Summary of Consolidated Financial Results for the Three-month Period Ended June 30, 2018 (Japanese accounting standards)

Released August 7, 2018

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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Supplemental materials on annual results: No

Presentation on annual results: No

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

1. Consolidated financial results for the three-month period ended June 30, 2018 (April 1, 2018 – June 30, 2018)

(1) Consolidated results of operations

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		EBITDA		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three-month period ended June 30, 2018	116,793	3.8	3,145	21.6	3,561	26.1	6,574	8.0	2,810	31.2
Three-month period ended June 30, 2017	112,483	16.9	2,586	88.8	2,824	76.6	6,087	59.9	2,142	135.8

Note:	Comprehensive income:	Three months ended June 30, 2018:	2,679 million yen	(22.3%)	Three months ended June 30, 2017:	2,191 million yen	(132.8%)
Reference:	Net income before amortization of goodwill:	Three months ended June 30, 2018:	4,894 million yen	(16.1%)	Three months ended June 30, 2017:	4,216 million yen	(78.2%)

・ 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 per share	Diluted net income per share
	Yen	Yen
Three-month period ended June 30, 2018	56.17	54.17
Three-month period ended June 30, 2017	43.49	42.03

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2018	241,774	71,143	29.0	1,399.30
As of March 31, 2018	259,756	69,019	26.3	1,364.44

Reference: Equity: As of June 30, 2018: 70,202 million yen — As of March 31, 2018: 68,196 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 2018	-	15.00	-	16.00	31.00
FY ending March 2019	-				
FY ending March 2019 (planned)		16.00	-	16.00	32.00

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

3. Forecasts of consolidated financial results for the fiscal year ending March 2019 (April 1, 2018 - March 31, 2019)

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

	Net sales		Operating income		Ordinary income		EBITDA		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Q2 (cumulative)	241,800	3.3	7,300	-2.3	8,000	0.2	13,900	-3.9	6,000	36.9	119.59
Full-year	515,600	2.7	17,900	5.0	19,000	5.9	30,600	0.5	14,000	2.7	279.05

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

Reference: Net income before amortization of goodwill: As of March 31, 2019 (planned) 22,300 million yen (1.6 %)

* 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)	FY 2018 1Q	50,984,216 shares	FY 2017	50,841,016 shares
ii Number of shares of treasury stock at the end of the period	FY 2018 1Q	814,617 shares	FY 2017	859,599 shares
iii Average number of shares during the period	FY 2018 1Q	50,028,640 shares	FY 2017 1Q	49,265,572 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (503,600 shares in the three-month period ended June 30, 2018 and 548,600 shares in the fiscal year ended March 31, 2018) 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 (528,601 shares in the three-month period ended June 30, 2018 and 140,402 shares in the three-month period ended June 30, 2017).

* Quarterly financial statements are not subject to audits by certified public accountants or auditing firms

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

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

○ Contents of attached documents

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Operating Results

During the three-month period ended June 30, 2018, 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 satisfactory sales of air conditioners and steady sales of refrigerators and washing machines, despite TVs and PCs 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 in 2016, and changes in the market environment that suppressed excessive smartphone purchase discounts.

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

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

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

In operations of mobile carrier stores and 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 five new store openings, the number of digital home electronics retail stores stood at 167. The operation of digital home electronics retail stores stood at 200, combining dedicated communications device stores, at the end of the three-month period ended June 30, 2018.

In the operation of mobile carrier stores, following the new openings, including scrap-and-build, the acquisition of 10 stores, and the closure of or transfer at 16 stores, the number of stores, including both directly-operated carrier stores and franchises, stood at 657.

In the light of these factors, the number of stores as of June 30, 2018 are as shown below.

Stores in operation

Classification	Directly operated	Franchises	Total
Operation of digital home electronics retail stores	200 stores	–	200 stores
Digital home electronics retail stores	167 stores	–	167 stores
Dedicated communications device stores	33 stores	–	33 stores
Operation of mobile carrier stores	430 stores	227 stores	657 stores
Carrier stores	410 stores	221 stores	631 stores
Others	20 stores	6 stores	26 stores
Total	630 stores	227 stores	857 stores

Note: Excludes two stores directly operated by an overseas subsidiary

As a result, during the three-month period ended June 30, 2018, we recorded net sales of 116,793 million yen (103.8% of the figure for the three months ended June 30, 2017), operating income of 3,145 million yen (121.6% of the figure for the three months ended June 30, 2017), ordinary income of 3,561 million yen (126.1% of the figure for the three months ended June 30, 2017), and net income attributable to shareholders of the parent company of 2,810 million yen (131.2% of the figure for the three months ended June 30, 2017).

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 6,574 million yen (108.0% of the figure for the three months ended June 30, 2017).

(*) 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, and washing machines were satisfactory, 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, coupled with customer demand for high-quality products and services.

As a result, net sales in this segment totaled, 48,434 million yen (110.0% of the figure for the three months ended June 30, 2017); segment income was 2,095 million yen (118.0% of the figure for the three months ended June 30, 2017); and, segment net income before amortization of goodwill was 2,095 million yen (118.0% of the figure for the three months ended June 30, 2017).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, to further improve corporate competitiveness, ITX Corporation merged with Nishinihon Mobile Co., Ltd., which operates the KDDI business within the Nojima Group, on April 1, 2018, preparing ITX Corporation to focus fully on the DoCoMo and KDDI businesses.

Sales and gross profit on sales of one of our significant subsidiaries, ITX Corporation, fell short of a full recovery, remaining flat. To improve marketing capabilities in the future, we are actively investing in training human resources and relocating and remodeling stores.

As a result, net sales in this segment totaled 54,008 million yen (100.2% of the figure for the three months ended June 30, 2017); segment income was 863 million yen (78.4% of the figure for the three months ended June 30, 2017); and, segment net income before amortization of goodwill was 2,338 million yen (91.3% of the figure for the three months ended June 30, 2017).

(Operation of Internet business)

In the Internet service provider segment, we concentrated on more efficiently attracting new customers to 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, results-based advertising in the market region and programming advertising in the portal media region remained stable, while growth was recorded for members of news media, on which we focused. In addition, as a result of putting efforts into raising productivity, operating income grew.

As a result, net sales in this segment totaled 12,595 million yen (99.8% of the figure for the three months ended June 30, 2017); segment income was 504 million yen (figure for the three months ended June 30, 2017 was a loss of 40 million yen); and, segment net income before amortization of goodwill(*) was 1,113 million yen (195.8% of the figure for the three months ended June 30, 2017).

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

(2) Explanation of Financial Position

Assets and liabilities and net assets

(Assets)

Total assets as of the three-month period ended June 30, 2018 were 241,774 million yen, down 17,982 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 16,023 million yen to 104,236 million yen in current assets and a decrease of 1,959 million yen to 137,537 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 17,125 million yen and 581 million yen for accounts receivable-trade and accounts receivable-other, respectively, despite an increase of 1,671 million yen in cash and deposits.

The main causes of the decrease in non-current assets included decreases of 1,070 million yen and 621 million yen in contractual intangible assets and goodwill, respectively, despite an increase of 338 million yen in lease and guarantee deposits.

(Liabilities)

Total liabilities as of the three-month period ended June 30, 2018 were 170,631 million yen, down 20,105 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 16,476 million yen to 80,038 million yen in current liabilities, and a decrease of 3,629 million yen to 90,592 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 14,197 million yen and 3,730 million yen in accounts payable-trade and accrued income taxes, respectively, despite an increase of 3,092 million yen in short-term loans payable.

The main causes of the decrease in non-current liabilities included a decrease of 3,669 million yen in long-term loans payable, despite an increase of 295 million yen in retirement benefit liabilities.

(Net assets)

Net assets as of the three-month period ended June 30, 2018 totaled 71,143 million yen, up 2,123 million yen from the end of the previous fiscal year, due to factors including an increase of 2,001 million yen in retained earnings.

These factors resulted in an equity ratio of 29.0%, up 2.8 points from the end of the previous fiscal year.

Cash flow

Cash and cash equivalents (“funds” hereinafter) for the three-month period ended June 30, 2018 totaled 12,633 million yen (the figure for the three-month period ended June 30, 2017 was 12,601 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 3,784 million yen (59.5% of the figure for the three-month period ended June 30, 2017).

This was due mainly to a decrease of 17,125 million yen in accounts receivable-trade, 3,980 million yen of net income before taxes and other adjustments, and 2,207 million yen of depreciation, despite a decrease of 14,197 million yen in notes and accounts payable-trade, along with 4,274 million yen of income taxes paid.

(Cash flow from investment activities)

Funds used in investment activities totaled 880 million yen (the figure for the three-month period ended June 30, 2017 was a gain in 393 million yen).

This was due mainly to expenditures of 704 million yen for the acquisition of tangible non-current assets in connection with new store openings, despite a gain of 419 million yen in proceeds from sales of shares of subsidiaries and affiliates.

(Cash flow from financing activities)

Funds used for financing activities totaled 1,260 million yen (298.3% of the figure for the three-month period ended June 30, 2017).

This was due mainly to expenditures of 3,669 million yen for repaying long-term loans payable, despite an increase of 3,092 million yen in short-term loans payable.

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

Forecasts of consolidated financial results for Q2 (cumulative) and the full-year have not been revised since the release “Summary of consolidated financial results for fiscal year ended March 2018” on May 8, 2018.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	11,028	12,699
Notes and accounts receivable-trade	59,021	41,895
Merchandise and products	41,711	41,591
Accounts receivable-other	6,817	6,236
Other	1,936	2,087
Allowance for doubtful accounts	-255	-273
Total current assets	120,259	104,236
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	14,695	14,786
Tools, fixtures, and facilities (net)	2,108	2,147
Land	8,537	8,537
Other (net)	607	573
Total tangible non-current assets	25,947	26,044
Intangible assets		
Goodwill	30,255	29,634
Software	1,736	1,715
Trademark rights	2,049	1,909
Contractual intangible assets	54,980	53,909
Customer-related intangible assets	3,308	3,142
Other	82	38
Total intangible assets	92,412	90,349
Investments and other assets		
Investment securities	2,828	2,827
Deferred tax assets	6,221	5,984
Lease and guarantee deposits	11,218	11,556
Other	964	895
Allowance for doubtful accounts	-95	-120
Total investments and other assets	21,137	21,143
Total non-current assets	139,496	137,537
Total assets	259,756	241,774

(Unit: million yen)

	As of March 31, 2018	As of June 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,263	42,066
Short-term loans payable	904	3,997
Current portion of long-term loans payable	7,676	7,676
Accounts payable-other	9,479	8,934
Accrued income taxes	4,886	1,155
Accrued consumption tax	2,231	1,416
Unearned revenue	4,927	4,935
Reserve for points	3,288	3,136
Reserve for bonuses	1,287	608
Reserve for promotion of admissions	86	149
Other	5,483	5,961
Total current liabilities	96,515	80,038
Non-current liabilities		
Bonds	15,000	15,000
Long-term loans payable	49,621	45,951
Reserve for guarantees for merchandise sold	3,811	3,870
Reserve for directors' retirement benefits	183	189
Retirement benefit liabilities	6,878	7,174
Deferred tax liabilities	17,201	16,974
Other	1,525	1,431
Total non-current liabilities	94,221	90,592
Total liabilities	190,737	170,631
Net assets		
Shareholders' equity		
Capital stock	6,158	6,187
Capital surplus	6,349	6,377
Retained earnings	56,582	58,584
Treasury stock	-1,400	-1,321
Total shareholders' equity	67,690	69,827
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	441	432
Currency conversion adjustments	6	8
Accumulated adjustment to retirement benefits	59	-65
Total accumulated other comprehensive income	506	375
Stock acquisition rights	786	902
Non-controlling interests	36	37
Total net assets	69,019	71,143
Total liabilities and net assets	259,756	241,774

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

Consolidated income statement

(For the three-month period)

(Unit: million yen)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018
Net sales	112,483	116,793
Cost of sales	85,565	87,479
Gross profit on sales	26,917	29,313
Sales, general, and administrative expenses	24,331	26,167
Operating income	2,586	3,145
Non-operating income		
Interest income	3	3
Purchase discounts	398	413
Other	181	235
Total non-operating income	584	652
Non-operating expenses		
Interest expenses	191	111
Interest on bonds	18	27
Bond issuance cost	75	-
Other	60	97
Total non-operating expenses	345	236
Ordinary income	2,824	3,561
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	200	419
Other	12	0
Total extraordinary income	212	419
Extraordinary losses		
Impairment loss	15	-
Total extraordinary losses	15	-
Net income before taxes and other adjustments	3,022	3,980
Income taxes-current	644	1,102
Income taxes-deferred	234	67
Total income taxes	879	1,169
Net income	2,143	2,811
Net income attributable to shareholders of the non-controlling interests	0	1
Net income attributable to shareholders of the parent company	2,142	2,810

Consolidated statement of comprehensive income

(For the three-month period)

(Unit: million yen)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018
Net income	2,143	2,811
Other comprehensive income		
Valuation difference on available-for-sale securities	67	-8
Currency conversion adjustments	-0	2
Adjustments for retirement benefit obligations	-0	-124
Share in other comprehensive income of equity-method affiliates	-18	-
Total other comprehensive income	48	-131
Comprehensive income	2,191	2,679
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	2,190	2,678
Comprehensive income attributable to non-controlling interests	0	1

(3) Consolidated Cash Flow Statement

(Unit: million yen)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018
Cash flow from operating activities		
Net income before taxes and other adjustments	3,022	3,980
Depreciation	2,429	2,207
Impairment loss	15	-
Amortization of goodwill	697	708
Increase (decrease) in net defined benefit liability	59	116
Increase (decrease) in reserve for points	-174	-152
Increase (decrease) in reserve for promotion of admissions	183	62
Increase (decrease) in reserve for guarantees for merchandise sold	68	59
Interest and dividend income	-35	-19
Interest expenses	191	111
Gain on sales of shares of subsidiaries and affiliates	-200	-419
Decrease (increase) in accounts receivable-trade	16,148	17,125
Decrease (increase) in inventories	-390	199
Decrease (increase) in accounts receivable-other	595	581
Increase (decrease) in notes and accounts payable-trade	-13,306	-14,197
Increase (decrease) in accrued consumption taxes	137	-814
Increase (decrease) in unearned revenue	-150	8
Other	-130	-1,360
Subtotal	9,158	8,198
Interest and dividend income received	65	35
Interest expenses paid	-44	-176
Income taxes paid	-2,824	-4,274
Cash flow from operating activities	6,355	3,784

(Unit: million yen)

	Three-month period ended June 30, 2017	Three-month period ended June 30, 2018
Cash flow from investment activities		
Purchase of tangible non-current assets	-954	-704
Purchase of intangible assets	-309	-132
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	419
Payments for lease and guarantee deposits	-317	-478
Proceeds from collection of lease and guarantee deposits	40	55
Other	-89	-39
Cash flow from investment activities	393	-880
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	1,650	3,092
Proceeds from long-term loans payable	1,525	-
Repayment of long-term loans payable	-16,934	-3,669
Purchase of treasury stock	-1,028	-0
Proceeds from sales of treasury stock	54	78
Proceeds from issuance of bonds	14,924	-
Cash dividends paid	-642	-808
Dividends paid to non-controlling interests	-1	-
Other	29	45
Cash flow from financing activities	-422	-1,260
Effect of exchange rate changes on cash and cash equivalents	-0	26
Increase (decrease) in cash and cash equivalents	6,326	1,669
Starting balance of cash and cash equivalents	6,275	10,963
Ending balance of cash and cash equivalents	12,601	12,633

(4) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

At its meeting on May 8, 2018, the Company's Board of Directors resolved to distribute dividends of 808 million yen from retained earnings.

As a result, retained earnings for the three-month period ended June 30, 2018 were 58,584 million yen.

(Segment information, etc.)

[Segment information]

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

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

(Unit: million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on consolidated quarterly income statement (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Operation of Internet business	Subtotal				
Net sales								
Net sales to external customers	43,982	53,805	12,613	110,402	2,081	112,483	–	112,483
Internal sales or transfers between segments	37	109	1	148	69	217	-217	–
Subtotal	44,020	53,915	12,615	110,550	2,150	112,700	-217	112,483
Segment income (loss)	1,775	1,101	-40	2,836	151	2,988	-163	2,824

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

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

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

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

(Significant impairment losses on non-current assets)

The carrying amount of a group of assets that have recorded a continued loss from business activities is reduced to the recoverable amount and the reduced amount is recorded as an impairment loss under extraordinary loss.

The amount recorded in the reporting segment was 13 million yen for the operation of digital home electronics retail stores and one million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

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

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

II Three-month period ended June 30, 2018 (April 1, 2018 – June 30, 2018)

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 (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Operation of Internet business	Subtotal				
Net sales								
Net sales to external customers	48,353	53,931	12,593	114,878	1,915	116,793	–	116,793
Internal sales or transfers between segments	81	76	2	160	137	297	-297	–
Subtotal	48,434	54,008	12,595	115,038	2,052	117,090	-297	116,793
Segment income	2,095	863	504	3,463	165	3,629	-67	3,561

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.

(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, 2018)	This consolidated accounting period (June 30, 2018)
Agreement amount	13,500 million yen	13,500 million yen

2. The following restrictive financial covenants apply under the loan agreement concluded by the consolidated subsidiary ITX as of December 24, 2014, which we re-financed on March 27, 2018 aiming to strengthen the financial position by reducing interest-bearing debt to raise funds to acquire stock in ITX (pre-merger) and working capital for ITX.
   i) From the fiscal year ended March 2018, an operating loss may not be recorded two consecutive times on the consolidated income statement during the 12-month period of each fiscal year.
   ii) From the fiscal year ended March 2018, 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 indicated below.

		Previous consolidated accounting period (March 31, 2018)	This consolidated accounting period (June 30, 2018)
Agreement amount		38,000 million yen	38,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	3,800	3,800
	Long-term loans payable	34,200	34,200

3. The following restrictive financial covenants apply under the loan agreement entered into by the Company as of January 31, 2017 to raise funds to acquire 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 shown below.

		Previous consolidated accounting period (March 31, 2018)	This consolidated accounting period (June 30, 2018)
Agreement amount		20,000 million yen	20,000 million yen
Remaining balance of debt	Current portion of long-term loans payable	998	998
	Long-term loans payable	7,004	4,004

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

We trade issuing shares from treasury stock through an employee stock ownership trust in order to increase corporate value over the medium to long term and for the welfare of employees on their behalf.

1. 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.
2. Treasury stock retained in trust
   Treasury stock retained in trust is allocated as net assets in accordance with the carrying amount in trust, excluding incidental expenses. The carrying amount and number of shares of applicable treasury stock were 962 million yen and 548,000 shares, respectively, for the previous fiscal year; and 883 million yen and 503,000 shares, respectively, for the three-month period ended June 30, 2018.
3. Recorded carrying amount of loans payable after applying total method
   A total of 982 million yen for the previous consolidated fiscal year and 873 million yen for three-month period ended June 30, 2018.

(Adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting)

Deferred tax assets are presented in the investment and other assets category and deferred tax liabilities are presented in the category of non-current liabilities due to the adoption of Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) from the beginning of this consolidated accounting period.

(Important subsequent information)

(Stock options)

At a Board of Directors meeting held on July 17, 2018, the Company resolved the issuance of stock acquisition rights free of charge as stock options approved at the 56th Ordinary General Meeting of Shareholders and issued on July 31, 2018, as the following contents.

1. Reason for issuing stock acquisition rights as stock options
   In order to raise corporate value over the medium to long term and benefit welfare to employees, the Company conducts trading to deliver its own shares to the Employee Stock Ownership Association through a trust.

2. Procedure for issuing stock acquisition rights

Date of issuing stock acquisition rights	July 31, 2018
Classification and number of people to be granted	Director of the Company: 13 Executive Officer of the Company: 4 Employees of the Company: 1,245 Directors and employees of our subsidiaries: 185
Number of stock acquisition rights	15,665
Type, content and number of shares subject to stock acquisition rights	Common stock Number of shares constituting one unit:100
Paid for exercising stock acquisition rights	229,400 yen (2,294 yen per share)
Period of exercise of stock acquisition rights	From: July 18, 2021 To: July 17, 2023
Price of issuing shares and capital incorporation in case of issuing shares upon exercise of stock acquisition rights	1. Issuance price: 2,294 yen 2. Capital incorporation: 1,147.00 yen