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

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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: November 10, 2017

Scheduled start date of dividend payments: December 6, 2017

Supplemental materials on annual results: Yes

Presentation on annual results: Yes

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

1. Consolidated financial results for the six-month period ended September 30, 2017 (April 1, 2017 – September 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	%
Six-month period ended September 30, 2017	234,140	14.7	7,469	33.7	7,987	35.4	4,384	20.4
Six-month period ended September 30, 2016	204,140	-4.2	5,585	-4.8	5,897	-3.5	3,641	-19.8

Note: Comprehensive income: Six months ended September 30, 2017: 4,468 million yen (24.4%) Six months ended September 30, 2016: 3,590 million yen (-21.3 %)

Reference: EBITDA: Six months ended September 30, 2017: 14,456 million yen (40.0%) Six months ended September 30, 2016: 10,323 million yen (-4.2 %)

・ 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: Six-month period ended September 30, 2017: 8,534 million yen (30.1 %)
Six-month period ended September 30, 2016: 6,557 million yen (-12.2 %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six-month period ended September 30, 2017	89.15	86.04
Six-month period ended September 30, 2016	75.12	71.63

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2017	239,586	60,018	24.8	1,197.42
As of March 31, 2017	245,467	56,855	23.0	1,143.23

Reference: Equity: As of September 30, 2017: 59,446 million yen As of March 31, 2016: 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	217.54

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 2Q	50,464,416 shares	FY 2016	49,534,816 shares
ii Number of shares of treasury stock at the end of the period	FY2017 2Q	818,967 shares	FY 2016	142,417 shares
iii Average number of shares during the period	FY2017 2Q	49,178,217 shares	FY2016 2Q	48,479,324 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (619,700 shares in the six-month period ended September 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 (385,544 shares in the six-month period ended September 30, 2017 and 190,339 shares in the six-month period ended September 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.

〇 Contents of attached documents

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Operating Results

During the six-month period ended September 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 air-conditioners and washing machines, 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 diffusion of smart devices that can use the Internet anywhere, the mobile fast broadband service subscribership has increased significantly, while the fixed broadband service has shown a slowing growth rate for 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 10 new store openings, including scrap-and-build, and six store closures, the number of digital home electronics retail stores stood at 154. The operation of digital home electronics retail stores stood at 187, including 33 dedicated communications device stores, at the end of the six-month period ended September 30, 2017.

In the operation of mobile carrier stores, following the new openings, including scrap-and-build, the acquisition of 29 stores, and the closure of or suspension of operations at six 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 September 30, 2017 are as shown below.

Stores in operation

Classification	Directly operated	Franchises	Total
Operation of digital home electronics retail stores	187 stores	–	187 stores
Digital home electronics retail stores	154 stores	–	154 stores
Dedicated communications device stores	33 stores	–	33 stores
Operation of mobile carrier stores	419 stores	241 stores	660 stores
Carrier stores	401 stores	237 stores	638 stores
Others	18 stores	4 stores	22 stores
Total	606 stores	241 stores	847 stores

Note: Excludes one store directly operated by an overseas subsidiary

As a result, during the first half of the current fiscal year, we recorded net sales of 234,140 million yen (114.7% of the figure for the first half of the previous fiscal year), operating income of 7,469 million yen (133.7% of the figure for the first half of the previous fiscal year), ordinary income of 7,987 million yen (135.4% of the figure for the first half of the previous fiscal year), and net income attributable to shareholders of the parent company of 4,384 million yen (120.4% of the figure for the first half of the previous fiscal year).

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 14,456 million yen (140.0% of the figure for the first half of the previous fiscal year).

(*) 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 TVs, supported by 4K TVs, were satisfactory, and sales of beauty appliances remained stable, although sales of Blu-ray recorders and PCs were sluggish.

Gross profit on sales increased due to an improvement in the ratio of new products and also 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 95,268 million yen (105.6% of the figure for the first half of the previous fiscal year); segment income was 5,596 million yen (123.3% of the figure for the first half of the previous fiscal year); and, segment net income before amortization of goodwill was 5,598 million yen (123.3% of the figure for the first half of the previous fiscal year).

(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, stayed unchanged because of a downturn experienced in the marketplace in spite of the signs of a recovery in the number of mobile phones of carrier brands sold as well as our aggressive efforts of strengthening 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 110,437 million yen (97.3% of the figure for the first half of the previous fiscal year); segment income was 2,592 million yen (202.7% of the figure for the first half of the previous fiscal year); and, segment net income before amortization of goodwill was 5,514 million yen (131.7% of the figure for the first half of the previous fiscal year).

(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 results based on affiliate marketing in the market region and programmatic advertising in the portal media region remained stable, sales of tie-up advertising and search advertising failed to grow; therefore, we are reviewing our plan because of the delay in generating revenue that was initially expected.

As a result, net sales in this segment totaled 24,904 million yen (–% of the figure for the first half of the previous fiscal year); segment loss was 172 million yen (–% of the figure for the first half of the previous fiscal year); and, segment net income before amortization of goodwill was 1,046 million yen (–% of the figure for the first half of the previous fiscal year), 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 six-month period ended September 30, 2017 were 239,586 million yen, down 5,881 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 25,716 million yen to 99,864 million yen in current assets and an increase of 19,835 million yen to 139,721 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 25,000 million yen and 2,852 million yen as an advance payment for the acquisition of shares in NIFTY Corporation and accounts receivable-trade, respectively, despite an increase of 4,692 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 11,722 million yen, 3,639 million yen, 2,061 million yen, and 1,549 million yen in goodwill, customer-related intangible assets, trademark rights, and software, respectively.

(Liabilities)

Total liabilities as of the six-month period ended September 30, 2017 were 179,567 million yen, down 9,044 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 8,366 million yen to 75,487 million yen in current liabilities, and a decrease of 678 million yen to 104,079 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 4,910 million yen and 4,677 million yen in current portion of long-term loans payable and accounts payable-trade, respectively, despite an increase of 1,667 million yen in accounts payable-other.

The main causes of the decrease in non-current liabilities included a decrease of 17,668 million yen in long-term loans payable, despite an increases of 15,000 million yen and 1,004 million yen in bonds and deferred tax liabilities, respectively.

(Net assets)

Net assets as of the six-month period ended September 30, 2017 totaled 60,018 million yen, up 3,163 million yen from the end of the previous fiscal year, due to factors including an increase of 3,721 million yen in retained earnings.

These factors resulted in an equity ratio of 24.8%, up 1.8 points from the end of the previous fiscal year.

Cash flow

Cash and cash equivalents (“funds” hereinafter) for the six-month period ended September 30, 2017 totaled 11,117 million yen (the figure for the six-month period ended September 30, 2016 was 8,511 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 16,681 million yen (170.0% of the figure for the six-month period ended September 30, 2016).

This was due mainly to a decrease of 12,829 million yen in accounts receivable-trade along with 7,118 million yen of net income before taxes and other adjustments and 4,788 million yen of depreciation, despite a decrease of 10,908 million yen in notes and accounts payable-trade, along with 2,848 million yen of income taxes paid.

(Cash flow from investment activities)

Funds used for investment activities totaled 614 million yen (23.7% of the figure for the six-month period ended September 30, 2016).

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 1,707 million yen, 570 million yen, and 570 million yen for the acquisition of tangible non-current assets in connection with new store openings, purchase and shares of subsidiaries and affiliates, and payments for lease and guarantee deposits, respectively.

(Cash flow from financing activities)

Funds used for financing activities totaled 11,225 million yen (97.9% of the figure for the six-month period ended September 30, 2016).

This was due mainly to expenditures of 25,859 million yen for repaying long-term loans payable and a net decrease in 1,700 million yen for short-term loans 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 September 30, 2017
Assets		
Current assets		
Cash and deposits	6,489	11,181
Notes and accounts receivable-trade	46,467	43,614
Merchandise and products	37,844	35,422
Deferred tax assets	2,812	2,421
Advance payment	25,000	-
Accounts receivable-other	5,505	5,643
Other	1,505	1,818
Allowance for doubtful accounts	-41	-236
Total current assets	125,581	99,864
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	13,732	14,568
Tools, fixtures, and facilities (net)	1,687	1,949
Land	8,467	8,467
Other (net)	690	795
Total tangible non-current assets	24,578	25,780
Intangible assets		
Goodwill	19,870	31,592
Software	444	1,993
Trademark rights	268	2,330
Contractual intangible assets	59,263	57,122
Customer-related intangible assets	-	3,639
Other	50	102
Total intangible assets	79,898	96,781
Investments and other assets		
Investment securities	1,768	2,145
Deferred tax assets	2,802	2,782
Lease and guarantee deposits	10,538	11,202
Other	344	1,115
Allowance for doubtful accounts	-44	-85
Total investments and other assets	15,409	17,159
Total non-current assets	119,886	139,721
Total assets	245,467	239,586

(Unit: million yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	48,263	43,586
Short-term loans payable	2,600	979
Current portion of long-term loans payable	10,111	5,200
Accounts payable-other	6,265	7,932
Accrued income taxes	3,022	3,041
Accrued consumption taxes	1,081	1,713
Unearned revenue	4,706	4,549
Reserve for points	2,565	2,674
Reserve for bonuses	1,046	1,008
Reserve for promotion of admissions	-	521
Other	4,192	4,280
Total current liabilities	83,854	75,487
Non-current liabilities		
Bonds	-	15,000
Long-term loans payable	76,498	58,829
Reserve for guarantees for merchandise sold	3,651	3,777
Reserve for directors’ retirement benefits	182	176
Retirement benefit liabilities	5,497	6,202
Deferred tax liabilities	17,607	18,612
Other	1,320	1,480
Total non-current liabilities	104,758	104,079
Total liabilities	188,612	179,567
Net assets		
Shareholders’ equity		
Capital stock	5,905	6,082
Capital surplus	6,097	6,273
Retained earnings	44,364	48,086
Treasury stock	-67	-1,248
Total shareholders’ equity	56,299	59,194
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	185	288
Currency conversion adjustments	-18	-36
Accumulated adjustment to retirement benefits	0	-
Total accumulated other comprehensive income	167	252
Stock acquisition rights	388	532
Non-controlling interests	-	39
Total net assets	56,855	60,018
Total liabilities and net assets	245,467	239,586

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

Consolidated income statement

(For the six-month period)

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – September 30, 2016)	This consolidated fiscal year (April 1, 2017 - September 30, 2017)
Net sales	204,140	234,140
Cost of sales	157,536	177,978
Gross profit on sales	46,604	56,161
Sales, general, and administrative expenses		
Advertising expenses	4,656	6,942
Salaries, allowances, and bonuses	14,703	16,085
Provision for bonuses	749	1,023
Provision for directors' retirement benefits	20	11
Retirement benefit expenses	437	520
Rents	5,948	6,739
Depreciation	3,259	4,052
Amortization of goodwill	727	1,397
Other	10,516	11,918
Total sales, general, and administrative expenses	41,019	48,692
Operating income	5,585	7,469
Non-operating income		
Interest income	8	7
Purchase discounts	757	800
Other	183	333
Total non-operating income	949	1,142
Non-operating expenses		
Interest expenses	438	374
Interest on bonds	-	45
Bond issuance costs	-	75
Commission fees	158	55
Other	40	71
Total non-operating expenses	637	623
Ordinary income	5,897	7,987
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	-	5
Gain on reversal of stock subscription rights	7	4
Gain on sales of shares of subsidiaries and affiliates	-	200
Total extraordinary income	7	209
Extraordinary losses		
Loss on valuation of investment securities	4	-
Impairment loss	73	1,078
Total extraordinary losses	77	1,078
Net income before taxes and other adjustments	5,827	7,118
Income taxes-current	1,743	2,807
Income taxes-deferred	441	-72
Total income taxes	2,185	2,734
Net income	3,641	4,383
Net loss attributable to shareholders of the non-controlling interests	-	-0
Net income attributable to shareholders of the parent company	3,641	4,384

(For the three-month period)

(Unit: million yen)

	Previous consolidated fiscal year (July 1, 2016 - September 30, 2016)	This consolidated fiscal year (July 1, 2017 - September 30, 2017)
Net sales	107,928	121,657
Cost of sales	83,344	92,413
Gross profit on sales	24,583	29,243
Sales, general, and administrative expenses		
Advertising expenses	2,174	3,489
Salaries, allowances, and bonuses	7,438	8,094
Provision for bonuses	266	366
Provision for directors’ retirement benefits	3	3
Retirement benefit expenses	209	265
Rents	2,973	3,399
Depreciation	1,640	1,994
Amortization of goodwill	363	699
Other	5,299	6,046
Total sales, general, and administrative expenses	20,368	24,360
Operating income	4,215	4,882
Non-operating income		
Interest income	4	3
Purchase discounts	366	401
Other	81	152
Total non-operating income	452	557
Non-operating expenses		
Interest expenses	214	183
Interest on bonds	-	27
Commission fees	145	16
Other	9	50
Total non-operating expenses	369	277
Ordinary income	4,297	5,163
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	15	-
Gain on reversal of stock subscription rights	7	3
Total extraordinary income	22	3
Extraordinary losses		
Loss on valuation of investment securities	-	6
Impairment loss	73	1,063
Total extraordinary losses	73	1,070
Net income before taxes and other adjustments	4,246	4,096
Income taxes-current	1,377	2,162
Income taxes-deferred	136	-306
Total income taxes	1,513	1,855
Net income	2,733	2,240
Net loss attributable to shareholders of the non-controlling interests	-	-0
Net income attributable to shareholders of the parent company	2,733	2,241

Consolidated statement of comprehensive income

(For the six-month period)

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – September 30, 2016)	This consolidated fiscal year (April 1, 2017 - September 30, 2017)
Net income	3,641	4,383
Other comprehensive income		
Valuation difference on available-for-sale securities	-48	103
Currency conversion adjustments	-18	-0
Adjustments for retirement benefit obligations	22	-0
Share in other comprehensive income of equity-method affiliates	-6	-18
Total other comprehensive income	-51	84
Comprehensive income	3,590	4,468
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	3,590	4,468
Comprehensive income attributable to non-controlling interests	-	-0

(For the three-month period)

(Unit: million yen)

	Previous consolidated fiscal year (July 1, 2016 - September 30, 2016)	This consolidated fiscal year (July 1, 2017 - September 30, 2017)
Net income	2,733	2,240
Other comprehensive income		
Valuation difference on available-for-sale securities	-86	36
Currency conversion adjustments	-2	0
Adjustments for retirement benefit obligations	11	-
Share in other comprehensive income of equity-method affiliates	-6	-
Total other comprehensive income	-83	36
Comprehensive income	2,649	2,277
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	2,649	2,277
Comprehensive income attributable to non-controlling interests	-	-0

(3) Consolidated Cash Flow Statement

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – September 30, 2016)	This consolidated fiscal year (April 1, 2017 - September 31, 2017)
Cash flow from operating activities		
Net income before taxes and other adjustments	5,827	7,118
Depreciation	3,374	4,788
Impairment loss	73	1,078
Amortization of goodwill	727	1,397
Increase (decrease) in net defined benefit liability	273	57
Increase (decrease) in reserve for points	-491	-295
Increase (decrease) in reserve for promotion of admissions	-	227
Increase (decrease) in reserve for guarantees for merchandise sold	25	126
Interest and dividend income	-17	-39
Interest expenses	438	374
Gain on sales of shares of subsidiaries and affiliates	-	-200
Decrease (increase) in accounts receivable-trade	13,728	12,829
Decrease (increase) in inventories	123	2,997
Decrease (increase) in accounts receivable-other	772	-15
Increase (decrease) in notes and accounts payable-trade	-8,835	-10,908
Increase (decrease) in accrued consumption taxes	-1,006	580
Increase (decrease) in unearned revenue	291	-156
Other	-1,030	-125
Subtotal	14,276	19,834
Interest and dividend income received	64	69
Interest expenses paid	-499	-374
Income taxes paid	-4,027	-2,848
Cash flow from operating activities	9,814	16,681

(Unit: million yen)

	Previous consolidated fiscal year (April 1, 2016 – September 30, 2016)	This consolidated fiscal year (April 1, 2017 - September 31, 2017)
Cash flow from investment activities		
Purchase of tangible non-current assets	-2,080	-1,707
Purchase of intangible assets	-49	-410
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	-434	-570
Proceeds from collection of lease and guarantee deposits	125	309
Other	-155	-260
Cash flow from investment activities	-2,594	-614
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	840	-1,700
Proceeds from long-term loans payable	-	3,025
Repayment of long-term loans payable	-11,848	-25,859
Purchase of treasury stock	-0	-1,308
Proceeds from sales of treasury stock	120	128
Proceeds from issuance of bonds	-	14,924
Cash dividends paid	-582	-646
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-	-43
Other	6	254
Cash flow from financing activities	-11,464	-11,225
Effect of exchange rate changes on cash and cash equivalents	-9	1
Increase (decrease) in cash and cash equivalents	-4,254	4,842
Starting balance of cash and cash equivalents	12,765	6,275
Ending balance of cash and cash equivalents	8,511	11,117

(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 during the first half of the current fiscal year based upon a resolution of the Board of Directors on May 9, 2017. As a result, retained earnings for the six-month period ended September 30, 2017 were 48,086 million yen.

(Segment information, etc.)

[Segment information]

I The six-month period ended September 30, 2016 (April 1, 2016 – September 30, 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	90,135	113,553	–	203,688	452	204,140	–	204,140
Internal sales or transfers between segments	59	2	–	62	169	232	-232	–
Subtotal	90,195	113,556	–	203,751	621	204,372	-232	204,140
Segment income	4,538	1,279	–	5,817	154	5,971	-74	5,897

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 zero million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Not applicable

II The six-month period ended September 30, 2017 (April 1, 2017 – September 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	95,173	110,035	24,890	230,099	4,040	234,140	–	234,140
Internal sales or transfers between segments	95	402	13	511	147	658	-658	–
Subtotal	95,268	110,437	24,904	230,610	4,187	234,798	-658	234,140
Segment income (loss)	5,596	2,592	-172	8,016	222	8,239	-251	7,987

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 26 million yen for the operation of digital home electronics retail stores, 27 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 six-month period ended September 30, 2016 was created using the classification after the changes.

(Business Combination)

(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 Corporation (“ITX” hereinafter), 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 evolve into a total solution company that can provide a new value to the market in the IoT era where various appliances can connect through internet and mobile devices by us becoming a hub for the smart life of our customers.
This will make it possible for us to manage rapidly in a fast-changing market of mobile phone sales by creating synergies through the concentration of financial resources and know-how of ITX and Geobit.
Our Group integrated the Softbank and Ymobile businesses of ITX into Geobit to promote our further growth.
Geobit changed its name to “Up Beat Corporation” as of October 1, 2017.

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.

(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 (September 30, 2017)
Agreement amount		13,500 million yen	13,500 million yen
Remaining balance of debt	Short-term loans payable	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 (September 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	41,314

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 (September 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	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. 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 1,086 million yen and 619,000 shares, respectively, for the six-month period ended September 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 six-month period ended September 30, 2017.