Summary of Consolidated Financial Results for the Nine-month Period Ended December 31, 2017 (Japanese accounting standards)

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Code No.: 7419 — URL http://www.nojima.co.jp

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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 nine-month period ended December 31, 2017 (April 1, 2017 – December 31, 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	%
Nine-month period ended December 31, 2017	368,276	15.7	12,637	33.0	13,547	34.2	8,528	33.5
Nine-month period ended December 31, 2016	318,298	-4.2	9,499	-3.5	10,096	-1.5	6,390	-13.2

Note: Comprehensive income: Nine months ended December 31, 2017: 8,666 million yen (35.0%) Nine months ended December 31, 2016: 6,419 million yen (-13.7 %)

Reference: EBITDA: Nine months ended December 31, 2017: 23,023 million yen (37.8%) Nine months ended December 31, 2016: 16,702 million yen (-2.8 %)

Net income before amortization of goodwill: Nine-month period ended December 31, 2017: 14,756 million yen (37.1 %)
Nine-month period ended December 31, 2016: 10,767 million yen (-8.3 %)

・ 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 per share	Diluted net income per share
	Yen	Yen
Nine-month period ended December 31, 2017	172.78	163.66
Nine-month period ended December 31, 2016	131.41	125.52

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	261,585	63,759	24.1	1,262.86
As of March 31, 2017	245,467	56,855	23.0	1,143.23

Reference: Equity: As of December 31, 2017: 63,059 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	-	15.00	-		
FY ending March 2018 (planned)				15.00	30.00

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)

	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
Full year	488,000	12.9	16,600	10.0	17,500	13.1	10,800	6.3	216.28

Note: Revisions to the most recently announced consolidated earnings forecast: No
Reference: EBITDA: As of March 31, 2018 (planned) 29,800 million yen (22.9 %)
Net income before amortization of goodwill: As of March 31, 2018 (planned) 19,100 million yen (19.4 %)

* 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 3Q	50,714,216 shares	FY 2016	49,534,816 shares
ii Number of shares of treasury stock at the end of the period	FY2017 3Q	780,067 shares	FY 2016	142,417 shares
iii Average number of shares during the period	FY2017 3Q	49,357,537 shares	FY2016 3Q	48,630,895 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (580,700 shares in the nine-month period ended December 31, 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 (457,873 shares in the nine-month period ended December 31, 2017 and 162,640 shares in the nine-month period ended December 31, 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 nine-month period ended December 31, 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 improved gradually, in parallel 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, which may have impact on the domestic economy.

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

In the market for 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 diffusion of smart devices that can use the Internet anywhere, mobile fast broadband service subscribership increased significantly, while the fixed broadband service showed a slowdown in the growth rate for the mainstream service−Fiber-To-The-Home (FTTH) Internet subscribership. Conversely, the Internet advertising market 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 respond to the changing lifestyles of customers, thereby improving consulting-based sales and providing new products and services that satisfy the needs of our customers.

In mobile carrier store and Internet business operations, 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 17 new store openings, including scrap-and-build, and seven store closures, the number of digital home electronics retail stores stood at 160. Digital home electronics retail stores operated stood at 195, including 35 dedicated communications device stores, at the end of the nine-month period ended December 31, 2017.

In mobile carrier store operations, following the new openings and the acquisition of 35 stores including scrap-and-build, and the closure or suspension of operations at 12 stores, the number of stores, including both directly-operated carrier stores and franchises, stood at 660.

In the light of these factors, the numbers of stores as of December 31, 2017 are as shown below.

Stores in operation

Classification	Directly operated	Franchises	Total
Operation of digital home electronics retail stores	195 stores	–	195 stores
Digital home electronics retail stores	160 stores	–	160 stores
Dedicated communications device stores	35 stores	–	35 stores
Operation of mobile carrier stores	420 stores	240 stores	660 stores
Carrier stores	401 stores	236 stores	637 stores
Others	19 stores	4 stores	23 stores
Total	615 stores	240 stores	855 stores

Note: Excludes one store directly operated by an overseas subsidiary

As a result, during the nine-month period ended December 31, 2017, we recorded net sales of 368,276 million yen (115.7% of the figure for the nine-month period ended December 31, 2016), operating income of 12,637 million yen (133.0% of the figure for the nine-month period ended December 31, 2016), ordinary income of 13,547 million yen (134.2% of the figure for the nine-month period ended December 31, 2016), and net income attributable to shareholders of the parent company of 8,528 million yen (133.5% of the figure for the nine-month period ended December 31, 2016). EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 23,023 million yen (137.8% of the figure for the nine-month period ended December 31, 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.

(Operation of digital home electronics retail stores)

Sales of air conditioners, refrigerators, washing machines, and 4K TVs were satisfactory, and sales of Blu-ray recorders remained stable, although sales of PCs were sluggish.

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

As a result, net sales in this segment totaled 146,549 million yen (106.4% of the figure for the nine-month period ended December 31, 2016); segment income was 8,961 million yen (118.0% of the figure for the nine-month period ended December 31, 2016); and, segment net income before amortization of goodwill (*) was 8,963 million yen (118.0% of the figure for the nine-month period ended December 31, 2016).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, aiming at 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, remained unchanged because of a downturn in the marketplace, in spite of signs of a recovery in the number of mobile phones of carrier brands sold, as well as our aggressive efforts to strengthen the Mobile Virtual Network Operator (MVNO) marketing channel. On the positive side, as a result of putting efforts into raising productivity, operating income grew sharply.

As a result, net sales in this segment totaled 179,290 million yen (99.6% of the figure for nine-month period ended December 31, 2016); segment income was 4,498 million yen (187.0% of the figure for the nine-month period ended December 31, 2016); and, segment net income before amortization of goodwill (*) was 8,885 million yen (131.2% of the figure for the nine-month period ended December 31, 2016).

(Operation of Internet business)

In the Internet service provider segment, we concentrated on attracting new customers at our group stores for @nifty Hikari, a wholesale service provided by NTT East and NTT West, under tough conditions. In the web service business segment, we proceeded to review unprofitable businesses.

As a result, net sales in this segment totaled 37,372 million yen (–% of the figure for the nine-month period ended December 31, 2016); segment income was 53 million yen (–% of the figure for the nine-month period ended December 31, 2016); and, segment net income before amortization of goodwill (*) was 1,882 million yen (–% of the figure for the nine-month period ended December 31, 2016), and a loss on impairment of assets mainly in the web service business segment has been recognized.

(*) 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 nine-month period ended December 31, 2017 were 261,585 million yen, up 16,117 million yen from the end of the previous fiscal year.

This increase was due mainly to a decrease of 1,738 million yen to 123,843 million yen in current assets and an increase of 17,856 million yen to 137,742 million yen in non-current assets.

The primary factors underlying the decrease in current assets included a decrease of 24,991 million yen in advance payments, despite increases of 10,236 million yen and 7,738 million yen in merchandise and products and notes and accounts receivable trade, respectively.

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 11,042 million yen, 3,473 million yen, 1,921 million yen, and 1,348 million yen in goodwill, customer-related intangible assets, trademark rights, and software, respectively.

(Liabilities)

Total liabilities as of the nine-month period ended December 31, 2017 were 197,826 million yen, up 9,213 million yen from the end of the previous fiscal year.

This increase was due mainly to an increase of 12,288 million yen to 96,142 million yen in current liabilities, and a decrease of 3,074 million yen to 101,683 million yen in non-current liabilities.

The primary factors underlying the increase in current liabilities included increases of 14,402 million yen and 1,969 million yen in notes and accounts payable-trade and accounts payable-other, respectively, despite a decrease of 4,874 million yen in current portion of long-term loans payable.

The main causes of the decrease in non-current liabilities included a decrease of 19,614 million yen in long-term loans payable, despite increases of 15,000 million yen and 705 million yen in bonds and retirement benefit liabilities, respectively.

(Net assets)

Net assets as of the nine-month period ended December 31, 2017 totaled 63,759 million yen, up 6,903 million yen from the end of the previous fiscal year, due to factors including an increase of 7,112 million yen in retained earnings.

These factors resulted in an equity ratio of 24.1%, up 1.1 points from the end of the previous fiscal year.

Cash flow

Cash and cash equivalents (“funds” hereinafter) for the nine-month period ended December 31, 2017 totaled 10,142 million yen (the figure for the nine-month period ended December 31, 2016 was 8,348 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 15,768 million yen (119.5% of the figure for the nine-month period ended December 31, 2016).

This was due mainly to an increase of 13,181 million yen in net income before taxes and other adjustments and 8,171 million yen in notes and accounts payable-trade, despite an increase of 9,703 million yen in inventories, along with 5,141 million yen of income taxes paid.

(Cash flow from investment activities)

Funds used for investment activities totaled 1,342 million yen (31.7% of the figure for the nine-month period ended December 31, 2016).

This was due mainly to a gain of 1,954 million yen and 1,060 million yen from acquiring shares of a subsidiary due to a change in the scope of consolidation, and proceeds from sales of shares of subsidiaries and affiliates, respectively, despite expenditures of 2,911 million yen, 844 million yen, and 570 million yen for the acquisition of tangible non-current assets in connection with new store openings, payments for lease and guarantee deposits, and purchase of shares of subsidiaries and affiliates, respectively.

(Cash flow from financing activities)

Funds used for financing activities totaled 10,561 million yen (78.9% of the figure for the nine-month period ended December 31, 2016).

This was due mainly to expenditures of 27,768 million yen for repaying long-term loans payable and cash dividends paid of 1,400 million yen, despite a gain of 14,924 million yen from issuing bonds.

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

Forecasts of consolidated financial results for the full year and dividends have not been revised since the release of the “announcement concerning revisions to forecasts of consolidated financial results, dividend payments (an interim dividend), and the year-end dividend forecast” on October 31, 2017.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	6,489	10,207
Notes and accounts receivable-trade	46,467	54,205
Merchandise and products	37,844	48,080
Deferred tax assets	2,812	1,879
Advance payment	25,000	8
Accounts receivable-other	5,505	7,474
Other	1,505	2,227
Allowance for doubtful accounts	-41	-240
Total current assets	125,581	123,843
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	13,732	14,871
Tools, fixtures, and facilities (net)	1,687	2,108
Land	8,467	8,537
Other (net)	690	600
Total tangible non-current assets	24,578	26,116
Intangible assets		
Goodwill	19,870	30,912
Software	444	1,792
Trademark rights	268	2,190
Contractual intangible assets	59,263	56,051
Customer-related intangible assets	-	3,473
Other	50	68
Total intangible assets	79,898	94,489
Investments and other assets		
Investment securities	1,768	2,232
Deferred tax assets	2,802	2,779
Lease and guarantee deposits	10,538	11,184
Other	344	1,023
Allowance for doubtful accounts	-44	-84
Total investments and other assets	15,409	17,135
Total non-current assets	119,886	137,742
Total assets	245,467	261,585

(Unit: million yen)

	As of March 31, 2017	As of December 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,263	62,665
Short-term loans payable	2,600	4,160
Current portion of long-term loans payable	10,111	5,236
Accounts payable-other	6,265	8,235
Accrued income taxes	3,022	2,430
Accrued consumption taxes	1,081	1,044
Unearned revenue	4,706	4,574
Reserve for points	2,565	2,684
Reserve for bonuses	1,046	550
Reserve for promotion of admissions	-	188
Other	4,192	4,372
Total current liabilities	83,854	96,142
Non-current liabilities		
Bonds	-	15,000
Long-term loans payable	76,498	56,884
Reserve for guarantees for merchandise sold	3,651	3,776
Reserve for directors' retirement benefits	182	180
Retirement benefit liabilities	5,497	6,203
Deferred tax liabilities	17,607	18,189
Other	1,320	1,449
Total non-current liabilities	104,758	101,683
Total liabilities	188,612	197,826
Net assets		
Shareholders' equity		
Capital stock	5,905	6,133
Capital surplus	6,097	6,323
Retained earnings	44,364	51,476
Treasury stock	-67	-1,179
Total shareholders' equity	56,299	62,753
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	185	344
Currency conversion adjustments	-18	-38
Accumulated adjustment to retirement benefits	0	-
Total accumulated other comprehensive income	167	306
Stock acquisition rights	388	660
Non-controlling interests	-	39
Total net assets	56,855	63,759
Total liabilities and net assets	245,467	261,585

(2) Consolidated income statement and consolidated statement of comprehensive income

Consolidated income statement

(For the nine-month period)

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – December 31, 2016)	This consolidated fiscal year (April 1, 2017 - December 31, 2017)
Net sales	318,298	368,276
Cost of sales	247,070	282,155
Gross profit on sales	71,227	86,120
Sales, general, and administrative expenses	61,728	73,482
Operating income	9,499	12,637
Non-operating income		
Interest income	12	11
Purchase discounts	1,167	1,251
Other	347	520
Total non-operating income	1,527	1,783
Non-operating expenses		
Interest expenses	620	524
Interest on bonds	-	72
Bond issuance costs	-	75
Other	309	200
Total non-operating expenses	930	873
Ordinary income	10,096	13,547
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	64	0
Gain on sales of shares of subsidiaries and affiliates	-	636
Other	8	89
Total extraordinary income	72	725
Extraordinary losses		
Impairment loss	89	1,092
Total extraordinary losses	89	1,092
Net income before taxes and other adjustments	10,079	13,181
Income taxes-current	3,044	4,626
Income taxes-deferred	645	28
Total income taxes	3,689	4,654
Net income	6,390	8,527
Net loss attributable to shareholders of the non-controlling interests	-	-0
Net income attributable to shareholders of the parent company	6,390	8,528

(For the three-month period)

(Unit: million yen)

	Previous consolidated fiscal year (October 1, 2016 - December 31, 2016)	This consolidated fiscal year (October 1, 2017 - December 31, 2017)
Net sales	114,157	134,136
Cost of sales	89,534	104,176
Gross profit on sales	24,623	29,959
Sales, general, and administrative expenses	20,709	24,790
Operating income	3,914	5,168
Non-operating income		
Interest income	4	3
Purchase discounts	409	450
Other	164	186
Total non-operating income	578	641
Non-operating expenses		
Interest expenses	182	149
Interest on bonds	-	27
Other	111	73
Total non-operating expenses	293	249
Ordinary income	4,198	5,560
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	68	-
Gain on sales of shares of subsidiaries and affiliates	-	436
Other	0	84
Total extraordinary income	68	521
Extraordinary losses		
Loss on valuation of investment securities	-	5
Impairment loss	15	13
Total extraordinary losses	15	18
Net income before taxes and other adjustments	4,252	6,062
Income taxes-current	1,300	1,818
Income taxes-deferred	203	100
Total income taxes	1,503	1,919
Net income	2,748	4,143
Net loss attributable to shareholders of the non-controlling interests	-	-0
Net income attributable to shareholders of the parent company	2,748	4,144

Consolidated statement of comprehensive income

(For the nine-month period)

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – December 31, 2016)	This consolidated fiscal year (April 1, 2017 - December 31, 2017)
Net income	6,390	8,527
Other comprehensive income		
Valuation difference on available-for-sale securities	0	159
Currency conversion adjustments	1	-4
Adjustments for retirement benefit obligations	33	-0
Share in other comprehensive income of equity-method affiliates	-6	-15
Total other comprehensive income	29	139
Comprehensive income	6,419	8,666
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	6,419	8,667
Comprehensive income attributable to non-controlling interests	-	-0

(For the three-month period)

(Unit: million yen)

	Previous consolidated fiscal year (October 1, 2016 - December 31, 2016)	This consolidated fiscal year (October 1, 2017 - December 31, 2017)
Net income	2,748	4,143
Other comprehensive income		
Valuation difference on available-for-sale securities	49	55
Currency conversion adjustments	20	-4
Adjustments for retirement benefit obligations	11	-
Share in other comprehensive income of equity-method affiliates	0	3
Total other comprehensive income	80	55
Comprehensive income	2,829	4,198
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	2,829	4,199
Comprehensive income attributable to non-controlling interests	-	-0

(3) Consolidated Cash Flow Statement

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – December 31, 2016)	This consolidated fiscal year (April 1, 2017 - December 31, 2017)
Cash flow from operating activities		
Net income before taxes and other adjustments	10,079	13,181
Depreciation	5,057	6,998
Impairment loss	89	1,092
Amortization of goodwill	1,094	2,099
Increase (decrease) in net defined benefit liability	399	85
Increase (decrease) in reserve for points	-689	-285
Increase (decrease) in reserve for promotion of admissions	-	-105
Increase (decrease) in reserve for guarantees for merchandise sold	99	125
Interest and dividend income	-30	-51
Interest expenses	620	524
Gain on sales of shares of subsidiaries and affiliates	-	-636
Decrease (increase) in accounts receivable-trade	12,402	2,238
Decrease (increase) in inventories	-6,489	-9,703
Decrease (increase) in accounts receivable-other	-1,600	-1,847
Increase (decrease) in notes and accounts payable-trade	-93	8,171
Increase (decrease) in accrued consumption taxes	-1,131	-89
Increase (decrease) in unearned revenue	417	-131
Other	-461	-289
Subtotal	19,765	21,374
Interest and dividend income received	76	81
Interest expenses paid	-682	-546
Income taxes paid	-5,959	-5,141
Cash flow from operating activities	13,200	15,768

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – December 31, 2016)	This consolidated fiscal year (April 1, 2017 - December 31, 2017)
Cash flow from investment activities		
Purchase of tangible non-current assets	-3,411	-2,911
Purchase of intangible assets	-128	-492
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	-	1,060
Payments for lease and guarantee deposits	-702	-844
Proceeds from collection of lease and guarantee deposits	233	540
Other	-221	-79
Cash flow from investment activities	-4,231	-1,342
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,740	1,481
Proceeds from long-term loans payable	-	3,025
Repayment of long-term loans payable	-14,238	-27,768
Purchase of treasury stock	-0	-1,309
Proceeds from sales of treasury stock	205	196
Proceeds from issuance of bonds	-	14,924
Cash dividends paid	-1,170	-1,400
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-	-43
Other	70	332
Cash flow from financing activities	-13,392	-10,561
Effect of exchange rate changes on cash and cash equivalents	6	2
Increase (decrease) in cash and cash equivalents	-4,417	3,867
Starting balance of cash and cash equivalents	12,765	6,275
Ending balance of cash and cash equivalents	8,348	10,142

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

The Nojima Group distributed total dividends of 642 million yen from retained earnings, based upon a resolution of the Board of Directors on May 9, 2017, and total dividends of 753 million yen from retained earnings, based upon a resolution of the Board of Directors on October 31, 2017, during the nine-month period ended December 31, 2017.

As a result, retained earnings for the nine-month period ended December 31, 2017 were 51,476 million yen.

(Segment information, etc.)

[Segment information]

I The nine-month period ended December 31, 2016 (April 1, 2016 – December 31, 2016)

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	137,618	180,027	–	317,646	652	318,298	–	318,298
Internal sales or transfers between segments	92	3	–	96	246	343	-343	–
Subtotal	137,711	180,031	–	317,742	898	318,641	-343	318,298
Segment income	7,596	2,405	–	10,002	199	10,201	-105	10,096

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.

2. Information on 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 73 million yen for the operation of digital home electronics retail stores and 16 million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Not applicable

II The nine-month period ended December 31, 2017 (April 1, 2017 – December 31, 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	146,379	178,499	37,348	362,227	6,049	368,276	–	368,276
Internal sales or transfers between segments	170	790	24	984	218	1,203	-1,203	–
Subtotal	146,549	179,290	37,372	363,211	6,268	369,479	-1,203	368,276
Segment income (loss)	8,961	4,498	53	13,513	354	13,868	-320	13,547

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 on 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 36 million yen for the operation of digital home electronics retail stores, 30 million yen for the operation of mobile carrier stores, and 1,024 million yen for the operation of the Internet business.

(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 nine-month period ended December 31, 2016 was created using the classification after the changes.

(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 (December 31, 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, 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 (December 31, 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	39,914

3. 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 (December 31, 2017)
Agreement amount		20,000 million yen	20,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	1,666	998
	Long-term loans payable	18,334	10,503

(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. Under the System, ESOP trust account, which is established for the purpose of transferring treasury stock to "NEX employee stock ownership plan" ("Our shareholding association" hereinafter), acquires the amount of shares to be acquired by our shareholding association over three years from May 2017 at one time in advance, and sells them to our shareholding association.

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 1,018 million yen and 580,000 shares, respectively, for the nine-month period ended December 31, 2017.

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

A total of - million yen for the previous consolidated fiscal year and 1,091 million yen for nine-month period ended December 31, 2017.

(Important subsequent information)

(Acquisition of Treasury Stock)

The Group's Board of Directors passed a resolution on January 31, 2018 concerning the purchase of treasury stocks in accordance with the provisions of Article 156 of the Companies Act applied after the modification by the provisions in paragraph 3, Article 165 of the Companies Act.

(1) Reasons for Acquisition of Treasury Stock

In order to maintain flexible capital policies(such as preparing for the exercise of stock options allocated to the Groups officers) in response to changes in the business environment since the period of acquiring treasury stock in accordance with the provisions of Article 156 of the Companies Act applied after modification by the provisions in paragraph 3, Article 165 of the Companies Act, which was resolved in the group's Board of Directors on January 31,2017 ends on January 31, 2018.

(2) Details of Acquisition of Treasury Stock

a. Type of shares to be acquired:	The Group's common stock
b. Number of shares to be acquired:	2,000,000 shares (Maximum)
c. Total acquisition cost:	6,000 million yen (Maximum)
d. Period for acquiring shares:	From February 1, 2018 to January 31, 2019
e. Acquisition method:	Market purchases on the Tokyo Stock Exchange