 million in cash and deposits, an increase of ¥146 million in notes and accounts receivable - trade, an increase of ¥146 million in advance payments - trade, an increase of ¥1,000 million in short-term loans receivable, and an increase of ¥774 million in cryptocurrency.

Liabilities

Total liabilities were ¥6,787 million, a decrease of ¥219 million from the end of the previous fiscal year. The main components of this change were decreases of ¥212 million in notes and accounts payable - trade and ¥235 million in accrued expenses, and an increase of ¥104 million in advances received.

Net Assets

Total net assets increased ¥1,578 million, compared with the end of the previous fiscal year, to ¥6,104 million. The main changes included increases of ¥1,216 million in retained earnings and ¥353 million in valuation difference on available-for-sale securities.

2) Business and Financial Issues to Be Addressed

In the three months ended February 28, 2018, there were no significant changes to the issues to be addressed by the Group.

(3) Description of Consolidated Earnings Forecasts and Other Forward-Looking Information

There have been no changes to the consolidated financial forecasts announced in the financial report (*kessan tanshin*) titled “Consolidated Financial Results for the Fiscal Year Ended November 30, 2017” published on January 19, 2018.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	1Q Fiscal 2018 (As of February 28, 2018)
Assets		
Current assets		
Cash and deposits	2,529,595	1,386,639
Notes and accounts receivable - trade	599,269	745,934
Merchandise and finished goods	1,070,793	991,445
Work in process	245,736	294,866
Raw materials and supplies	3,632	10,217
Accounts receivable - other	114,228	76,486
Advance payments - trade	970,582	1,117,457
Short-term loans receivable	15,000	1,015,000
Deferred tax assets	416	—
Cryptocurrency	15,899	790,065
Other	314,951	248,353
Allowance for doubtful accounts	(53,097)	(52,550)
Total current assets	5,827,009	6,623,915
Non-current assets		
Property, plant and equipment	735,245	726,802
Intangible assets		
Software	62,710	62,763
Goodwill	397,006	382,971
Trademark right	6,300	5,760
Other	3,964	3,961
Total intangible assets	469,982	455,455
Investments and other assets		
Investment securities	3,531,593	4,058,001
Long-term accounts receivable - other	163,181	155,290
Long-term loans receivable	396,140	454,340
Other	628,537	627,441
Allowance for doubtful accounts	(219,321)	(209,631)
Total investments and other assets	4,500,130	5,085,442
Total non-current assets	5,705,358	6,267,701
Total assets	11,532,367	12,891,617

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	1Q Fiscal 2018 (As of February 28, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	600,601	387,630
Short-term loans payable	191,660	366,800
Current portion of convertible bond-type bonds with share acquisition rights	1,165,000	1,165,000
Current portion of long-term loans payable	836,382	697,194
Accounts payable - other	259,459	222,348
Accrued expenses	350,077	114,310
Income taxes payable	24,509	7,066
Accrued consumption taxes	16,601	62,008
Advances received	268,271	372,937
Asset retirement obligations	28,780	21,627
Deferred tax liabilities	2,076	955
Provision for bonuses	67,796	37,345
Provision for product warranties	106,000	93,000
Provision for sales returns	13,376	7,792
Provision for loss on store closing	16,592	14,602
Other	48,250	62,032
Total current liabilities	3,995,438	3,632,652
Non-current liabilities		
Long-term loans payable	1,637,685	1,638,740
Net defined benefit liability	29,708	32,010
Asset retirement obligations	360,907	368,717
Deferred tax liabilities	767,129	922,251
Other	215,450	192,909
Total non-current liabilities	3,010,881	3,154,629
Total liabilities	7,006,319	6,787,282
Net Assets		
Shareholders’ equity		
Capital stock	10,000	10,000
Capital surplus	2,770,501	2,770,501
Retained earnings	935,697	2,152,538
Treasury stock	(86,159)	(84,239)
Total shareholders’ equity	3,630,038	4,848,800
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139,894	493,698
Deferred gains or losses on hedges	(57)	(991)
Foreign currency translation adjustments	95,981	88,326
Total accumulated other comprehensive income	235,818	581,032
Subscription rights to shares	22,211	23,379
Non-controlling interests	637,979	651,122
Total net assets	4,526,047	6,104,334
Total liabilities and net assets	11,532,367	12,891,617

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

Consolidated Statements of Income

(Three months ended February 28, 2018)

(Thousands of yen)

	1Q Fiscal 2017 (From December 1, 2016 to February 28, 2017)	1Q Fiscal 2018 (From December 1, 2017 to February 28, 2018)
Net sales	4,074,676	4,006,728
Cost of sales	2,687,766	1,411,985
Gross profit	1,386,909	2,594,743
Selling, general and administrative expenses	1,465,434	1,309,332
Operating profit (loss)	(78,524)	1,285,411
Non-operating income		
Interest income	6,569	6,020
House rent income	1,975	—
Foreign exchange gains	21,710	2,368
Share of profit of entities accounted for using equity method	—	89,752
Other	3,338	734
Total non-operating income	33,593	98,875
Non-operating expenses		
Interest expenses	25,051	11,787
Commission fee	48,424	10,366
Loss on sales of cryptocurrency	—	201,021
Loss on valuation of cryptocurrency	—	192,004
Other	4,074	2,742
Total non-operating expenses	77,549	417,922
Ordinary profit (loss)	(122,480)	966,364
Extraordinary income		
Gain on sales of shares of subsidiaries	888,152	—
Gain on sales of non-current assets	557	—
Reversal of allowance for doubtful accounts	2,968	—
Gain on change in equity	—	190,850
Gain on sales of investment securities	—	85,440
Total extraordinary income	891,678	276,290
Extraordinary losses		
Loss on retirement of non-current assets	8	—
Loss on valuation of investment securities	—	4,943
Impairment loss	—	5,353
Total extraordinary losses	8	10,297
Profit before income taxes	769,189	1,232,357
Income taxes	114,083	2,547
Income taxes - deferred	1,625	(1,080)
Total income taxes	115,709	1,466
Profit	653,480	1,230,890
Profit attributable to non-controlling interests	30,685	14,049
Profit attributable to owners of parent	622,794	1,216,841

Consolidated Statements of Comprehensive Income

(Three months ended February 28, 2018)

(Thousands of yen)

	1Q Fiscal 2017 (From December 1, 2016 to February 28, 2017)	1Q Fiscal 2018 (From December 1, 2017 to February 28, 2018)
Profit	653,480	1,230,890
Other comprehensive income		
Valuation difference on available-for-sale securities	115,837	347,498
Deferred gains or losses on hedges	(2,618)	(1,823)
Foreign currency translation adjustments	55,069	(7,651)
Share of other comprehensive income of entities accounted for using equity method	－	6,297
Total other comprehensive income	168,288	344,321
Total comprehensive income	821,768	1,575,211
Comprehensive income attributable to:		
Owners of the parent	791,913	1,562,055
Non-controlling interests	29,854	13,155

(3) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Notes Regarding Significant Change in Shareholders' Equity)

None

(Segment Information)

I Three months of the fiscal year ended November 30, 2017 (From December 1, 2016 to February 28, 2017)

1. Information on net sales, profit and loss by reportable segment

(Thousands of yen)

	Reportable segment						Adjustments	Amounts in the consolidated financial statements
	IoT-Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Total		
Net sales								
Sales to third parties	2,026,369	392,377	1,652,497	—	3,431	4,074,676	—	4,074,676
Inter-segment sales and transfers	4,700	222	79	—	—	5,001	(5,001)	—
Total	2,031,069	392,599	1,652,576	—	3,431	4,079,677	(5,001)	4,074,676
Segment profit (loss)	(43,754)	(18,619)	66,966	—	(36,185)	(31,593)	(46,931)	(78,524)

Note: Segment profit (loss) 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.

II Three months of the fiscal year ending November 30, 2018 (From December 1, 2017 to February 28, 2018)

1. Information on net sales, profit and loss by reportable segment

(Thousands of yen)

	Reportable segment						Adjustments	Amounts in the consolidated financial statements
	IoT-Related Business	Internet Travel Business	Brand Retail Platform Business	Cryptocurrency and Blockchain Business	Other	Total		
Net sales								
Sales to third parties	233,074	441,993	1,962,368	1,360,857	8,434	4,006,728	—	4,006,728
Inter-segment sales and transfers	5,092	442	89	—	—	5,624	(5,624)	—
Total	238,166	442,436	1,962,457	1,360,857	8,434	4,012,353	(5,624)	4,006,728
Segment profit (loss)	(103,310)	(4,755)	87,516	1,360,857	(25,562)	1,314,745	(29,334)	1,285,411

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

2. Note on Change in Reportable Segments

In the three months ended February 28, 2018, the Company changed its previous six segments, specifically the ICT, IoT, Device Business, the FinTech System Development Business, the Internet Travel Business, the Brand Retail Platform Business, the Information Service Consulting Business, and Other, to the five segments comprising the IoT-Related Business, Internet Travel Business, Brand Retail Platform Business, Cryptocurrency and Blockchain Business, and Other. The reasons for this change are outlined below.

The Company has integrated the FinTech System Development Business, which had previously been disclosed as a reportable segment, and the ICT, IoT, Device Business, which had also been disclosed as a reportable segment, into a single segment and has renamed the segment as the IoT-Related Business. In conjunction with the reshaping of the management structure, this change was made based on the similar methods for determining resource allocations and assessing business results in the relevant businesses.

In addition, the Company has renamed the cryptocurrency-related business, which had previously been included in Other in the previous fiscal year, as the Cryptocurrency and Blockchain Business, and has added it to the reportable segments. This change was made due to the increased significance of this business in terms of business volume.

Moreover, the Company has integrated the wine business, which had previously been included in Other in the previous fiscal year, into the Brand Retail Platform Business. In conjunction with the reshaping of the management structure, this change was made based on the similar methods for determining resource allocations and assessing business results in the relevant businesses.

Furthermore, the Company has excluded the Information Service Consulting Business, which had previously been disclosed as a reportable segment, and reclassified it as Other. This change was made due to the diminished importance of this business in terms of business volume owing mainly to the downsizing of business operations.

Segment information for the three months ended February 28, 2017 has been prepared and disclosed based on the reportable segments adopted after the aforementioned changes.