January 19, 2015

Consolidated Financial Results for the Fiscal Year Ended November 30, 2014

(Japanese Accounting Standards)

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

Scheduled date of General Shareholders' Meeting:	February 25, 2015
Scheduled date to file Securities Report:	February 25, 2015
Scheduled date to commence dividend payments:	—
Supplementary explanatory materials prepared:	None
Explanatory meetings:	None

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

1. Consolidated Financial Results for the Fiscal Year Ended November 30, 2014 (From December 1, 2013 to November 30, 2014)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2014	6,375	28.8	82	(68.3)	692	42.0	630	46.5
November 30, 2013	4,948	—	259	—	487	—	430	—

Reference: Comprehensive income

For the year ended November 30, 2014: ¥654 million (42.6%)

For the year ended November 30, 2013: ¥458 million (—%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income/ Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
November 30, 2014	54.07	51.60	21.5	12.5	1.3
November 30, 2013	39.79	—	24.1	15.6	5.2

Reference: Equity in earnings of affiliates

For the year ended November 30, 2014: ¥— million

For the year ended November 30, 2013: ¥— million

Note: The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net income per share is calculated as if the stock split had been conducted at the beginning of the previous fiscal year. Furthermore, the fiscal year ended November 30, 2012 was a transitional accounting period of four months (August 1, 2014 to November 30, 2014) due to a change in the fiscal year. Accordingly, year-on-year changes for the fiscal year ended November 30, 2013 are not disclosed.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2014	6,979	3,551	48.7	276.14
November 30, 2013	4,077	2,665	60.6	212.57

Reference: Equity

As of November 30, 2014: ¥3,401 million

As of November 30, 2013: ¥2,472 million

Note: The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net assets per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash (used in) provided by investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of the fiscal year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
November 30, 2014	1,448	(851)	2,072	3,930
November 30, 2013	(409)	75	1,241	1,253

2. Cash Dividends

	Annual dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended November 30, 2013	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended November 30, 2014	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending November 30, 2015 (forecasts)	—	0.00	—	0.00	0.00		—	

3. Consolidated Financial Forecasts for the Fiscal Year Ending November 30, 2015 (From December 1, 2014 to November 30, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending May 31, 2015	3,591	(2.6)	227	33.5	217	48.7	102	8.6	8.28
Fiscal year ending November 30, 2015	11,377	78.5	990	—	973	40.6	769	22.0	62.43

Notes:

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting policies due to revisions to accounting standards and other guidelines: None
b. Changes in accounting policies due to reasons other than a. above: None
c. Changes in accounting estimates: None
d. Restatement of revisions: None

(3) Number of common shares issued

a. Total number of issued shares at the end of the period (including treasury stock)
As of November 30, 2014 12,317,000 shares
As of November 30, 2013 11,630,800 shares

b. Number of shares of treasury stock at the end of the period
As of November 30, 2014 79 shares
As of November 30, 2013 79 shares

c. Average number of shares
For the year ended November 30, 2014 11,657,041 shares
For the year ended November 30, 2013 10,814,919 shares

Note: The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. The number of shares is calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

(Reference) Summary of Non-consolidated Operating Results

Non-consolidated Financial Results for the Fiscal Year Ended November 30, 2014
(From December 1, 2013 to November 30, 2014)

(1) Non-consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
November 30, 2014	2,829	(10.2)	72	(76.6)	688	(31.0)	619	45.5
November 30, 2013	3,150	—	309	—	525	—	426	—

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
November 30, 2014	53.17	50.75
November 30, 2013	39.40	—

Note: The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net income per share is calculated as if the stock split had been conducted at the beginning of the previous fiscal year. Furthermore, the fiscal year ended November 30, 2012 was a transitional accounting period of four months (August 1, 2014 to November 30, 2014) due to a change in the fiscal year. Accordingly, year-on-year changes for the fiscal year ended November 30, 2013 are not disclosed.

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
November 30, 2014	6,094	3,378	55.4	274.20
November 30, 2013	3,571	2,469	69.2	212.37

Reference: Equity
As of November 30, 2014: ¥3,377 million
As of November 30, 2013: ¥2,469 million

Note: The Company conducted a 100-for-1 stock split of common shares on June 1, 2013. Net assets per share are calculated as if the stock split had been conducted at the beginning of the previous fiscal year.

* Disclosure of status of audit procedures

This report is not subject to audit procedures stipulated by the Financial Instruments and Exchange Act of Japan. As of the time of disclosure of this report, the audits of the consolidated and non-consolidated financial statements stipulated by the act had not been concluded.

* Proper use of earnings forecasts and other special matters

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

Attachment Contents

1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

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

1) Operating Results for the Fiscal Year Ended November 30, 2014

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.

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.

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.

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.

2) Outlook for the Fiscal Year Ending November 30, 2015

In the device business, the Group 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 communication 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 have not needed 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, the Group aims 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 NCXX's technology assets. To realize these new services, NCXX Solutions 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, the Group will accelerate its entry into the M2M market by pushing ahead with the vertical integration of its 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 Group will strive to efficiently develop new products by incorporating the expertise obtained from M2M product development into consumer product lineups. By harnessing Group synergies, the Group will take steps to rapidly analyze diversifying demand trends and launch products that conform to those trends.

In the agricultural ICT business, the Group will continue aiming 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. The Group will promote initiatives to support regional vitalization not only in agriculture but also in tourism, along with efforts to boost public interest in these regions.

In addition, the Group initiated the development of nursing care robots in the fiscal year ended November 30, 2014. The Group will utilize NCXX's assets in communication technologies to promote the rapid development and commercialization for the frontlines of nursing care of optimal nursing care robots, which can be controlled remotely to perform tasks such as status monitoring, watching over elderly people, voice and image data transmission, and software updates.

In the Internet travel business, the Group will work to upgrade and expand services by recruiting new travel concierges and enhancing their skills through training courses. In addition, the Group 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 Group has been promoting a crowd sourcing*[2] business focused on the travel business. Going forward, the Group will expand the crowd sourcing business to fields other than travel, with the aim of expanding its business 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.

*2 Crowd sourcing means sourcing services from a group of unidentified people (a "crowd"), as opposed to outsourcing work to specific individuals. According to estimates by Yano Research Institute Ltd., the crowd sourcing services market is projected to grow to ¥182 billion in fiscal 2018 from ¥10 billion in fiscal 2012. As such, it is a growing market that is projected to increase approximately 18-fold over the 6-year period from fiscal 2012 to 2018.

In consideration of the aforementioned factors, the Company's outlook for the fiscal year ending November 30, 2015 is as follows. For the six months ending May 31, 2015, the Company is conservatively forecasting net sales of ¥3,591 million, operating income of ¥227 million, ordinary income of ¥217 million, and net income of ¥102 million. This is based on expectations for the recognition of sales and profits in the device business to be concentrated heavily in the second half of the fiscal year ending November 30, 2015, as the device business plans to launch new products in the second half that will contribute significantly to NCXX sales in the fiscal years ending November 30, 2015 and 2016. For its full-year outlook for the fiscal year ending November 30, 2015, the Company is forecasting 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.

(2) Analysis of Financial Position

1) Assets, Liabilities, and Net Assets

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.

2) 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.

(Reference) Cash Flow Indicators

	Fiscal year ended July 31, 2011	Fiscal year ended July 31, 2012	Fiscal year ended November 30, 2012	Fiscal year ended November 30, 2013	Fiscal year ended November 30, 2014
Equity ratio (%)	21.6	38.9	50.8	60.6	48.7
Market-value equity ratio (%)	72.6	79.6	77.7	203.4	89.1
Interest-bearing debt to cash flow ratio (Years)	1,094.0	117.6	144.0	–	169.9
Interest coverage ratio (Times)	3.9	2.4	81.1	–	71.3

Note: Calculation methods for cash flow indicators

Equity ratio: total net assets – minority interests / total assets

Market-value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow

Interest coverage ratio: operating cash flow / interest payments

* Interest-bearing debt represents all liabilities recorded on the consolidated balance sheets for which interest is paid.

* The figures used for cash flow and interest payments represent net cash provided by operating activities and interest paid, respectively, recorded on the consolidated statements of cash flows.

* Interest-bearing debt to cash flow ratio and interest coverage ratio for the fiscal year ended November 30, 2013 are not disclosed because operating activities used net cash in that fiscal year.

2. Status of the Corporate Group

The NCXX Group comprises NCXX Inc. and five consolidated subsidiaries. Furthermore, the NCXX Group is a member of the group of companies led by FISCO Ltd., the parent company of NCXX Inc. The following is a description of the businesses of each of the NCXX Group’s segments and the relationships between each of these businesses and NCXX Inc. and its related companies as of November 30, 2014.

(1) Device Business

NCXX Inc. is a development-oriented manufacturer of communication devices. In addition to manufacturing communication devices, the Company owns modem technologies essential to basic communication functions and development technologies spanning both software and hardware aspects that are needed to develop communication device products. The Company develops wireless communication devices and Power Line Communication (PLC) modems that use power lines for fixed-line communications, as well as conducts systems development, manufacturing, sales, maintenance services, and other related activities.

Furthermore, in the fiscal year ended November 30, 2014, NCXX Inc. converted two companies (NCXX Solutions Inc. and Care Online Limited) into subsidiaries through new share acquisitions. Of these two companies, NCXX Solutions Inc. succeeded to the systems development business of SJI Inc. through an absorption-type corporate split.

With these acquisitions, the NCXX Group has entered into the systems development business and the ASP service business for nursing care centers.

The systems development business is operated by NCXX Solutions Inc., while the ASP service business for nursing care centers is operated by Care Online Limited. In the fiscal year ended November 30, 2014, Care Online Limited adopted Japanese script for the words “Care Online” in its Japanese name.

In addition, 星際富通（福建）網絡科技有限公司 is engaged in the purchasing and sale of mobile communications-related products in China as its primary business.

(2) Internet Travel Business

The Internet travel business provides travel services over the Internet through e-tabinet.com, which is a consolidated subsidiary of NCXX Inc., and Web travel Co., Ltd., which is a subsidiary of e-tabinet.com. In terms of main services, the Internet travel business provides optimal travel itineraries sought by customers through its Travel Estimate Services, which enable customers to request travel estimates online from travel agencies throughout Japan. The Internet travel business 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.

The above information is summarized in the table below.

Segment	Description of business	Company
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	NCXX Inc.
	Systems development Cloud services	NCXX Solutions Inc.
	ASP services for nursing care centers	Care Online Limited
	Purchasing and sale of mobile communication-related products in China	星際富通（福建）網絡科技有限公司
Internet travel business	Operation of an e-marketplace for travel-related products Travel agency services for corporate and individual customers Travel Estimate Services Travel Concierge Services	e-tabinet.com Web travel Co., Ltd.

Note: Care Online Limited was renamed as Care Dynamics Limited on January 19, 2015.

3. Management Policies

(1) Basic Management Policies of the Company

The NCXX Group has adopted the following Corporate Creed: “Contribute to the economy and society by supplying better products and services, and by growing continuously as a pioneer of mobile and wireless communications based on original communication technology.”

Furthermore, the NCXX Group has embraced the following statement as its Corporate Philosophy: “Create exciting new breakthroughs through next communications and connections.” Embodied in this statement are the Group’s ambitions to find broad applications for its communication technologies and products for people-to-machine and M2M communication, as well as for communication between people. The statement also embodies the Group’s aspirations to create a productive and enriched society by facilitating efficient communication.

(2) Key Performance Indicators

The NCXX Group aims to be a highly profitable enterprise driven by the creation of high added value. To this end, the Group has set a gross margin of 22% and an operating margin of 7% as its key performance indicators. The Group’s business model has a high cost structure, due to development and other cost outlays. For this reason, one key guideline for management decisions is whether or not resources are being invested efficiently relative to the earnings they generate.

(3) Medium to Long-Term Management Strategies of the Company

The NCXX Group supplies products and services spanning the entire breadth of the M2M market, a key area of focus. This is being done by supplying a full line of servers and management systems, as well as applications for end users, in addition to device products backed by technology development capabilities. Through these activities, the Group strives to maintain high profitability and ensure a stable financial base for the Company. The Group will therefore accurately grasp the fast-changing business environment and implement measures that balance growth and profitability.

The Group is focusing on the following key themes as part of its medium-term management strategy:

(1) Maximize added value

- Return more profits to shareholders and employees
- Increase corporate value

(2) Improve profitability

- Maintain the current growth rate and reduce the management cost ratio

(3) Bolster core competencies

- Invest in and develop new commercial products by applying mobile communication technology assets
- Form development partnerships with companies worldwide
- Launch a licensing business

(4) Strengthen the device business

- Promote business with multiple communication carriers and supply highly user-friendly mobile communication devices
- Supply versatile communication products that meet demand in the M2M market
- Provide M2M solutions and cultivate markets through mobile networks

(5) Expand business domains

- Generate synergies by harnessing the web marketing expertise of the e-tabinet.com Group
- Provide solutions and cultivate markets by combining communication technologies with sextic industries that combine primary production, secondary processing, and tertiary distribution industries
- Provide services that integrate robotics and communication technologies

(4) Key Priorities Ahead

The NCXX Group believes that its key priorities ahead are to maintain operating profitability and expand sales. Accordingly, the Group is pushing ahead with the following measures.

(1) Drive business structure reforms forward

The Group will work to capture synergies between Group companies such as NCXX Solutions Inc. and Care Online Limited, bolster sales capabilities through reorganization and sharing of customer accounts, and enhance business profitability. Please note that Care Online Limited was renamed as Care Dynamics Limited on January 19, 2015.

(2) Expand the device business

The Group aims to further expand business by developing and launching new products in the consumer market, as well as the M2M market.

(3) Fortify the financial base

The Group will push ahead with various capital structure policies eyeing future growth.

(4) Diversify the business portfolio

The Group will promote the application of ICT in different industries based on its accumulated wealth of expertise in developing communication devices.

(5) Implement brand strategy

The Group will vigorously pursue public relations activities.

(6) Integrate growth fields and communications

The Group will create new services by integrating its technology assets with fields that offer future growth prospects, such as the agricultural and robotics businesses.

4. 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	41,748	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	151,737	151,737
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	20,954	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

(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	57,984	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	227,675	735,836
Provision for retirement benefits	3,096	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
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

(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	3,937,393	5,362,987
Gross profit	1,010,895	1,012,439
Selling, general and administrative expenses	751,427	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	143	330
Loss on sales of subsidiaries' stocks	476	—
Loss on valuation of investment securities	—	8,196
Total extraordinary losses	619	8,526
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

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	10,424	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

(3) Consolidated Statements of Changes in Net Assets

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

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	600,000	407,259	86,385	—	1,093,644
Changes during the fiscal year					
Issuance of new shares	468,146	468,146			936,292
Net income			430,325		430,325
Purchase of treasury stock				(35)	(35)
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	468,146	468,146	430,325	(35)	1,366,583
Balance at end of the fiscal year	1,068,146	875,405	516,710	(35)	2,460,227

	Accumulated other comprehensive income		Subscription rights to shares	Minority interests	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of the fiscal year	1,689	1,689	1,489	126,173	1,222,996
Changes during the fiscal year					
Issuance of new shares					936,292
Net income					430,325
Purchase of treasury stock					(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	10,424	10,424	(1,489)	66,654	1,442,172
Balance at end of the fiscal year	12,113	12,113	—	192,827	2,665,168

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

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of the fiscal year	1,068,146	875,405	516,710	(35)	2,460,227
Changes during the fiscal year					
Issuance of new shares	144,102	143,415			287,517
Net income			630,311		630,311
Net changes of items other than shareholders' equity					
Total changes during the fiscal year	144,102	143,415	630,311	－	917,829
Balance at end of the fiscal year	1,212,248	1,018,821	1,147,022	(35)	3,378,057

	Accumulated other comprehensive income		Subscription rights to shares	Minority interests	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of the fiscal year	12,113	12,113	－	192,827	2,665,168
Changes during the fiscal year					
Issuance of new shares					287,517
Net income					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	11,007	11,007	858	(43,786)	885,908
Balance at end of the fiscal year	23,120	23,120	858	149,041	3,551,077

(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	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	—	(51,845)
Purchase of investments in subsidiaries	—	(162,336)
Proceeds from sales of investments in subsidiaries	94,908	—
Increase in short-term loans receivable	(556,556)	(94,375)
Collection of short-term loans receivable	286,556	—
Payments for transfer of business	—	(342,247)
Other, net	(1,700)	(32,377)
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	—
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	1,253,266	3,930,484

(5) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(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

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 year ended November 30, 2013 (From December 1, 2012 to November 30, 2013)

(Thousands of yen)

	Reportable segment			Adjustments	Consolidated
	Device business	Internet travel business	Total		
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 year ended November 30, 2014 (From December 1, 2013 to November 30, 2014)

(Thousands of yen)

	Reportable segment			Adjustments	Consolidated
	Device business	Internet travel business	Total		
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.

(Per Share Information)

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:

	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 (Thousands of yen)	430,325	630,311
Amounts not attributable to common shareholders (Thousands of yen)	—	—
Net income related to common shares (Thousands of yen)	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 (Thousands of yen)	—	2,034
[Of which, interest expenses (after tax adjustment) (Thousands of yen)]	[—]	[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)

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)

None