Summary of Consolidated Financial Results for the Three-month Period Ended June 30, 2017 (Japanese accounting standards)

Released August 8, 2017

Name of listed firm:	Nojima Corporation	Listed on the Tokyo Stock Exchange	
Code No.:	7419	URL	http://www.nojima.co.jp
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Scheduled date of quarterly report filing: August 10, 2017
Scheduled start date of dividend payments: -
Supplemental materials on annual results: No
Presentation on annual results: No

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the three-month period ended June 30, 2017 (April 1, 2017 – June 30, 2017)

(1) Consolidated results of operations (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three-month period ended June 30, 2017	112,483	16.9	2,586	88.8	2,824	76.6	2,142	135.8
Three-month period ended June 30, 2016	96,212	-2.7	1,370	-11.0	1,599	-3.4	908	-34.7

Note: Comprehensive income: Three months ended June 30, 2017: 2,191 million yen (132.8%) Three months ended June 30, 2016: 941 million yen (-36.7 %)

Reference: EBITDA: Three months ended June 30, 2017: 6,087 million yen (59.9%) Three months ended June 30, 2016: 3,806 million yen (-3.1 %)

・ For detailed information, including definitions and methods used to calculate indicators, see p. 2, "1. Qualitative Information on Quarterly Consolidated Financial Performance: (1) Explanation of Operating Results."

Net income before amortization of goodwill: Three-month period ended June 30, 2017: 4,216 million yen (78.2 %)
Three-month period ended June 30, 2016: 2,366 million yen (-17.3 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three-month period ended June 30, 2017	43.49	42.03
Three-month period ended June 30, 2016	18.80	17.92

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2017	244,047	57,634	23.4	1,164.64
As of March 31, 2017	245,467	56,855	23.0	1,143.23

Reference: Equity: As of June 30, 2017: 57,100 million yen As of March 31, 2017: 56,466 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 2017	-	12.00	-	13.00	25.00
FY ending March 2018	-				
FY ending March 2018 (planned)		13.00	-	13.00	26.00

Note: Revisions to the most recently announced dividend forecast: No

3. Forecasts of consolidated financial results for the fiscal year ending March 2018 (April 1, 2017 - March 31, 2018)

(Percentages indicate changes from the previous year for full-year forecasts and changes from the same quarter of the previous fiscal year for quarterly forecasts)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (cumulative)	230,300	12.8	6,150	10.1	6,550	11.1	3,800	4.3	77.51
Full-year	484,000	12.0	15,700	4.0	16,500	6.6	10,200	0.4	208.04

Note: Revisions to the most recently announced consolidated earnings forecast: No

Reference: EBITDA: As of March 31, 2018 (planned) 28,800 million yen (18.8 %)

Net income before amortization of goodwill: As of March 31, 2018 (planned) 19,700 million yen (23.1 %)

* Notes

(1) Significant changes in subsidiaries during this quarter (changes in designated subsidiaries resulting in changes in the scope of consolidation): No

Added: ___ company(ies) (name(s): ____________) Removed: ___ company(ies) (name(s): ____________)

(2) Application of special accounting methods in the preparation of the quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

i Changes in accounting policies due to revisions in accounting standards and other regulations: No

ii Changes in accounting policies for reasons other than i: No

iii Changes in accounting estimates: No

iv Restatement of prior period financial statements: No

(4) Number of shares issued and outstanding (common stock)

i Number of shares issued and outstanding at the end of the period (including treasury stock)	FY2017 1Q	49,728,216 shares	FY 2016	49,534,816 shares
ii Number of shares of treasury stock at the end of the period	FY2017 1Q	699,929 shares	FY 2016	142,417 shares
iii Average number of shares during the period	FY2017 1Q	49,265,572 shares	FY2016 1Q	48,335,004 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (500,800 shares in the three-month period ended June 30, 2017 and 11,700 shares in the fiscal year ended March 31, 2017) for the employee stock ownership plan (ESOP). Shares of Company stock held in ESOP trust accounts are included in treasury stock subtracted from calculations of average number of shares during the period (140,402 shares in the three-month period ended June 30, 2017 and 215,348 shares in the three-month period ended June 30, 2016).

* Quarterly financial statements are not subject to quarterly review.

* Explanation concerning appropriate use of forecasts of business performance and other notes

Note on forward-looking statements:

Forecasts of business performance and other forward-looking statements in this release are based on information currently available and certain assumptions the Company deems reasonable at the time of preparation. They do not constitute a guarantee of future results. Actual results may differ materially from those of any forward-looking statements for various reasons.

○ Contents of attached documents

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Operating Results

During the three-month period ended June 30, 2017, employment and income conditions continued to improve, and Japan's economy maintained a course toward a moderate recovery, due in part to the effects of various policies. Personal consumption has improved gradually, along with a recovery of consumer confidence.

On the other hand, concerns arose regarding the future economic prospects of China and other emerging Asian countries, and the potential consequences of the normalization of monetary policy in the United States, uncertainty related to policies, and movements in financial and capital markets.

The market for home electronics remained almost flat, with steady sales of washing machines and PCs, despite TVs, Blu-ray recorders, and beauty appliances performing poorly.

In the market for sales of mobile phones and other mobile devices, the number of mobile phones of carrier brands sold remained sluggish, due to background factors such as a partial amendment of the telecommunications business act, which was applied last year, and changes in the market environment that suppressed excessive smartphone purchase discounts.

In the Internet business market, with the progress and spread of smart devices that can use Internet anywhere, the mobile fast broadband service subscribership has increased significantly, while the fixed broadband service has shown slowing growth rate of the mainstream service, the Fiber-To-The-Home (FTTH) Internet subscribership. Conversely, the Internet advertising market has continued to expand, supported by an expansion of smartphone users.

Under these circumstances, the Nojima Group focused on being the leader in the digital field and achieving the industry's highest customer satisfaction. To achieve these goals, we sought to establish sales floors where shoppers can easily find what they want, and provide customer services reflecting the perspectives of customers, while working to improve consulting-based sales and enhancing customer services to meet their needs.

In the operation of digital home electronics retail stores, we hold study meetings and provide training to acquire knowledge and experience from colleagues, in order to understand the perspectives of customers, thereby improving consulting-based sales and providing services that meet the needs of our customers.

In the operation of mobile carrier stores and the operation of the Internet business, we have been focusing on creating synergies within the Group and raising productivity, as well as improving the quality of stores by strengthening graduate recruitment, promoting education and training, and sharing the Group's management policies.

With seven new store openings, including scrap-and-build, and two store closures, the number of digital home electronics retail stores stood at 155. The operation of digital home electronics retail stores stood at 185, combining 30 dedicated communications device stores, at the end of the three-month period ended June 30, 2017.

In the operation of mobile carrier stores, following the new openings, including scrap-and-build, the acquisition of 12 stores, and the closure of or suspension of operations at two stores, the number of stores, including both directly-operated carrier stores and franchises, stood at 647.

In the light of these factors, the number of stores as of June 30, 2017 are as shown below.

Stores in operation

Classification	Directly operated	Franchises	Total
Operation of digital home electronics retail stores	185 stores	–	185 stores
Digital home electronics retail stores	155 stores	–	155 stores
Dedicated communications device stores	30 stores	–	30 stores
Operation of mobile carrier stores	406 stores	241 stores	647 stores
Carrier stores	394 stores	238 stores	632 stores
Others	12 stores	3 stores	15 stores
Total	591 stores	241 stores	832 stores

Note: Excludes one store directly operated by an overseas subsidiary

As a result, during the three-month period ended June 30, 2017, we recorded net sales of 112,483 million yen (116.9% of the figure for the three months ended June 30, 2016), operating income of 2,586 million yen (188.8% of the figure for the three months ended June 30, 2016), ordinary income of 2,824 million yen (176.6% of the figure for the three months ended June 30, 2016), and net income attributable to shareholders of the parent company of 2,142 million yen (235.8% of the figure for the three months ended June 30, 2016).

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 6,087 million yen (159.9% of the figure for the three months ended June 30, 2016).

(*) EBITDA = ordinary income + interest expenses +interest on bonds + depreciation + amortization of goodwill

Net income before amortization of goodwill = net income attributable to shareholders of the parent company + amortization of goodwill + amortization of contractual intangible assets + amortization of customer-related intangible assets

Business performance by segment is outlined below.

During the three-month period ended June 30, 2017, operation of an Internet business was added to our businesses (Nojima's and Nojima's affiliates' business) with the acquisition of all of the shares of NIFTY Corporation.

(Operation of digital home electronics retail stores)

Sales of TVs, supported by 4K TVs, refrigerators, and washing machines, were satisfactory, and sales of air conditioners, beauty appliances, and digital cameras remained stable, although sales of Blu-ray recorders were sluggish.

Gross profit on sales increased due to an improvement in the ratio of new products and white goods achieved by the Nojima Group's consulting-based sales, which were coupled with customer demand for high-quality products and services.

As a result, net sales in this segment totaled, 44,020 million yen (105.0% of the figure for the three months ended June 30, 2016); segment income was 1,775 million yen (157.6% of the figure for the three months ended June 30, 2016); and, segment net income before amortization of goodwill was 1,776 million yen (157.6% of the figure for the three months ended June 30, 2016).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, to shift toward a quality orientation in anticipation of future needs, we enhanced employment, education, training, and similar programs as investments for developing human resources. Gross profit on sales of one of our significant subsidiaries, ITX Corporation, stayed unchanged because of a downturn experienced in the marketplace. On the bright side, the number of mobile phones of carrier brands sold has shown signs of a recovery, and we are strengthening the Mobile Virtual Network Operator (MVNO) marketing channel. In addition, as a result of putting efforts into raising productivity, operating income grew.

As a result, net sales in this segment totaled 53,915 million yen (99.7% of the figure for the three months ended June 30, 2016); segment income was 1,101 million yen (264.0% of the figure for the three months ended June 30, 2016); and, segment net income before amortization of goodwill was 2,561 million yen (136.9% of the figure for the three months ended June 30, 2016).

(Operation of Internet business)

In the Internet service provider segment, we focused on gaining contracts for "@nifty Hikari," a wholesale service provided by NTT East and NTT West, under tough conditions. In the web service business segment, although sales of tie-up advertising and search advertising failed to grow, results-based advertising in the market region on which we focused, and programmatic advertising in the portal media region remained stable.

As a result, net sales in this segment totaled 12,615 million yen (–% of the figure for the three months ended June 30, 2016); segment loss was 40 million yen (–% of the figure for the three months ended June 30, 2016); and, segment net income before amortization of goodwill was 568 million yen (–% of the figure for the three months ended June 30, 2016).

(*)Segment net income before amortization of goodwill = segment income (loss) + amortization of goodwill + amortization of contractual intangible assets + amortization of customer-related intangible assets

(2) Explanation of Financial Position

Assets and liabilities and net assets

(Assets)

Total assets as of the three-month period ended June 30, 2017 were 244,047 million yen, down 1,420 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 24,374 million yen to 101,206 million yen in current assets and an increase of 22,954 million yen to 142,840 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 25,000 million yen and 6,171 million yen as an advance payment for the acquisition of shares in NIFTY Corporation and accounts receivable-trade, respectively, despite an increase of 6,178 million yen in cash and deposits.

The main causes of the increase in non-current assets included the acquisition of tangible non-current assets in connection with new store openings and increases of 12,395 million yen, 3,804 million yen, 2,539 million yen, and 2,199 million yen in goodwill, customer-related intangible assets, software, and trademark rights, respectively.

(Liabilities)

Total liabilities as of the three-month period ended June 30, 2017 were 186,412 million yen, down 2,200 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 9,292 million yen to 74,562 million yen in current liabilities, despite an increase of 7,092 million yen to 111,850 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 7,074 million yen and 4,876 million yen in accounts payable-trade and current portion of long-term loans payable, respectively, despite an increase of 1,729 million yen in short-term loans payable.

The main causes of the increase in non-current liabilities included increases of 15,000 million yen and 1,429 million yen in bonds and deferred tax liabilities, respectively, despite a decrease of 10,278 million yen in long-term loans payable.

(Net assets)

Net assets as of the three-month period ended June 30, 2017 totaled 57,634 million yen, up 779 million yen from the end of the previous fiscal year, due to factors including an increase of 1,484 million yen in retained earnings.

These factors resulted in an equity ratio of 23.4%, up 0.4 points from the end of the previous fiscal year.

Cash flow

Cash and cash equivalents (“funds” hereinafter) for the three-month period ended June 30, 2017 totaled 12,601 million yen (the figure for the three-month period ended June 30, 2016 was 15,129 million yen).
The status of each category of cash flow and the main reasons are described below.

(Cash flow from operating activities)

Funds gained by operating activities totaled 6,355 million yen (191.3% of the figure for the three-month period ended June 30, 2016).

This was due mainly to a decrease of 16,148 million yen in accounts receivable-trade along with 3,022 million yen of net income before taxes and other adjustments and 2,429 million yen of depreciation, despite a decrease of 13,306 million yen in notes and accounts payable-trade, along with 2,824 million yen of income taxes paid.

(Cash flow from investment activities)

Funds gained by investment activities totaled 393 million yen (the figure for the three-month period ended June 30, 2016 was an expenditure of 1,873 million yen).

This was due mainly to a gain of 1,954 million yen from acquiring shares of a subsidiary due to a change in the scope of consolidation, despite expenditures of 954 million yen for the acquisition of tangible non-current assets in connection with new store openings.

(Cash flow from financing activities)

Funds used for financing activities totaled 422 million yen (the figure for the three-month period ended June 30, 2016 was a gain of 933 million yen).

This was due mainly to expenditures of 16,934 million yen for repaying long-term loans payable, despite a gain of 14,924 million yen from issuing bonds and a net increase of 1,650 million yen in short-term loans payable.

(3) Information of forward-looking statements forecasts of consolidated financial results

Forecasts of consolidated financial results for Q2 (cumulative) and the full-year have not been revised since the release “Summary of consolidated financial results for fiscal year ended March 2017” on May 9, 2017.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	6,489	12,667
Notes and accounts receivable-trade	46,467	40,295
Merchandise and products	37,844	38,827
Deferred tax assets	2,812	2,575
Advance payment	25,000	-
Accounts receivable-other	5,505	5,032
Other	1,505	2,052
Allowance for doubtful accounts	-41	-243
Total current assets	125,581	101,206
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	13,732	14,535
Tools, fixtures, and facilities (net)	1,687	1,979
Land	8,467	8,467
Other (net)	690	766
Total tangible non-current assets	24,578	25,750
Intangible assets		
Goodwill	19,870	32,266
Software	444	2,984
Trademark rights	268	2,468
Contractual intangible assets	59,263	58,192
Customer-related intangible assets	-	3,804
Other	50	252
Total intangible assets	79,898	99,970
Investments and other assets		
Investment securities	1,768	2,108
Deferred tax assets	2,802	2,762
Lease and guarantee deposits	10,538	11,279
Other	344	1,058
Allowance for doubtful accounts	-44	-87
Total investments and other assets	15,409	17,120
Total non-current assets	119,886	142,840
Total assets	245,467	244,047

(Unit: million yen)

	As of March 31, 2017	As of June 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,263	41,188
Short-term loans payable	2,600	4,329
Current portion of long-term loans payable	10,111	5,234
Accounts payable-other	6,265	8,740
Accrued income taxes	3,022	586
Accrued consumption tax	1,081	1,270
Unearned revenue	4,706	4,555
Reserve for points	2,565	2,795
Reserve for bonuses	1,046	518
Reserve for promotion of admissions	-	476
Other	4,192	4,865
Total current liabilities	83,854	74,562
Non-current liabilities		
Bonds	-	15,000
Long-term loans payable	76,498	66,220
Reserve for guarantees for merchandise sold	3,651	3,719
Reserve for directors' retirement benefits	182	173
Retirement benefit liabilities	5,497	6,204
Deferred tax liabilities	17,607	19,037
Other	1,320	1,494
Total non-current liabilities	104,758	111,850
Total liabilities	188,612	186,412
Net assets		
Shareholders' equity		
Capital stock	5,905	5,942
Capital surplus	6,097	6,135
Retained earnings	44,364	45,849
Treasury stock	-67	-1,040
Total shareholders' equity	56,299	56,885
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	185	252
Currency conversion adjustments	-18	-37
Accumulated adjustment to retirement benefits	0	-
Total accumulated other comprehensive income	167	215
Stock acquisition rights	388	453
Non-controlling interests	-	81
Total net assets	56,855	57,634
Total liabilities and net assets	245,467	244,047

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

Consolidated income statement

(For the three-month period)

(Unit: million yen)

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017
Net sales	96,212	112,483
Cost of sales	74,192	85,565
Gross profit on sales	22,020	26,917
Sales, general, and administrative expenses	20,650	24,331
Operating income	1,370	2,586
Non-operating income		
Interest income	4	3
Purchase discounts	391	398
Other	101	181
Total non-operating income	496	584
Non-operating expenses		
Interest expenses	224	191
Interest on bonds	-	18
Bond issuance cost	-	75
Other	43	60
Total non-operating expenses	267	345
Ordinary income	1,599	2,824
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	-	12
Gain on reversal of stock acquisition rights	0	0
Gain on sales of shares of subsidiaries and affiliates	-	200
Total extraordinary income	0	212
Extraordinary losses		
Loss on valuation of investment securities	19	-
Impairment loss	-	15
Total extraordinary losses	19	15
Net income before taxes and other adjustments	1,580	3,022
Income taxes-current	366	644
Income taxes-deferred	305	234
Total income taxes	671	879
Net income	908	2,143
Net income attributable to shareholders of the non-controlling interests	-	0
Net income attributable to shareholders of the parent company	908	2,142

Consolidated statement of comprehensive income

(For the three-month period)

(Unit: million yen)

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017
Net income	908	2,143
Other comprehensive income		
Valuation difference on available-for-sale securities	37	67
Currency conversion adjustments	-15	-0
Adjustments for retirement benefit obligations	11	-0
Share in other comprehensive income of equity-method affiliates	-0	-18
Total other comprehensive income	32	48
Comprehensive income	941	2,191
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	941	2,190
Comprehensive income attributable to non-controlling interests	-	0

(3) Consolidated Cash Flow Statement

(Unit: million yen)

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017
Cash flow from operating activities		
Net income before taxes and other adjustments	1,580	3,022
Depreciation	1,676	2,429
Impairment loss	-	15
Amortization of goodwill	363	697
Increase (decrease) in net defined benefit liability	132	59
Increase (decrease) in reserve for points	-197	-174
Increase (decrease) in reserve for promotion of admissions	-	183
Increase (decrease) in reserve for guarantees for merchandise sold	25	68
Interest and dividend income	-13	-35
Interest expenses	224	191
Gain on sales of shares of subsidiaries and affiliates	-	-200
Decrease (increase) in accounts receivable-trade	20,012	16,148
Decrease (increase) in inventories	-504	-390
Decrease (increase) in accounts receivable-other	404	595
Increase (decrease) in notes and accounts payable-trade	-14,812	-13,306
Increase (decrease) in accrued consumption taxes	-768	137
Increase (decrease) in unearned revenue	144	-150
Other	-925	-130
Subtotal	7,343	9,158
Interest and dividend income received	28	65
Interest expenses paid	-45	-44
Income taxes paid	-4,003	-2,824
Cash flow from operating activities	3,323	6,355

(Unit: million yen)

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2017
Cash flow from investment activities		
Purchase of tangible non-current assets	-1,517	-954
Purchase of intangible assets	-46	-309
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	1,954
Purchase of shares of subsidiaries and affiliates	-	-570
Proceeds from sales of shares of subsidiaries and affiliates	-	640
Payments for lease and guarantee deposits	-304	-317
Proceeds from collection of lease and guarantee deposits	127	40
Other	-131	-89
Cash flow from investment activities	-1,873	393
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	2,790	1,650
Proceeds from long-term loans payable	-	1,525
Repayment of long-term loans payable	-1,390	-16,934
Purchase of treasury stock	-0	-1,028
Proceeds from sales of treasury stock	66	54
Proceeds from issuance of bonds	-	14,924
Cash dividends paid	-582	-642
Dividends paid to non-controlling interests	-	-1
Other	49	29
Cash flow from financing activities	933	-422
Effect of exchange rate changes on cash and cash equivalents	-18	-0
Increase (decrease) in cash and cash equivalents	2,363	6,326
Starting balance of cash and cash equivalents	12,765	6,275
Ending balance of cash and cash equivalents	15,129	12,601

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

At its meeting on May 9, 2017, the Company's Board of Directors resolved to distribute dividends of 642 million yen from retained earnings.

As a result, retained earnings for the three-month period ended June 30, 2017 were 45,849 million yen.

(Segment information, etc.)

[Segment information]

I Three-month period ended June 30, 2016 (April 1, 2016 – June 30, 2016)

Net sales and profit (loss) by reporting segment

(Unit: million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on consolidated quarterly income statement
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Operation of Internet business	Subtotal				
Net sales								
Net sales to external customers	41,907	54,050	–	95,957	254	96,212	–	96,212
Internal sales or transfers between segments	29	1	–	31	76	107	-107	–
Subtotal	41,936	54,052	–	95,988	330	96,319	-107	96,212
Segment income	1,126	417	–	1,544	93	1,638	-38	1,599

Note: *1. The "Other" business segment consists of businesses not included in the three reporting segments above. These include the shopping mall business, the sports business, the training business, and the mega-solar business.

*2. Adjustments of segment income consist of companywide costs not distributed among reporting segments.

*3. Segment income is adjusted with ordinary income on the consolidated quarterly income statement.

II Three-month period ended June 30, 2017 (April 1, 2017 – June 30, 2017)

1. Net sales and profit (loss) by reporting segment

(Unit: million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on consolidated quarterly income statement
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Operation of Internet business	Subtotal				
Net sales								
Net sales to external customers	43,982	53,805	12,613	110,402	2,081	112,483	–	112,483
Internal sales or transfers between segments	37	109	1	148	69	217	-217	–
Subtotal	44,020	53,915	12,615	110,550	2,150	112,700	-217	112,483
Segment income (loss)	1,775	1,101	-40	2,836	151	2,988	-163	2,824

Note: *1. The "Other" business segment consists of businesses not included in the three reporting segments above. These include the shopping mall business, the sports business, the training business, the mega-solar business, and the animal medical business.

*2. Adjustments of segment income consist of companywide costs not distributed among reporting segments.

*3. Segment income is adjusted with ordinary income on the consolidated quarterly income statement.

2. Information about impairment losses on non-current assets or goodwill for each reportable segment

(Significant impairment losses on non-current assets)

The carrying amount of a group of assets that have recorded a continued loss from business activities is reduced to the recoverable amount and the reduced amount is recorded as an impairment loss under extraordinary loss. The amount recorded in the reporting segment was 13 million yen for the operation of digital home electronics retail stores and one million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Operation of an Internet business has been added to our business with the acquisition of all shares of NIFTY Corporation as one of our consolidated subsidiaries on April 1, 2017.

As a result, goodwill increased 13,090 million yen.

3. Notes relating to changes in reportable segments

Having acquired all of the shares of NIFTY Corporation to make it a consolidated subsidiary, we reviewed the classification, and changed the reporting segments from "the operation of digital home electronics retail stores" and "the operation of mobile carrier stores" to "operation of digital home electronics retail stores," "operation of mobile carrier stores," and "operation of Internet business" from the three-month period ended June 30, 2017.

Segment information for the three-month period ended June 30, 2016 was created using the classification after the changes.

(Business combination)

(Business combination resulting from the acquisition of shares)

We have entered into a stock purchase agreement with Fujitsu Limited ("Fujitsu" hereinafter), upon a resolution of the Board of Directors approved on January 31, 2017, through which we acquired the consumer-oriented business of NIFTY Corporation ("NIFTY" hereinafter), which was a wholly-owned subsidiary of Fujitsu.

We made a payment for the acquisition to Fujitsu based on the contract on March 31, 2017, and acquired all of NIFTY's shares to make it a wholly-owned subsidiary on April 1, 2017.

1. Outline of Merger

(1) Outline of acquired company and its business

a. Name: NIFTY Corporation

b. Business: Internet Service Provider, and Web Service Business

(2) Main Reasons for the Merger

We have decided to welcome NIFTY's consumer-oriented business, which comprises an ISP business and a Web service business, in order to evolve from the current business model of selling digital appliances and mobile phones to a "Total Solution Business" in anticipation of the IoT era. NIFTY, which has developed progressive services by capturing the timely needs of customers for many years, has development capabilities and know-how related to its services, customer base, and brand strengths that the Nojima Group does not have. As a result, we believe we can significantly differentiate ourselves from competitors in the consumer electronics retail and mobile phone distributor sectors.

(3) Date of Merger

April 1, 2017

(4) Merger Method

Acquisition of shares

(5) Name of the Company after Merger

NIFTY Corporation

(6) Percentage of Voting Rights Acquired

100%

(7) Main Valuation Principle for Acquired Company

Based on having acquired 100% of the company through shares acquired at an assumed cash value.

2. Performance period of acquired company included in consolidated income statement of the consolidated cumulative period

From April 1, 2017 to June 30, 2017

3. Cost of Acquisition of Acquired Company and Its Breakdown

Value of acquisition:	(cash)	25,166 million yen
Cost of acquisition:		25,166 million yen

4. Breakdown and Amount of the Main Acquisition-related Fees

Advisory Fee, etc.: 183 million yen (*)

(*) Advisory Fee, etc. includes fee of the acquisition, remuneration, and other expenses.

5. Financing Method

We borrowed 20,000 million yen from financial institutions on March 31, 2017, putting up all NIFTY shares as collateral on April 3, 2017.

6. Resulting amount of goodwill, reason for goodwill, amortization method, and amortization period

(1) Resulting amount of goodwill

13,090 million yen

(2) Reason for goodwill

Expectations of increased earning power from future business development

(3) Amortization method and amortization period

Straight line method over 10 years

(Equity-method affiliates through shares acquisition)

We decided to conclude a capital and business alliance with Hascom Mobile Corporation upon a resolution of the Board of Directors approved on March 21, 2017. We concluded a contract for underwriting shares documents based on a third-party allocation of new shares with Hascom Mobile Corporation, and a contract on business alliance documents and shareholder's agreements on a third-party allocation of new shares with Hascom Mobile Corporation and Hascom Corporation, which is the parent company.

We acquired 33.9% of Hascom Mobile Corporation shares on April 3, 2017, making it an equity-method affiliate company.

1. Purpose of Share Acquisition

In addition to human resource training and consulting sales, which are our strengths, we expect joint ownership to provide benefits including access to the know-how of the communication departments of both companies, thus creating synergies that include reinforcing customer convenience.

2. Name and Business of Company Purchasing Shares

Name: Hascom Mobile Corporation

Business: Sales of Mobile phones

3. Name of Company of Shares to Be Acquired

Hascom Mobile Corporation

4. Number of Shares Acquired and Number of Shares Owned Before and After Acquisition

Number of shares owned before acquisition	– shares
Acquisition cost	The amount of consideration of shares: 533 million yen Advisory costs etc.: 37 million yen (*) Total: 570 million yen
Number of shares acquired	1,006 shares (number of voting rights: 1,006)
Number of shares owned after acquisition	1,006 shares (Number of voting rights: 1,006; portion of voting rights owned: 33.9%)

(*)Advisory costs etc. include commission fees of acquisition, remuneration, and other costs.

5. Date of Acquisition

April 3, 2017

6. Financing Method

Self-funded

(Additional information)

(Restrictive financial covenants)

1. The following restrictive financial covenants apply under the revolving credit facilities agreements entered into by the Company to raise working capital.
   i) The amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of each fiscal year and the first half of each fiscal year must be maintained at not less than the higher of the following figures:
      A. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the fiscal year immediately preceding conclusion of the agreement
      B. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the immediately preceding fiscal year or first half of the fiscal year
   ii) An ordinary loss may not be recorded on the consolidated or nonconsolidated income statement for any fiscal year.

The amounts of agreements and remaining balances of debt are indicated below.

		Previous consolidated accounting period (March 31, 2017)	This consolidated accounting period (June 30, 2017)
Agreement amount		13,500 million yen	13,500 million yen
Remaining balance of debt	Short-term loans payable	2,000	2,000

2. The following restrictive financial covenants apply under the loan agreement entered into by the Company as of March 28, 2016 to refinance a previous loan agreement entered into by the Company as of December 24, 2014 to raise funds for acquiring stock in ITX Corporation (pre-merger) {"ITX (pre-merger)" hereinafter}.
   i) From the fiscal year ended March 2016, the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of each fiscal year and the first half of each fiscal year must be maintained at not less than the higher of the following figures:
      A. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the fiscal year ended March 2015
      B. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the immediately preceding fiscal year or first half of the fiscal year
   ii) From the fiscal year ended March 2016, an ordinary loss may not be recorded on the consolidated or nonconsolidated income statement for any fiscal year.

   The amounts of agreements and remaining balances of debt are indicated below.

		Previous consolidated accounting period (March 31, 2017)	This consolidated accounting period (June 30, 2017)
Agreement amount		10,000 million yen	10,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	2,000	-
	Long-term loans payable	4,000	-

The debt based on the loan agreement has been paid off in the Three-month period ended June 30, 2017

3. The following restrictive financial covenants apply under the loan agreement, in which part of the agreement was modified on September 30, 2016, concluded by the consolidated subsidiary ITX Corporation ("ITX" hereinafter) as of December 24, 2014 to raise funds to acquire stock in ITX (pre-merger) and working capital for ITX.
   i) In the 12-month period of each fiscal year starting with the fiscal year ended March 2016 and the 12 months through the first half of each fiscal year starting with the first half ended September 2015, the borrower's gross leverage ratio (*[1]) on a consolidated basis may not exceed the figure specified by the financial institution two consecutive times.
      [1] Gross leverage ratio = interest-bearing debt/EBITDA ([2])
      *[2] EBITDA = operating income + depreciation + amortization of goodwill + amortization of long-term prepaid expenses + acquisition cost
   ii) In the 12-month period of each fiscal year starting with the fiscal year ended March 2016 and the 12 months through the first half of each fiscal year starting with the first half ended September 2016, the debt service coverage ratio (*[3]) may not be less than 1.00 two consecutive times.
      *[3] Debt service coverage ratio = free cash flow/ (principal repayments + interest payments + commitment fees)
   iii) From the fiscal year ended March 2015, an operating loss may not be recorded two consecutive times on the consolidated income statement during the 12-month period of each fiscal year.
   iv) From the fiscal year ended March 2016, the amount of net assets indicated on the consolidated balance sheet on the closing date of each fiscal year may not be less than 70% of the amount of net assets indicated on the consolidated balance sheet on the closing date of the immediately preceding fiscal year.

   The amounts of agreements and remaining balances of debt are shown below.

		Previous consolidated accounting period (March 31, 2017)	This consolidated accounting period (June 30, 2017)
Agreement amount		77,000 million yen	77,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	2,000	2,000
	Long-term loans payable	45,314	45,314

4. The following restrictive financial covenants apply under the loan agreement entered into by the Company as of January 31, 2017 to raise funds for acquiring stock in NIFTY Corporation.
   i) From the fiscal year ended March 2017, the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of each fiscal year and the first half of each fiscal year must be maintained at not less than the higher of the following figures:
      A. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the fiscal year ended March 2016
      B. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the immediately preceding fiscal year or first half of the fiscal year
   ii) From the fiscal year ended March 2017, an ordinary loss may not be recorded on the consolidated or nonconsolidated income statement for any fiscal year.

   The amounts of agreements and remaining balances of debt are indicated below.

		Previous consolidated accounting period (March 31, 2017)	This consolidated accounting period (June 30, 2017)
Agreement amount		20,000 million yen	20,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	1,666	1,332
	Long-term loans payable	18,334	14,668

(Trading of issuing shares from treasury stock through a trust to employees)

1. “The employee stock ownership plan (ESOP) trust” introduced in March 2015, was terminated in the three-month period ended June 30, 2017.

2. “The employee stock ownership plan (ESOP) trust” introduced in May 2017 (“The System” hereinafter)

We resolved to re-introduce the System to increase corporate value over the medium to long term, and for the welfare of employees on their behalf at a Board of Directors’ meeting held on May 9, 2017.

i) Overview of trading

The Group introduced the System in May 2017 to increase corporate value over the medium to long term. The System acquires the amount of shares at one time in advance, which takes three years for the “NEX employee stock ownership plan” (“Our shareholding association” hereinafter) to acquire, and sells them to our shareholding association to transfer treasury stock to it.

ii) Treasury stock retained in trust

Treasury stock retained in trust is allocated as net assets in accordance with the carrying amount of trust, excluding incidental expenses. The carrying amount and number of shares of applicable treasury stock were - million yen and - shares, respectively, for the previous fiscal year; and 879 million yen and 500,000 shares, respectively, for the three-month period ended June 30, 2017.

iii) Recorded carrying amount of loans payable after applying total method

A total of - million yen for the previous consolidated fiscal year and 1,200 million yen for three-month period ended June 30, 2017.

(Important subsequent information)

(Under common control transaction)

On May 9, 2017, Our Board of Directors resolved that Geobit Mobile Corporation ("Geobit" hereinafter) would succeed a part of the business of ITX, and Softbank and Ymobile Businesses, and it concluded a contract with ITX and Geobit on May 9, 2017.
Furthermore, ITX's Board of Directors approved the resolution on April 17, 2017, and Geobit's Board of Directors approved it on April 24, 2017.

1. Purpose of Absorption-type split
We aim to provide a smart life hub to customers, with the evolution into a total solution company that can provide new value in the global IoT era, in which every home electric appliance is connected to the Internet and mobile terminals.
This will make it possible for rapid management decisions to be made in a fast-changing mobile phone sales market by creating synergies through the concentration of financial resources and know-how of ITX and Geobit.
Our Group is integrating the Softbank and Ymobile businesses of ITX into Geobit to promote our further growth.

2. Names of Companies and Businesses related to the Integration
(1) Splitting company: ITX Corporation
(2) Inheriting the splitting company: Geobit Mobile Corporation
(3) Business: Softbank and Ymobile Business

3. Date of Merger
July 1, 2017

4. Merger Method
Splitting company (Absorption-type split)

5. Outline of accounting procedures
"Accounting Standard for Business Combinations" (ASBJ No. 21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013) We are scheduled to proceed as a transaction under common control, based on the above-mentioned guidelines.