# Summary of Consolidated Financial Results for the Nine-month Period Ended December 31, 2016 (Japanese accounting standards)

Released January 31, 2017

Name of listed firm: Nojima Corporation | Listed on the Tokyo Stock Exchange, First Section
Code No.: 7419 | URL http://www.nojima.co.jp
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Scheduled date of quarterly report filing: February 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 nine-month period ended December 31, 2016 (April 1, 2016 – December 31, 2016)

(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, 2016 | 318,298 | -4.2 | 9,499 | -3.5 | 10,096 | -1.5 | 6,390 | -13.2 |
| Nine-month period ended December 31, 2015 | 332,243 | 109.6 | 9,848 | 179.0 | 10,252 | 120.6 | 7,361 | 190.3 |

Note: Comprehensive income: Nine months ended December 31, 2016: 6,419 million yen (-13.7 %) Nine months ended December 31, 2015: 7,434 million yen (184.5 %)

Reference: EBITDA Nine months ended December 31, 2016: 16,702 million yen (-2.8 %) Nine months ended December 31, 2015: 17,186 million yen (176.5 %)

・ 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: Nine months ended December 31, 2016: 10,767 million yen (-8.3 %)
Nine months ended December 31, 2015: 11,747 million yen (331.9 %)

| | Net income per share | Diluted net income per share |
|---|---|---|
| | Yen | Yen |
| Nine-month period ended December 31, 2016 | 131.41 | 125.52 |
| Nine-month period ended December 31, 2015 | 154.33 | 145.34 |

Note: The Company implemented a 1:2 stock split with the effective date set for July 1, 2015, thereby assuming the stock split occurred at the beginning of the previous consolidated fiscal year to calculate net income per share and diluted net income per share.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---|---|---|---|---|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2016 | 221,851 | 52,706 | 23.6 | 1,066.37 |
| As of March 31, 2016 | 233,434 | 46,844 | 20.0 | 965.97 |

Reference: Equity: As of December 31, 2016: 52,380 million yen As of March 31, 2016: 46,646 million yen

Note: The Company implemented a 1:2 stock split with the effective date set for July 1, 2015, thereby assuming the stock split occurred at the beginning of the previous period to calculate net assets per share.

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 2016 | - | 10.00 | - | 12.00 | 22.00 |
| FY ending March 2017 | - | 12.00 | - | | |
| FY ending March 2017 (planned) | | | | 12.00 | 24.00 |

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

3. Forecasts of consolidated financial results for the fiscal year ending March 2017 (April 1, 2016 - March 31, 2017)

(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 | 458,500 | 0.8 | 16,000 | 9.6 | 16,500 | 10.8 | 10,200 | -22.9 | 207.65 |

Note: Revisions to the most recently announced consolidated earnings forecast: No
Reference: EBITDA: As of March 2017 (planned) 25,500 million yen (5.6 %)
Net income before amortization of goodwill: As of March 2017 (planned) 16,000 million yen (-16.1 %)

* Notes

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

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

(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: Yes

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

Note: See p. 5 of attached document, "2. Matters Concerning Summary Information (Notes): (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements:" for details.

(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) | FY2016 3Q | 49,304,016 shares | FY ended March 2016 | 48,646,816 shares |
| ii Number of shares of treasury stock at the end of the period | FY2016 3Q | 183,927 shares | FY ended March 2016 | 356,341 shares |
| iii Average number of shares during the period | FY2016 3Q | 48,630,895 shares | FY2015 3Q | 47,697,974 shares |

Note: The Company implemented a 1:2 stock split with the effective date set for July 1, 2015, thereby assuming the stock split occurred at the beginning of the previous fiscal year to calculate number of shares issued and outstanding at the end of the period (including treasury stock), number of shares of treasury stock at the end of the period, and average number of shares during the period.

Note: The numbers of shares of treasury stock at the end of the period include shares held in trust accounts (68,600 shares in the nine-month period ended December 31, 2016 and 241,100 shares in FY ended March 2016) 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 (162,640 shares in the nine-month period ended December 31, 2016; 359,539 shares in the nine-month period ended December 31, 2015).

* Information regarding the implementation of quarterly review procedures

This release is not subject to audit procedures as required by the Financial Instruments and Exchange Act of Japan. Audit procedures for quarterly financial statements as required by the Financial Instruments and Exchange Act will not have been completed as of the date this release is issued.

* 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

Employment and income conditions continued to improve, and Japan's economy maintained a course of moderate recovery during the nine-month period ended December 31, 2016, due in part to the effects of various policies. Personal consumption remained largely unchanged while consumer confidence appeared to have had a movement toward recovery.

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

The market for home electronics was weaker than the same period of last year, with sales of mainly digital cameras and PCs performing poorly, and refrigerator performance somewhat sluggish, despite steady sales of air conditioners, washing machines, beauty appliances, and TVs.

In the market for sales of mobile phones and other mobile devices, sales of mobile phones of carrier brands are decreasing in continuous response to the issuing of guidelines by the Ministry of Internal Affairs and Communications on excessive smartphone purchase discounts. KDDI and Softbank have reinforced sales of their sub-brands in order to prevent customer outflows in response to the continued increase in the markets of mobile virtual network operators (MVNOs).

Under these conditions, 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 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, we have been focusing on creating synergies within the group and improving the quality of stores by promoting education and training, and sharing management policies.

With 16 new store openings (including scrap-and-build efforts) and three store closures, the number of digital home electronics retail stores stood at 147. The number of operation of digital home electronics retail stores stood at 166, when combining dedicated communications device stores.

In the operation of mobile carrier stores, following the opening of new stores, including scrap-and-build, the acquisition of 15 stores, and the closure of or suspension of operations at five stores, the number of stores, including both directly-operated carrier stores and franchises, stood at 630.

In the light of these factors, the number of stores as of December 31, 2016 was 796 (excluding one store directly operated by an overseas subsidiary).

Stores in operation

| Classification | Directly operated | Franchises | Total |
|---|---|---|---|
| Operation of digital home electronics retail stores | 166 stores | — | 166 stores |
| Digital home electronics retail stores | 147 stores | — | 147 stores |
| Dedicated communications device stores | 19 stores | — | 19 stores |
| Operation of mobile carrier stores | 396 stores | 234 stores | 630 stores |
| Carrier stores | 389 stores | 234 stores | 623 stores |
| Others | 7 stores | — | 7 stores |
| Total | 562 stores | 234 stores | 796 stores |

Note: Excludes one store directly operated by an overseas subsidiary

During the nine-month period ended December 31, 2016, we recorded net sales of 318,298 million yen (95.8% of the figure for the nine-month period ended December 31, 2015), operating income of 9,499 million yen (96.5% of the figure for the nine-month period ended December 31, 2015), ordinary income of 10,096 million yen (98.5% of the figure for the nine-month period ended December 31, 2015), and net income attributable to shareholders of the parent company of 6,390 million yen (86.8% of the figure for the nine-month period ended December 31, 2015).

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 16,702 million yen (97.2% of the figure for the nine-month period ended December 31, 2015).

(*) EBITDA = ordinary income + interest expenses + 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

Business performance by segment is outlined below.

(Operation of digital home electronics retail stores)

Sales of TVs, supported by 4K TVs, were satisfactory, while sales of air conditioners, washing machines, beauty appliances, and PCs were steady; on the other hand, digital cameras performed poorly.

As a result, net sales in this segment totaled 137,618 million yen (100.7% of the figure for the nine-month period ended December 31, 2015); segment income was 7,596 million yen (122.3% of the figure for the nine-month period ended December 31, 2015); and segment net income before amortization of goodwill was 7,599 million yen (122.3% of the figure for the nine-month period ended December 31, 2015).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, despite enhanced education, training, and similar programs as investments in human resource development to move toward a quality orientation in anticipation of future needs, ITX Corporation achieved lower revenue than last year due to its failure to reduce total sales, general, and administrative expenses in reaction to a decrease in sales of mobile phones.

As a result, net sales in this segment totaled 180,027 million yen (92.3% of the figure for the nine-month period ended December 31, 2015); segment income was 2,405 million yen (61.2% of the figure for the nine-month period ended December 31, 2015); and segment net income before amortization of goodwill was 6,770 million yen (81.5% of the figure for the nine-month period ended December 31, 2015).

## (2) Explanation of Financial Position

Assets and liabilities and net assets

(Assets)

Total assets as of the nine-month period ended December 31, 2016 were 221,851 million yen, down 11,583 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 9,248 million yen to 101,449 million yen in current assets and a decrease of 2,334 million yen to 120,401 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 12,402 million yen and 4,315 million yen in accounts receivable-trade and cash and deposits, respectively, in spite of an increase of 6,453 million yen in merchandise.

The main causes of the decrease in non-current assets included decreases of 3,212 million yen and 1,059 million yen in contractual intangible assets and goodwill, respectively, despite the acquisition of tangible non-current assets in connection with new store openings.

(Liabilities)

Total liabilities as of the nine-month period ended December 31, 2016 were 169,144 million yen, down 17,445 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 5,340 million yen to 80,239 million yen in current liabilities and a decrease of 12,104 million yen to 88,904 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 2,819 million yen and 1,800 million yen in accrued income taxes and current portion of long-term loans payable, respectively.

The main causes of the decrease in non-current liabilities included a decrease of 12,438 million yen in long-term loans payable.

(Net assets)

Net assets as of the nine-month period ended December 31, 2016 totaled 52,706 million yen, up 5,862 million yen from the end of the previous fiscal year, due to factors including an increase of 5,220 million yen in retained earnings.

These factors resulted in an equity ratio of 23.6%, up 3.6 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, 2016 totaled 8,348 million yen (the figure for the nine-month period ended December 31, 2015 was 9,123 million yen).

The status of each category of cash flow and the main reasons are described below.

(Cash flow from operating activities)

Funds generated by operating activities totaled 13,200 million yen (87.0% of the figure for the nine-month period ended December 31, 2015).

This was due mainly to a decrease of 12,402 million yen in accounts receivable-trade, along with 10,079 million yen in net income before taxes and other adjustments and 5,057 million yen in depreciation, despite an increase of 6,489 million yen in inventories, along with 5,959 million yen in income taxes paid.

(Cash flow from investment activities)

Funds used for investment activities totaled 4,231 million yen (86.8% of the figure for the nine-month period ended December 31, 2015).

The primary causes of this decrease included expenditures of 3,411 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 13,392 million yen (115.5% of the figure for the nine-month period ended December 31, 2015).

This was due mainly to the repayment of long-term loans payable of 14,238 million yen.

## 2. Matters Concerning Summary Information (Notes)

### (1) Changes in Significant Subsidiaries during the Period

Not applicable.

### (2) Application of Special Accounting Methods in the Preparation of the Quarterly Consolidated Financial Statements

Not applicable.

### (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

(Changes in accounting policies)

(Application of Practical Solution of a Change in Depreciation Method due to Tax Reform 2016)

In response to the revised Corporation Tax Law, the group replaced the declining-balance method with the straight-line method for facilities attached to buildings and structures acquired on and after April 1, 2016, because the group has applied “Practical Solution of a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) since the three-month period ended June 30, 2016.

As a result, operating income, ordinary income and net income before taxes and other adjustments increased 40 million yen, respectively, for the nine-month period ended December 31, 2016.

## (4) Additional Information

(Restrictive financial covenants)

1. The following restrictive financial covenants apply under the term loan agreements and 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, 2016) | This third quarter consolidated accounting period (December 31, 2016) |
|---|---|---|---|
| Agreement amount | | 17,000 million yen | 17,000 million yen |
| Remaining balance of debt | Short-term loans payable | - | 1,700 |
| | Current portion of long-term loans payable | 766 | 466 |
| | Long-term loans payable | 168 | 85 |

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 (before the absorption-type merger).
   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, 2016) | This third quarter consolidated accounting period (December 31, 2016) |
|---|---|---|---|
| Agreement amount | | 10,000 million yen | 10,000 million yen |
| Remaining balance of debt | Current portion of long-term loans payable | 2,000 | 2,000 |
| | Long-term loans payable | 8,000 | 4,500 |

3. The following restrictive financial covenants apply under the loan agreement, in which part of agreement was modified on September 30, 2016, concluded by the consolidated subsidiary ITX Corporation as of December 24, 2014 to raise funds to acquire stock in ITX Corporation (pre-merger) and working capital for ITX Corporation.
   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, 2016) | This third quarter consolidated accounting period (December 31, 2016) |
|---|---|---|---|
| Agreement amount | | 73,000 million yen | 77,000 million yen |
| Remaining balance of debt | Current portion of long-term loans payable | 3,500 | 2,000 |
| | Long-term loans payable | 57,564 | 51,314 |

(Trading of issuing shares from treasury stock through a trust to employees)
The group transacts to issue shares from treasury stock through an employee stock ownership trust for the welfare of employees on their behalf.

1. Overview of trading
   The group introduced “the employee stock ownership plan (ESOP) trust” (“the System” hereinafter) in March 2015 to increase corporate value. 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.
2. Treasury stock retained in trust
   Treasury stock retained in trust is allocated as net assets in accordance with trust book value, excluding incidental expenses. The book value and number of shares of applicable treasury stock were 287 million yen and 241,000 shares, respectively, for the previous fiscal year; and 81 million yen and 68,000 shares, respectively, for the third quarter of the current fiscal year.
   Note: The Company implemented a 1:2 stock split with the effective date set for July 1, 2015, thereby assuming the stock split occurred at the beginning of the previous fiscal year to calculate the applicable treasury stock retained in trust for the previous fiscal year and the third quarter of the current fiscal year.
3. Recorded book value of loans payable after applying total method
   A total of 334 million yen for the previous fiscal consolidated year and 251 million yen for the third quarter of the current fiscal year.

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)
The group has applied (Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)) since the three-month period ended June 30, 2016.

# 3. Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Unit: million yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 12,830 | 8,514 |
| Notes and accounts receivable-trade | 50,752 | 38,349 |
| Merchandise and products | 36,775 | 43,229 |
| Deferred tax assets | 4,018 | 2,909 |
| Accounts receivable-other | 4,928 | 6,528 |
| Other | 1,435 | 1,958 |
| Allowance for doubtful accounts | -41 | -40 |
| Total current assets | 110,697 | 101,449 |
| Non-current assets | | |
| Tangible non-current assets | | |
| Buildings and structures (net) | 11,099 | 12,252 |
| Tools, fixtures, and facilities (net) | 1,600 | 1,729 |
| Land | 8,375 | 8,467 |
| Other (net) | 1,103 | 1,310 |
| Total tangible non-current assets | 22,179 | 23,759 |
| Intangible assets | | |
| Goodwill | 21,293 | 20,234 |
| Software | 566 | 492 |
| Contractual intangible assets | 63,547 | 60,334 |
| Other | 399 | 342 |
| Total intangible assets | 85,807 | 81,403 |
| Investments and other assets | | |
| Investment securities | 1,739 | 1,809 |
| Deferred tax assets | 2,500 | 2,686 |
| Lease and guarantee deposits | 10,185 | 10,446 |
| Other | 364 | 335 |
| Allowance for doubtful accounts | -40 | -38 |
| Total investments and other assets | 14,749 | 15,238 |
| Total non-current assets | 122,736 | 120,401 |
| Total assets | 233,434 | 221,851 |

(Unit: million yen)

| | As of March 31, 2016 | As of December 31, 2016 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 50,237 | 50,143 |
| Short-term loans payable | 1,560 | 3,300 |
| Current portion of long-term loans payable | 9,696 | 7,896 |
| Accounts payable-other | 6,178 | 5,977 |
| Accrued income taxes | 4,225 | 1,405 |
| Accrued consumption tax | 1,731 | 599 |
| Unearned revenue | 4,057 | 4,475 |
| Allowance for points | 3,029 | 2,340 |
| Allowance for bonuses | 1,263 | 574 |
| Other | 3,601 | 3,526 |
| Total current liabilities | 85,580 | 80,239 |
| Non-current liabilities | | |
| Long-term loans payable | 73,027 | 60,589 |
| Allowance for guarantees for merchandise sold | 3,442 | 3,541 |
| Allowance for directors' retirement benefits | 156 | 178 |
| Retirement benefit liabilities | 5,158 | 5,558 |
| Deferred tax liabilities | 17,956 | 17,690 |
| Other | 1,267 | 1,345 |
| Total non-current liabilities | 101,009 | 88,904 |
| Total liabilities | 186,590 | 169,144 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,720 | 5,859 |
| Capital surplus | 5,913 | 6,052 |
| Retained earnings | 35,376 | 40,596 |
| Treasury stock | -319 | -113 |
| Total shareholders' equity | 46,690 | 52,394 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 198 | 198 |
| Currency conversion adjustments | 1 | -2 |
| Accumulated adjustment to retirement benefits | -243 | -210 |
| Total accumulated other comprehensive income | -43 | -14 |
| Stock acquisition rights | 197 | 326 |
| Total net assets | 46,844 | 52,706 |
| Total liabilities and net assets | 233,434 | 221,851 |

## (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, 2015 - December 31, 2015) | This consolidated fiscal year (April 1, 2016 - December 31, 2016) |
|---|---|---|
| Net sales | 332,243 | 318,298 |
| Cost of sales | 262,789 | 247,070 |
| Gross profit on sales | 69,454 | 71,227 |
| Sales, general, and administrative expenses | 59,605 | 61,728 |
| Operating income | 9,848 | 9,499 |
| Non-operating income | | |
| Interest income | 15 | 12 |
| Purchase discounts | 1,066 | 1,167 |
| Other | 341 | 347 |
| Total non-operating income | 1,422 | 1,527 |
| Non-operating expenses | | |
| Interest expenses | 780 | 620 |
| Other | 238 | 309 |
| Total non-operating expenses | 1,018 | 930 |
| Ordinary income | 10,252 | 10,096 |
| Extraordinary income | | |
| Gain on reversal of loss on valuation of investment securities | 47 | 64 |
| Gain on reversal of stock subscription rights | 5 | 8 |
| Total extraordinary income | 52 | 72 |
| Extraordinary losses | | |
| Impairment loss | 521 | 89 |
| Total extraordinary losses | 521 | 89 |
| Net income before taxes and other adjustments | 9,783 | 10,079 |
| Income taxes-current | 3,730 | 3,044 |
| Income taxes-deferred | -1,307 | 645 |
| Total income taxes | 2,422 | 3,689 |
| Net income | 7,361 | 6,390 |
| Net income attributable to shareholders of the parent company | 7,361 | 6,390 |

(For the three-month period)

(Unit: million yen)

| | Previous consolidated fiscal year (October 1, 2015 - December 31, 2015) | This consolidated fiscal year (October 1, 2016 - December 31, 2016) |
|---|---|---|
| Net sales | 119,216 | 114,157 |
| Cost of sales | 95,372 | 89,534 |
| Gross profit on sales | 23,844 | 24,623 |
| Sales, general, and administrative expenses | 19,859 | 20,709 |
| Operating income | 3,984 | 3,914 |
| Non-operating income | | |
| Interest income | 4 | 4 |
| Purchase discounts | 385 | 409 |
| Other | 111 | 164 |
| Total non-operating income | 502 | 578 |
| Non-operating expenses | | |
| Interest expenses | 250 | 182 |
| Other | 94 | 111 |
| Total non-operating expenses | 345 | 293 |
| Ordinary income | 4,141 | 4,198 |
| Extraordinary income | | |
| Gain on reversal of loss on valuation of investment securities | 10 | 68 |
| Gain on reversal of stock subscription rights | 0 | 0 |
| Total extraordinary income | 10 | 68 |
| Extraordinary losses | | |
| Impairment loss | 233 | 15 |
| Total extraordinary losses | 233 | 15 |
| Net income before taxes and other adjustments | 3,918 | 4,252 |
| Income taxes-current | 1,418 | 1,300 |
| Income taxes-deferred | -323 | 203 |
| Total income taxes | 1,095 | 1,503 |
| Net income | 2,822 | 2,748 |
| Net income attributable to shareholders of the parent company | 2,822 | 2,748 |

Consolidated statement of comprehensive income

(For the nine-month period)

(Unit: million yen)

| | Previous consolidated fiscal year (April 1, 2015 - December 31, 2015) | This consolidated fiscal year (April 1, 2016 - December 31, 2016) |
|---|---|---|
| Net income | 7,361 | 6,390 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 44 | 0 |
| Currency conversion adjustments | 1 | 1 |
| Adjustments for retirement benefit obligations | 27 | 33 |
| Share in other comprehensive income of equity-method affiliates | 0 | -6 |
| Total other comprehensive income | 73 | 29 |
| Comprehensive income | 7,434 | 6,419 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent company | 7,434 | 6,419 |
| Comprehensive income attributable to non-controlling interests | - | - |

(For the three-month period)

(Unit: million yen)

| | Previous consolidated fiscal year (October 1, 2015 - December 31, 2015) | This consolidated fiscal year (October 1, 2016 - December 31, 2016) |
|---|---|---|
| Net income | 2,822 | 2,748 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 38 | 49 |
| Currency conversion adjustments | 1 | 20 |
| Adjustments for retirement benefit obligations | 8 | 11 |
| Share in other comprehensive income of equity-method affiliates | 0 | 0 |
| Total other comprehensive income | 49 | 80 |
| Comprehensive income | 2,871 | 2,829 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent company | 2,871 | 2,829 |
| Comprehensive income attributable to non-controlling interests | - | - |

## (3) Consolidated Cash Flow Statement

(Unit: million yen)

| | Previous consolidated fiscal year (April 1, 2015 - December 31, 2015) | This consolidated fiscal year (April 1, 2016 - December 31, 2016) |
|---|---|---|
| Cash flow from operating activities | | |
| Net income before taxes and other adjustments | 9,783 | 10,079 |
| Depreciation | 5,272 | 5,057 |
| Impairment loss | 521 | 89 |
| Amortization of goodwill | 1,104 | 1,094 |
| Increase (decrease) in net defined benefit liability | 289 | 399 |
| Increase (decrease) in allowance for points | 209 | -689 |
| Increase (decrease) in allowance for guarantees for merchandise sold | 224 | 99 |
| Interest and dividend income | -45 | -30 |
| Interest expenses | 780 | 620 |
| Decrease (increase) in accounts receivable-trade | 11,189 | 12,402 |
| Decrease (increase) in inventories | -8,698 | -6,489 |
| Decrease (increase) in accounts receivable-other | -541 | -1,600 |
| Increase (decrease) in notes and accounts payable-trade | 2,055 | -93 |
| Increase (decrease) in accrued consumption taxes | -2,066 | -1,131 |
| Increase (decrease) in advances received | -642 | -805 |
| Increase (decrease) in unearned revenue | 1,314 | 417 |
| Other | -854 | 343 |
| Subtotal | 19,898 | 19,765 |
| Interest and dividend income received | 89 | 76 |
| Interest expenses paid | -780 | -682 |
| Income taxes paid | -4,027 | -5,959 |
| Cash flow from operating activities | 15,180 | 13,200 |
| Cash flow from investment activities | | |
| Purchase of tangible non-current assets | -1,751 | -3,411 |
| Purchase of intangible assets | -97 | -128 |
| Sales of investment securities | 376 | - |
| Purchase of shares of subsidiaries | -2,725 | - |
| Purchase of shares of affiliates | -242 | - |
| Payments for lease and guarantee deposits | -640 | -702 |
| Proceeds from collection of lease and guarantee deposits | 254 | 233 |
| Other | -48 | -221 |
| Cash flow from investment activities | -4,875 | -4,231 |
| Cash flow from financing activities | | |
| Increase (decrease) in short-term loans payable | 1,998 | 1,740 |
| Repayment of long-term loans payable | -13,053 | -14,238 |
| Cash dividends paid | -907 | -1,170 |
| Other | 369 | 275 |
| Cash flow from financing activities | -11,593 | -13,392 |
| Effect of exchange rate changes on cash and cash equivalents | -0 | 6 |
| Increase (decrease) in cash and cash equivalents | -1,289 | -4,417 |
| Starting balance of cash and cash equivalents | 10,413 | 12,765 |
| Ending balance of cash and cash equivalents | 9,123 | 8,348 |

## (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 582 million yen from retained earnings based upon a resolution of the Board of Directors on May 10, 2016, and total dividends of 588 million yen from retained earnings based upon a resolution of the Board of Directors on November 8, 2016 during the nine-month period ended December 31, 2016.

As a result, retained earnings for the nine-month period ended December 31, 2016 were 40,596 million yen.

(Segment information, etc.)

[Segment information]

I The nine-month period ended December 31, 2015 (April 1, 2015 - December 31, 2015)

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 | Subtotal | | | | |
| Net sales | | | | | | | |
| Net sales to external customers | 136,655 | 194,973 | 331,629 | 614 | 332,243 | - | 332,243 |
| Internal sales or transfers between segments | 97 | 1 | 98 | 225 | 324 | -324 | - |
| Subtotal | 136,752 | 194,975 | 331,727 | 840 | 332,568 | -324 | 332,243 |
| Segment income | 6,212 | 3,932 | 10,144 | 264 | 10,408 | -155 | 10,252 |

Note: *1. The "Other" business segment consists of businesses not included in the two reporting segments above. These include the shopping mall business, the sports business, the training business, and the mega-solar business.
*2. Adjustments to segment income consist of companywide costs not distributed between reporting segments.
*3. Segment income is adjusted with ordinary income on the consolidated quarterly income statement.

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

(Significant impairment losses on non-current assets)

The Group groups assets using a store as the minimum unit that generates cash flow. The net book value of a group of assets that recorded a continued loss from business activities are reduced to the collectible amount as an impairment loss in extraordinary loss. The amount recorded in the reporting segment was 427 million yen for the operation of digital home electronics retail stores and 94 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, 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 | 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 two reporting segments above. These include the shopping mall business, the sports business, the training business, and the mega-solar business.
*2. Adjustments to segment income consist of companywide costs not distributed between reporting segments.
*3. Segment income is adjusted with ordinary income on the consolidated quarterly income statement.

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

(Significant impairment losses on non-current assets)

The net book value of a group of assets that recorded a continued loss from business activities are reduced to the collectible amount as an impairment loss in 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

(Important Subsequent Information)

(Acquisition by Acquiring Stock)

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

We will acquire 100% shares of the successor company of NIFTY's consumer-oriented business that Fujitsu will newly establish and make it our wholly-owned subsidiary.

(1) Purpose for Acquisition of Shares

We have decided to welcome NIFTY's consumer-oriented business, which is comprised of ISP business and Web service business, in order to evolve from the current business model that sells digital appliances and mobile phones to "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 provision of knowhow of its service, customer base, and brand strengths that the Nojima Group does not have. From this, we believe we can greatly differentiate us from our competitors in consumer electronics retailer and mobile phone distributor domain.

(2) Name of the Company to be Acquired and Its Business

a. Name: Currently undecided

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

(3) Name of the Company from which Shares are Acquired

Fujitsu

(4) Number of Shares Acquiring and the Number of Shares Owned Before and After

| | |
|---|---|
| Number of shares owned before acquisition | - |
| Acquisition cost | The amount of consideration of shares: 25,000 million yen (estimated)*1<br>Advisory cost etc.: 200 million yen (estimated)*2<br>Total: 25,200 million yen (estimated) |
| Number of shares acquiring | 1,000 shares (number of voting rights: 1,000) |
| Number of shares owned after acquisition | 1,000 shares<br>(Number of voting rights: 1,000; portion of voting rights owned: 100%) |

*1: Acquisition cost of common stock will be adjusted in accordance with the stock purchase agreement as prescribed

*2: Advisory cost etc. includes commission fees of acquisition, remuneration, and other costs.

(5) Acquisition Time

April 1, 2017 (planned)

(6) Finance Method

We will appropriate new borrowings from a correspondent financial institution to raise funds. We have reserved 25,000 million yen (unexecuted) as a capital for acquisition of stock by entering into the loan agreement with the correspondent financial institution on January 31, 2017.

(Acquisition of Treasury Stock)

The Group's Board of Directors passed a resolution on January 31, 2017 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 accomplish flexible capital policies (such as preparing for exercise of stock options allocated to the Group's officers and employees) corresponding to a change in business environment.

(2) Details Related to 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: 3,500 million yen (Maximum)

d. Time period for acquiring: From February 1, 2017 to January 31, 2018

e. Acquisition method: Market purchases on the Tokyo Stock Exchange