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

Released October 30, 2018

Name of listed firm:	Nojima Corporation	Listed on the Tokyo Stock Exchange	
Code No.:	7419	URL	http://www.nojima.co.jp
Representative:	Hiroshi Nojima, President & Representative Executive Officer	Tel.: +81-50-3116-1220	
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Scheduled date of quarterly report filing: November 9, 2018
Scheduled start date of dividend payments: December 6, 2018
Supplemental materials on quarterly financial results: Available
Briefing session of quarterly financial results for analysts: Scheduled

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

1. Consolidated financial results for the six-month period ended September 30, 2018 (April 1, 2018 - September 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	%
Six-month period ended September 30, 2018	246,012	5.1	9,409	26.0	10,558	32.2	16,558	14.5	7,382	68.4
Six-month period ended September 30, 2017	234,140	14.7	7,469	33.7	7,987	35.4	14,456	40.0	4,384	20.4

Note:	Comprehensive income:	Six months ended September 30, 2018:	7,727 million yen	(72.9%)	Six months ended September 30, 2017:	4,468 million yen	(24.4%)
Reference:	Net income before amortization of goodwill:	Six months ended September 30, 2018:	11,559 million yen	(35.5%)	Six months ended September 30, 2017:	8,534 million yen	(30.1%)

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

	Net income per share	Diluted net income per share
	Yen	Yen
Six-month period ended September 30, 2018	147.79	142.97
Six-month period ended September 30, 2017	89.15	86.04

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2018	246,807	74,984	29.9	1,485.01
As of March 31, 2018	259,756	69,019	26.3	1,364.44

Reference: Equity: As of September 30, 2018: 73,902 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	-	17.00			
FY ending March 2019 (planned)			-	17.00	34.00

Note: Revisions to the most recently announced dividend forecast: Yes

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)

	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
Full-year	520,000	3.6	18,500	8.5	20,000	11.5	31,600	3.8	14,700	7.8	295.38

Note: Revisions to the most recently announced consolidated earnings forecast: Yes
Reference: Net income before amortization of goodwill: As of March 31, 2019 (planned) 23,000 million yen (4.8%)

* 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 2Q	51,289,616 shares	FY 2017	50,841,016 shares
ii Number of shares of treasury stock at the end of the period	FY 2018 2Q	1,523,917 shares	FY 2017	859,599 shares
iii Average number of shares during the period	FY 2018 2Q	49,955,064 shares	FY 2017 2Q	49,178,217 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (455,700 shares in the six-month period ended September 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 (506,255 shares in the six-month period ended September 30, 2018 and 385,544 shares in the six-month period ended September 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 six-month period ended September 30, 2018, general condition of employment and household income 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, 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 market competitions.

In the Internet business market, with the progress and spread 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 of Internet subscribership to the mainstream service Fiber-To-The-Home (FTTH). 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 service to meet customers’ needs.

In the operation of digital home electronics retail stores, we hold study meetings and provide training to share knowledge and experiences between team members 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 services by strengthening graduate recruitment, promoting education and training, and sharing the Group’s management policies.

With scrap-and-build of nine new store openings and four store closures, the number of digital home electronics retail stores stood at 167. The operation of digital home electronics retail stores stood at 199, combining dedicated communications device stores, at the end of the six-month period ended September 30, 2018.

In the operation of mobile carrier stores following the new openings, including scrap-and-build, the acquisition of 17 stores, and the closure of or transfer of 20 stores, the number of stores, including both directly-operated carrier stores and franchises, stood at 660.

In the light of these factors, the number of stores as of September 30, 2018 is as shown below.

Stores in operation

Classification	Directly operated	Franchised	Total
Operation of digital home electronics retail stores	199 stores	–	199 stores
Digital home electronics retail stores	167 stores	–	167 stores
Dedicated communications device stores	32 stores	–	32 stores
Operation of mobile carrier stores	432 stores	228 stores	660 stores
Carrier stores	413 stores	222 stores	635 stores
Others	19 stores	6 stores	25 stores
Total	631 stores	228 stores	859 stores

Note: Excludes two stores directly operated by an overseas subsidiary

As a result, during the first half of the current fiscal year, 2018, we recorded net sales of 246,012 million yen (105.1% of the figure for the first half of the previous fiscal year), operating income of 9,409 million yen (126.0% of the figure for the first half of the previous fiscal year), ordinary income of 10,558 million yen (132.2% of the figure for the first half of the previous fiscal year), and net income attributable to shareholders of the parent company of 7,382 million yen (168.4% 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 16,558 million yen (114.5% 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, and washing machines were satisfactory.

Revenues increased due to a favorable product mix 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, in addition to the synergy effect with our subsidiary NIFTY Corporation which entered our group in the previous year.

As a result, net sales in this segment totaled 105,740 million yen (111.0% of the figure for the first half of the previous fiscal year), segment income was 6,747 million yen (120.6% of the figure for the first half of the previous fiscal year), and segment net income before amortization of goodwill was 6,747 million yen (120.5% of the figure for the first half of the previous fiscal year).

(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 ITX Corporation, one of our significant subsidiaries, remained flat, falling short of a full recovery. To improve selling 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 111,721 million yen (101.2% of the figure for the first half of the previous fiscal year), segment income was 2,429 million yen (93.7% of the figure for the first half of the previous fiscal year), and segment net income before amortization of goodwill was 5,387 million yen (97.7% of the figure for the first half of the previous fiscal year).

(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 competitive conditions. In the web service business segment, we continued to work on organizing unprofitable business from the previous fiscal year, and to concentrate management resources on websites which establish not only NIFTY Lifestyle Co., Ltd.(including real estate, job search, and hot spring sites) spun off in April 2018, and also NIFTY NeXus Co., Ltd. (including news sites, point business, and digital marketing) spun off on October 1, 2018 to make a management system which enables us quick management decision and growth with profitability.

As a result, net sales in this segment totaled 25,148 million yen (101.0% of the figure for the first half of the previous fiscal year), segment income was 1,195 million yen (figure for the first half of the previous fiscal year was a loss of 172 million yen), and, segment net income before amortization of goodwill(*) was 2,414 million yen (230.6% of the figure for the first half of the previous fiscal year).

(*) 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 six-month period ended September 30, 2018 were 246,807 million yen, down 12,949 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 9,669 million yen to 110,590 million yen in current assets and a decrease of 3,280 million yen to 136,216 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 10,750 million yen and 1,460 million yen for accounts receivable-trade and merchandise and products, respectively, despite an increase of 2,533 million yen in cash and deposits.

The main causes of the decrease in non-current assets included decreases of 2,141 million yen and 1,288 million yen in contractual intangible assets and goodwill, respectively, despite an increase of 202 million yen in investment securities.

(Liabilities)

Total liabilities as of the six-month period ended September 30, 2018 were 171,822 million yen, down 18,914 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 10,487 million yen to 86,028 million yen in current liabilities, and a decrease of 8,426 million yen to 85,794 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 8,873 million yen and 755 million yen in accounts payable-trade and accounts payable-other, respectively, despite an increase of 748 million yen in short-term loans payable.

The main causes of the decrease in non-current liabilities included a decrease of 8,007 million yen in long-term loans payable, despite an increase of 419 million yen in retirement benefit liabilities.

(Net assets)

Net assets as of the six-month period ended September 30, 2018 totaled 74,984 million yen, up 5,964 million yen from the end of the previous fiscal year, due to factors including an increase of 6,568 million yen in retained earnings.

These factors resulted in an equity ratio of 29.9%, up 3.7 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, 2018 totaled 13,497 million yen (the figure for the six-month period ended September 30, 2017 was 11,117 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 14,082 million yen (84.4% of the figure for the six-month period ended September 30, 2017).

This was due mainly to a decrease of 10,754 million yen in accounts receivable-trade, 10,728 million yen of net income before taxes and other adjustments, and 4,498 million yen of depreciation, despite a decrease of 8,873 million yen in notes and accounts payable-trade, along with 4,294 million yen of income taxes paid.

(Cash flow from investment activities)

Funds used in investment activities totaled 1,481 million yen (241.0% of the figure for the six-month period ended September 30, 2017).

This was due mainly to expenditures of 1,445 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 10,096 million yen (89.9% of the figure for the six-month period ended September 30, 2017).

This was due mainly to expenditures of 11,367 million yen for repaying long-term loans payable, despite an increase of 2,650 million yen in proceeds from long-term loans payable.

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

Forecasts of consolidated financial results and dividend payments for the full-year have been revised since the release “Summary of consolidated financial results for the three-month Period Ended June 30, 2018” on August 7, 2018.

Please refer to “Announcement on the revision of the consolidated financial results, dividend payment (interim dividend) and year-end dividend forecast (an increase)” that was announced today (October 30, 2018) for more details.

2. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	11,028	13,562
Notes and accounts receivable-trade	59,021	48,270
Merchandise and products	41,711	40,251
Accounts receivable-other	6,817	6,672
Other	1,936	2,134
Allowance for doubtful accounts	-255	-300
Total current assets	120,259	110,590
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	14,695	14,482
Tools, fixtures, and facilities (net)	2,108	2,207
Land	8,537	8,550
Other (net)	607	651
Total tangible non-current assets	25,947	25,891
Intangible assets		
Goodwill	30,255	28,967
Software	1,736	1,705
Trademark rights	2,049	1,769
Contractual intangible assets	54,980	52,838
Customer-related intangible assets	3,308	2,977
Other	82	39
Total intangible assets	92,412	88,297
Investments and other assets		
Investment securities	2,828	3,031
Deferred tax assets	6,221	6,099
Lease and guarantee deposits	11,218	11,468
Other	964	1,523
Allowance for doubtful accounts	-95	-94
Total investments and other assets	21,137	22,027
Total non-current assets	139,496	136,216
Total assets	259,756	246,807

(Million yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	56,263	47,390
Short-term loans payable	904	1,652
Current portion of long-term loans payable	7,676	7,301
Accounts payable-other	9,479	8,724
Accrued income taxes	4,886	4,602
Accrued consumption tax	2,231	1,650
Deffered revenue	4,927	5,173
Reserve for points	3,288	3,204
Reserve for bonuses	1,287	1,233
Reserve for promotion of admissions	86	215
Other	5,483	4,880
Total current liabilities	96,515	86,028
Non-current liabilities		
Bonds	15,000	15,020
Long-term loans payable	49,621	41,613
Reserve for guarantees for merchandise sold	3,811	3,930
Reserve for directors’ retirement benefits	183	193
Retirement benefit liabilities	6,878	7,298
Deferred tax liabilities	17,201	16,287
Other	1,525	1,451
Total non-current liabilities	94,221	85,794
Total liabilities	190,737	171,822
Net assets		
Shareholders’ equity		
Capital stock	6,158	6,330
Capital surplus	6,349	6,520
Retained earnings	56,582	63,151
Treasury stock	-1,400	-2,949
Total shareholders’ equity	67,690	73,053
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	441	903
Currency conversion adjustments	6	15
Accumulated adjustment to retirement benefits	59	-68
Total accumulated other comprehensive income	506	849
Stock acquisition rights	786	1,081
Non-controlling interests	36	-
Total net assets	69,019	74,984
Total liabilities and net assets	259,756	246,807

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

Consolidated income statement

(For the six-month period)

(Million yen)

	Previous fiscal year (April 1, 2017 - September 30, 2017)	Current fiscal year (April 1, 2018 - September 30, 2018)
Net sales	234,140	246,012
Cost of sales	177,978	183,881
Gross profit on sales	56,161	62,130
Sales, general, and administrative expenses		
Advertising expenses	6,942	8,179
Salaries, allowances, and bonuses	16,085	16,499
Provision for bonuses	1,023	1,225
Provision for directors' retirement benefits	11	10
Retirement benefit expenses	520	586
Rents	6,739	7,159
Depreciation	4,052	4,055
Amortization of goodwill	1,397	1,424
Other	11,918	13,582
Total sales, general, and administrative expenses	48,692	52,721
Operating income	7,469	9,409
Non-operating income		
Interest income	7	6
Purchase discounts	800	852
Other	333	666
Total non-operating income	1,142	1,526
Non-operating expenses		
Interest expenses	374	205
Interest on bonds	45	54
Bond issuance costs	75	-
Other	127	116
Total non-operating expenses	623	376
Ordinary income	7,987	10,558
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	5	2
Gain on reversal of stock subscription rights	4	7
Gain on sales of shares of subsidiaries and affiliates	200	419
Total extraordinary income	209	428
Extraordinary losses		
Impairment loss	1,078	258
Total extraordinary losses	1,078	258
Net income before taxes and other adjustments	7,118	10,728
Income taxes-current	2,807	4,314
Income taxes-deferred	-72	-970
Total income taxes	2,734	3,343
Net income	4,383	7,385
Net income (loss) attributable to shareholders of the non-controlling interests	-0	2
Net income attributable to shareholders of the parent company	4,384	7,382

(For the three-month period)

(Million yen)

	Previous fiscal year (July 1, 2017 - September 30, 2017)	Current fiscal year (July 1, 2018 - September 30, 2018)
Net sales	121,657	129,218
Cost of sales	92,413	96,401
Gross profit on sales	29,243	32,817
Sales, general, and administrative expenses		
Advertising expenses	3,489	4,189
Salaries, allowances, and bonuses	8,094	8,269
Provision for bonuses	366	625
Provision for directors' retirement benefits	3	3
Retirement benefit expenses	265	281
Rents	3,399	3,635
Depreciation	1,994	2,016
Amortization of goodwill	699	716
Other	6,046	6,816
Total sales, general, and administrative expenses	24,360	26,554
Operating income	4,882	6,263
Non-operating income		
Interest income	3	3
Purchase discounts	401	439
Other	152	431
Total non-operating income	557	874
Non-operating expenses		
Interest expenses	183	94
Interest on bonds	27	27
Other	66	37
Total non-operating expenses	277	159
Ordinary income	5,163	6,978
Extraordinary income		
Gain on reversal of loss on valuation of investment securities	-	21
Gain on reversal of stock subscription rights	3	6
Total extraordinary income	3	27
Extraordinary losses		
Loss on valuation of investment securities	6	-
Impairment loss	1,063	258
Total extraordinary losses	1,070	258
Net income before taxes and other adjustments	4,096	6,747
Income taxes-current	2,162	3,212
Income taxes-deferred	-306	-1,037
Total income taxes	1,855	2,174
Net income	2,240	4,573
Net income (loss) attributable to shareholders of the non-controlling interests	-0	1
Net income attributable to shareholders of the parent company	2,241	4,572

Consolidated statement of comprehensive income

(For the six-month period)

(Million yen)

	Previous fiscal year (April 1, 2017 - September 30, 2017)	Current fiscal year (April 1, 2018 - September 30, 2018)
Net income	4,383	7,385
Other comprehensive income		
Valuation difference on available-for-sale securities	103	461
Currency conversion adjustments	-0	9
Adjustments for retirement benefit obligations	-0	-127
Share in other comprehensive income of equity-method affiliates	-18	-
Total other comprehensive income	84	342
Comprehensive income	4,468	7,727
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	4,468	7,725
Comprehensive income attributable to non-controlling interests	-0	2

(For the three-month period)

(Million yen)

	Previous fiscal year (July 1, 2017 - September 30, 2017)	Current fiscal year (July 1, 2018 - September 30, 2018)
Net income	2,240	4,573
Other comprehensive income		
Valuation difference on available-for-sale securities	36	470
Currency conversion adjustments	0	7
Adjustments for retirement benefit obligations	-	-2
Total other comprehensive income	36	474
Comprehensive income	2,277	5,048
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	2,277	5,047
Comprehensive income attributable to non-controlling interests	-0	1

(3) Consolidated Cash Flow Statement

(Million yen)

	Previous fiscal year (April 1, 2017 - September 30, 2017)	Current fiscal year (April 1, 2018 - September 30, 2018)
Cash flow from operating activities		
Net income before taxes and other adjustments	7,118	10,728
Depreciation	4,788	4,498
Impairment loss	1,078	258
Amortization of goodwill	1,397	1,424
Increase (decrease) in net defined benefit liability	57	236
Increase (decrease) in reserve for points	-295	-84
Increase (decrease) in reserve for promotion of admissions	227	128
Increase (decrease) in reserve for guarantees for merchandise sold	126	118
Interest and dividend income	-39	-23
Interest expenses	374	205
Gain on sales of shares of subsidiaries and affiliates	-200	-419
Decrease (increase) in accounts receivable-trade	12,829	10,754
Decrease (increase) in inventories	2,997	1,592
Decrease (increase) in accounts receivable-other	-15	146
Increase (decrease) in notes and accounts payable-trade	-10,908	-8,873
Increase (decrease) in accrued consumption taxes	580	-586
Increase (decrease) in unearned revenue	-156	246
Other	-125	-1,750
Subtotal	19,834	18,601
Interest and dividend income received	69	39
Interest expenses paid	-374	-263
Income taxes paid	-2,848	-4,294
Cash flow from operating activities	16,681	14,082

(Million yen)

	Previous fiscal year (April 1, 2017 - September 30, 2017)	Current fiscal year (April 1, 2018 - September 30, 2018)
Cash flow from investment activities		
Purchase of tangible non-current assets	-1,707	-1,445
Purchase of intangible assets	-410	-261
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,954	161
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	-570	-826
Proceeds from collection of lease and guarantee deposits	309	346
Other	-260	125
Cash flow from investment activities	-614	-1,481
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	-1,700	748
Proceeds from long-term loans payable	3,025	2,650
Repayment of long-term loans payable	-25,859	-11,367
Purchase of treasury stock	-1,308	-1,712
Proceeds from sales of treasury stock	128	162
Proceeds from issuance of bonds	14,924	-
Cash dividends paid	-646	-808
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-43	-44
Other	254	274
Cash flow from financing activities	-11,225	-10,096
Effect of exchange rate changes on cash and cash equivalents	1	29
Increase (decrease) in cash and cash equivalents	4,842	2,533
Starting balance of cash and cash equivalents	6,275	10,963
Ending balance of cash and cash equivalents	11,117	13,497

(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 808 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 8, 2018.

As a result, retained earnings for the six-month period ended September 30, 2018 were 63,151 million yen.

(Segment information, etc.)

[Segment information]

I Six-month period ended September 30, 2017 (April 1, 2017 – September 30, 2017)

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

(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	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 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.

II Six-month period ended September 30, 2018 (April 1, 2018 – September 30, 2018)

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

(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	105,526	111,597	25,142	242,266	3,746	246,012	-	246,012
Internal sales or transfers between segments	213	124	6	344	281	625	-625	-
Subtotal	105,740	111,721	25,148	242,610	4,027	246,638	-625	246,012
Segment income	6,747	2,429	1,195	10,372	304	10,676	-117	10,558

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 256 million yen for the operation of digital home electronics retail stores, one million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Not applicable

(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 (September 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 (September 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	32,300

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 (September 30, 2018)
Agreement amount		20,000 million yen	-
Remaining balance of debt	Current portion of long-term loans payable	998	-
	Long-term loans payable	7,004	-

Debt under these agreements has been repaid in the six-month period ended September 30, 2018.

(Allotment of treasury shares to employees through an employee stock ownership trust)

We allot company's shares to employees through an employee stock ownership trust (hereafter, the Trust), in order to increase corporate value over the medium to long term and the welfare of employees on their behalf.

1. Overview
   The Trust, which was established for the purpose of transferring the company's shares to the NEX employees' shareholding association (hereafter, the Shareholding Association), acquires, at one time in advance, certain number of the company's shares equivalent to the projected number of shares the Shareholding Association will buy during the three-year period starting from May 2017.
2. Treasury stock retained in the Trust
   Treasury stock retained in the Trust is included in the Consolidated Balance Sheet at Net Assets section, at book value in the Trust, excluding incidental expenses. The amount and the number of treasury stock were 962 million yen and 548,000 shares, respectively at the end of previous fiscal year, and 799 million yen and 455,000 shares, respectively as of September 30, 2018.
3. Amount of ESOP Loan included in the Consolidated Balance Sheet
   982 million yen at the end of previous fiscal year, and 764 million yen as of September 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.