October 12, 2018

Consolidated Financial Results for the Nine Months Ended August 31, 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
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Scheduled date to file Quarterly Securities Report:	October 12, 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 Nine Months Ended August 31, 2018 (From December 1, 2017 to August 31, 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	%
Nine months ended August 31, 2018	8,826	(9.4)	842	—	410	—	1,044	(25.6)
Nine months ended August 31, 2017	9,745	20.4	(241)	—	(327)	—	1,403	—

Note: Comprehensive income
Nine months ended August 31, 2018: ¥1,007 million [(31.5%)]
Nine months ended August 31, 2017: ¥1,472 million [—%]

	Earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended August 31, 2018	70.13	66.74
Nine months ended August 31, 2017	94.34	84.87

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
August 31, 2018	11,194	5,544	43.1	323.51
November 30, 2017	11,532	4,526	33.5	259.74

Reference: Equity
As of August 31, 2018: ¥4,820 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	—	0.00	—		
Fiscal year ending November 30, 2018 (forecasts)				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): Yes
Excluded: 2 companies (Corporate names) FISCO International (Cayman) Limited, FISCO International (Cayman) L.P.

(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 August 31, 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 August 31, 2018	125,816 shares
As of November 30, 2017	146,473 shares

c. Average number of shares (Quarterly cumulative total)

For the nine months ended August 31, 2018	14,892,065 shares
For the nine months ended August 31, 2017	14,878,893 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. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to "(3) Description of Consolidated Earnings Forecasts and Other Forward-looking Information" in "1. Qualitative Information Concerning Quarterly Financial Statements" on page 6 of the Attachment to this report.

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

In the nine 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 July 2018, the Company's Board of Directors passed a resolution to commence a cryptocurrency mining business at its Head Office (Hanamaki, Iwate Prefecture). The mining of cryptocurrency refers to authentication work performed to ensure that blocks of transaction data found on networks are consistent with one another. Cryptocurrency miners who authenticate data at the fastest pace are rewarded by receiving payment in the relevant cryptocurrency. Because massive amounts of computations must be performed to conduct this authentication work, cryptocurrency miners require high-performance computers.

Ordinarily, in order to conduct a mining business, cryptocurrency miners require a considerable number of cooling fans and air conditioning systems to dissipate the heat generated by mining equipment, as well as the physical space to house this equipment plus an immense amount of electric power to operate the mining facility. Therefore, a key priority in business is to efficiently solve these problems at the lowest possible cost. Hanamaki, Iwate Prefecture is located in a relatively cold region. In winter, temperatures fall to the freezing point while in the summer, the average temperature is fairly low at 23.8 degrees Celsius (almost 74.8 degrees Fahrenheit) (Source: Japan Meteorological Agency). Accordingly, the Group can expect to significantly reduce its electricity bills by relying on natural ventilation for most of its cooling needs throughout the year. Moreover, Iwate Prefecture is ranked second in terms of its potential for renewable energy. Notably, Iwate Prefecture has an extremely high potential for wind power and geothermal power. In the future, the Group plans to target the procurement of low-cost electric power based on this abundant supply of renewable energy.

Moreover, the heat released by mining equipment will be reused in the Group's agricultural ICT business (NCXX FARM). At NCXX FARM, the Group grows cherry tomatoes year-round in greenhouses. In winter, the outdoor temperature falls below freezing, so heaters are run 24 hours a day to maintain the optimal temperature for growing vegetables in the greenhouses. The mining equipment generates a considerable amount of heat as it is operated 24 hours a day. Therefore, this heat can be reused to reduce heating costs in the winter.

Looking ahead, the Group will seek to build a self-sufficient agricultural system not only by reusing the heat generated by mining operations, but also by using the mined coins to procure the seedlings, fertilizer and agrichemicals needed in the agriculture business.

In this manner, the NCXX Group will conduct a unique cryptocurrency mining business by working to optimize overall efficiency, including initiatives involving other businesses. The Group's mining business will thus be markedly different than mining operations undertaken in overseas countries where electricity is available at low cost.

Meanwhile, in the agricultural ICT business (NCXX FARM), the Group is pursuing "sixth-order industrialization" initiatives. In the nine months ended August 31, 2018, the Group commenced sales of tomato juice (180 ml) available in a colorful selection of four different colors, specifically red, green, purple and yellow. Sales of this tomato juice have grown steadily.

Moreover, NCXX increased its lineup of a variety of gift sets that included several kinds of products such as fruit juices and pouched curries.

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 addition, the Group has received an increasing number of inquiries about the franchise business, partly due to a positive public response garnered from media appearances in programs produced by Television Iwate Corp. and Iwate Menkoi Television, among other media outlets.

Looking at consolidated business results, net sales decreased slightly due to the exclusion of NCXX Solutions Inc. ("NCXX Solutions") from the scope of application of the equity method. However, operating income, ordinary income, and profit attributable to owners of parent increased sharply from the same period of the previous fiscal year. These increases were mainly due to improved business performance at NCXX Inc. ("NCXX") and the impact of the recognition of revenue from investment in cryptocurrency in a proprietary account using an AI trading system in the first quarter.

In addition, the Group transferred all of its shares of Terilogy Co., Ltd. (Listing: 3356 TSE JASDAQ; Headquarters: Chiyoda-ku, Tokyo; Chairman: Takao Tsubuki) in May and June 2018, and recorded extraordinary income on the transfer of shares.

As a result of these efforts, consolidated net sales were ¥8,826 million, down 9.4% year on year. Operating income was ¥842 million, compared to an operating loss of ¥241 million in the same period of the previous fiscal year. Ordinary income was ¥410 million, compared to an ordinary loss of ¥327 million. Income before income taxes was ¥1,228 million, down 29.8% year on year. Profit attributable to owners of parent was ¥1,044 million, down 25.6% year on year. EBITDA, a reference indicator reflecting the amortization of goodwill associated with the conversion of companies into subsidiaries was ¥1,018 million, compared to ¥173 million in the same period of the previous fiscal year.

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

In the nine months ended August 31, 2018, the Group has already posted operating income and profit attributable to owners of the parent 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 financial forecasts.

Business performance by segment in the nine months ended August 31, 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 has focused on the delivery of solutions such as Drive Care, an OBD II solution for shuttle vehicles using GX410NC/GX420NC, the OBD II-compliant automotive telematic data collecting unit; Bus Rides; Drive Live, an OBD II solution for delivery vehicles; and Device Gate, a gateway for data collection and transfer.

In addition, NCXX has developed UX302NC-R, a new product that has passed the Inter-Operability Testing (IoT) certification of NTT DOCOMO, INC. UX302NC-R is the successor model to UX302NC, an LTE/3G data telecommunications terminal with a strong track record of sales to many telecom operators, including major mobile virtual network operators (MVNOs), since 2014. NCXX launched UX302NC-R in July 2018.

Moreover, as a new initiative, the Group began research and development into real-time image recognition technology using deep learning methods driven by GPU computing. This technology can be applied to a wide range of fields, including image analysis for facial recognition systems and surveillance cameras in the security field, the detection of defective products on factory assembly lines, and automated driving and assisted driving of automobiles. For example, the Group is using real-time image recognition technology to track cherry tomatoes on its proprietary test plot, specifically the type of cherry tomato, the condition of fruit by degree of maturity, and the number of flower buds, and implementing measures to put this technology to good use in making harvest and yield predictions as part of agricultural ICT.

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 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, Care Dynamics continues to provide a replacement support service and to reassess electricity providers to help nursing care facilities cut their electricity bills. The company also provides a service that introduces systems for saving water and a service to propose ways to reduce insurance premiums. Apart from this, Care Dynamics refers customers to consulting services for reducing various costs. Furthermore, Care Dynamics began offering network integration support services for nursing care facilities and support services for the introduction of IoT products at nursing care facilities.

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 nine months ended August 31, 2018 were ¥707 million, down 80.7% year on year. The segment loss was ¥156 million, compared with a segment loss of ¥44 million in the same period in the previous fiscal year.

Internet Travel Business

Amid a flood of travel products, e-tabinet.com (“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. 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 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. Going forward, Gloria Tours will continue to redouble efforts in para-sports in the run-up to the 2020 Tokyo Olympic and Paralympic Games. 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 titled “Parasports magazine” with help from para-athlete associations and Jitsugyo no Nihon Sha, Ltd. With the cooperation of wheelchair manufacturers, Gloria Tours has also been conducting school-organized events for elementary and junior high school students designed to increase their understanding of the wheelchairs used by people with disabilities and caregivers. These events have been conducted since July 2018 on a trial basis.

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 supporting the travel agency services of Gloria Tours, 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.

Furthermore, in February 2018, Web travel entered into a business alliance with Credit Saison Co., Ltd., thereby establishing a direct link between the Saison Card homepage to the Group’s website for requesting estimates for travel packages proposed by travel concierges. The travel concierge service provided by Web travel is presented as a credit card function, not an advertisement, in Tentomushi, a magazine for UC Gold Card members published every month, and magazines for Saison Gold Card and AMEX Gold Card members. Notably, this partnership came about only because Credit Saison Co., Ltd. approached the Group with a request to form a business alliance, underscoring the high marks given to the Group’s unique concierge service.

Furthermore, 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, coming up with a new travel itinerary every month. In June 2018, the travel concierges unveiled “Attend UEFA Europe League Matches,” a travel package that attracted considerable attention due to the 2018 FIFA World Cup. This itinerary emphasized Web travel’s ability to offer unique travel experiences, in addition to ensuring safe and reliable travel arrangements. In July, the special travel itinerary was “Canada by Rail,” a travel package featuring a comfortable journey by rail through the great outdoors. In August, the unique itinerary was called “Visit Shanghai and Old Canal Towns Nearby,” a travel package spotlighting Shanghai, a city that has recently enjoyed a resurgence in popularity among travelers. We will continue to propose interesting *Kodawaru Hito no Tabi* packages.

Additionally, in August 2018, Web travel entered into a business alliance with coconala Inc., the operator of Japan’s largest online “flea market” where “knowledge, skills and experience” are easily bought and sold. Under this alliance, Web travel has registered its travel concierges in the travel and excursions category and is providing professional travel services through this channel.

Amid a gradual recovery from terrorist attacks since the previous year, overseas travel business sales were ¥1,638 million, centered on mainstay to Europe, and domestic travel business sales were ¥135 million. In total for the Web travel website and the e-tabinet.com website, the number of requests for travel estimates from customers declined 7% year on year in the nine months ended August 31, 2018, remaining mostly unchanged from the previous year. The number of orders received was up 17% year on year in the nine months ended August 31, 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.

At Gloria Tours, the 2020 Tokyo Olympics and Paralympic Games are giving rise to a steadily increasing number of overseas group tours, and an increase in tours associated with yachting competitions and other sailing-association tours. Consequently, expectations are high moving forward.

As a result, segment sales in the nine months ended August 31, 2018 were ¥1,764 million, up 9.0 % year on year. The segment income was ¥17 million, compared with a segment loss of ¥6 million in the same period in the previous fiscal year.

Brand Retail Platform Business

TITICACA, Co., Ltd. (“TITICACA”) had 94 stores as of the end of April 2018, reflecting the opening of 2 stores (Yokohama World Porters, Aeon Mall Sapporo Hassamu) and the closure of 1 store (Aeon Mall Nagoya Dome Mae) in the six months ended May 31, 2018, after closing down 18 stores over the previous twelve-month period, compared with 111 stores as of the end of October 2016. Meanwhile, following on from the previous fiscal year, TITICACA pushed ahead with the closure of unprofitable stores and structural reforms, including revisions to the personnel structure.

In marketing initiatives, TITICACA positioned the month of May as “Fair Trade Month” in the run-up to World Fair Trade Day. The company worked closely with Japanese actress Alice Hirose to sell charity merchandise—T-shirts and tote bags made of organic cotton grown in India. It also collected donations to support the financial independence of women in the Philippines in conjunction with working to increase public recognition of fair trade. Measures to promote this campaign at all TITICACA stores and the positive effects of distributing information through various publicity initiatives led to greater purchases than in the average year.

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 nine months ended August 31, 2018, there were barely any sales. An operating loss was posted that represents SG&A expenses.

As a result, segment sales in the nine months ended August 31, 2018 were ¥4,983 million, up12.4 % year on year. The segment loss was ¥154 million, compared with a segment income of ¥28 million in the same period in the previous fiscal year.

Cryptocurrency and Blockchain Business

e frontier, Inc. (“e frontier”) and TITICACA are conducting investment operations based on trading using an AI-based cryptocurrency trading system currently being developed by e frontier. In contrast to 2017, the cryptocurrency market has seen some fairly prominent price declines in 2018. In the event of a drastic decrease in cryptocurrency prices, e frontier and TITICACA execute stop-loss transactions as needed as part of their risk control measures. In this manner, e frontier and TITICACA always conduct trading activities with an emphasis on funding efficiency. In addition, the companies are considering investment operations aimed at accumulating small returns from margins while mitigating risk. In these and other ways, the two companies will establish an investment style that does not rely on the direction (upward or downward movements) of market prices.

As a result, in the nine months ended August 31, 2018, segment sales were ¥1,338 million and the segment operating income came to ¥1,335 million.

(2) Description of Financial Position

Assets

Total assets at August 31, 2018 decreased ¥337 million to ¥11,194 million compared with the end of the previous fiscal year.

The main factors behind this change were decreases of ¥1,403 million in cash and deposits and ¥904 million in investment securities, which were partly offset by increases of ¥1,000 million in short-term loans receivable and ¥905 million in trademark right.

Liabilities

Total liabilities were ¥1,356 million, a decrease of ¥5,650 million from a year earlier.

The main components of this change were decreases of ¥272 million in notes and accounts payable-trade, ¥965 million in current portion of convertible bond-type bonds with share acquisition rights, and ¥156 million in interest-bearing debt*.

Net Assets

Total net assets increased ¥1,018 million, compared with the end of the previous fiscal year, to ¥5,544 million. The main changes included increases of ¥1,044 million in retained earnings.

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

(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. Notes in the Summary information

(1) Changes in Significant Subsidiaries during the Period

1) Significant Changes in the Scope of Consolidation

The Company's consolidated subsidiaries FISCO International (Cayman) Limited and FISCO International (Cayman) L.P. were excluded from the scope of consolidation following the completion of their liquidation.

2) Significant Changes in the Scope of Application of the Equity Method

NCXX Solutions Inc., which had previously been an equity-method affiliate, was excluded from the scope of application of the equity method due to a share exchange conducted with CAICA Inc., an equity-method affiliate of the Company.

(2) Application of Special Accounting Practices for Quarterly Consolidated Financial Statements

None

3. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	3Q Fiscal 2018 (As of August 31, 2018)
Assets		
Current assets		
Cash and deposits	2,529,595	1,126,385
Notes and accounts receivable - trade	599,269	709,996
Merchandise and finished goods	1,070,793	1,035,578
Work in process	245,736	232,285
Raw materials and supplies	3,632	8,316
Cryptocurrency	15,899	0
Accounts receivable - other	114,228	57,192
Advance payments - trade	970,582	468,332
Short-term loans receivable	15,000	1,015,000
Deferred tax assets	416	1,804
Other	314,951	875,477
Allowance for doubtful accounts	(53,097)	(51,915)
Total current assets	5,827,009	5,478,453
Non-current assets		
Property, plant and equipment	735,245	758,007
Intangible assets		
Software	62,710	56,080
Goodwill	397,006	306,276
Trademark right	6,300	911,867
Other	3,964	7,247
Total intangible assets	469,982	1,281,472
Investments and other assets		
Investment securities	3,531,593	2,627,158
Long-term accounts receivable - other	163,181	156,019
Long-term loans receivable	396,140	464,030
Other	628,537	640,287
Allowance for doubtful accounts	(219,321)	(211,049)
Total investments and other assets	4,500,130	3,676,446
Total non-current assets	5,705,358	5,715,926
Total assets	11,532,367	11,194,379

(Thousands of yen)

	Fiscal 2017 (As of November 30, 2017)	3Q Fiscal 2018 (As of August 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	600,601	327,777
Short-term loans payable	191,660	523,300
Current portion of convertible bond-type bonds with share acquisition rights	1,165,000	200,000
Current portion of long-term loans payable	836,382	619,306
Accounts payable - other	259,459	167,045
Accrued expenses	350,077	137,508
Income taxes payable	24,509	119,983
Accrued consumption taxes	16,601	26,404
Advances received	268,271	488,300
Asset retirement obligations	28,780	2,273
Deferred tax liabilities	2,076	2,070
Provision for bonuses	67,796	45,471
Provision for product warranties	106,000	77,000
Provision for sales returns	13,376	7,274
Provision for loss on store closing	16,592	—
Other	48,250	54,402
Total current liabilities	3,995,438	2,798,118
Noncurrent liabilities		
Convertible bond-type bonds with share acquisition rights	—	200,000
Long-term loans payable	1,637,685	1,366,357
Net defined benefit liability	29,708	29,441
Asset retirement obligations	360,907	374,746
Deferred tax liabilities	767,129	732,236
Other	215,450	149,263
Total noncurrent liabilities	3,010,881	2,852,045
Total liabilities	7,006,319	5,650,163
Net Assets		
Shareholders’ equity		
Capital stock	10,000	10,000
Capital surplus	2,770,501	2,770,954
Retained earnings	935,697	1,980,005
Treasury stock	(86,159)	(70,094)
Total shareholders’ equity	3,630,038	4,690,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	139,894	54,180
Deferred gains or losses on hedges	(57)	(469)
Foreign currency translation adjustments	95,981	75,758
Total accumulated other comprehensive income	235,818	129,469
Subscription rights to shares	22,211	26,359
Non-controlling interests	637,979	697,521
Total net assets	4,526,047	5,544,216
Total liabilities and net assets	11,532,367	11,194,379

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

Consolidated Statements of Income

(Nine months ended August 31, 2018)

(Thousands of yen)

	3Q Fiscal 2017 (From December 1, 2016 to August 31, 2017)	3Q Fiscal 2018 (From December 1, 2017 to August 31, 2018)
Net sales	9,745,344	8,826,992
Cost of sales	6,146,486	4,259,224
Gross profit	3,598,858	4,567,768
Selling, general and administrative expenses	3,840,164	3,724,900
Operating profit (loss)	(241,306)	842,867
Non-operating income		
Interest income	11,919	20,404
House rent income	4,293	—
Foreign exchange gains	49,549	4,844
Reversal of provision for loss on store closing	—	13,002
Other	20,446	21,473
Total non-operating income	86,208	59,723
Non-operating expenses		
Interest expenses	55,723	32,533
Share of loss of entities accounted for using equity method	39,212	12,201
Commission fee	49,196	15,343
Loss on sales of cryptocurrency	—	201,021
Loss on valuation of cryptocurrency	—	192,004
Other	27,807	39,016
Total non-operating expenses	171,939	492,121
Ordinary profit (loss)	(327,037)	410,470
Extraordinary income		
Gain on sales of shares of subsidiaries	888,152	—
Gain on sales of non-current assets	553	31
Reversal of allowance for doubtful accounts	2,968	—
Gain on change in equity	25,605	207,547
Gain on sales of investment securities	2,974,878	632,741
Gain on liquidation of subsidiaries	3,851	—
Other	3,074	—
Total extraordinary income	3,899,084	840,320
Extraordinary losses		
Loss on retirement of noncurrent assets	10,639	8,903
Loss on valuation of investment securities	—	7,163
Loss on sales of shares of subsidiaries	450	499
Impairment loss	1,805,944	5,353
Other	4,515	—
Total extraordinary losses	1,821,549	21,921
Profit before income taxes	1,750,497	1,228,870
Income taxes	427,408	122,595
Income taxes - deferred	(29,184)	2,112
Total income taxes	398,224	124,708
Profit	1,352,272	1,104,161
Profit (loss) attributable to non-controlling interests	(51,402)	59,853
Profit attributable to owners of parent	1,403,675	1,044,308

Consolidated Statements of Comprehensive Income

(Nine months ended August 31, 2018)

(Thousands of yen)

	3Q Fiscal 2017 (From December 1, 2016 to August 31, 2017)	3Q Fiscal 2018 (From December 1, 2017 to August 31, 2018)
Profit	1,352,272	1,104,161
Other comprehensive income		
Valuation difference on available-for-sale securities	86,651	(86,125)
Deferred gains or losses on hedges	(1,165)	(636)
Foreign currency translation adjustments	34,969	(567)
Share of other comprehensive income of entities accounted for using equity method	(8)	(9,017)
Total other comprehensive income	120,446	(96,347)
Total comprehensive income	1,472,719	1,007,814
Comprehensive income attributable to:		
Owners of the parent	1,523,758	948,273
Non-controlling interests	(51,038)	59,541

(3) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Notes Regarding Significant Change in Shareholders' Equity)

None

(Segment Information)

I Nine months of the fiscal year ended November 30, 2017 (From December 1, 2016 to August 31, 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	3,672,443	1,618,922	4,434,938	—	19,040	9,745,344	—	9,745,344
Inter-segment sales and transfers	15,869	1,820	125	—	—	17,815	(17,815)	—
Total	3,688,313	1,620,743	4,435,064	—	19,040	9,763,160	(17,815)	9,745,344
Segment profit (loss)	(44,748)	(6,798)	28,120	—	(73,344)	(96,771)	(144,534)	(241,306)

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.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant impairment loss on noncurrent assets)

In the IoT-Related Business, the Group recorded impairment loss on goodwill of ¥204 million. In the Brand Retail Platform Business, the Group recorded impairment loss on non-current assets of ¥7 million, impairment loss on trademark right of ¥734 million, and impairment loss on goodwill of ¥750 million.

II Nine months of the fiscal year ending November 30, 2018 (From December 1, 2017 to August 31, 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	707,678	1,764,701	4,983,403	1,338,118	33,090	8,826,992	—	8,826,992
Inter-segment sales and transfers	14,722	1,196	642	—	—	16,561	(16,561)	—
Total	722,400	1,765,897	4,984,046	1,338,118	33,090	8,843,554	(16,561)	8,826,992
Segment profit (loss)	(156,072)	(17,520)	(154,185)	1,335,513	(52,159)	990,617	(147,749)	842,867

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 nine months ended August 31, 2017 has been prepared and disclosed based on the reportable segments adopted after the aforementioned changes.