NCXX

Next Communication with NCXX.

INTEGRATED REPORT 2015

NCXX Group Inc.

Publication of an Integrated Report

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

In line with this thinking, from fiscal 2015, we have started publication of an integrated report that will enhance and integrate our non-financial information even further, systematically explaining the Group's various activities. We are confident that the fiscal 2015 integrated report will constitute a major advance in communicating an overall picture of our initiatives and progress to our stakeholders.

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

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

Yosuke Saito
Director
General Manager
Administration Division

Editorial Policy

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

Note on Forward-looking Statements

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

Group Company Websites

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

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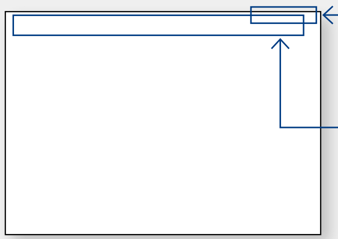
User Guide

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



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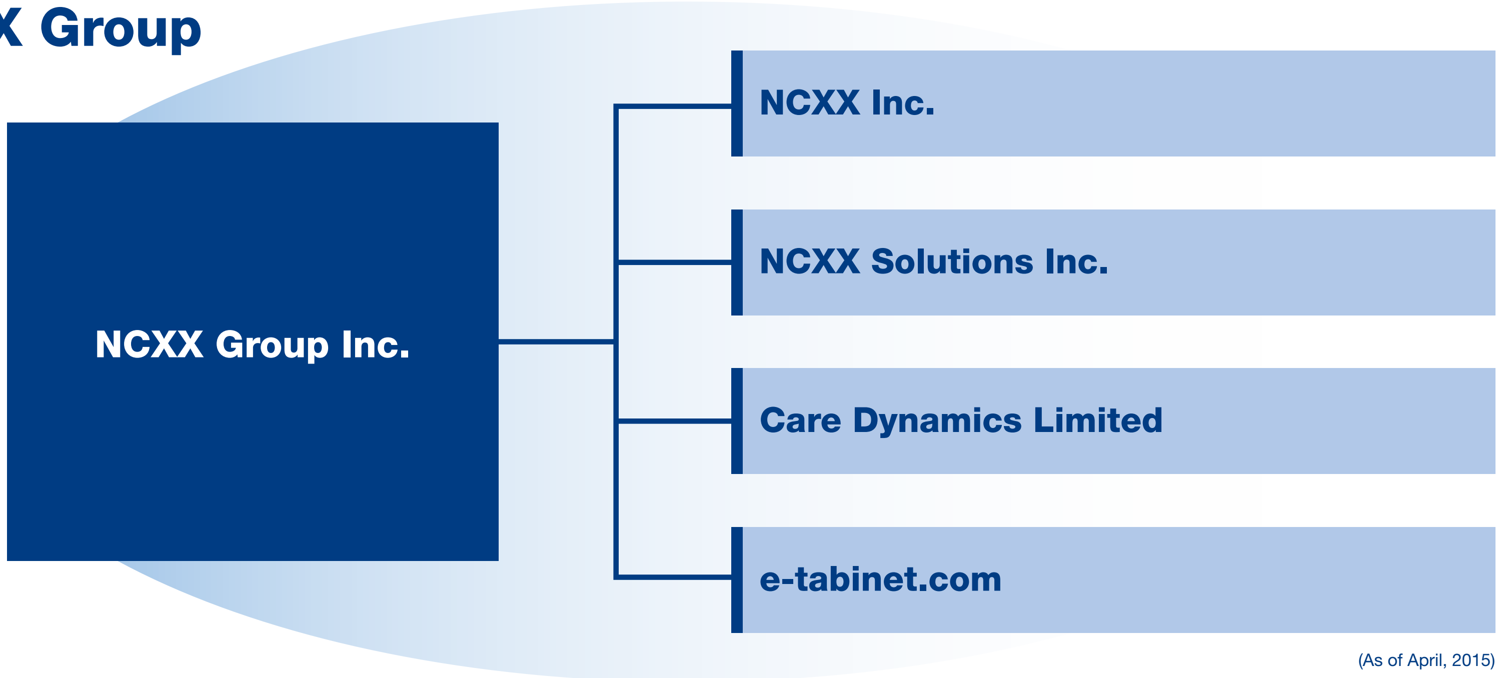
Overview of the NCXX Group

The NCXX Group comprises NCXX and five consolidated subsidiaries.

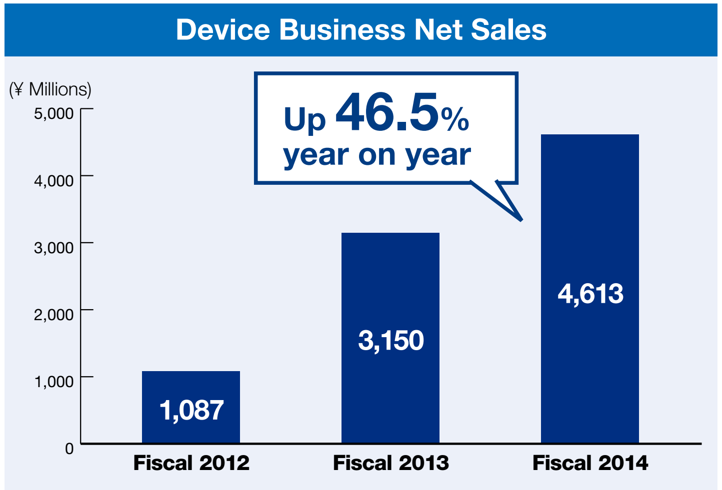
The Group's business segments are the device business and the Internet travel business.

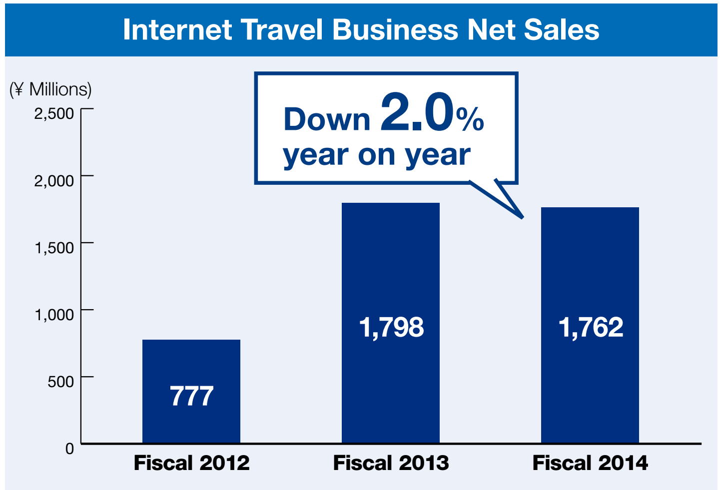
The device business involves the development-driven manufacture of communication devices. In addition to manufacturing communication devices, the Company owns modem technologies essential to basic telecommunication functions and technological development capabilities spanning both software and hardware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

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



(As of April, 2015)





Overview of the NCXX Group

NCXX Inc.

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

NCXX Solutions Inc.

NCXX Solutions Inc.'s core business is the systems development business, serving industries such as manufacturing, finance, logistics, social infrastructure, and the public sector, covering every stage from consultation through to design, construction, operation, and maintenance. The company provides integrated, full-line services for platform construction of networks, databases, and so forth. Specifically, the company develops systems, such as purchasing and procurement systems that use the Internet for manufacturers and logistics service providers, financial strategy support systems such as Internet banking for financial institutions, a line of administrative software packages for information service providers, and network monitoring and information processing systems for telecommunication service providers. Moreover, the company is also aggressively developing a software product business in which activities include jointly developing M2M products with Group companies and the provision of application service provider (ASP) services*.

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

Care Dynamics Limited

Care Dynamics Limited (formerly Care Online Limited, name changed on January 19, 2015) develops and sells Care Online, an ASP service for nursing care service providers that offers a system for centrally managing operations and information related to the nursing care business, including care plan creation, nursing care service provision, and invoicing to national health insurance organizations. Specifically, the company expands and enhances conventional software services with NCXX's services in hardware and telecommunications, to provide the highest level of service and total solutions for everyone involved in nursing care. Furthermore, in nursing care robot marketing, the company has taken over the consulting business from Versatile Inc., a fellow subsidiary of parent company FISCO Ltd. The company has incorporated and continued Versatile's expertise across the board, aiming to help create an environment where all nursing care providers can successfully introduce nursing care robots and continue to use them.

e-tabinet.com

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

Introducing Our Businesses

Device Business

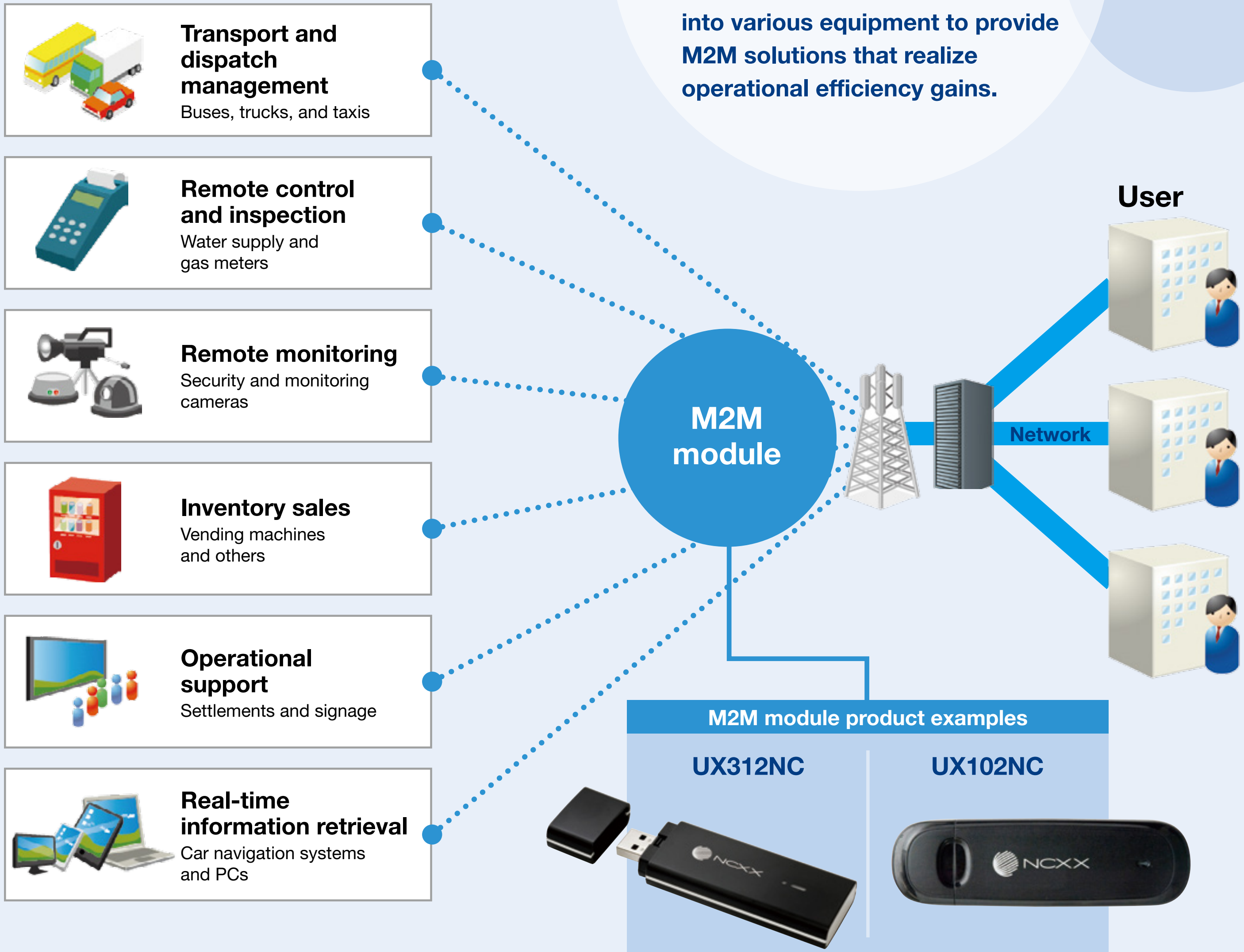
<NCXX Inc.>

M2M Solutions

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

< Main Target Fields for M2M >

NCXX works to incorporate wireless telecommunication functions into various equipment to provide M2M solutions that realize operational efficiency gains.



Introducing Our Businesses

Device Business
<NCXX Solutions Inc.>

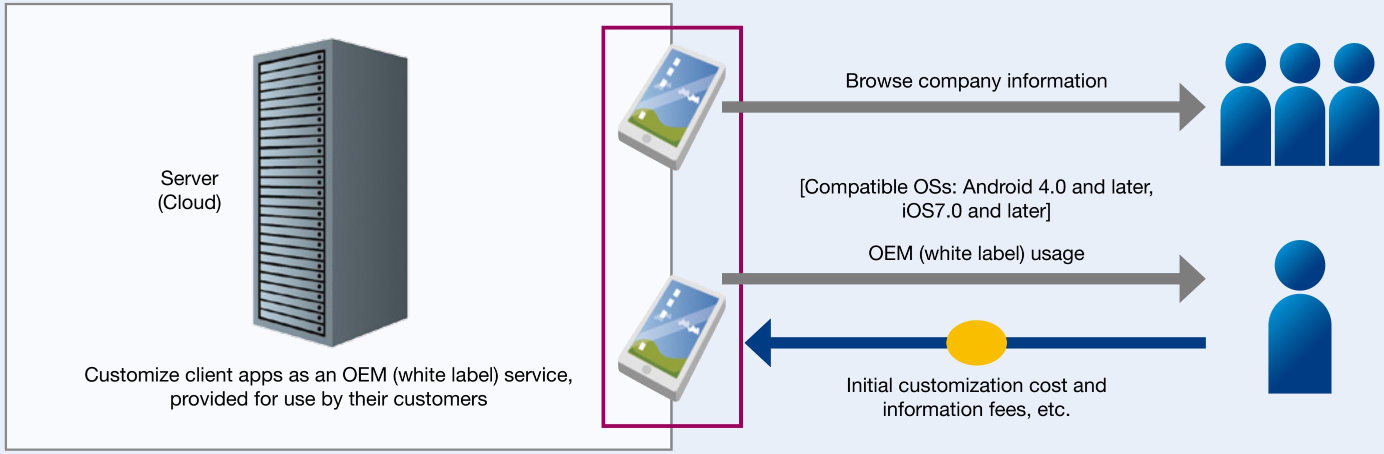
System Solutions

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

< Corporate Information Provider Service >

Original Brand App

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



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

Implementation Example

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

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

Introducing Our Businesses

Device Business
< Care Dynamics Limited >

Total Nursing Care Business Support Services

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

Nursing Care Robot Business

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

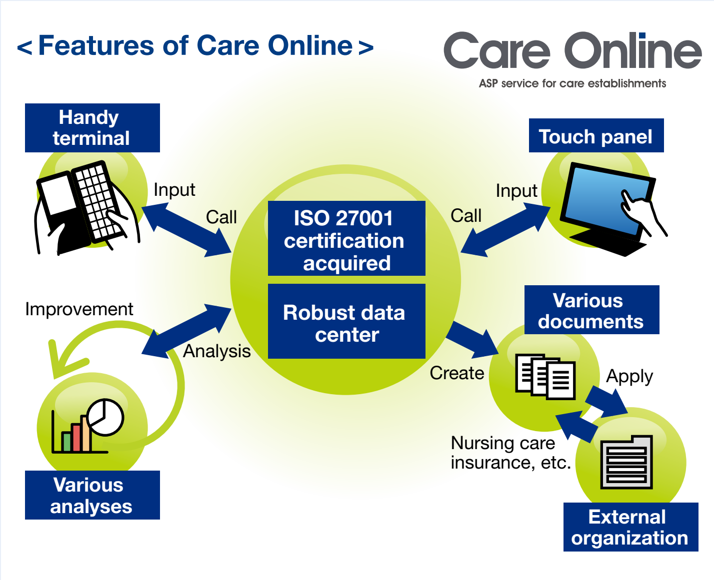
Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Nursing Care ICT Business

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

ASP Services for Nursing Care Service Providers

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



Introducing Our Businesses

Internet Travel Business

<e-tabinet.com>

Internet Travel

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

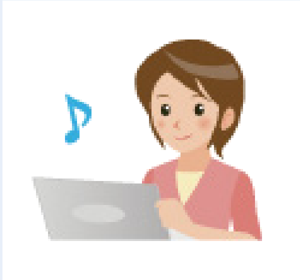
Features

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

Service Flow

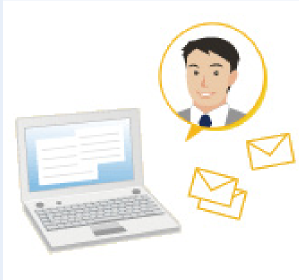
After hearing from customers about their goals, image, approximate budget, and other aspects of their trip, expert “travel concierges,” provide a proposal and an estimate free of charge on a travel plan designed according to the customer’s wishes. Since most of the service is conducted through e-mail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

STEP. 1



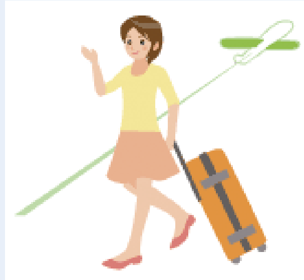
Send a travel estimate request using a special form

STEP. 2



Travel concierges reply with an estimate by e-mail

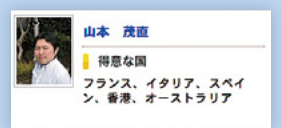
STEP. 3

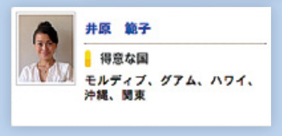


Sales talk concluded
Customers enjoy a unique, custom-made tour

Travel Concierges

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





As of April 2015, the service has over 337 unique and original travel concierges registered.

Greeting

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

The machine-to-machine (M2M) market in which we are concentrating our business is expected to continue expanding, with some forecasting growth to more than ¥1.6 trillion by 2020. In this business environment, the NCXX Group launched a software development business in February 2014, making use of a corporate split to transfer the domestic operations of systems developer SJI Inc. to our subsidiary NCXX Solutions Inc. Going forward, the Company will extend its offerings beyond its current supply of hardware devices to include the provision of server applications and other application services to provide the growing IoT and M2M market with total solutions. At the same time, we will combine the technology assets of our Group companies to proactively develop businesses going forward in other growth fields such as robotics, automotive telematics, and agricultural ICT.

Tsukasa Akiyama

Representative Director and President
NCXX Group Inc.

Message from the President

New Ways of "Communicating" and "Connecting" to Create New "Possibilities" for the Future

On April 1, 2015, we renamed our company from NCXX Inc. to NCXX Group Inc. following an incorporation-type company split. On the same day, we made the transition to a holding company after splitting off our device business as a wholly-owned subsidiary and reincorporating it as NCXX Inc. This reincorporated subsidiary is a telecommunication device manufacturer involved in developing, manufacturing and selling telecommunications devices. It is an R&D-driven fabless manufacturer, without a factory, that integrates operations from planning and development through to sales and maintenance. Leveraging the characteristics of fabless manufacturing, the subsidiary has the strength of being able to develop products rapidly with a cost structure capable of adapting flexibly to market prices.

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

Message from the President

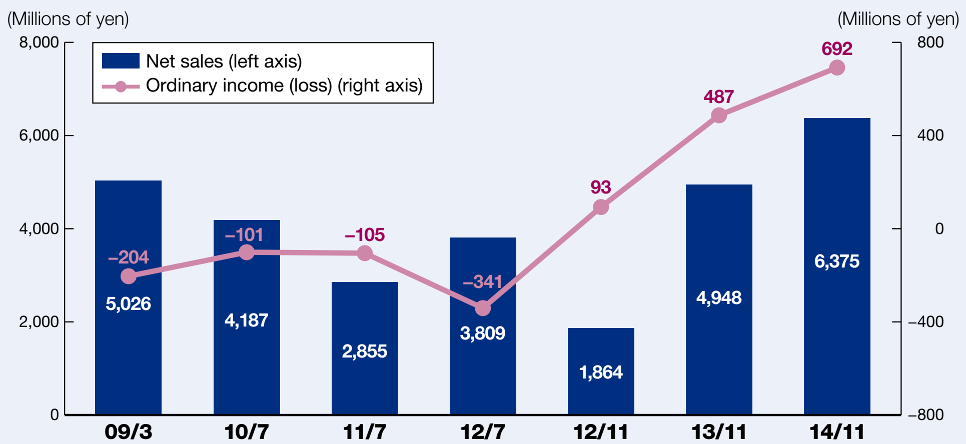
Results for the Fiscal Year Ended November 30, 2014

In the fiscal year ended November 30, 2014 (from December 1, 2013 to November 30, 2014), the Company saw net sales increase 28.8% year on year to ¥6,375 million. On the earnings front, this resulted in a 68.4% decrease in operating income to ¥82 million, while ordinary income rose 42.0% to ¥692 million and net income rose 46.5% to ¥630 million.

Net sales were lower than initially forecast. This was mainly because we suspended a sales plan for an existing product model with low gross margin and had to postpone the timing for launching the sale of certain products in our device business.

On the other hand, net income was higher than initially forecast. This was attributable to a foreign exchange gain accrued on a foreign exchange margin trade we had entered to hedge against the yen depreciating.

Consolidated Business Performance



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

Outlook for the Year Ending November 30, 2015

In the device business, the Company will enlarge its domains and expand its horizons based on its successful activities in the fiscal year ended November 30, 2014. New business initiatives will also be undertaken by integrating different business sectors and telecommunication devices through the effective use of development assets that the Group has cultivated to date. Specifically, the device business will continue to focus on the M2M market and supply a wide range of solutions. These will include solutions to enhance convenience by embedding communication functions into industrial fields that had not required them before, and solutions to reduce personnel costs by refining remote control technologies for equipment and facilities.

Moreover, in automotive products, a specialty of the device business, we aim to provide completely new services. These services will include vehicle status monitoring and the acquisition of a variety of vehicle data, which will be made possible by integrating outstanding automotive telematic technologies with our technology assets. To realize these new services, we will develop servers to accumulate information gathered from driving and other data sources, along with applications to apply and make effective use of this data.

Furthermore, we will accelerate our entry into the M2M market by pushing ahead with the vertical integration of our value chain targeting this market. This will be done by going beyond merely supplying device product hardware by incorporating software and application development by NCXX Solutions. In parallel, in the consumer market, the Company will strive to efficiently develop new products by incorporating the expertise obtained from M2M product development into consumer product lineups. By harnessing Group synergies, we will take steps to rapidly analyze diversifying demand trends and launch products that conform to those trends.

In the agricultural ICT business, we will keep aiming as a group to win more orders by increasing software usability in an effort to popularize the adoption of ICT, which can streamline and enhance the profitability of existing agriculture. At the same time,

Message from the President

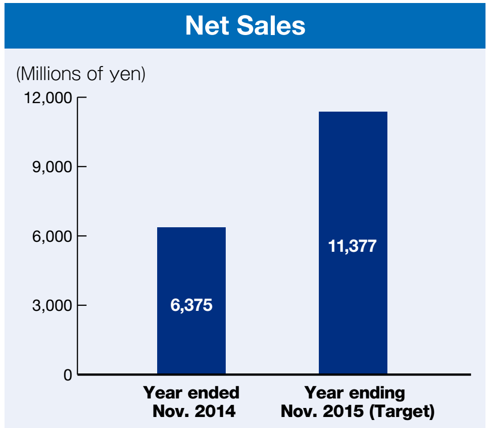
we will make a proactive effort on sixth-order industrialization, such as the development of processed products using tomatoes, including the locally produced "yellow tomatoes" of Hanamaki City that have been adopted as a commemorative product of Hanamaki City's voluntary hometown tax system, "Iha Tobu Hanamaki Support Fund."

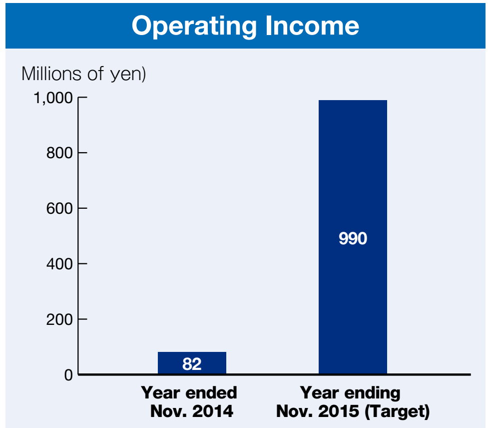
In addition, the Company initiated the development of nursing care robots in the fiscal year ended November 30, 2014. We will utilize NCXX's assets in telecommunication technologies to promote the optimal and rapid development and commercialization of nursing care robots for the front lines of nursing care. Our aim is to develop these robots so that they can one day be controlled remotely to perform tasks such as status monitoring, watch over elderly people, transmit voice and image data, and receive software updates.

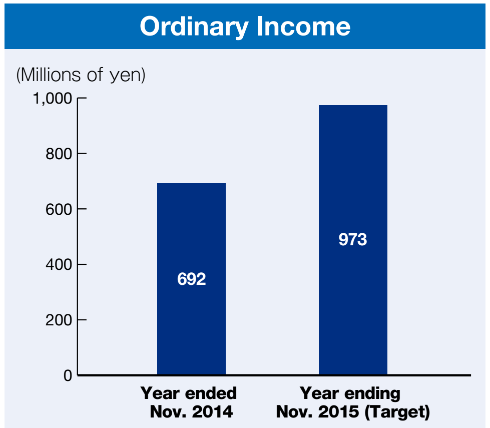
In the Internet travel business, we will work to upgrade and expand services by recruiting new travel concierges and enhancing their skills through training courses. In addition, we will strive to provide high-quality, customized travel services replete with the spirit of hospitality by recommending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

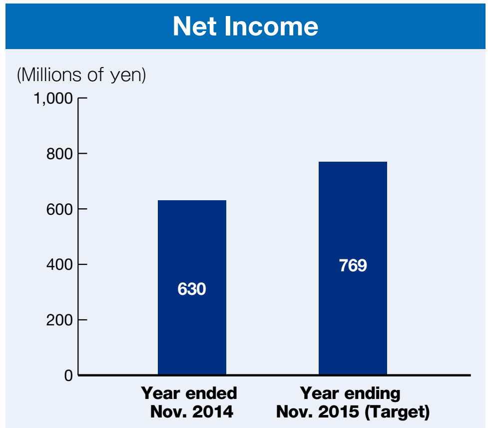
Furthermore, the Company has been promoting a crowd sourcing business focused on the travel business. Going forward, we will expand the crowd sourcing business to fields other than travel, with the aim of expanding it as a comprehensive creator of crowd sourcing platforms that are able to perform a variety of services not only for individuals but also for companies.

In consideration of the aforementioned factors, the Company's outlook for the fiscal year ending November 30, 2015 is based on expectations that the recognition of sales and profits in the device business will be concentrated heavily in the second half of the fiscal year ending November 30, 2015 because the device business is planning to launch new products in the second half. We expect these products to contribute significantly to the Company's sales in the fiscal years ending November 30, 2015 and 2016. For our full-year outlook for the fiscal year ending November 30, 2015, we are targeting net sales of ¥11,377 million, operating income of ¥990 million, ordinary income of ¥973 million, and net income of ¥769 million, based on the projected sales of new products.









Message from the President

New Medium-Term Management Plan

Having reviewed the previous three-year Medium-Term Management Plan, the Company formulated a new three-year plan (from December 1, 2013 to November 30, 2016) with the fiscal year ended November 30, 2014 as the staring year.

[Overview of the Medium-Term Management Plan and the Background to Its Formulation]

The new Medium-Term Management Plan was launched in the fiscal year ended November 30, 2014 with the objectives of sustaining our strong consolidated performance from the previous fiscal year and continuing to increase sales. Our view is that the spread of the long-term evolution (LTE) mobile telecommunications protocol and the use of big data in the data telecommunication market will continue to spur and diversify software and hardware content and product demand as they did in the year ended November 30, 2013. Moreover, we foresee that competition will move beyond telecommunication device manufacturers to include a wide range of companies partnering and competing in a broad array of fields to begin supplying a variety of products and services for building businesses on new platforms. The scope will include telecommunication service providers as well as various types of companies supplying the semiconductors, software, and applications. In addition, we are also expecting changes in the political landscape to revitalize domestic demand and coax the Japanese economy out from a prolonged recession, weighed down by a strong yen, as the currency begins to depreciate.

Against this backdrop, we are looking to leverage our performance from the previous fiscal year to expand the domain of our device business, widening its scope. As such, we will make effective use of the development assets accumulated in our company to enter new businesses by integrating telecommunication devices in different types of industries. At the same time we will make proactive use of these initiatives as public relations activities to enhance name recognition of the NCXX Group and improve our business performance. Moreover, we will recover our credibility by working wholeheartedly to improve our financial standing.

In the fiscal year ended November 30, 2014, the first year of our current Medium-Term Management Plan, we formulated the following priorities, which we will strive to advance going forward.

1. **Promote business structure reforms: Strengthen sales capability and enhance business profitability by demonstrating group synergies with NCXX Solutions, Care Dynamics, and other Group companies, reorganization, and sharing business accounts**
2. **Expand the device business: Introduce new products to the consumer market in addition to the M2M market**
3. **Strengthen the financial structure: Implement various capital policies for nurturing growth going forward**
4. **Diversify the business portfolio: Establish new businesses by integrating telecommunication devices in different types of industries, while fully developing agricultural ICT as a business**
5. **Brand image strategy: Aggressively pursue public relations activities**

Past Consolidated Results and Targets Going Forward

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Year ended November 30, 2013 (results)	4,948	259	487	430
Year ended November 30, 2014 (results)	6,375	82	692	630
Year ending November 30, 2015 (targets)	11,377	990	973	769
Year ending November 30, 2016 (targets)	15,422	1,800	1,778	1,424

Feature: In Pursuit of Value Bursting with Originality

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

In 2012, the Group made e-tabinet.com a Group company and started the Internet travel business. Currently, the Group is leveraging its accumulated expertise in this field to promote a comprehensive cloud solutions business that extends beyond the field of travel.

NCXX Group is pursuing the creation of value brimming with originality, starting with each of these high-potential fields.

< Device Business >

1 Robot Business

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

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

2 Agricultural ICT

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

3 OBD II

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

< Internet Travel Business >

4 Internet Travel

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

Creating New Value

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

Business for Creation of New Value 1

Robot Business


Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

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

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

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

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

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

HAL® for Care Support (Lumbar Type)

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

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Walking Support Device (ACSIVE)

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

Prof. Sankai, University of Tsukuba/ CYBERDYNE Inc.

Business for Creation of New Value 2

Agricultural ICT (NCXX FARM)

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

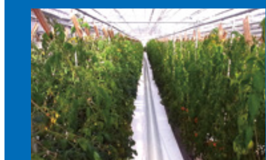
One model case is the agriculture business. The Group is working on NCXX Farm, an agricultural ICT business aimed at vegetable cultivation driven by digitally based chemical soil management and provision of technology to growers.

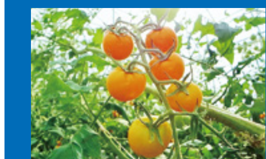
The testing plot of NCXX FARM is built on some idle land at the NCXX Group Hanamaki Head Office. Here, we conduct various trial tests using new agricultural methods. We are working to create an attractive business model in the agriculture sector, including effective methods for land use, increasing energy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

Safe, Secure, Ecological Produce and Technologies

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

Creating an Appealing Agriculture Business Model





Technology for Raising Tasty Produce

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

Business for Creation of New Value 3

OBD II Solution

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

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

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

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

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

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

Compatible with special vehicles

Communication protocol HSPA/UMTS

Optimize costs for commercial vehicles and create new business!

Cost Optimization

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

New Business Creation

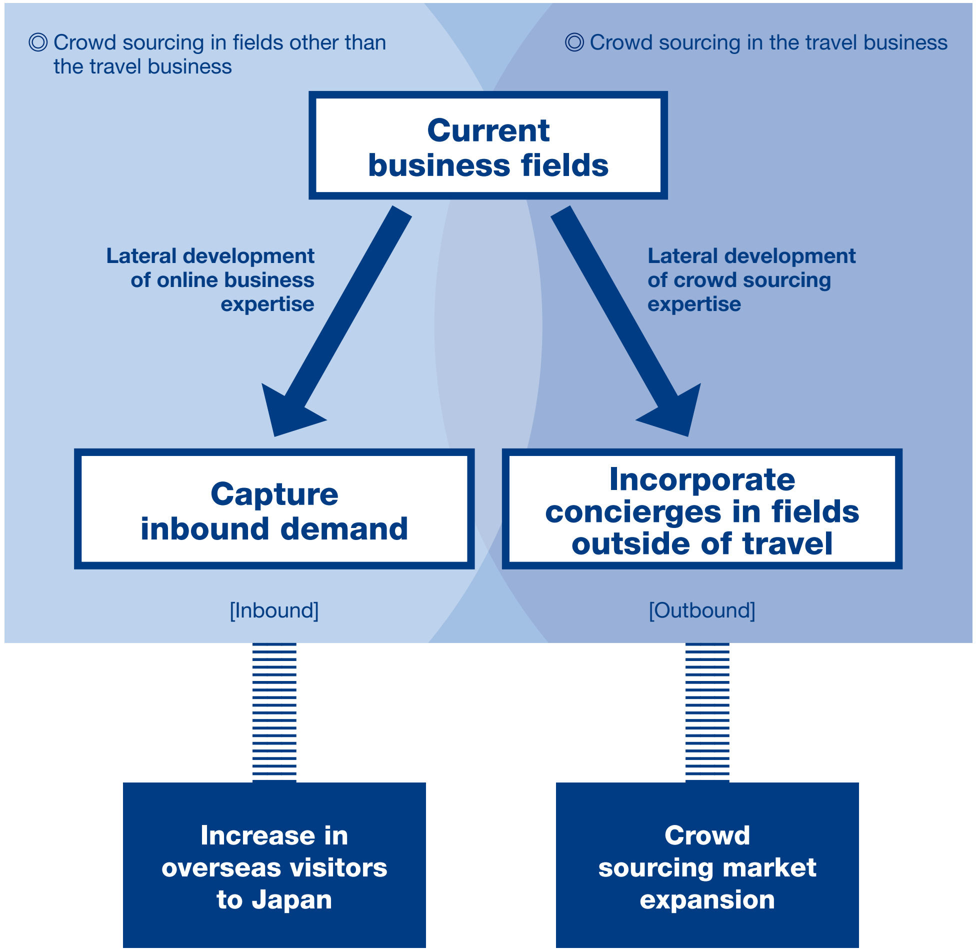
Accumulating driving information and vehicle malfunction information enables optimal maintenance and so forth, enabling close relationships to be built with customers. Moreover, the trade-in price of a used car can also be calculated accurately, providing benefits for both the dealership and the customer.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

Business for Creation of New Value 4

Internet Travel

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

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



Corporate Governance

I Corporate Governance System

1. Outline of Corporate Governance System

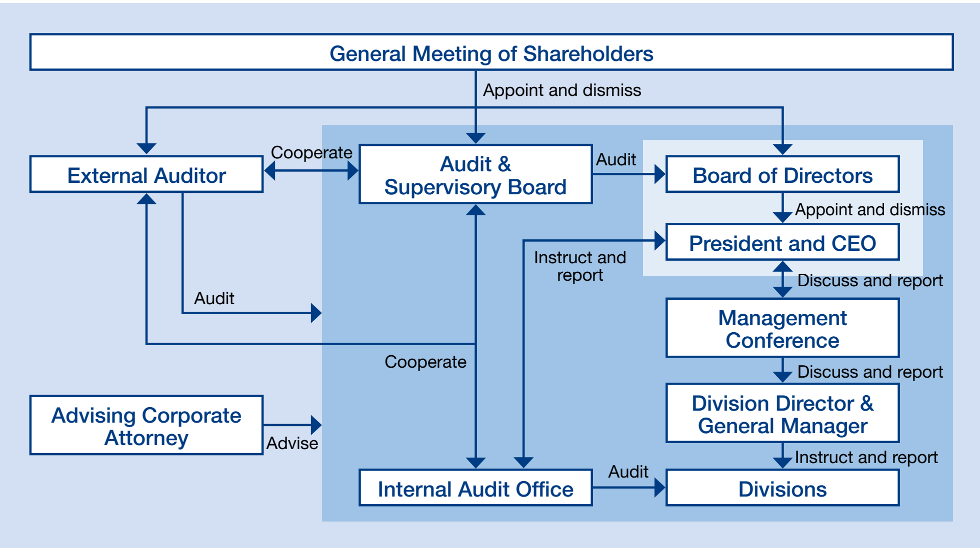
The Company has a corporate governance system comprising a Board of Directors, Audit & Supervisory Board members, an Audit & Supervisory Board, and an external auditor.

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

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

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

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



2. Number of Directors

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

3. Approval Criteria for the Appointment and Dismissal of Directors

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

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

4. Limited Liability Agreement

The Company has concluded an agreement limiting liability for damages with each outside director and outside Audit & Supervisory Board member, pursuant to Article 423-1 of the Companies Act, based on the provisions in Article 427-1 of the same.

The liability for damages based on this agreement is limited to either an amount larger than ¥1 million specified by NCXX in advance, or the minimum liability amount as set forth by the law, whichever is higher.

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

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

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

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

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

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

Corporate Governance

II Establishment of an Internal Control System

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

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

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

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

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

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

IV Development Status of the Risk Management System

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

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

V Compensation of Corporate Officers

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

Position	Total compensation (Yen thousand)	Total by type of compensation (Yen thousand)				Number of eligible officers
		Basic compensation	Stock options	Bonuses	Retirement benefits	
Directors (excluding outside directors)	11,899	11,470	429	–	–	4
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	–	–	–	–	–	–
Outside officers	1,891	1,891	–	–	–	2

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

2. Breakdown of Compensation by Corporate Officer

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

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

No items to report

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

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

VI Outside Director and Outside Audit & Supervisory Board Members

1. Functions and Roles Played in Corporate Governance

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

Outside Director Shin Nagase has ample experience and knowledge as a managing executive of a major airline company and think tank. He was appointed with the expectation that he will contribute to strengthening the management framework of the Company.

Corporate Governance

Outside Audit & Supervisory Board member Hiroyuki Matsuzaki is serving concurrently as the Director and General Manager of the Administrative Section of FISCO Ltd. and has advanced knowledge and ample experience as a business manager. He was appointed with the expectation that he will contribute to strengthening the management framework of the Company.

Outside Audit & Supervisory Board member Takaya Nakamura has ample of experience and knowledge of the financial business from his experience working for a major securities company and a financial information distribution service company. He was appointed with the expectation that he will contribute to strengthening the management framework of the Company.

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

2. Personnel, Capital, Business, and Other Vested Interests between the Outside Director and Audit & Supervisory Board Members and the Company

The personnel, capital, business, and other vested interests between the outside director and Audit & Supervisory Board members and the Company are as follows.

Outside Audit & Supervisory Board member Hiroyuki Matsuzaki had served concurrently as a full-time Audit & Supervisory Board member of FISCO Ltd. in the past. He is now serving concurrently as the Director and General Manager of the Administrative Section of FISCO Ltd.

Outside Audit & Supervisory Board member Takaya Nakamura is serving concurrently as the Director and General Manager of the Information Distribution Service Division and Sales and New Business Development Section of FISCO Ltd.

FISCO Ltd. is the parent company of NCXX.

Other than as noted above, there are no noteworthy vested interests between companies and other entities where the Company’s outside director and outside Audit & Supervisory Board members are currently serving or have served in the past and the Company.

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

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

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

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

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

[Details of Compensation for Auditing Certified Accountants and Their Staff]

(Yen thousand)

Classification	Previous fiscal year		Fiscal year under review	
	Compensation paid for audit certification activities	Compensation paid for non-audit activities	Compensation paid for audit certification activities	Compensation paid for non-audit activities
Reporting company	12,000	–	12,000	–
Consolidated subsidiaries	1,500	–	5,500	–
Total	13,500	–	17,500	–

Board of Directors and Audit & Supervisory Board Members

- Representative Director and President ······ Tsukasa Akiyama
- Representative Director and Vice President ······ Naoki Ishihara
- Director ······ Osamu Fukami
- Director ······ Ryuji Yagi
- Director ······ Yosuke Saito
- Director ······ Jun Yamazaki
- Outside Director ······ Shin Nagase
- Audit & Supervisory Board Member ······ Yukari Oba
- Outside Audit & Supervisory Board Member ······ Hiroyuki Matsuzaki
- Outside Audit & Supervisory Board Member ······ Takaya Nakamura

CSR Activities

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

CSR Activities

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

Based on this stance, we are engaged in the activities introduced below and also volunteer to support events held at nursing care facilities and the lives of aging households in depopulated villages.

Going forward, we would like to provide opportunities for many of our employees to take the initiative of participating in society so that they may grow as individuals and add vigor to our company and society through their volunteer activities.

Initiatives through Business

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

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

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

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

Riding tandem

Contribution to Communities through the Agricultural ICT Business

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


NCXX FARM accepts visitors for observation anytime


Our produce is also supplied to stores in Hanamaki City

Financial Section

Analysis of Operating Results and Financial Position

[Review of Operations]

In the fiscal year ended November 30, 2014, the Japanese economy saw business sentiment improve, mainly due to the Japanese government's economic policies together with qualitative and qualitative monetary easing (QQE) by the Bank of Japan. Capital expenditure and employment continued on a recovery trend, and the price level rose, albeit gradually. On the other hand, personal consumption showed signs of softness following the consumption tax hike in April 2014, and energy and resource prices increased as a result of the yen's depreciation. The outlook for these and other economic conditions remains uncertain.

The information and communications market, the Company's primary market, is seeing a rapid shift to smart devices such as smartphones and tablets, along with continued market penetration of faster communication networks driven by LTE. As services, devices, and other offerings become increasingly homogeneous, telecom operators and the mobile virtual network operators (MVNOs) that have been steadily entering the industry are vying to capture more customers. As this fierce competition continues, innovation is reshaping the environment surrounding the mobile communications market in particular. Notably, signs of the emergence of highly unique new products such as wearable devices are now evident, marking the beginning of a new phase in this market.

Meanwhile, the information and communications market as a whole offers prospects for further expansion driven by factors such as (1) changes in corporate information systems, including the popularization of cloud computing; (2) the use of a broad spectrum of information in business through the digitization and gathering of this information; and (3) increased demand for information systems. Within this market, the M2M*1 field continues to attract an extremely high level of interest based on its prospects for rapid growth. Indeed, the size of the M2M market is projected to expand from around ¥230.0 billion in 2013 to over ¥1,000.0 billion in 2018.

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

In this business environment, the Company announced a new business strategy in April 2014 for the NCXX Group as a whole, including two companies that became new NCXX Group subsidiaries in the fiscal year ended November 30, 2014: NCXX Solutions Inc. ("NCXX Solutions"), a systems developer, and Care Online Limited ("Care Online"), an ASP systems provider for nursing care businesses. (Care Online was renamed as Care Dynamics Limited on January 19, 2015.)

Until now, NCXX has been working to expand its M2M domains in this field by developing and supplying communication device products on a standalone basis. Going forward, the Company will push ahead with the vertical integration of its value chain targeting the ever growing M2M market. This will be done by having NCXX Solutions develop device software and server applications. Through this vertically integrated value chain, the Company aims to (1) deliver benefits by providing full-line services and (2) maximize profits across the entire value chain.

As another concrete initiative to capture synergies within the Group, NCXX Solutions started developing a data logger with communication functions for motorcycles in July 2014. In this project, NCXX has been developing the communication module, while NCXX Solutions has been developing the tracking app that will gather and analyze a variety of data. To test the prototype and facilitate continuous development, the Company formed the Team WINNER Z-TECH & NCXX Group to enter a major motorcycle racing event called the Suzuka 8Hours Endurance Road Race. The prototype was operated under grueling conditions, with temperatures exceeding 35°C and a road surface temperature of over 60°C, coupled with sudden torrential rains. However, the data logger produced solid results through to the end, completing the race without any malfunctions or communication disruptions. Looking ahead, the Company will continue to push ahead with development of the data logger by enhancing its usability. This will be done by modifying product specifications in line with various usage environments and supplying applications according to the usage environment, based on the prototype. The goal is to supply an outstanding data logger product to corporate users, general motorcycle enthusiasts and amateur motorcycle riders.

Moreover, in the agricultural ICT business (NCXX FARM), the Company developed an app that enables checking of environmental data and automated control of environment settings at remotely located greenhouses via smartphones. The app was displayed at the 1st Next Generation Agricultural Expo Tokyo (AGRINEXT) held in October 2014.

Furthermore, as a joint business with its parent company, FISCO Ltd., the Company developed the FISCO smartphone app in August 2014 to provide investment information on publicly listed companies. NCXX also simultaneously initiated a cloud service business to provide this app as a white label (OEM) solution.

In the NCXX device business, the Company launched the UX302NC and UX312NC USB data communication devices, which are compatible with quad-band LTE, in May 2014. As the Company's core products in the M2M field, UX302NC and UX312NC are in use across a wide range of applications, such as game consoles and mobile computing.

In June 2014, the Company announced that it commenced the design and supply of a handheld IP radio system for business use. Until now, the Company's development and manufacturing activities have revolved around its core technology of communication modem systems. In addition to these development and manufacturing activities, the Company is now developing high-performance communication devices that are able to run multiple applications. Featuring an easy-to-view, large touch panel display and IP65-level water- and dust-resistance performance, these models are developed for use in the strenuous worksite environments of the construction and transportation, security services, and other industries.

Additionally, the nursing care and robotics industries offer strong future growth prospects as a business domain that is poised to expand the horizons of the M2M field. To enter these industries, the Company commenced joint development in April 2014 of a nursing care robot with VStone Co., Ltd., a robotics product manufacturer. The trial users of the prototype have been decided from among medical corporations, social welfare corporations, municipalities, and others, and preparations are under way to develop a commercial product.

Analysis of Operating Results and Financial Position

In the agricultural ICT business (NCXX FARM), the Company commenced joint research with Iwate University in July 2014 into disease prevention measures for plant factory cultivation using agricultural ICT. The incidence of diseases caused by mold and other pathogens is one of the greatest challenges facing plant factory cultivation. To suppress these diseases, the Company will conduct demonstration trials for (1) capturing mold spores using static electricity and (2) deactivating mold spores using ions generated by static electricity. The Company will work to prevent the growth of mold and remove it from plant factories by incorporating and controlling these devices in ICT systems. Besides this, the Company will gather research data from the demonstration trials to predict the incidence of diseases and control the environment in advance, with the aim of developing a plant factory cultivation system that is able to suppress diseases at a low cost.

Furthermore, as noted earlier, the Company displayed its agricultural ICT system, which was developed jointly with NCXX Solutions, at the 1st Next Generation Agriculture Expo Tokyo (AGRINEXT). The Company attracted large numbers of visitors to its exhibit.

Turning to the Internet travel business, travel information now abounds on the Internet, thanks in part to the popularization of smartphones. This travel information covers wide ranging topics, including information about transportation, such as airlines and railways, and guest accommodations, as well as information about sightseeing destinations. Considerable knowledge and experience is needed by consumers to effectively sift through all this information and actually make travel arrangements on their own. In particular, trips where travelers stop at multiple destinations can be disrupted by unforeseen risks such as sudden changes and cancellations in reservations.

The e-tabinet.com Group has received a large number of positive comments from many highly satisfied customers for its ability to address the proliferation of travel products and services and fulfill the increasingly diverse and sophisticated needs of its customers. 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 service with a carefully chosen staff of 320 highly experienced registered "travel concierges" (travel consultants).

The travel concierges take the lead in planning *Kodawaru Hito No Tabi* ("Journeys for the Discerning Traveler") travel itineraries, as part of which new *Kodawari No Tabi* travel packages are announced every month. In September, e-tabinet.com unveiled the "Agriturismo Take in the Italian Countryside" travel package, followed by the "Christmas Market: Experience the Wonders of Europe in Winter" travel package in October and the "Brocante (Flea Market) in France: A Treasure Hunt" travel package in November. Going forward, the e-tabinet.com Group will continue to proudly present the finest *Kodawari No Tabi* travel packages to its customers.

[Operating Results]

Looking at consolidated business results, the device business at the parent of NCXX saw sales of one existing product model decrease. The lower sales mainly reflected the Group's decision to suspend plans to sell this product during the fiscal year ended November 30, 2014. This decision was made mainly based on two reasons. First, the product has a low gross margin of less than 10%, albeit with an extensive track record of implementation, and will soon become obsolete at the end of its product lifecycle. The product had also faced calls for further price discounts from customers in the fiscal year under review. Second, the Group would have been exposed to the risk of surging raw materials costs due to exchange rate movements because it would have been responsible for ensuring a continuous supply of the product over a fixed period. Apart from this, the start of sales of certain other new products and original design manufacturer (ODM) products was postponed from the first to second quarter of fiscal 2014 because development periods were extended to modify specifications and make other changes at the request of customers. Consequently, the projected sales plans for these products were also pushed back, leaving the Group with no choice but to postpone certain sales to the next fiscal year.

Moreover, the Group recorded a foreign exchange gain upon exiting a foreign exchange margin trading position entered into previously as a means of hedging the risk of the yen's depreciation. From the fiscal year ending November 30, 2015, the Group will enter into foreign currency forward contracts and other arrangements as a means of hedging risk. The Group will apply hedge accounting to match the timing of recording the foreign currency-denominated monetary obligations for purchased materials imported to Japan (i.e., the hedge target) with profit and loss. As a result, the Group will start recording foreign exchange gains as operating income, not as non-operating income as in the fiscal year ended November 30, 2014. In this manner, the Group plans to conduct hedging that will lower the risk of revisions to business forecasts.

As a result of these efforts, consolidated net sales were ¥6,375 million, up 28.8% year on year. Operating income was ¥82 million, down 68.3% year on year, while ordinary income was ¥692 million, up 42.0% year on year. Net income rose 46.5% year on year to ¥630 million. Operating income decreased due to the impact of surging purchasing costs for certain products in step with the yen's recent depreciation. However, derivative transactions (foreign exchange margin trading) undertaken previously as part of efforts to stabilize purchasing costs proved effective, and the Group recorded foreign exchange gains under non-operating income that surpassed the decrease in operating income.

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

(Device Business)

The device business posted overall sales of ¥2,545 million in the M2M field, which includes automotive products such as car navigation systems and taxi radio systems. This was mainly due to steady sales of two product models launched in the fiscal year ended November 30, 2014, namely the USB data communication devices compatible with quad-band LTE and a handheld IP radio system for business use.

NCXX Solutions posted sales of ¥1,707 million, mainly as sales were recognized from February 2014 in conjunction with the effective date of a corporate split.

Analysis of Operating Results and Financial Position

In terms of overall sales, certain sales in the device business were postponed to the fiscal year ending November 30, 2015, mainly due to two reasons. First, sales of one existing product model were suspended in view of its exposure to the risk of foreign exchange rate fluctuations and other factors. As mentioned above, this existing product model has an extensive track record of implementation, but had faced calls for price reductions. Second, the start of sales of certain other new products and ODM products was postponed because development periods were extended to modify specifications and make other changes at the request of customers.

Consequently, segment sales in the fiscal year ended November 30, 2014 were ¥4,613 million, up 46.5% year on year. Segment income decreased 41.0% year on year to ¥183 million, mainly due to the aforementioned impact of the yen's depreciation.

(Internet Travel Business)

Segment sales in the fiscal year ended November 30, 2014 totaled ¥1,762 million. These sales comprised overseas travel business sales of ¥1,636 million, centered on honeymoon packages to Italy, Spain, and France, and domestic travel business sales of ¥125 million. Continuing cost-cutting initiatives proved effective, leading to a 2.5 percentage point decline in the selling, general and administrative expense ratio. Consequently, segment income increased 119.8% year on year to ¥37 million.

[Financial Position]

The Group's financial position as of November 30, 2014 was as follows.

(Assets)

Total assets were ¥6,979 million as of November 30, 2014, an increase of ¥2,901 million from a year earlier. The main contributing factors were increases of ¥2,677 million in cash and deposits, ¥131 million in total property, plant and equipment, and ¥355 million in goodwill, which were partly offset by decreases of ¥253 million in advance payments—trade and ¥411 million in derivatives.

(Liabilities)

Total liabilities were ¥3,427 million, an increase of ¥2,015 million from a year earlier. The main contributing factors were increases of ¥1,215 million in convertible bonds with subscription rights to shares and ¥740 million in long-term loans payable (including the current portion due within one year), which were partly offset by decreases of ¥128 million in notes and accounts payable—trade and ¥152 million in short-term loans payable.

(Net Assets)

Total net assets were ¥3,551 million, an increase of ¥885 million from a year earlier. The main contributing factors were net income of ¥630 million, along with increases of ¥144 million in capital stock and ¥143 million in capital surplus due to a capital increase through a third-party placement of shares.

[Cash Flows]

Cash and cash equivalents ("cash") at November 30, 2014 were ¥3,930 million, an increase of ¥2,677 million from the previous fiscal year-end.

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

(Cash Flows From Operating Activities)

Net cash provided by operating activities was ¥1,448 million, compared with net cash used in operating activities of ¥409 million in the previous fiscal year. The main factors increasing cash were income before income taxes and minority interests of ¥742 million, a decrease in derivatives of ¥411 million and a decrease in advance payments of ¥253 million. The main factor reducing cash was a decrease in notes and accounts payable—trade of ¥128 million.

(Cash Flows From Investing Activities)

Net cash used in investing activities was ¥851 million, compared with net cash provided by investing activities of ¥75 million in the previous fiscal year. The main uses of cash were ¥134 million for purchase of property, plant and equipment, ¥51 million for purchase of investments in subsidiaries resulting in change in scope of consolidation, ¥162 million for purchase of investments in subsidiaries, ¥342 million for payments for transfer of business, and ¥94 million for increase in short-term loans receivable.

(Cash Flows From Financing Activities)

Net cash provided by financing activities was ¥2,072 million, compared with ¥1,241 million in the previous fiscal year. This was mainly due to proceeds from long-term loans payable of ¥940 million, proceeds from issuance of bonds with subscription rights to shares of ¥1,209 million, and proceeds from issuance of common stock of ¥281 million. These cash inflows were partly offset by net decrease in short-term loans payable of ¥152 million and repayment of long-term loans payable of ¥199 million.

Analysis of Operating Results and Financial Position

[Risk Information]

From the standpoint of actively disclosing information to investors, the Company discloses matters that could have a material impact on investor judgement, even external factors beyond the control of the Company and matters that may not be considered business risks.

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

Items in the following that concern the future were assessed by the NCXX Group based on information available as of November 30, 2014. They are subject to uncertainties and may differ from actual results.

(1) Business Characteristics

1. Group Driven by Research and Development

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

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

2. Dependence on a Specific Business Segment

In the year ended November 30, 2014, the device business centered on mobile telecommunications devices accounted for a high ratio of 72.4% of the NCXX Group's consolidated net sales. Consequently, if market trends and other changes in mobile phones and other telecommunications devices cause fluctuations in the operating results of the device business, or if growth in the Company's other business segments falls substantially below plans, this could have a material impact on the Company's business and operating results.

3. Fabless Manufacturing

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

4. Relationship with Telecommunications Service Providers

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

5. Changes in Demand for Mobile Devices

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

(2) Dependence on a Specific Business Partner

Dependence on a specific outsourcing contractor

In the year ended November 30, 2014, TRICHEER TELECOMMUNICATION LTD. had become a major outsourcing contractor for the Company, accounting for a 44.6% monetary share of its outsourced processes. This is because the Company outsources the manufacturing of its mobile devices. Consequently, changes in the business transaction policy and manufacturing framework between the two companies could have a material impact on the Company's business and operating results.

(3) Risks Related to Protection of Intellectual Property Rights

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

Analysis of Operating Results and Financial Position

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

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

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

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

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

(8) Relationship with the Parent Company
FISCO Ltd. (listed on Tokyo Stock Exchange JASDAQ Growth) is the parent company of the Company, holding 57.47% of the voting rights both directly and indirectly as of November 30, 2014. The Company therefore belongs to a parent company group with FISCO at the center. As a result, changes in the parent company group's management policy and other circumstances could have a material impact on the Company's business and operating results.

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

(9) Fluctuations in the Foreign Exchange Market
The Company subcontracts the manufacturing of some of its products to a Chinese original design manufacturer (ODM) to enhance price competitiveness and profitability. As a result, business transactions denominated in foreign currencies may be affected by fluctuations in the foreign exchange market. To reduce this impact, the Company unwound a derivatives trade (foreign exchange margin trade) in the year ended November 30, 2014, and will strive in the future to make use of instruments such as foreign change forward contracts and to reconfigure its product portfolio. However, trading conditions and foreign exchange market trends in the future could have a material impact on the Company's business and operating results.

Consolidated Financial Statements

(1) Consolidated Financial Statements

1. [Consolidated Balance Sheets]

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Assets		
Current assets		
Cash and deposits	¥1,253,266	¥3,930,484
Notes and accounts receivable—trade	484,993	665,867
Work in process	399,669	484,430
Raw materials	13,423	3,086
Advance payments—trade	505,635	251,682
Deferred tax assets	5,173	17,668
Short-term loans receivable	355,408	448,887
Accounts receivable—other	6,709	7,367
Derivatives	411,137	–
Other	12,803	42,303
Total current assets	3,448,220	5,851,779
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	251,897	315,654
Accumulated depreciation	(210,149)	(219,696)
Buildings and structures, net	*1 41,748	*1 95,958
Machinery, equipment and vehicles	31,196	28,954
Accumulated depreciation	(23,485)	(20,826)
Machinery, equipment and vehicles, net	7,711	8,127
Tools, furniture and fixtures	324,005	404,054
Accumulated depreciation	(319,528)	(322,349)
Tools, furniture and fixtures, net	4,476	81,705
Land	*1 151,737	*1 151,737

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Total property, plant and equipment	205,673	337,529
Intangible assets		
Goodwill	232,168	587,853
Software	70,072	48,145
Software in progress	34,651	–
Other	3,554	3,566
Total intangible assets	340,446	639,565
Investments and other assets		
Investment securities	*2 20,954	*2 12,758
Other	62,337	137,376
Total investments and other assets	83,292	150,134
Total noncurrent assets	629,412	1,127,229
Total assets	¥4,077,632	¥6,979,008

Please refer to page 36 for *1

Consolidated Financial Statements

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	¥ 237,766	¥ 109,723
Short-term loans payable	152,500	–
Current portion of bonds	200,000	200,000
Current portion of long-term loans payable	*1 57,984	*1 290,675
Accounts payable—other	28,521	112,999
Accrued expenses	42,828	122,392
Income taxes payable	53,460	64,489
Accrued consumption taxes	26,342	67,959
Advances received	307,692	219,641
Provision for bonuses	–	21,180
Provision for product warranties	42,000	90,000
Other	15,278	120,510
Total current liabilities	1,164,374	1,419,572
Noncurrent liabilities		
Convertible bonds with subscription rights to shares	–	1,215,000
Long-term loans payable	*1 227,675	*1 735,836
Provision for retirement benefits	3,096	–
Liability for retirement benefit	–	3,407
Deferred tax liabilities	–	26,492
Other	17,317	27,622
Total noncurrent liabilities	248,089	2,008,358
Total liabilities	1,412,463	3,427,930

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Net assets		
Shareholders' equity		
Capital stock	1,068,146	1,212,248
Capital surplus	875,405	1,018,821
Retained earnings	516,710	1,147,022
Treasury stock	(35)	(35)
Total shareholders' equity	2,460,227	3,378,057
Accumulated other comprehensive income		
Foreign currency translation adjustments	12,113	23,120
Total accumulated other comprehensive income	12,113	23,120
Subscription rights to shares	–	858
Minority interests	192,827	149,041
Total net assets	2,665,168	3,551,077
Total liabilities and net assets	¥4,077,632	¥6,979,008

Consolidated Financial Statements

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

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Net sales	¥4,948,289	¥6,375,427
Cost of sales	*1 3,937,393	*1 5,362,987
Gross profit	1,010,895	1,012,439
Selling, general and administrative expenses	*2 751,427	*2, 3 930,098
Operating income	259,468	82,341
Non-operating income		
Interest income	23,964	11,757
Foreign exchange gains	218,958	638,688
Other	2,673	7,791
Total non-operating income	245,595	658,238
Non-operating expenses		
Interest expenses	9,837	21,902
Commissions paid	4,229	2,855
Stock issuance cost	2,134	5,546
Bond issuance cost	–	5,784
Contribution	–	11,500
Other	1,655	935
Total non-operating expenses	17,857	48,524
Ordinary income	487,207	692,055
Extraordinary income		
Gain on sales of investment securities	4,122	–
Gain on bargain purchase	–	56,822
Other	–	2,105
Total extraordinary income	4,122	58,927
Extraordinary losses		
Loss on retirement of property, plant and equipment	*4 143	*4 330
Loss on sales of subsidiaries' stocks	476	–
Loss on valuation of investment securities	–	8,196
Total extraordinary losses	619	8,526

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Income before income taxes and minority interests	490,710	742,456
Income taxes	47,406	84,391
Income taxes—deferred	(5,173)	14,659
Total income taxes	42,233	99,051
Income before minority interests	448,477	643,405
Minority interests in income	18,151	13,093
Net income	¥ 430,325	¥ 630,311

Please refer to page 36 for *1
Please refer to page 37 for *2, 3, and 4

[Consolidated Statements of Comprehensive Income]

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Income before minority interests	¥448,477	¥643,405
Other comprehensive income		
Foreign currency translation adjustments	10,424	11,007
Total other comprehensive income	*1 10,424	*1 11,007
Total comprehensive income	¥458,901	¥654,412
Comprehensive income attributable to:		
Owners of the parent	¥440,749	¥641,319
Minority interests	18,151	13,093

Please refer to page 37 for *1

Consolidated Financial Statements

3. [Consolidated Statements of Changes in Net Assets]

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Foreign currency translation adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
Balance at beginning of the fiscal year	¥ 600,000	¥407,259	¥ 86,385	¥ –	¥1,093,644	¥ 1,689	¥ 1,689	¥ 1,489	¥126,173	¥1,222,996
Changes during the fiscal year										
Issuance of new shares	468,146	468,146			936,292					936,292
Net income			430,325		430,325					430,325
Purchase of treasury stock				(35)	(35)					(35)
Net changes of items other than shareholders' equity						10,424	10,424	(1,489)	66,654	75,589
Total changes during the fiscal year	468,146	468,146	430,325	(35)	1,366,583	10,424	10,424	(1,489)	66,654	1,442,172
Balance at end of the fiscal year	¥1,068,146	¥875,405	¥516,710	¥(35)	¥2,460,227	¥12,113	¥12,113	¥ –	¥192,827	¥2,665,168

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

(Thousands of yen)

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

Consolidated Financial Statements

4. [Consolidated Statements of Cash Flows]

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	¥ 490,710	¥ 742,456
Depreciation and amortization	124,989	27,653
Amortization of goodwill	32,198	60,290
Gain on bargain purchases	–	(56,822)
Decrease in provision for bonuses	–	(23,015)
Increase in provision for retirement benefits	311	–
Increase in retirement benefit obligations	–	311
Increase in provision for product warranties	20,000	48,000
Interest and dividend income	(23,964)	(11,757)
Interest expenses	9,837	21,902
Bond issuance cost	–	5,784
Stock issuance cost	2,134	5,546
Foreign exchange losses	3,345	2,838
Loss on retirement of property, plant and equipment	143	330
Gain on sales of investment securities	(4,122)	–
Loss on valuation of investment securities	–	8,196
Loss on sales of subsidiaries' stocks	476	–
Decrease (increase) in notes and accounts receivable—trade	(346,236)	39,366
Increase in inventories	(151,195)	(51,612)
(Increase) decrease in accounts receivable—other	14,263	(532)
Decrease (increase) in advance payments	(299,660)	253,952
Decrease (increase) in derivatives	(407,688)	411,137
Decrease in notes and accounts payable—trade	(13,245)	(128,955)
Increase (decrease) in accounts payable—other	(28,297)	64,850
Increase in accrued expenses	8,485	75,439
Increase in accrued consumption taxes	19,717	39,066
(Decrease) increase in advances received	111,922	(88,151)
Other, net	15,175	88,711
Subtotal	(420,700)	1,534,987
Interest and dividends income received	24,151	11,632
Interest paid	(10,120)	(20,328)
Income taxes paid	(3,316)	(77,640)
Net cash provided by (used in) operating activities	(409,985)	1,448,650

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,050)	(134,335)
Purchase of intangible assets	(188,250)	(33,616)
Purchase of investment securities	(1,285,050)	–
Proceeds from sales of investment securities	451,640	–
Proceeds from redemption of investment securities	1,275,000	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	*2 (31,845)
Purchase of investments in subsidiaries	–	(162,336)
Proceeds from sales of investments in subsidiaries	94,908	–
Increase in short-term loans receivable	(556,556)	(443,475)
Collection of short-term loans receivable	286,556	350,000
Payments for transfer of business	–	*3 (362,247)
Other, net	(1,700)	(33,277)
Net cash (used in) provided by investing activities	75,496	(851,134)
Cash flows from financing activities		
Net (decrease) increase in short-term loans payable	52,500	(152,500)
Proceeds from long-term loans payable	119,000	940,000
Repayment of long-term loans payable	(61,682)	(199,148)
Proceeds from issuance of bonds	200,000	200,000
Payment for the redemption of bonds	–	(200,000)
Proceeds from issuance of bonds with subscription rights to shares	–	1,209,215
Proceeds from issuance of common stock	934,006	281,971
Purchase of treasury stock	(35)	–
Payments for installment payables—property and equipment	(2,582)	(6,873)
Net cash provided by financing activities	1,241,206	2,072,665
Effect of exchange rate change on cash and cash equivalents	4,926	7,036
Net increase in cash and cash equivalents	911,644	2,677,218
Cash and cash equivalents at beginning of the fiscal year	341,622	1,253,266
Cash and cash equivalents at end of the fiscal year	*1 ¥ 1,253,266	*1 ¥3,930,484

Please refer to page 39 for *1, 2, and 3

Notes

(Notes to the Consolidated Financial Statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 5

(2) Names of consolidated subsidiaries: NCXX Solutions Inc., Care Online Limited, e-tabinet.com, Web travel Co., Ltd., 星際富通(福建)網絡科技有限公司

Among the abovementioned companies, NCXX Solutions Inc. and Care Online Limited were included in the scope of consolidation from the fiscal year ended November 30, 2014, following the conversion of these two companies into subsidiaries through new share acquisitions. In the fiscal year ended November 30, 2014, Care Online Limited adopted Japanese script for the words "Care Online" in its Japanese name.

(3) Number of non-consolidated subsidiaries: 1

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

(Reasons for exclusion from the scope of consolidation)

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

2. Application of the equity method

(1) Number of non-consolidated subsidiaries and affiliates accounted for by the equity method: None

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

(Reason for not applying the equity method)

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

3. Fiscal year of consolidated subsidiaries

The fiscal year of consolidated subsidiary 星際富通(福建)網絡科技有限公司 ends on December 31, a different date than the end of the Company's fiscal year. Accordingly, the consolidated financial statements of the Company are based on 星際富通(福建)網絡科技有限公司's provisional accounting settlement on November 30.

4. Accounting standards

(1) Valuation standards and accounting treatment for important assets

1. Investment securities

Subsidiaries' stocks and affiliates' stocks

Stated at cost determined by the moving average method.

Investment securities—other

Without market quotations

Stated at cost determined by the moving average method.

2. Inventories

Valued at cost (book value is written down when profitability declines).

(i) Work in process

Specific identification method

(ii) Raw materials

Moving average method

(2) Method for depreciating and amortizing important depreciable assets

1. Property, plant and equipment

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

The main estimated useful lives are as follows:

Buildings and structures:	5 to 39 years
Machinery, equipment and vehicles:	2 to 10 years
Tools, furniture and fixtures:	2 to 10 years

2. Intangible assets

In-house software is amortized by the straight-line method based on the estimated in-house useful life of 3 or 5 years.

In addition, software intended for commercial sale is amortized by the straight-line method based on the remaining estimated effective sales period of 3 years.

Notes

(3) Accounting for significant allowances

1. Provision for product warranties

A provision for product warranties is provided to cover product warranty costs that may be incurred after products are sold. The provision for product warranties is determined on the basis of the estimated product warranty cost.

2. Provision for bonuses

A provision for bonuses is provided to cover the costs of bonuses paid to employees of domestic consolidated subsidiaries. The provision for bonuses is determined on the basis of the amount projected to be paid in the fiscal year under review.

(4) Accounting method for retirement benefits

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

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

In November 2003, the Company introduced a defined contribution pension plan on an optional basis. Employees who joined the new plan have been shifted from the existing lump-sum retirement benefit plan to the defined contribution pension plan.

(5) Standards for translating important foreign currency denominated assets and liabilities into Japanese yen

Foreign currency denominated receivables and obligations are translated into Japanese yen using the spot exchange rate at the consolidated fiscal year-end, and translation gains and losses are charged to income. The assets and liabilities, as well as the revenues and expenses, of foreign subsidiaries and other such entities are translated into Japanese yen using the spot exchange rate at the fiscal year-end, and translation gains and losses are recorded as foreign currency translation adjustments under net assets.

(6) Accounting methods for significant hedging

a. Hedge accounting methods

Interest rate swaps that qualify for special treatment are accounted for by special treatment.

b. Hedge instrument and hedge targets

Hedge instruments:	Interest rate swaps
Hedge targets:	Borrowings

c. Hedging policy

The Company executes interest rate swaps to mitigate interest rate fluctuation risk.

d. Method of evaluating hedging effectiveness

The Company compares cumulative market fluctuations in the hedge target and the hedge instrument over the period from the start of hedging to the hedging effectiveness evaluation date, and arrives at an evaluation based on the amount of changes and other factors with respect to both the hedge target and hedge instrument.

The evaluation of hedging effectiveness is omitted for interest rate swaps and other instruments that qualify for special treatment.

(7) Method of calculating important revenues and expenses

Basis for calculating sales and cost of sales on contracted development

Completed contract basis

(8) Method and period of amortization of goodwill

Goodwill is amortized over a period of 10 years applying the straight-line method.

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

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

(10) Other notes to the consolidated financial statements

1. Accounting method for consumption taxes

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

2. Consolidated taxation

Consolidated taxation applies to some domestic consolidated subsidiaries, with e-tabinet.com as the consolidated parent company paying the taxes.

3. Treatment of stock issuance costs

Stock issuance costs are fully expensed when they arise.

4. Treatment of corporate bond issuance costs

Stock issuance costs are fully expensed when they arise.

Notes

(Change in Presentation)

(Consolidated Balance Sheets)

Provision for retirement benefits recorded in the consolidated fiscal year ended November 30, 2013 was restated as liability for retirement benefit from the close of the consolidated fiscal year ended November 30, 2014, following the adoption of “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012, hereinafter the “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, hereinafter the “Retirement Benefits Guidance”).

However, the financial statements were not retrospectively restated in connection with the adoption of the Retirement Benefits Accounting Standard and Retirement Benefits Guidance, following the transitional treatment set forth in Article 37 of the Retirement Benefits Accounting Standard.

(Consolidated Balance Sheet)

*1 Collateral assets and collateralized liabilities

Assets pledged as collateral are as follows.

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Buildings	¥ 21,871	¥ 26,533
Land	151,097	151,097
Total	¥172,969	¥177,631

Collateralized liabilities are as follows.

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Current portion of long-term loans payable	¥ 28,344	¥ 52,013
Long-term loans payable	113,307	195,306

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

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Investment securities (stocks)	¥10,904	¥10,904

*3 Contingent liabilities (compensation for damage liabilities in connection with litigation)

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Investment securities (stocks)	¥30,000(Note)	¥–

Note: The above is the amount the plaintiff is demanding in compensation for damage incurred from the Company’s product malfunctioning, as it pertains to consignment contract liability, malfeasance or product liability, in a lawsuit brought against the Company by Cyber Space Communications. The amount of damages the plaintiff claims to have incurred is ¥481,999 thousand.

The Company will refute the plaintiff’s claims on the grounds that the product did not malfunction and the plaintiff’s lawsuit is exceedingly unjust.

(Consolidated Statements of Income)

*1 Book value write down of inventory held for sale under normal conditions due to decline in profitability

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Cost of sales	¥738	¥11,458

Notes

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

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Director compensation	¥ 51,340	¥ 78,456
Salaries and allowances	194,877	278,855
Retirement benefit expenses	3,124	4,834
Commission fee	72,048	71,302
Depreciation	11,216	13,750
After-sales service expenses	56,660	13,794
Business consignment expenses	107,822	115,220

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

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Research and development expenses	¥–	¥1,406

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

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Buildings and structures	¥ –	¥312
Tools, furniture and fixtures	143	17

(Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustments and tax effects for other comprehensive income

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Foreign currency translation adjustments:		
Amount incurred during the fiscal year	¥10,424	¥11,007
Reclassification adjustments	–	–
Before tax effect adjustment	10,424	11,007
Tax effect	–	–
Foreign currency translation adjustments	10,424	11,007
Total other comprehensive income	¥10,424	¥11,007

(Consolidated Statements of Changes in Net Assets)

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

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

(Number of shares)

	Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at end of the fiscal year
Issued shares				
Common shares (Note 1)	88,447	11,542,353	–	11,630,800
Total	88,447	11,542,353	–	11,630,800
Treasury stock				
Common share (Note 2)	–	79	–	79
Total	–	79	–	79

Notes: 1. The increase in common shares was due to a stock split and a capital increase through a third-party placement of shares, as well as the exercise of subscription rights to shares.
2. The increase in treasury stock was due to the purchase of odd-lot shares.

Notes

2 Subscription rights to shares

Category	Components of subscription rights to shares	Type of shares underlying the subscription rights to shares	Number of shares underlying the subscription rights to shares: Balance at the beginning of the fiscal year	Increase during the fiscal year	Decrease during the fiscal year	Balance at the end of the fiscal year	Balance at end of the fiscal year (Thousands of yen)
Filing company (Parent company)	8th Series of Subscription Rights to Shares(Note 1) (Treasury subscription rights to shares)(Notes 2, 3)	Common shares	3,200 (–)	– (2,600)	3,200 (2,600)	– (–)	¥ – (–)
	9th Series of Subscription Rights to Shares(Note 4) (Treasury subscription rights to shares)(Notes 4, 5)	Common shares	3,400 (–)	– (3,400)	3,400 (3,400)	– (–)	– (–)
Total		–	6,600 (–)	– (6,000)	6,600 (6,000)	– (–)	¥ – (–)

Notes: 1. The decrease in the 8th Series of Subscription Rights to Shares was due to the exercise of subscription rights to 600 shares and the acquisition of treasury subscription rights to 2,600 shares.
2. The increase in the 8th Series of Subscription Rights to Shares was due to the acquisition of treasury subscription rights to shares.
3. The decrease in the 8th Series of Subscription Rights to Shares was due to the retirement of treasury subscription rights to shares.
4. The decrease in subscription rights and the increase in treasury subscription rights to the 9th Series of Subscription Rights to Shares was due to the acquisition of treasury subscription rights to shares.
5. The decrease in treasury subscription rights to the 9th Series of Subscription Rights to Shares was due to the retirement of treasury subscription rights to shares.

3 Dividends

(1) Dividends paid

Not applicable

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

Not applicable

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

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

(Number of shares)

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

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

2 Subscription rights to shares

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

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

Notes

3 Dividends
(1) Dividends paid
Not applicable

(2) Dividends with a record date that belongs to the fiscal year under review, but an effective date that falls in the following fiscal year
Not applicable

(Consolidated Statements of Cash Flows)

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

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Cash and deposits	¥1,253,266	¥3,930,484
Cash and cash equivalents	1,253,266	3,930,484

*2 The main breakdown of assets and liabilities of subsidiaries that were consolidated by acquiring new shares in fiscal 2014
The breakdown of assets and liabilities of NCXX Solutions Inc., at the point in time it was consolidated as a subsidiary through the acquisition of new shares, and the relationship between the acquisition price of NCXX Solutions Inc. shares and the net amount paid to acquire NCXX Solutions Inc. are as follows.

(Thousands of yen)

Current assets	¥ 480,447
Deferred assets	88
Goodwill	1,079
Current liabilities	(975)
Acquisition price of NCXX Solutions Inc. shares	480,640
Cash and cash equivalents of NCXX Solutions Inc.	(480,447)
Net: Amount paid to acquire NCXX Solutions Inc.	¥ 192

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

(Thousands of yen)

Current assets	¥ 43,942
Noncurrent assets	21,924
Goodwill	38,306
Current liabilities	(28,094)
Noncurrent liabilities	(16,322)
Acquisition price of Care Online Limited shares	59,756
Cash and cash equivalents of Care Online Limited	(28,103)
Net: Payment for the acquisition of Care Online Limited	¥ 31,653

*3 The main breakdown of increase in assets and liabilities in fiscal 2014, as a result of the transfer of business operations to NCXX Solutions Inc., is as follows.

(Thousands of yen)

Current assets	¥264,455
Noncurrent assets	51,415
Total assets	¥315,870
Current liabilities	¥ 41,410
Total liabilities	¥ 41,410

(Lease Transactions)

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

Notes

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

(2) Content, risk, and risk management of financial instruments
Notes and accounts receivable–trade are exposed to the credit risk of customers (risk of default by customers or counterparties). Furthermore, 32.4% of that exposure was to the NCXX Group's largest customer as of November 30, 2014. To mitigate this risk, relevant departments within each of the Group's business divisions strive to promptly detect and reduce the risk of trade receivables defaulting by keeping track of the due date and amount of notes and accounts receivable by customer or counterparty.

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

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

As a rule of thumb, trade payables, namely accounts payable—trade, and accounts payable—other have payment dates that are due in one month or less. Furthermore, the loans NCXX receives are primarily for the purpose of procuring operating funds.

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

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

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

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

2. Fair value of financial instruments
The carrying amounts in the consolidated balance sheet, fair values, and their differences as of November 30, 2013 and 2014 are as follows. In addition, financial instruments, whose fair values cannot be reliably determined, are not included. (Please see "Note 2. Carrying amount of financial instruments whose fair values cannot be reliably determined.")

Fiscal 2013 (As of November 30, 2013)

(Thousands of yen)

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥1,253,266	¥1,253,266	¥ –
(2) Notes and accounts receivable—trade	484,993	484,993	–
(3) Derivatives	411,137	411,137	–
Total	¥2,149,398	¥2,149,398	¥ –
(1) Notes and accounts payable—trade	¥ 237,766	¥ 237,766	¥ –
(2) Accounts payable—other	28,521	28,521	–
(3) Current portion of bonds	200,000	200,000	–
(4) Short-term loans payable	152,500	152,500	–
(5) Long-term loans payable (including current portion)	285,659	283,779	(1,879)
Total	¥ 904,447	¥ 902,567	¥(1,879)

Notes: 1. Measurement of fair value of financial instruments, as well as investment securities and derivative transactions

Assets:

(1) Cash and deposits and (2) Notes and accounts receivable—trade

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

(3) Derivatives

Fair values are measured based on quotations provided by firms with which the NCXX Group has entered into foreign exchange margin trading agreements.

Liabilities

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

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

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

Fair value is measured as the present value of the total amount of loan principal and interest, discounted using an interest rate that would apply to a similar new loan.

Notes

Fiscal 2014 (As of November 30, 2014)

(Thousands of yen)

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

Notes: 1. Measurement of fair value of financial instruments, as well as investment securities and derivative transactions

Assets:

(1) Cash and deposits (2) Notes and accounts receivable—trade and (3) Short-term loans payable

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

Liabilities

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

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

(4) Convertible bonds with subscription rights to shares

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

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

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

Derivative transactions

Interest rate swaps subject to special treatment are accounted for together with the long-term loans payable that are the hedge targets. Therefore, the fair value of the interest rate swaps is included in the fair value of the respective long-term loans payable.

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

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Unlisted stocks (investment securities)	¥20,954	¥12,758

Fair value is not disclosed because the fair value of these stocks cannot be reliably determined given that they do not have market prices and their future cash flows cannot be estimated.

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

Fiscal 2013 (As of November 30, 2013)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥1,253,266	¥–	¥–	¥–
Notes and accounts receivable—trade	484,993	–	–	–
Total	¥1,738,260	¥–	¥–	¥–

Fiscal 2014 (As of November 30, 2014)

(Thousands of yen)

	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥3,930,484	¥–	¥–	¥–
Notes and accounts receivable—trade	665,867	–	–	–
Short-term loans payable	448,887	–	–	–
Total	¥5,045,239	¥–	¥–	¥–

Notes

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

Fiscal 2013 (As of November 30, 2013)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	¥152,500	¥ –	¥ –	¥ –	¥ –	¥ –
Current portion of bonds	200,000	–	–	–	–	–
Long-term loans payable	57,984	81,292	57,944	39,604	19,704	29,131
Accounts payable—installment purchase	2,209	948	948	948	101	–
Total	¥412,693	¥82,240	¥58,892	¥40,552	¥19,805	¥29,131

Fiscal 2014 (As of November 30, 2014)

(Thousands of yen)

	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Current portion of bonds	¥200,000	¥ –	¥ –	¥ –	¥ –	¥ –
Convertible bonds with subscription rights to shares	–	–	1,215,000	–	–	–
Long-term loans payable	290,675	288,274	209,486	147,180	76,929	13,967
Accounts payable—installment purchase	6,442	6,229	6,327	1,126	–	–
Total	¥497,117	¥294,504	¥1,430,813	¥148,306	¥76,929	¥13,967

(Investment Securities)
1. Investment securities—other

Fiscal 2013 (As of November 30, 2013)

Unlisted investment securities (carrying amount ¥20,954 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

Fiscal 2014 (As of November 30, 2014)

Unlisted investment securities (carrying amount ¥12,758 thousand) are not disclosed because the fair value of these securities cannot be reliably determined given that they do not have market prices.

2. Loss on valuation of investment securities

NCXX recorded an ¥8,196 thousand loss on valuation of investment securities (¥8,196 thousand on investment securities—other) in fiscal 2014.

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

(Derivative Transactions)

Fiscal 2013 (As of November 30, 2013)

Derivative transactions to which hedge accounting is not applied

Foreign exchange

(Thousands of yen)

Category	Type of transaction	Contract amount	Amount of contract exceeding one year	Fair value	Valuation gain
Off-market transaction	Foreign exchange margin trade				
	Long position				
	U.S. dollars	¥2,884,307	¥–	¥3,027,626	¥143,318
Total		¥2,884,307	¥–	¥3,027,626	¥143,318

Notes: 1. Calculation of fair value
Fair value is based on the exchange rate indicated by the company with which the foreign exchange margin trading agreement was concluded.
2. The valuation gain of ¥143,318 thousand was recorded as a foreign exchange gain in the consolidated statements of income, and as a derivatives asset, along with the ¥267,819 thousand in initial margin for the transaction above, in the consolidated balance sheets.

Notes

Fiscal 2014 (As of November 30, 2014)

Derivative transactions to which hedge accounting is applied

Interest rate

(Thousands of yen)

Hedge accounting method	Type of transaction	Main hedge target	Contract amount	Amount of contract exceeding one year	Fair value
Special treatment of interest rate swaps	Interest rate swap transaction Variable interest—received Fixed interest—paid	Long-term loans payable	¥200,000	¥121,662	(Note)

(Note) Interest rate swaps to which the special treatment is applied are accounted for together with the long-term loans payable targeted for hedging. Therefore, their fair value is included in the fair value of long-term loans payable.

(Retirement Benefits)

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

1. Overview of retirement benefit plan

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

2. Retirement benefit obligations

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)
(1) Retirement benefit obligations	¥3,511
(2) Unappropriated transitional obligations for retirement benefits	414
(3) Provision for retirement benefits (1)–(2)	¥3,096

3. Retirement benefit expenses

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)
Retirement benefit expenses	¥7,556
(1) Premiums paid on defined contribution pension plan	7,245
(2) Amortization of transitional obligations for retirement benefits	311

4. Basis for calculation of retirement benefit obligations

Amortization period of transitional obligations for retirement benefits: 15 years

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

1. Overview of retirement benefit plan

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

Certain consolidated subsidiaries have an elective system in which employees can choose between a defined contribution pension plan and a prepaid retirement benefit plan.

NCXX applies the simplified method for calculating the liability and expenses on its lump-sum retirement benefit plan.

2. Simplified-method defined benefit plan

(1) Reconciliation of balance of simplified-method liability for retirement benefit as of December 1, 2013 and balance as of November 30, 2014

(Thousands of yen)

Balance of liability for retirement benefit as of December 1, 2013	¥3,096
Retirement benefit expenses	311
Balance of liability for retirement benefit as of November 30, 2014	¥3,407

Notes

(2) Reconciliation of balance of retirement benefit obligations and liability for retirement benefit on the balance sheet as of November 30, 2014

(Thousands of yen)

Retirement benefit obligations for non-funded plans	¥3,511
Unappropriated transitional obligations for retirement benefits	(103)
Net liability on balance sheet	3,407
Liability for retirement benefit	3,407
Net liability on balance sheet	3,407

(3) Retirement benefit expenses

(Thousands of yen)

Expensing of transitional obligations for retirement benefits	¥311
Retirement benefit expenses based on the simplified method	311

3. Defined contribution pension plan

The required contributions to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥23,796 thousand.

4. Prepaid retirement benefit plan

Payments made to the prepaid retirement benefit plans of consolidated subsidiaries were ¥6,248 thousand.

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

(Thousands of yen)

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

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

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

(Note) Recorded based on the number of eligible shares

(2) Stock option scale and change

Existing stock options as of fiscal 2014 (ended November 2014) are recorded herein on the basis of the number of eligible shares.

1. Number of stock options

(Shares)

	11th Series of Subscription Rights to Shares
Before vesting	
As of November 30, 2013	–
Granted	100,000
Forfeited	–
Vested	–
Outstanding	100,000
After vesting	
As of November 30, 2013	–
Vested	–
Exercised	–
Forfeited	–
Exercisable	–

Notes

2. Unit price information

(Yen)

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

3. Method for estimating the fair value of stock options

The method for estimating fair value of the 11th Series of Subscription Rights to Shares granted in fiscal 2014 was as follows.

1. Valuation method: Black-Scholes formula
2. Main assumptions and estimates

	11th Series of Subscription Rights to Shares
Stock price volatility(Note 1)	70.56%
Estimated period to expiry(Note 2)	3 years
Estimated dividend yield(Note 3)	0%
Risk free interest rate(Note 4)	0.063%

Notes: 1. Three years (from September 2011 to September 2014) calculated based on monthly stock price results.
2. Due to insufficient data for making a reasonable estimate, the period to expiry is estimated based on the assumption that the subscription rights to shares will be exercised at the midpoint of the exercise period.
3. Based on dividend yields in the past.
4. The yield of Japanese government bonds for the estimated period to expiry.

4. Method for estimating the number of vested stock options

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

(Tax-Effect Accounting)
1. Main factors giving rise to deferred tax assets and liabilities

(Thousands of yen)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Deferred tax assets		
Accrued enterprise taxes	¥ 6,216	¥ 7,118
Provision for product warranties	15,964	32,076
Provision for bonuses	–	10,901
Provision for retirement benefits	1,103	–
Liability for retirement benefit	–	1,214
Excess depreciation and amortization	6,377	5,606
Loss on valuation of telephone subscription right	995	995
Loss on valuation of inventories	10,521	14,605
Loss on valuation of subsidiaries' stocks	31,789	31,789
Carry forwards of unused tax losses	829,220	613,342
Others	790	4,115
Deferred tax assets subtotal	902,979	721,766
Valuation allowance	(897,805)	(704,097)
Deferred tax assets total	5,173	17,668
Deferred tax liabilities		
Goodwill adjustment	–	(26,492)
Deferred tax liabilities total	–	(26,492)
Net deferred tax liabilities	¥ –	¥ (8,823)

Notes

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

(%)

	Fiscal 2013 (As of November 30, 2013)	Fiscal 2014 (As of November 30, 2014)
Statutory income tax rate	38.0%	38.0%
(Adjustments)		
Entertainment and other non-deductible expenses	0.2	0.6
Amortization of goodwill	2.5	1.7
Dividends and other non-taxable income	(0.0)	(0.0)
Inhabitants taxes—per capita levy	0.5	0.6
Change in valuation allowance	(0.2)	(2.5)
Downward adjustment to the ending balance of deferred tax assets due to changes in statutory tax rate	–	6.5
Carry forwards of unused tax losses and other deductions	(32.9)	(31.4)
Others	0.5	(0.2)
Effective income tax rate	8.6%	13.3%

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

Following the promulgation of the "Act for Partial Revision of the Income Tax Act" (Act No. 10, 2014) on March 31, 2014, the special corporate tax for reconstruction will no longer be levied from fiscal years beginning on or after April 1, 2014. In line with this change, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities for temporary differences expected to reverse in or after the fiscal year beginning on December 1, 2014 has been reduced from the previous 38.0% to 35.6%.

As a result of this change in taxation rate, the net amount of deferred tax liabilities (less the amount of deferred tax assets), as well as the amount of deferred income taxes, was reduced by ¥209 thousand.

(Asset Retirement Obligations)

Fiscal 2013 (From December 1, 2012 to November 30, 2013) and
Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Under its real estate lease contract, NCXX and its consolidated subsidiaries have obligations to restore their Head Office to its original condition when vacating it. However, this asset retirement obligation cannot be estimated reasonably, given that the period of use of the relevant lease asset remains unclear, and the Group has no plan for relocating. Consequently, no such asset retirement obligation was recorded in this report.

(Segment Information)
[Segment Information]
1. Overview of reportable segments

The Company's reportable segments are components of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on resource allocation and assessing business results.

The NCXX Group formulates comprehensive strategies at the NCXX Head Office and is expanding business activities related to the products and services it handles. The NCXX Group's businesses are made up of segments classified based on products and services, as follows.

Please note that the systems development business operated by NCXX Solutions Inc. and the ASP service business for nursing care centers operated by Care Online Limited have been included in the device business from the fiscal year ended November 30, 2014.

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

Notes

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

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

Segment income for reportable segments is based on operating income.

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

(Thousands of yen)

	Reportable segment				
	Device business	Internet travel business	Total	Adjustments	Consolidated
Net sales					
Sales to third parties	¥3,150,081	¥1,798,208	¥4,948,289	¥ –	¥4,948,289
Inter-segment sales and transfers	–	11,100	11,100	(11,100)	–
Total	3,150,081	1,809,308	4,959,389	(11,100)	4,948,289
Segment income	311,860	17,081	328,942	(69,473)	259,468
Segment assets	1,948,821	492,563	2,441,385	1,636,247	4,077,632
Other items					
Depreciation and amortization	121,283	2,374	123,657	1,331	124,989
Amortization of goodwill	–	32,198	32,198	–	32,198
Increase in property, plant and equipment and intangible assets	187,654	596	188,250	–	188,250

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

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

(Thousands of yen)

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

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

[Related Information]

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

1. Information by products and services

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

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan accounts for over 90% of net sales in the consolidated statements of income.

Notes

(2) Property, plant and equipment

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

3. Information by major customer

(Thousands of yen)

Name	Net sales	Segment
KAGA ELECTRONICS CO., LTD.	¥1,572,025	Device Business

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

1. Information by products and services

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

2. Information by region

(1) Net sales

Disclosure is omitted as sales to external customers in Japan accounts for over 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

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

3. Information by major customer

(Thousands of yen)

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

[Information on impairment loss on property, plant and equipment by reportable segment]

Fiscal 2013 (From December 1, 2012 to November 30, 2013)
Not applicable

Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Not applicable

[Information on amortized amount and unamortized balance of goodwill by reportable segment]

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

(Thousands of yen)

	Device business	Internet travel business	Corporate and elimination	Total
Amortized amount	¥–	¥ 32,198	¥–	¥ 32,198
Unamortized balance	–	232,168	–	232,168

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

(Thousands of yen)

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

[Information on gain on bargain purchase by reportable segment]

Fiscal 2013 (From December 1, 2012 to November 30, 2013)
No items to report

Fiscal 2014 (From December 1, 2013 to November 30, 2014)
A ¥56,822 thousand gain on bargain purchase was recorded as extraordinary income subsequent to the acquisition of additional shares in a consolidated subsidiary in the Internet travel business.

Notes

[Information on Related Parties]
1. Transactions with related parties
(1) Transactions between the filing company and related parties
(a) Parent company of the filing company and major shareholders (only companies and other such entities)

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Minato-ku, Tokyo	¥ 1,208	Information services business, consulting business	(Ownership ratio) Direct (35.07) Indirect (25.79)	Concurrent officers	Funds lent	¥150,000	Short-term loans receivable	¥150,000
							Interest received	2,638	Accounts receivable—other	–
							Funds repaid	100,000	Short-term loans payable	–
							Debt guarantee received	57,920	–	–
							Interest paid	386	Accrued expenses	–
							Capital increase through third-party placement of shares	599,982	–	–
Other related companies	Diamond Agency, Inc.	Minato-ku, Tokyo	407	Advertising agency services	(Ownership ratio) Direct (25.79)	Concurrent officers	Funds lent	150,000	Short-term loans receivable	–
							Funds recovered	150,000		
							Interest received	801	Accounts receivable—other	–
Major corporate shareholder	Index Corporation(Note 2)	Setagaya-ku, Tokyo	39,379	(Note 2)	(Ownership ratio) Direct (15.41)	–	–	–	Long-term loans payable	23,308

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

Type	Name of company or other entity	Address	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Minato-ku, Tokyo	¥1,210	Information services business, consulting business	Direct (33.11) Indirect (24.36)	Concurrent officers	Funds lent	¥150,000	Short-term loans receivable	¥150,000
							Interest received	4,126	Accounts receivable—other	56
							Convertible bonds with subscription rights to shares placed	600,000	Convertible bonds with subscription rights to shares	600,000
							Interest paid	3,282	Accounts payable—other	3,282

Notes

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company	FISCO Capital Ltd.	Minato-ku, Tokyo	¥33	Consulting business	–	Concurrent officers	Funds borrowed	¥490,000	Short-term loans payable	¥–
							Funds repaid	490,000		
							Interest paid	1,651	Accrued expenses	–

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

Not applicable.

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer and his relatives	Tsukasa Akiyama	Officer	–	Representative Director and President of NCXX Inc.	Debt guarantee received	¥141,651	–	¥–

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

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

Notes: 1. Transaction terms and policy on determining transaction terms and conditions

(1) The interest rate on funds lent or borrowed is determined reasonably based on prevailing market interest rates. Moreover, collateral is not provided.

(2) In regard to the third-party placement of convertible bonds with subscription rights to shares, the issue price of the bond was ¥100 per ¥100 face value and the conversion price was ¥419, the closing price of the common shares of NCXX Inc. on the Tokyo Stock Exchange JASDAQ Standard Market on October 29, 2014, the business day before the date of the Board of Directors' resolution on the third-party placement. The issue price was determined based on discussions with the alottees, taking into consideration the Company's current circumstances, including its total number of issued shares and the number of new shares to be issued through the third-party placement, along with the liquidity, volatility, and recent rate of increase in value of NCXX Inc. shares trading on the stock market, as well as various other factors related to stock market conditions.

(3) The Company has received debt guarantees for bank loans. The Company does not pay a fee for those debt guarantees.

Notes

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

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Parent company	FISCO Ltd.	Minato-ku, Tokyo	¥1,208	Information services business, consulting business	(Ownership ratio) Direct (35.07) Indirect (25.79)	Concurrent officers	Funds lent	¥200,000	Short-term loans receivable	¥200,000
							Interest received	3,517	Accounts receivable—other	–

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

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

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Head office location	Paid-in capital or investment (Millions of yen)	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Companies with the same parent company	FISCO Capital Ltd.	Minato-ku, Tokyo	¥33	Consulting business	–	–	Funds recovered	¥80,000	Short-term loans receivable	¥–
							Interest received	2,202	Accounts receivable—other	–

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

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

Notes

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

Fiscal 2013 (From December 1, 2012 to November 30, 2013)

Type	Name of company or other entity	Description of business or occupation	Percentage of voting rights held (%)	Relationship with related party	Nature of transaction	Amount of transaction (Thousands of yen)	Item	Ending balance (Thousands of yen)
Officer of a significant subsidiary and his relatives	Satoshi Ishii	Officer	–	Representative Director of a subsidiary	Debt guarantee received	¥32,360	–	¥–

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

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

Notes: Transaction terms and policy on deciding transaction terms and conditions
(1) The interest rate on funds lent is determined reasonably based on prevailing market interest rates. Moreover, collateral is not provided.
(2) The subsidiary has received debt guarantees for bank loans. The subsidiary does not pay a fee for those debt guarantees.
For reference, Satoshi Ishii stepped down from the position of Representative Director of a subsidiary, effective November 30, 2014.

2. Notes on the parent company or significant related companies

(1) Parent company information

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

(2) Summary financial information on significant related companies

Not applicable

Notes

(Business Combination)

I Absorption-Type Corporate Split by Consolidated Subsidiary

1. Overview of business combination

(1) Name and business of the absorption-type corporate split target

Name of target: SJI Inc.

Business: Systems development business of SJI Inc.'s Chubu Division, Kansai Division, and Kyushu Division

(2) Main reason for the business combination and rationale for deciding on the acquisition target

By succeeding the systems development business of SJI Inc.'s Chubu Division, Kansai Division, and Kyushu Division through an absorption-type corporate split, the NCXX Group can expect to realize a high degree of synergy with the strong systems development capabilities, and technological expertise for developing hardware for hosting the systems, split from the target company. This goes beyond the provision of devices as products to include the provision of user-friendly packaged products incorporating dedicated systems and the in-housing of various software and systems development needed for NCXX to develop new products, which otherwise would have been outsourced. In addition, the NCXX Group can aim for business expansion, as this will enable it to build a marketing infrastructure targeting prominent companies in the respective regions and contribute to increased sales of remote monitoring, automotive, and other M2M products.

(3) Business combination date

January 31, 2014

(4) Statutory basis of business combination

An absorption-type corporate split with SJI Inc. as the corporate split target and NCXX Solutions Inc. as the succeeding company.

(5) Name of company after business combination

NCXX Solutions Inc.

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

January 31, 2014 to November 30, 2014

3. Acquisition cost of acquisition target and components

(Thousands of yen)

Consideration for acquisition	Cash and other payments	¥480,000
	Fair value of 2,400 shares of NCXX Solutions Inc. stock issued on the business combination date at ¥50,000 per share	120,000
Direct acquisition expenses	Advisory and other fees	9,773
Acquisition cost		¥609,773

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

(1) Amount of goodwill

¥335,312 thousand

(2) Reason for goodwill

Goodwill consists mainly of the premium expected from business expansion of the NCXX Group as a result of the synergy between the Group's business operations and the aforementioned systems development business.

(3) Amortization method and amortization period

Straight line method over 10 years

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

(Thousands of yen)

Current assets	¥264,455
Noncurrent assets	51,415
Total assets	¥315,870
Current liabilities	¥ 41,410
Total liabilities	¥ 41,410

Notes

6. Estimated impact on NCXX's consolidated statement of income for fiscal 2014, and the estimation method, assuming the business combination was completed on December 1, 2013

(Millions of yen)

Net sales	¥382
Operating income	17
Ordinary income	17
Income before income taxes and minority interests	17
Net income	11
Net income per share	¥0.95

(Estimation Method)

The estimated impact is calculated by subtracting information on sales and profits in the consolidated statements of income of NCXX Inc. from the information on sales and profits calculated on the assumption that the business combination was completed on December 1, 2013. Moreover, the amount of goodwill amortization is calculated assuming goodwill from the business combination is recognized on December 1, 2013.
Notes on this business combination have not received accounting audit certification.

II Acquisition of Shares in Subsidiaries

1. Overview of business combination

(1) Name and business of acquired company

Name of acquired company: Care Online Limited
Business: Application service provider (ASP) services for nursing care centers

(2) Main reason for the business combination and rationale for deciding on the acquisition target company

Services provided by Care Online Limited's own nursing care centers are expected to expand in line with growth in the nursing care market in Japan. At the same time, NCXX aims to leverage various synergies to expand its device business and the business operations of Care Online. These synergies include combining Care Online's software and NCXX's communication technology assets in giving rise to tablets and other new solutions for confirming and inputting information on a timely basis on the front lines of home-visit nursing and nursing care, in response to the policies on home-visit healthcare and nursing care the government is in the process of promoting. (An optimal mobile platform with little impact on the human body and medical equipment can be established with the use of Personal Handyphone System (PHS) equipment said to emit low amounts of electromagnetic waves.) In addition, the Company's various technology assets and customer domains can be shared to realize synergies in providing services, such as keeping watch of the elderly who live alone, who as a group have become a social concern in Japan.

(3) Business combination date

December 12, 2013

(4) Statutory basis of business combination

Share acquisition

(5) Name of company after business combination

Care Online Limited

(6) Ratio of voting rights acquired

Ratio of voting rights before share acquisition: –%
Ratio of voting rights acquired on the business combination date: 100%

2. Period of business results of the acquired company included in the consolidated financial statements

January 1, 2014 to November 30, 2014, as the effective acquisition date is December 31, 2013.

Notes

3. Acquisition cost of the acquired company and components

(Thousands of yen)

Consideration for acquisition	Cash payment	¥59,756
Acquisition cost		¥59,756

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

(1) Amount of goodwill

¥38,306 thousand

(2) Reason for goodwill

Goodwill consists mainly of the premium expected from business expansion of the NCXX Group as a result of the synergy between the Group's business operations and the aforementioned systems development business.

(3) Amortization method and amortization period

Straight line method over 10 years

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

(Thousands of yen)

Current assets	¥43,942
Noncurrent assets	21,924
Total assets	¥65,866
Current liabilities	¥28,094
Noncurrent liabilities	16,322
Total liabilities	¥44,416

6. Estimated impact on NCXX's consolidated statement of income for fiscal 2014, and the estimation method, assuming the business combination was completed on December 1, 2013

Impact of the acquisition on NCXX's consolidated statement of income for fiscal 2014 was negligible and omitted from disclosure.

III Transactions with Entities under Common Control

Additional acquisition of shares in subsidiaries

1. Overview of business combination

(1) Name and business of acquired company

Name of acquired company: e-tabinet.com

Business: Internet travel business

(2) Main reason for the business combination and rationale for deciding on the acquisition target company

NCXX acquired shares at the request of minority shareholders and to strengthen the Group's management structure.

(3) Business combination date

June 27, September 3, and September 19, 2014

(4) Statutory basis of business combination

Transactions with minority shareholders to acquire shares

(5) Name of company after business combination

No change

(6) Ratio of NCXX's voting rights in e-tabinet.com

Before additional acquisitions: 55.47%

After additional acquisitions: 94.05%

2. Overview of accounting treatment

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

Notes

3. Acquisition cost of the acquired company and components

(Thousands of yen)

Consideration for acquisition	Cash payment	¥162,336
Acquisition cost		¥162,336

4. Amount of gain on bargain purchase and reason for gain on bargain purchase (from shares acquired on June 27, 2014 and September 19, 2014)

(1) Amount of gain on bargain purchase

¥56,822 thousand

(2) Reason for gain on bargain purchase

The gain on bargain purchase resulted from the cost of subsidiary shares acquired from minority shareholders being less than the decline in minority interests.

5. Amount of goodwill and reason for goodwill (from shares acquired on September 3, 2014)

(1) Amount of goodwill

¥42,367 thousand

(2) Reason for goodwill

Goodwill resulted from the cost of subsidiary shares acquired from minority shareholders being greater than the decline in minority interests.

(3) Amortization method and amortization period

Straight line method over 10 years

(Per Share Information)

(Yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)		Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Net assets per share	¥212.57	Net assets per share	¥276.14
Net income per share	39.79	Net income per share	54.07
Although there were potentially dilutive shares, these shares did not have a dilutive effect. Accordingly, diluted net income per share is not disclosed.		Diluted net income per share	51.60

Notes: 1. The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net assets per share and net income per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.
2. The basis for calculating the amounts for net income per share and diluted net income per share is as follows:

(Thousands of yen)

	Fiscal 2013 (From December 1, 2012 to November 30, 2013)	Fiscal 2014 (From December 1, 2013 to November 30, 2014)
Amounts for net income per share		
Net income	¥430,325	¥630,311
Amounts not attributable to common shareholders	–	–
Net income related to common shares	430,325	630,311
Average number of common shares during the period (Shares)	10,814,919	11,657,041
Amounts for diluted net income per share		
Adjustments to net income	–	2,034
[Of which, interest expenses (after tax adjustment)]	(–)	(2,034)
Increase in number of common shares (Shares)	–	597,795
[Of which, convertible bonds with subscription rights to shares (Shares)]	(–)	(597,795)
Outline of dilutive shares excluded from the calculation of diluted net income per share because of not having a dilutive effect	Two types of subscription rights to shares (264 subscription rights for 660,000 underlying shares)(Note 3)	11th Series of Subscription Rights to Shares (1,000 subscription rights for 100,000 underlying shares)

Notes

3. The Company issued the 8th Series of Subscription Rights to Shares and the 9th Series of Subscription Rights to Shares (collectively, "the Subscription Rights") on June 29, 2011. Pursuant to the issuance guidelines for the Subscription Rights, Brilliance Hedge Fund and Brilliance Multi Strategy Fund, the owners of the Subscription Rights, requested the Company to purchase all of the remaining Subscription Rights for consideration equivalent to the paid-in amount for the Subscription Rights. Accordingly, pursuant to a resolution of the Board of Directors on June 27, 2013, the Company purchased all of the remaining Subscription Rights as of the acquisition date and cancelled all of the Subscription Rights immediately after the acquisition. Details are as follows:

(1) Name of the subscription rights to shares that were acquired and cancelled	8th Series of Subscription Rights to Shares and 9th Series of Subscription Rights to Shares
(2) Number of subscription rights to shares that were acquired and cancelled	Total of 240 subscription rights (104 for the 8th Series of Subscription Rights to Shares and 136 for the 9th Series of Subscription Rights to Shares)
(3) Acquisition and cancellation date	June 27, 2013
(4) Acquisition value	Total of ¥1,337,240 (¥6,334 per subscription right for the 8th Series of Subscription Rights to Shares and ¥4,989 per subscription right for the 9th Series of Subscription Rights to Shares)
(5) Number of subscription rights to shares remaining after the cancellation	0

(Subsequent Events)
1. Incorporation-type company split

On January 26, 2015, the Board of Directors of NCXX resolved to shift to a holding company structure by conducting an incorporation-type company split, effective April 1, 2015. Details of the incorporation-type company split are as follows.

(1) Purpose of the company split

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

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

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

(2) Schedule of the company split

Approval of the plan for an incorporation-type company split by the Board of Directors: January 26, 2015
Approval of the plan for an incorporation-type company split by the General Meeting of Shareholders: February 25, 2015
Effective date of the company split: April 1, 2015 (planned)

(3) Method of company split

The method is an incorporation-type company split with the Company as the company to be split and a newly established NCXX Inc. as the succeeding company. At the same time, the newly established NCXX Inc. will assume the rights and obligations of the Company's device business (excluding the agricultural ICT business) as set forth below in "(5) Rights and obligations to be assumed."

(4) Company split allocation

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

(5) Rights and obligations to be assumed

As set forth in the "plan for an incorporation-type company split," dated January 26, 2015, the Company will transfer the rights and obligations to the assets of the succeeded business, relevant employment contracts between the Company and its employees, and other relevant contractual statuses to the newly established NCXX Inc., and the newly established NCXX Inc. will assume those rights and obligations.

However, the newly established NCXX Inc. will not assume the liabilities of the Company.

Notes

(6) Overview of the incorporation-type company split

	Company to be split (As of November 30, 2014)		Newly established (succeeding) company (To be established April 1, 2015)	
1. Name	NCXX Inc. (To be renamed NCXX Group Inc., effective April 1, 2015)		NCXX Inc.	
2. Location	2-32-1 Kunuginome, Hanamaki City, Iwate Prefecture		Same	
3. Name and title of representative	Tsukasa Akiyama, Representative Director and President		Same	
4. Business	Device business, robotics business, agriculture		Device business	
5. Capital Stock	¥1,212 million		¥310 million	
6. Establishment (founding) date	April 21, 1984		April 1, 2015 (planned)	
7. Issued shares	12,317,000 shares		26,000 shares	
8. Fiscal year-end	November 30		Same	
9. Major shareholders and their shareholding ratio	FISCO Ltd.	33.11%	NCXX Group Inc.	100%
	DIAMOND AGENCY, Inc.	24.35%		
	Abit Holdings Co., Ltd.	2.83%		

(7) Overview of division to be split

1. Business of division to be split

Device business (excluding the agricultural ICT business)

2. Business performance of division to be split (Fiscal year ended November 30, 2014)

(Millions of yen)

	Business result of division to be split (a)	Business result of company to be split (b)	Ratio (a/b)
Net sales	¥2,827	¥6,375	44.3%

3. Category and amount of assets and liabilities to be assumed (Fiscal year ended November 30, 2014)

(Millions of yen)

Assets		Liabilities	
Category	Carrying amount	Category	Carrying amount
Current assets	¥ 842	Current liabilities	¥–
Noncurrent assets	190	Noncurrent liabilities	–
Total	¥1,033	Total	¥–

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

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

On January 26, 2015, the Board of Directors of NCXX decided to submit a resolution for approval by the 31st Ordinary General Meeting of Shareholders to be held on February 25, 2015, delegating it the authority to decide the particulars for issuing and allotting subscription rights to shares, pursuant to the provisions of Article 236, Article 238 and Article 239 of the Companies Act. The Board of Directors plans to allot the subscription rights to shares to directors and employees of NCXX and its related companies as stock options granted at particularly advantageous terms. The goal will be to raise the motivation and morale of the directors and employees by providing them with an incentive to enhance the Group's earnings performance and corporate value.

The resolution was subsequently approved by the 31st Ordinary General Meeting of Shareholders held on February 25, 2015.

Details regarding the subscription rights to shares are as follows.

(1) Name of subscription rights to shares

12th Series of Subscription Rights to Shares of NCXX Inc.

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

Total number of subscription rights to shares

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

Class and number of underlying shares

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

Notes

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

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

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

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

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

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

(4) Allotment date of subscription rights to shares

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

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

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

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

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

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

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

(6) Exercise period of subscription rights to shares

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

(7) Conditions for exercising subscription rights to shares

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

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

1. The Company may buy back the subscription rights to shares from the holders free of charge, on a date specified separately by the Board of Directors, in the event that a resolution for a merger agreement under which the Company will become the dissolving company, or a resolution for a stock exchange agreement or stock transfer plan under which the Company will become a wholly-owned subsidiary, is approved by the General Meeting of Shareholders (or by the Board of Directors if approval by the General Meeting of Shareholders is not required).
2. Following the allotment date of particular subscription rights to shares, the Company may buy back the particular subscription rights to shares from the holders free of charge if the closing price of the Company’s common stock traded on the Tokyo Stock Exchange on any business day falls to 50% or lower than the exercise price of the particular subscription rights to shares (with fractions less than one (1) yen rounded down).
3. The Company may buy back any and all subscription rights to shares of a particular holder free of charge, on a date specified separately by the Board of Directors, in the event that the particular holder no longer satisfies the provisions set forth above in “(7) Conditions for exercising subscription rights to shares.”

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

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

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

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

Notes

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

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

3. Exercise of the rights to the Company's unsecured bonds with subscription rights to shares
All subscription rights to shares to the Company's third and fourth series of convertible bonds with subscription rights to shares (3rd series: four rights, 4th series: 815 rights) have been exercised. Details are as follows.

(1) Overview

Name	NCXX Inc. Third Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Conversion price	¥400,000,000
Conversion price (per share)	¥622
Number of shares issued by the conversion	643,086 shares
Rights holder	FISCO Ltd.
Exercise date	February 5, 2015

Name	NCXX Inc. Fourth Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Conversion price	¥815,000,000
Conversion price (per share)	¥419
Number of shares issued by the conversion	1,945,101 shares
Rights holder	MARVEL TIME GLOBAL LIMITED (620,525 shares), FISCO Ltd. (477,326 shares), Brilliance Multi Strategy Fund (286,395 shares), AMANO HOMBU INC. (238,663 shares), and three other parties
Exercise date	From December 12, 2014 to February 5, 2015

Note: As a result of the above, the total number of issued shares of the Company increased 2,588,187 shares from November 30, 2014, to 14,905,187 shares as of February 5, 2015.

(2) The FISCO Ltd. Group's shareholding ratio relative to the Company's total number of issued shares following exercise of the subscription rights to shares

(As of February 5, 2015)

	Before exercise	After exercise
(The Company's total number of outstanding shares)	(13,784,755 shares)	(14,905,187 shares)
FISCO Ltd.	4,078,300 shares (29.6%)	5,198,712 shares (34.8%)
FISCO DIAMOND AGENCY, Inc.(Note)	3,000,000 shares (21.7%)	3,000,000 shares (20.1%)
Total	7,078,300 shares (51.3%)	8,198,712 shares (55.0%)

Note: DIAMOND AGENCY, Inc. was renamed FISCO DIAMOND AGENCY, Inc. on February 12, 2015.

(3) The Company's capital stock and capital reserve following the exercise of subscription rights to shares (As of February 5, 2015)
1. Capital stock: ¥1,819,748 thousand
2. Capital reserve: ¥1,219,062 thousand

4. Court-mediated settlement of litigation
(1) Chronology from litigation to court-mediated settlement
On November 21, 2012, a lawsuit was filed by Cyber Space Communications (Representative: Eiichiro Murata, Representative Director and President, Location: 2-7 Hamamatsu-cho 1 chome, Minato-ku, Tokyo) against NCXX Inc. and one other company, seeking tort compensation for damage incurred in connection with unlawful and other activities surrounding NCXX's product allegedly malfunctioning. The lawsuit was subsequently heard in court in conjunction with a lawsuit filed by Eneres Co., Ltd. (Representative: Norio Murakami, President and CEO, Registered location: Art Center of Tokyo, 1-4-1 Senju, Adachi-ku, Tokyo) against Cyber Space Communications seeking tort compensation for damage incurred from the same allegations. NCXX has insisted throughout that the product allegedly malfunctioning was no fault of its own.

However, in response to a court recommendation to reach a settlement, NCXX has decided to settle the lawsuit, after having weighed the pros and cons of settling the claims. This was in light of the fact that two years had passed since the lawsuit was first filed, and NCXX had incurred opportunity losses because human resources were tied up responding to the case. The lawsuit concerns the content of sophisticated technology, and proving NCXX was not at fault would have involved an even larger commitment of time, money and other economic and manpower costs over a prolonged period of time until a final and binding judgment could be reached. In addition, there was no favorable outlook in continuing to contest the case in court. Moreover, considering the claims brought against NCXX were only one part of the lawsuits for seeking damages, it was conceivable that the damages sought would grow if the Company continued to seek a ruling on the case in court. After broad consideration of the circumstances, NCXX concluded that seeking a prompt settlement would benefit the Company most.

Notes

(2) Overview of the court-mediated settlement

As an outcome of the court hearing of the case, as mentioned above in conjunction with the lawsuit brought against Cyber Space Communications by Eneres Co., Ltd., a court-mediated settlement was reached between the three parties, including Eneres Co., Ltd., on February 13, 2015 as follows.

1. NCXX will pay a settlement of ¥25,000 thousand to Eneres Co., Ltd.
2. The plaintiff, Cyber Space Communications, will waive all claims against NCXX.
3. Apart from the settlement paid as agreed, there will no longer be any claims or obligations between the three parties.
4. Each party will bear their own expenses incurred during the lawsuits.

[Consolidated Supplementary Schedules]

[Schedule of corporate bonds]

Issuer	Series	Issuance date	Starting balance in fiscal 2014 (Thousands of yen)	Ending balance in fiscal 2014 (Thousands of yen)	Interest (%)	Collateral	Maturity date
NCXX Inc.	1st Series of Unsecured Ordinary Corporate Bonds	June 12, 2013	¥ 200,000 (200,000)	¥ – (–)	2.25	None	December 11, 2013
NCXX Inc.	2nd Series of Unsecured Ordinary Corporate Bonds	December 11, 2013	– (–)	200,000 (200,000)	2.25	None	December 10, 2014
NCXX Inc.	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares	February 7, 2014	– (–)	400,000 (–)	1.0	None	February 6, 2017
NCXX Inc.	4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares	November 17, 2014	– (–)	815,000 (–)	0.5	None	November 16, 2017
Total	–	–	¥ 200,000 (200,000)	¥1,415,000 (200,000)	–	–	–

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

Series	3rd Series of Unsecured Convertible Bonds with Subscription Rights to Shares	4th Series of Unsecured Convertible Bonds with Subscription Rights to Shares
Type of shares to be issued	Common shares	Common shares
Issue price of subscription rights (Yen)	Gratis	Gratis
Issue price of shares (Yen)	¥622	¥419
Total face amount (Thousands of yen)	¥400,000	¥815,000
Total amount of shares to be issued upon exercise of subscription rights to shares (Millions of yen)	–	–
Percentage of shares granted per subscription right (%)	100%	100%
Exercise period of the subscription rights	From February 7, 2014 to February 6, 2017	From November 17, 2014 to November 16, 2017

Note: The information above assumes that the full payment due for exercising subscription rights to shares is paid in lieu of the full redemption of the convertible bonds associated with those rights when requested by rights holders seeking to exercise their subscription rights to shares. It is further assumed that such a request is made when the subscription rights to shares are exercised.

Notes

3. Scheduled redemptions due within five years subsequent to November 30, 2014 are as follows.

(Thousands of yen)

Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
¥200,000	¥–	¥1,215,000	¥–	¥–

[Schedule of borrowings]

(Thousands of yen)

Category	Starting balance in fiscal 2014	Ending balance in fiscal 2014	Average interest rate (%)	Repayment
Short-term loans payable	¥152,500	¥ –	–	–
Current portion of long-term loans payable	57,984	290,675	1.7	–
Current portion of lease obligations	–	–	–	–
Long-term loans payable (excluding current portion)	227,675	735,836	1.6	2015 to 2021
Lease obligations (excluding current portion)	–	–	–	–
Other interest-bearing debt				
Current portion of accounts payable —installment purchase	2,209	6,442	2.0	–
Long-term accounts payable —installment purchase	2,947	13,682	2.0	2015 to 2018
Total	¥443,316	¥846,636	–	–

Notes: 1. Average interest rate represents the weighted average interest rate for the balance at November 30, 2014.
2. Scheduled repayments of long-term loans payable (excluding current portion) and other interest-bearing debt (excluding current portion) due within five years subsequent to November 30, 2014 are as follows.

(Thousands of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	¥288,274	¥209,486	¥147,180	¥76,929
Long-term accounts payable —installment purchase	6,229	6,327	1,126	–

3. Interest-free loans account for ¥23,308 thousand of the balance of long-term loans payable (excluding current portion) as of November 30, 2014.

[Schedule of asset retirement obligations]

Not applicable

(2) Other

1. Quarterly and other information for fiscal 2014

(Thousands of yen)

(Cumulative period)	First quarter	Second quarter	Third quarter	Fiscal year
Net sales	¥1,359,160	¥3,686,797	¥4,928,951	¥6,375,427
Income (loss) before income taxes and minority interests	(24,202)	139,798	195,516	742,456
Net income (loss)	(37,163)	93,903	140,015	630,311
Net income (loss) per share (Yen)	¥ (3.20)	¥ 8.07	¥ 12.04	¥ 54.07

(Yen)

(Quarterly period)	First quarter	Second quarter	Third quarter	Fiscal year
Quarterly net income (loss) per share	¥(3.20)	¥11.27	¥3.96	¥41.78

2. Litigation

Please refer to “4. Court-mediated settlement of litigation” under “Notes to the Consolidated Financial Statements” to this report for details.

Company Overview

Name	NCXX Group Inc.
Date of establishment	April 21, 1984
Capital stock	¥1,819,748,000 (as of April 1, 2015)
Consolidated group employees	247 (as of April 1, 2015)
Business operations	■ Management strategy formulation and management of Group companies ■ Planning, development, and sale of nursing care and rehabilitation robots, etc. ■ Planning, development, and sale of agricultural ICT ■ Businesses associated with or related to the above
Location	Hanamaki Head Office: 2-32-1 Kunuginome, Hanamaki City, Iwate Prefecture, Japan TEL: +81-198-27-2851 FAX: +81-198-27-2850 Tokyo Head Office: 2F CoSTUME NATIONAL Aoyama Complex, 5-4-30 Minamiaoyama, Minato-ku, Tokyo, Japan TEL: +81-3-5766-9870 FAX: +81-3-5766-9871

History

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

Shareholder Information (As of November 30, 2014)

Overview of Shares

Total number of issuable shares: 30,000,000

Total number of shares issued: 12,317,000

Number of shareholders: 2,758

Major shareholders

Shareholder name	Number of shares held (shares)	Shareholding percentage of issued shares (%)
FISCO Ltd.	4,078,300	33.11
Diamond Agency, Inc.	3,000,000	24.36
Abit Holdings Co., Ltd.	349,000	2.83
Japan Securities Finance Co., Ltd.	261,100	2.12
Index Corporation	239,800	1.95
Tomonori Morimoto	200,000	1.62
Mizuho Securities Asia Limited Client Account 69250601 (Standing proxy: Settlement & Clearing Services Division, Mizuho Bank, Ltd.)	178,700	1.45
Investment Partnership F Target Fund	105,000	0.85
Kabushiki Kaisha Okoso	71,500	0.58
KST Trust Fund Investment Partnership	66,800	0.54

Shareholder Memo

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