

21-Oct-13

Important disclosures and disclaimers appear at the back of this document.

FISCO Ltd. Analyst  
Yoshinori Ogawa

## ■ Operates business on fast-growing M2M market, expand opportunities to show rapid recovery of its performance

NCXX is R&D-oriented and fabless company, their strength is able to manage planning and development, sales and maintenance by themselves. The company can accommodate the needs of various customers and to cope with fast-changing communication technologies. The company can distinguish themselves with large companies by having flexible response to supply a wide variety of products in small quantities.

Device business, a core business of NCXX, provides communication terminals such as M2M communication terminal, which is expected to show rapid growth of market size. M2M stands for “Machine-to-Machine”, each devices connects and communicates interactively to enable various controls. M2M market size in 2015 is expected to double from 2012, thus it has become the center of attention. At present, the company produces devices used for a 3G network developed by Softbank Mobile, and announcement of new products accompanying network evolution, is also expected.

For second half of FY11/13, the company recorded sales of 2,027million yen, operating profit of 116million yen, recurring profit of 237million yen, and net profit of 213million yen. Sales were weak as materials, like communication terminal equipments, delivery delays to later than the third quarter of FY11/13 i.e. June - August 2013. However, recurring profit was better than expected buoyed by the foreign exchange profit or non-operating income. As they have had the foreign exchange derivatives contracts to hedge currency move which normally affect most of the buying cost.

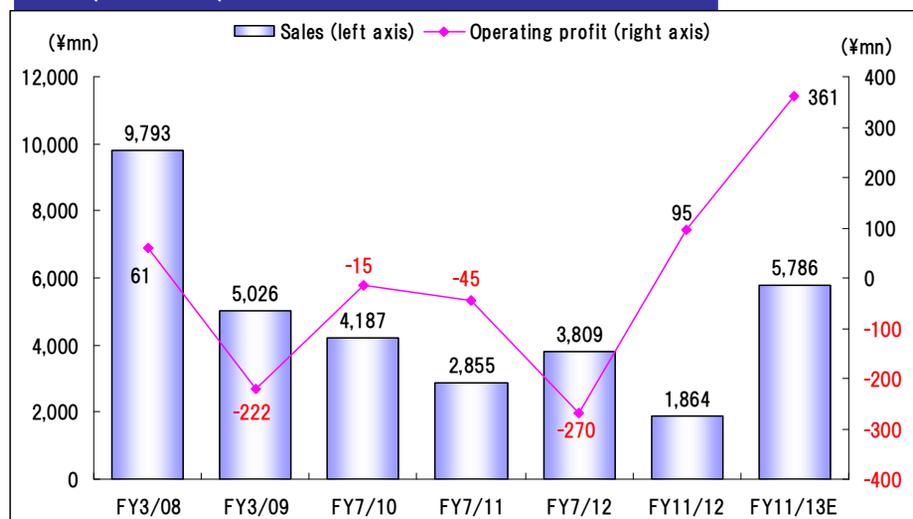
The company announced a new medium-term management plan. According to their new management plan ending on FY11/15, the sales target is 8.7billion yen (+50.4% compared to FY11/13), operating profit will be 788million yen (+118.3%). The company plans to concentrate management resources on M2M field and seeks to expand market share. Thus, the company expects to double each profit in FY11/15 from its FY11/13.

### ■ Check Points

- Vehicle-mounted M2M and consumer M2M are growth areas of NCXX
- Rapid recovery expected in business results for the second half of FY11/13 with structure reforms
- Planning to increase operating profit to 788million in FY11/15

This report was written for the purpose of IR activities

### Consolidated Sales and Operating Profit (¥mn), FY3/08-FY11/13E



Note: Due to change of fiscal year, accounting period was 16 months for FY7/10, 4 months for FY11/12

## Company Outline

### Entered wireless mobile communication terminals market by developing terminals with MNOs and MVNOs

#### (1) History of the company

In April 1984, the company was established as a Honda Electron by the investment of Honda Tsushin Kogyo (6826). Honda Electron started up their businesses as research and development (R&D)-oriented company that was based on base-band technology of transferring digital information to a particular band modem. The company began to deal with the system development and the development of technologies of wireless mobile terminals.

In January 2002, the company introduced the world's first 128Kbps data communication card via PHS network system for DDI Pocket (now WILLCOM, Inc., a subsidiary of Softbank Corp. (9984)). Taking this opportunity, the company moved to expand mobile and wireless business. What is more, the company expanded their business toward 3G, 3.5G in 2007, and from 2009, they entered into WiMAX field.

In September 2009, while WILLOCOM applied the procedure business revitalization of ADR (Alternative Dispute Resolution), the company and other communication carriers entered jointly into mobile communications market to provide customers with the services of renewed technologies and product development.

In June 2004, Honda Electron became a subsidiary of Index Corporation. They changed its name to NetIndex Inc. in September 2005. In June 2007, the company was successfully listed on the Osaka Securities Exchange JASDAQ. The company became a subsidiary of FISCO Ltd. (3807) in July 2012 and subsidized e-tabinet.com group. The company changed its name to NCXX Inc. in December 2012.



## ■ Company Outline

History	
April 1984	Honda Electron Co., Ltd. was established in the capital of 10 million yen funded by Honda Tsushin Kogyo Co., Ltd. The head office of Honda Electron was located at Himonya Meguro-ku, Tokyo. The company began its operation with designing and producing communication line equipment.
August 1985	The construction of Hanamaki factory was completed in Hanamaki city, Iwate Prefecture and began into operation.
August 1986	Participated in the establishment of a foundation for advanced technology promotion agency of Iwate prefecture.
August 1987	The head office moved to Shibaura, Minato-ku, Tokyo.
September 1998	The Hokubu Tsushin Kogyo became major shareholder.
October 1999	ISO quality certification (ISO-9001 JQA-QM3856)
January 2002	128Kbps data communication card for PHS was released first in the world.
June 2002	The Hanamaki R&D Center was established as a base for PHS data communication card development.
April 2003	By opening a Tokyo R&D Center, the company established a base for development of PLC and wireless communication.
September 2003	The head office moved to Kyobashi, Chuo-ku, Tokyo.
December 2003	ISO environmental certification (ISO-14001 JQA-EM3575)
June 2004	Index acquired 2,416 shares, and the company became a subsidiary of Index.
June 2004	Best Award in BCNAWARD modem sector.
January 2005	They transfer semiconductor manufacturing equipment business to Shibaura Mechatronics for the purpose of specializing in the information and communications business.
September 2005	Honda Electron Co., Ltd. changed its name to NetIndex Inc.
September 2005	NetIndex organized NetIndex. E.S. Co., Ltd. and separated manufacturing and service section from NetIndex.
November 2005	Delivered the world's smallest PHS communication module and first W-SIM type voice terminal.
June 2007	Listed on June JASDAQ Stock Exchange (Stock code : 6634 )
November 2010	Head office moved to Hanamaki City, Iwate prefecture.
July 2012	As FISCO Ltd. acquired 47,401 shares, NetIndex became a subsidiary of FISCO Ltd.
July 2012	NetIndex subsidized e-tabinet.com.
December 2012	They changed its name to NCXX Inc.

## Developing new technologies and services with MNO and MVNO companies

### (2) Business structure

By utilizing the core technology of communication, NCXX has been expanding their businesses in several areas such as 1) business proposals with their corporate partners, 2) development of component parts, 3) creating unique core technologies, and 4) the development of sales channels. Since NCXX is R&D-oriented and fabless company, their strength is able to manage planning and development, sales and maintenance by themselves. Due to this advantage, the company can accommodate the needs of various customers and to cope with fast-changing communication technologies. Above all, the company can distinguish themselves with large companies by having flexible response to supply a wide variety of products in small quantities.

As a business model of the company, they are developing new technology with MNO, mobile network operator, and MVNO, mobile virtual network operator. The MNO are the operators who own in-house mobile telephone network such as mobile phones and PHS, and provide communication services with their clients.



■ Company Outline

The MNO customers are KDDI (9443), Softbank (9984) and WILLCOM. In addition, MVNO are the operators that provide services by borrowing other wireless communication infrastructure such as a mobile phone from other company. MVNO customers are IIJ (3774), NTT Communications and so on.

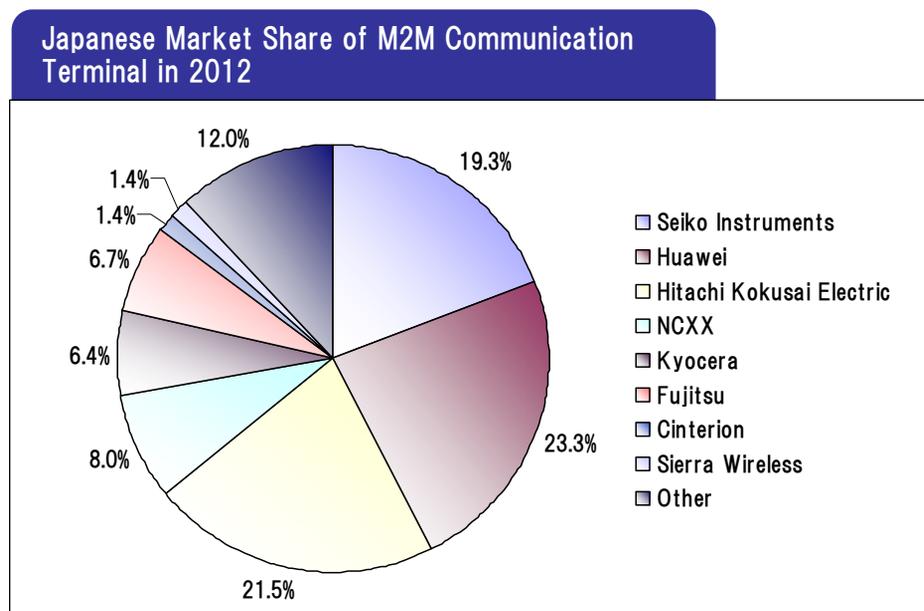
In addition, since NCXX is an R&D-oriented and fabless company, has no manufacturing facility, the company has been producing consignment of the product. As for manufacturing, they are taking advantage of an EMS (Electronics Manufacturing Service: a company that specializes in making electronic equipment by the orders from other manufacturers) and an ODM (Original Design Manufacturer : contractors in charge of product design and producing under consigners' brand). Because it does not require capital investments, the lesser cost of depreciation should be of great advantage in terms of profit and loss. By focusing management resources on product development, it is possible for them to correspond swiftly to the latest market demands for the communication technology.

NCXX also handles final inspection of the products and after-sales services. With offering after-sales services by themselves, NCXX is expected to have closer relationship with its customers and to receive more orders from them.

## With high quality evaluation, M2M Module aims to gain share

### (3) Market share

Device business, core business of NCXX, has about 8% market share of Japanese M2M (machine to machine) communication terminal in 2012.



Source: Japanese mobile M2M market by Techno System Research Co., Ltd.



## ■ Company Outline

The company states that M2M market is new growth area. As mentioned above, the company has about 8% market share in Japanese M2M communication terminal in 2012. The company gains high quality evaluation with low product defect rate due to their tough standard is applied to process management from design to delivery. Therefore the company supplied vehicle-mounted M2M module to Honda Motor Co. (7267).

The market leader of Japanese M2M communication terminal is Huawei Technologies Co., a Chinese major communication terminal manufacturer. However, the company may increase share in M2M communication terminal with high-quality and high capability of client needs by manufacturing of a wide variety of products in small quantities.

## Vehicle-mounted M2M and consumer M2M are growth areas of NCXX

### (3) Business outline

The company operates two businesses, device business and online travel agency business. In FY11/12, August to November 2012, company changed to fiscal year ended on November from 2012, device business supplied 58% of consolidated sales and travel agency business supplied 42%. Details of each business are as follows.

#### Device business

Device business, a core business of NCXX, provides communication terminals for each type of wireless system throughout development, production, sales and to maintenance of product. The communication systems is dramatically moved from analog to digital and to IP (Internet Protocol), the company manufactures modulator and demodulator, and has own communication control system. And this is one of characteristic feature of the company. This business is divided two products that for M2M module for professional use and for consumers.

#### (a) M2M module

M2M stands for “Machine-to-Machine”, each devices connects and communicates interactively to enable various controls. On board wireless module allows efficient operation so that this communication module area draws attention of the market.

Domain of business for M2M module includes 1) real-time information tracking for car navigation system, 2) PC, traffic and logistic control system for buses, trucks and taxis, 3) remote cameras and CCTV surveillance, 4) remote automated meter reading for water and gas, and 5) inventory control for vending machine.

The company provides various kind of M2M module with each communication system. Main products of M2M module is for real-time information tracking for car navigation system. Specifically, the company supplies M2M module that mounted on “Link-Up Free” (\*1) applicable vehicle of Honda. The M2M module enables a navigation system to connect “Internavi Premium Club” (\*2) via 3G network of Softbank Mobile.

(\*1) Link-Up Free is a free data connection service for Honda vehicle

(\*2) Internavi Premium Club is an interaction information service developed by Honda from October 2002. With a concept that information performance is as important as vehicle performance, this service supplies the most efficient route and latest traffic information to the driver.



## ■ Company Outline

Relatively large sales composition ratio products by the company are below:

3G enable USB type communication module for vehicle-mounted navigation system  
 3G enable USB type communication module for vehicle-mounted professional use radio  
 PHS enable communication module for PC-mounted security system

As mentioned above, the company supplies various products that applicable to each network system. The company believes M2M area has strong growth potential so that continuously invests on R&D and will contribute to company' s sales expansion on M2M area.

### Internavi Data Communication USB



#### (b) Consumer product

Audio terminals and mobile routers are included in consumer products. Mobile router is a device that has function of both WAN (wide area network, such as Internet) and wireless LAN, and links up data transmission between WAN and wireless LAN. Market size of such a device is expanding with the popularization of smartphones and tablet devices. "LTE Mobile Router NI-760S" is one of the main products for company' s mobile router.

" LTE Mobile Router NI-760S " is applicable for next generation communication standards, LTE (Long Term Evolution). This device is small and light-weight mobile wireless LAN router which runs for both Xi (LTE) and FOMA (3G) network of NTT Docomo (9437). The maximum download speed is 75Mbps and 25Mbps for upload under the LTE network. It will automatically shift to 3G network outside of LTE network and the maximum speed is 14Mbps for download and 5.7Mbps for upload under the 3G network.

As rapid growth of mobile device such as smartphones and tablet devices, company' s mobile routers are subject to increasing demand. Especially, market size of LTE network is now expansionary phase, the company expects increased interest with such devices.

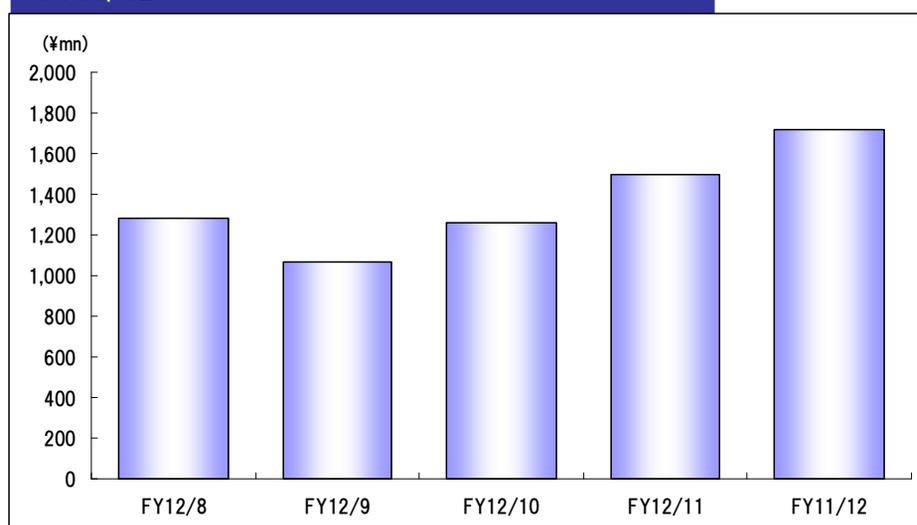
## Travel concierge furnishes high quality “bespoke” travel

### Online travel agency business

Webtravel Co. Ltd., 100% subsidiary company of e-tabinet.com, provides bespoke travel via Internet. With more sophisticated and highly-developed needs of Japanese consumers, Webtravel furnishes high quality bespoke travel with a convenience of Internet. The largest difference from package tour of major travel agency is that concierge offers high quality service with high-end hospitality to each customer. Besides major travel agencies have price competitiveness, Webtravel supplies high-value added product at high prices. Therefore, the company can avoid price competition among major travel agencies.

Since online travel agency business started in 2004, sales has shown upward shift. After 2008, credit crisis caused by bankruptcy of Lehman Brothers, sales shown slower growth, however, Webtravel increased sales immediately with appreciation of yen value. From now on, the number of senior traveler will increase along with baby-boomer retirement. Also, the sales will show steady increase with enhancement of recognition and expansion of smartphone usage. Webtravel plans to increase in the number of concierge up to 500 from 270, to respond to the wide-ranging needs of customers. Meanwhile, breakdown of recent orders were 94% for overseas travel (of which about 50% were Europe), rest of 6% were domestic travel.

Business Trend of e-tabinet.com Group, FY8/12 - FY11/12



Note: Due to change of fiscal year, accounting period was 11 months for FY11/12

## ■ Business Trend

### Strong current earnings above estimates driven by lower buying cost

NCXX reported on July 12, first half earnings ended May 2013 (December 2012 - May 2013). i.e. second half of FY11/13. This is not comparable to the same period of last year as 2012 was an irregular accounting period.

The company recorded sales of 2,027million yen, operating profit of 116million yen, recurring profit of 237million yen, and net profit of 213million yen. At the beginning of the period, the company expected sales of 2,734million yen, operating profit of 164million yen, recurring profit of 163million yen, and net profit of 161million yen. While sales and operating profit were lower than expected, pretax profit and net profit were better than expected.

Sales were weak as materials, like communication terminal equipments, delivery delays to later than the third quarter of FY11/13 i.e. June - August 2013. Operating profit was mostly weighed down by the higher buying cost, even though gross margin profit gains and they lower the purchase price cost and the sales management cost.

However, recurring profit was better than expected buoyed by the foreign exchange profit or non-operating income. As they have had the foreign exchange derivatives contracts to hedge currency move which normally affect most of the buying cost.

### Strong sales of data terminal and progress of NCXX FARM

#### Device business

The company recorded device sales of 1,262million yen and operating profit of 165million yen. M2M sales were 460million yen buoyed by the strong sales of 3G wireless data terminal based on USB. Since May, they have started selling "UX102NC" based on SoftBank Mobile's platinum band (900MHz) service.

The platinum band service, which SoftBank Mobile launched, is said to be specific base station plan to cope with the dramatic increase of traffic, enhance coverage and build a robust disaster-proof communication network. And the product sales are expected to expand.

While in June 2013, NCXX (provider of communication equipment and auxiliary services) and Mitsubishi Heavy Industries, Ltd. (7011) (a developer) achieved wiring reduction in industrial robots through new power line communication technology, industry first enabling dramatic improvement in robot operability.

## ■ Business Trends

**M2M Module“UX102NC” Applicable for Softbank’s Network**

For the domain expansion plan, the company has launched “NCXX FARM” in FY11/13. In May 2013, NCXX FARM and kinoko no SATO jointly started system development as part of “12th Iwate agriculture, commerce and industry local revitalization fund” . NCXX FARM is aiming for the agriculture industry in Rikuzen Takata-shi to recover by developing the model of cultivation management using its own ICT (Information and Communication Technology) .

**Description of “12th Iwate agriculture, commerce and industry local revitalization fund”**

Division	Name of company	Location	Business
Entrepreneur and New Business	Nambu Bijin Co., Ltd (With Shin-Iwate Agricultural Cooperatives)	Ninohe-shi (Takizawa-mura)	Product and distribution development of non-sugar added liquor made with fruit from Iwate
	Hideyoshi Ltd. (With Maruden Suisan)	Rikuzen Takata-shi (Morioka City)	Distribution development of seafood made by ownership program “Orahono” (2 <sup>nd</sup> year)
	Kinoko no SATO Co., Ltd (With NCXX Inc.)	Rikuzen Takata-shi (Hanamaki-shi)	Developing distribution and the model of cultivation management of high quality mushroom using its own ICT

**Solid travel business such as honeymoon Europe tour packages**

**Online travel agency business**

The company recorded online travel agency business sales of 765million yen and total operating loss of 8million yen caused by seasonal factors for this second half of FY11/13. Even though the overall demand for overseas travel has declined due to weaker yen, demand for Italy, Spain honeymoon tour package was relatively strong. Along with user-friendliness, bespoke concierge service is also popular.

In April 2013, the company started “barrier-free travel service” . In May 2013, the company started the “study abroad program” staying with British teacher ’ s family. They plan to continue to develop unique services to distinguish themselves from their competitor.



## ■ Business Trends

## Diagram of Webtravel Website for “Study Abroad Program” Staying with British Teacher’s Family

オーダーメイドイギリス教師宅ホームステイならウェブトラベルにおまかせください！

文字サイズ **小** **中** **大**

お急ぎの方や直接コンシェルジュとお話しされたい方は、下記までどうぞ  
03-6825-8811 (10:00~18:00) (土日祝 休み)

ホーム 海外旅行プラン 国内旅行プラン ご利用ガイド よくある質問 トラベルコンシェルジュ お客様からのお便り こだわりの旅 会社概要

ホーム - イギリス教師宅ホームステイ

旅をしながら英語を学ぶ。  
**イギリス教師宅ホームステイ**

ホームステイで英語を学びながら、イギリスを満喫しませんか？  
お気に入りの土地で、好きな先生と、1週間の集中マンツーマンレッスン。  
「イギリスには何度も行ったけど、人とのふれあいがなかった」  
「フラワーアレンジメントや乗馬など、イギリスならではの  
おケイコを楽しみたい」  
という方にもぴったりの、気軽なホームステイの旅はいかがですか。

**どこで学ぶ？**

**Travel Concierge**  
経験豊富な旅づくりの専門家が、  
あなただけの一人旅を演出します！  
現在 34 名  
トラベルコンシェルジュ紹介

## Rapid recovery expected in business results for the second half of FY11/13 with structure reforms

## Business outlook for FY11/13

The company expects sales of 5,786million yen, operating profit of 361million yen, and recurring profit of 346million yen. Business results FY11/13 is expected to recover rapidly due to structure reforms. The company expects sales excluding e-tabinet.com group of 3,700million yen, M2M sales of 2,900million yen and consumer sales of 800million yen.

Business structure reforms not only lower the sales to general and administrative cost ratio to 13%, but may speed up the recovery process into the second half. M2M, the fastest growing area in the company, has a gross margin of 30 % and will contribute to the growth in profits in the near future.

## Consolidated Results (¥mn) in FY3/09 - Second half of FY11/13

	Sales	y-o-y	Operating profit	y-o-y	Recurring profit	y-o-y	Net profit	y-o-y	EPS	DPS
FY3/09	5,026 <sub>1</sub>	-48.6%	-222 <sub>1</sub>	-	-204 <sub>1</sub>	-	-485 <sub>1</sub>	-	-27,204.29	0
FY7/10	4,187 <sub>1</sub>	-	-15 <sub>1</sub>	-	-101 <sub>1</sub>	-	-1,066 <sub>1</sub>	-	-30,077.74	0
FY7/11	2,855 <sub>1</sub>	-	-45 <sub>1</sub>	-	-105 <sub>1</sub>	-	-160 <sub>1</sub>	-	-4,386.21	0
FY7/12	3,809 <sub>1</sub>	33.4%	-270 <sub>1</sub>	-	-341 <sub>1</sub>	-	-632 <sub>1</sub>	-	-16,225.48	0
FY11/12	1,864 <sub>1</sub>	-	95 <sub>1</sub>	-	93 <sub>1</sub>	-	86 <sub>1</sub>	-	976.69	0
FY11/13	5,786 <sub>1</sub>	-	361 <sub>1</sub>	-	351 <sub>1</sub>	-	346 <sub>1</sub>	-	3,911.95	0
FY11/13 Q2	2,027 <sub>1</sub>	-	116 <sub>1</sub>	-	237 <sub>1</sub>	-	213 <sub>1</sub>	-	20.71	0

Note: Due to change of fiscal year, accounting period was 16 months for FY7/10, 4 months for FY11/12  
1 for 100 stock split was effected on June 1, 2013

## ■ Financial Policy

### **The total amount of fund raised in February 2013 will be used for development of new products**

In June 2012 and January 2013, the company announced capital policies, such as new issue of shares by third-party allotment. A background of the capital policy in June 2012 was reconstruction of the operating base in line with healthier financial condition and improvement of an operating cash flow. The cash liquidity of the company is to be secured by group finance, such as by subsidizing e-tabinet.com group. Before restructuring of financial condition, when a customer placed an order of some products, the company owed manufacturing cost first, so it was difficult to receive new or another orders because of a lack of funds. But the company succeeded in cutting off that negative spiral.

In November 2012, for the purpose of clearing the amount of loss carried forward and attaining improvement in the financial condition, the company swept away the negative inheritance by transferring a part of capital and capital reserve to a capital surplus and an earned surplus carried forward. In August 2011, structural reforms, which would be painful though, such as looking for a voluntary retirement (24 equivalent to about 25% of all the full-time employees subscribed and retired), had also been performed, and now it can be judged that the company has a muscular financial condition.

Moreover, according to the capital policy adopted in February 2013, the company plans to use the total amount of about 600million yen for development of new products. A life cycle of the company's products is about 1-2 years, so the developmental capability of new products is needed. The company places "M2M" as a future core product. A half or one-year period will be necessary for research and development (R&D) of M2M, so the preferential injection of the R&D fund was indispensable. In FY11/13, the company is likely to inject 260million yen into M2M field. And in 2013, the company is due to carry out the market injection of two or more new products, so it could be evaluated as positive financing which leads to expansion of sales in FY11/14.

Taking this capital policy into consideration, the company's ROE for FY11/13 is likely to go up to about 28%. The average ROE of all the listed Japanese companies is a little less than 9% at the latest, and it could be said that the profitability of the company is way ahead of a group.

## ■ Growth Strategy

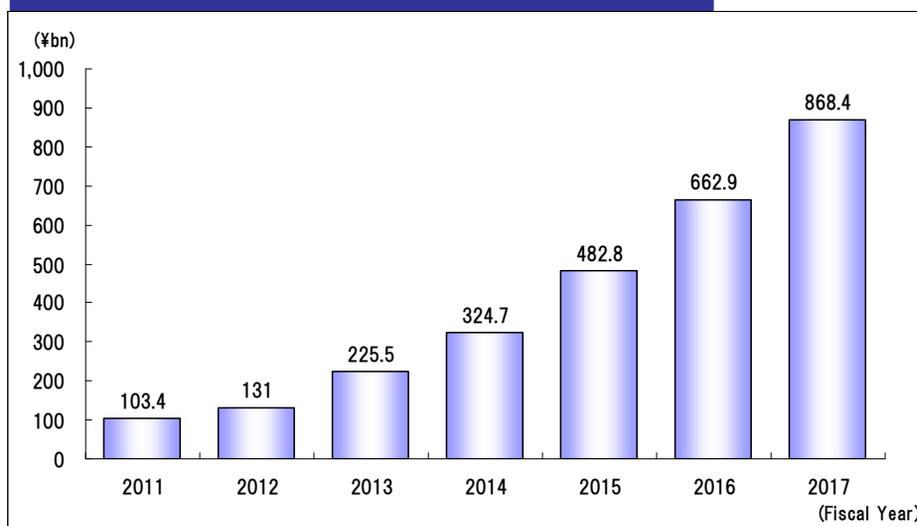
**Against the background of a Honda-oriented ordering track record, a spread of order intake from other companies is also expected**

### (1) Growth strategy for the M2M product field

As a future growth strategy, the company has a plan that supplies management resources to M2M field in which expansion of the market is expected on a mid- to long-term basis.

M2M market size in 2015 is expected to double from 2012, according to “domestic mobile M2M market trend investigation” by Techno System Research. These days, it has become the center of attention, as a major construction machine manufacturer Komatsu Ltd. (6301) uses M2M for remote management of construction machine. Moreover, in addition to the above-mentioned various business domains, it is expected that the spread of smart meters (next-generation electric meters) and progress of “visualization of electric power,” in which users can grasp the power consumption of household appliances over smartphones or other devices, will widen the market size of M2M. Thus, M2M field will extend its domain identity of the company from existing telecommunications sector to other various sectors.

### Japanese M2M Market Size Prediction



Source: Nomura Research Institute

Focusing on vehicle market, the company aims at expanding order intake of general-purposed M2M terminals. Against the background of Honda-oriented ordering track record, as mentioned above, the company’s products are expected to earn a good reputation. From now on, a spread of order intake from automakers other than Honda is expected.

## ■ Growth Strategy

The company's ordering track record is also expected to lead to the determination of a proper product price, and will also lead to an improvement of profitability. At present, the company produces devices used for a 3G network developed by Softbank Mobile, and announcement of new products accompanying network evolution, is also expected.

The new product in M2M field was released on April 25. This new product serves as a communication adapter for micro M2M corresponding to global communication "AX8084NC." When carrying out the systems configuration of the old M2M communication terminal to overseas, sometimes such a communication terminal had to be supplied locally, but "AX8084NC" corresponds to the global telecommunications standard. Therefore, it became possible to use in whether domestic or overseas by acquiring international attestation and various wireless certification of use countries.

Moreover, a strong point for "AX8084NC" is the realization of "miniaturization and cost reduction" of the conventional M2M communication module, by limiting the required function. In addition, "AX8084NC" corresponds to M2M solution "CONNEXIVE" which NEC Corporation (6701) offers.

A M2M market where the company concentrates on is a field in which it counts on a quick market expansion. It is estimated that the market size of M2M will expand from 130billion yen in FY11/12 to 870billion yen by FY11/17. By the capital policy adopted in February 2013, the company raised about 600million yen, and shows the plan that the total amount of funds will be used for development of new products. These new products will lead to expansion of M2M field.

### Micro M2M Corresponding to Global Communication "AX8084NC"

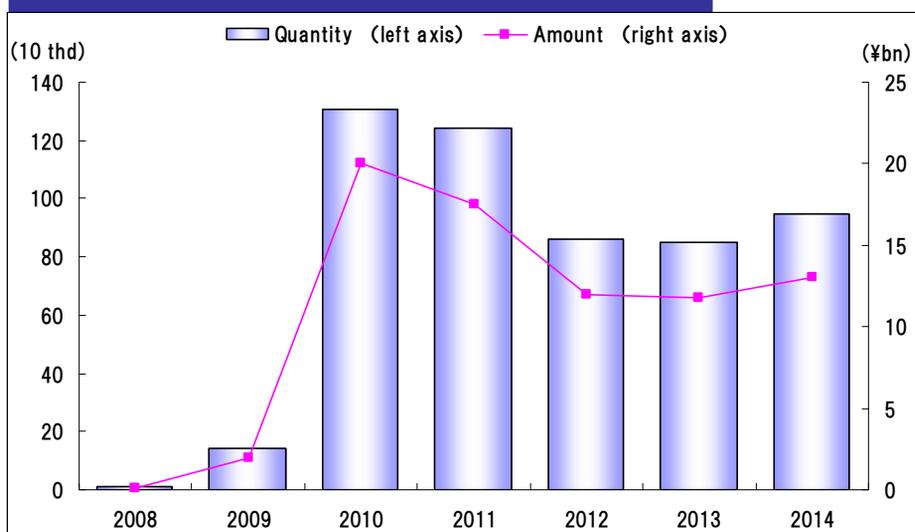


## Highly profitable technology license business is a center of the growth strategy

### (2) Growth strategy of the consumer product field

The mobile router market, a main force of the consumer product field, grew rapidly in the fiscal year 2010 by the appearance of the device with high affinity to Apple's "iPad" and other devices (Fuji Chimera Research Institute). Although the pace of market expansion became tepid, steady increase is expected for mobile router market as the major electrical equipment manufacturers around the world produce smartphones and tablet devices successively. The company estimated they have 2-3% share of Japanese mobile router market in the fiscal year 2012.

Japanese Market Size of Mobile Routers, 2008-2014E



Source: Communication Marketing Research, Fuji Chimera Research Institute

Taking advantage of the high technical capabilities cultivated so far, the company is expected to start the development of a next-generation mobile router for MVNO(s) as a growth strategy of the consumer product field. Additionally, the company utilizes its know-how and deals also with trust development and technical license business. In connection with this, the gains of sales from consumer products and the increase in profitable license income are expected. Moreover, it is expected that the increase in license income leads also to improvement in profitability. Increasing of license income attracts attention as a growth strategy.

## Enter to the agricultural field with vast know-how of ICT

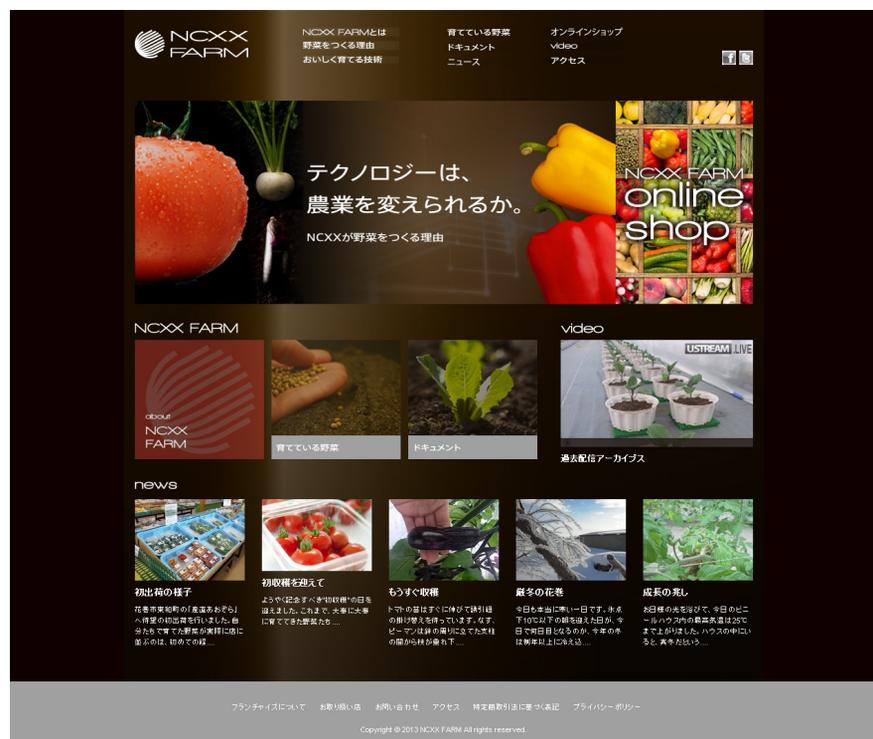
### (3) New entry to the agricultural field

On March 26, 2013, the company announced that it newly enters into the agricultural field, utilizing the communication technology know-how cultivated with the device enterprise. They aim in realizing the commercialization of agricultural information-and-communication-technology (ICT).

The company plans to create a mechanism that will enable anyone to make delicious agricultural products. By applying the core technology of the company to the agricultural field, anyone can collect environmental data and growing situation, such as temperature, humidity, soil temperature, and soil water level, and it is possible to presume a yield or raise the quality of crops.

Plastic greenhouse equipment was built in October 2012, and in November cultivation of products such as cherry tomato and inside ball tomato was started by the fix planting cultivation using a new agriculture ICT technique. By establishing a series of model cases from harvest to shipment before the end of FY11/13, and also by applying digital technology to agriculture and repeating examination and improvement, the company aims at commercializing the agriculture ICT, which can offer the cultivation techniques for more practical producers. As such, the company plans to expand their domain in rapidly growing M2M market.

Diagram of NCXX FARM website



<http://farm.ncxx.co.jp/index.php>

## ■ New Mid-term Management Program

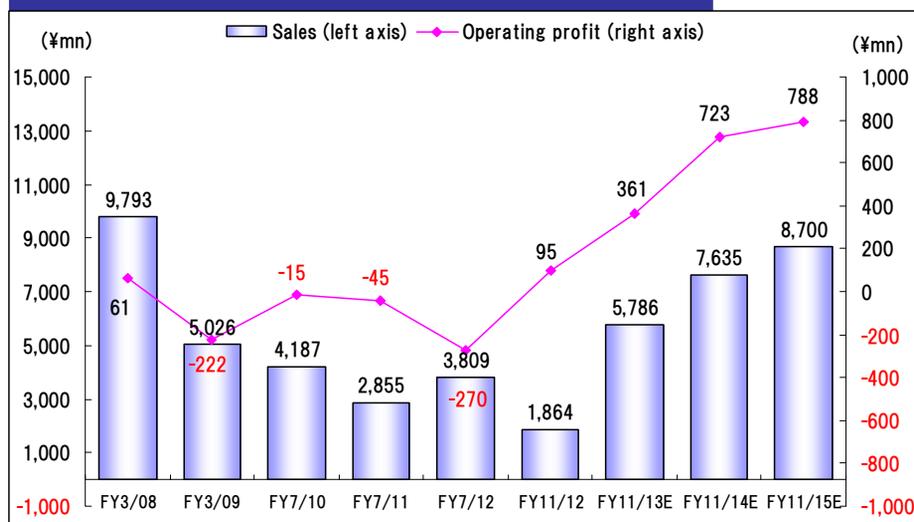
### Planning to increase operating profit to 788million in FY11/15

The company announced a new medium-term management plan on May 22, 2013. According to their new management plan ending on FY11/15, the sales target is 8.7billion yen (+50.4% compared to FY11/13), operating profit will be 788 million yen (+118.3%), recurring profit will be 839million yen (+139.0%), and net profit will be 705million yen (+103.8%).

In the future, the company plans to concentrate management resources on M2M field and seeks to expand market share. Among other things, the company will enhance optional parts line-up including M2M communication module “AX8084NC. In addition, the company will tackle with further increase in products that correspond to the market needs. Through these activities, the company will provide various customized products with their clients. By expanding business domain of the M2M field, the company is expected to scale up their activities in fast-growing markets both in domestic and overseas. As for the consumer products, they are looking to have outstanding presence in consumer market by using prominent technologies of M2M.

In addition to these things, the online travel agency business is about to offer order-made travel services with high customer satisfaction by increasing the number of competent travel concierge.

Consolidated Sales and Operating Profit (¥mn),  
FY3/08-FY11/15E



## ■ Shareholder Return

### Introduction of unique shareholders' special benefit plan

The company announced the introduction of a shareholder's special benefit plan on August 22, 2013. The shareholders of the company shall be offered discount services by Webtravel, which belongs to e-tabinet.com group. What's more, the shareholders who visit Hanamaki city where the company's R&D headquarter is located, shall be offered discount tickets of hot spring inn. This special benefit plan is only for the people who are registered on the shareholders list at the end of May and November.



#### Disclaimer

FISCO Ltd. (the terms “ FISCO ” , “ we ” , mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Securities Exchange, and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “ JASDAQ INDEX ” are the intellectual properties of the Tokyo Securities Exchange, and therefore all rights to them belong to the Tokyo Securities Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness, or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose, investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

All intellectual property rights to this report, including copyrights to its text and data, are held exclusively by FISCO. Any alteration or processing of the report or duplications of the report, without the express written consent of FISCO, is strictly prohibited. Any transmission, reproduction, distribution or transfer of the report or its duplications is also strictly prohibited.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.