



## Summary of Consolidated Financial Results for the Three-month Period Ended June 30, 2019 (Japanese accounting standards)

Released July 31, 2019

Name of listed firm:	Nojima Corporation	Listed on the Tokyo Stock Exchange
Code No.:	7419	URL <a href="http://www.nojima.co.jp">http://www.nojima.co.jp</a>
Representative:	Hiroshi Nojima, President & Representative Executive Officer	Tel.: +81-50-3116-1220
Contact:	Yasuhiko Tanokashira, Director/Executive Officer/General Manager, Finance and Accounting Division	
Scheduled date of quarterly report filing:	August 9, 2019	
Scheduled start date of dividend payments:	-	
Supplemental materials on quarterly financial results:	No	
Briefing session for quarterly financial results for analysts:	No	

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

### 1. Consolidated financial results for the three-month period ended June 30, 2019 (April 1, 2019 - June 30, 2019)

(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, 2019	129,688	11.0	3,658	16.3	4,118	15.0	8,254	25.2	2,962	4.7
Three-month period ended June 30, 2018	116,793	3.8	3,145	21.6	3,580	26.8	6,593	8.3	2,828	32.0

Note: Comprehensive income: Three-month period ended June 30, 2019: 1,477 million yen (-44.9%) Three-month period ended June 30, 2018: 2,679 million yen (22.3%)  
 · For detailed information, including definitions and methods used to calculate indicators, see p. 2, "1. Qualitative Information on Quarterly Consolidated Financial Performance: (1) Explanation of operating results."

	Net income per share	Diluted net income per share
Three-month period ended June 30, 2019	Yen 59.16	Yen 58.43
Three-month period ended June 30, 2018	Yen 56.55	Yen 54.53

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	295,259	82,191	27.3	1,604.92
As of March 31, 2019	307,735	81,608	25.9	1,594.23

Reference: Equity: As of June 30, 2019: 80,555 million yen As of March 31, 2019: 79,758 million yen

### 2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended March 2019	-	17.00	-	17.00	34.00
FY ending March 2020	-	-	-	-	-
FY ending March 2020 (planned)	-	17.00	-	17.00	34.00

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

### 3. Forecasts of consolidated financial results for the fiscal year ending March 2020 (April 1, 2019 - March 31, 2020)

(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
2Q (cumulative)	273,900	11.3	10,300	9.5	11,300	7.0	18,000	8.7	7,100	-3.8	141.45
Full-year	550,800	7.4	19,500	1.5	21,200	0.7	34,700	4.8	13,600	-7.4	270.96

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

\*Consolidated overseas subsidiaries figures are described as before the adoption of IFRS 16.

\* Notes

- (1) Significant changes in subsidiaries during this period  
 (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: Yes
  - ii. Changes in accounting policies for reasons other than i.: Yes
  - 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)	As of June 30, 2019	51,289,616 shares	As of March 31, 2019	51,289,616 shares
ii. Number of shares of treasury stock at the end of the period	As of June 30, 2019	1,096,789 shares	As of March 31, 2019	1,259,989 shares
iii. Average number of shares during the period	Three-month period ended June 30, 2019	50,079,046 shares	Three-month period ended June 30, 2018	50,028,640 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (255,800 shares as of June 30, 2019 and 338,400 shares as of March 31, 2019) for the employee stock ownership plan (ESOP). Shares of the Company's own stock held in ESOP trust accounts are included in treasury stock subtracted from calculation of the average number of shares during the period (306,867 shares for the three-month period ended June 30, 2019 and 528,601 shares for the three-month period ended June 30, 2018).

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

\* Explanation concerning the 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.....	2
	(1) Explanation of operating results.....	2
	(2) Explanation of financial position .....	4
	(3) Information of forward-looking statements forecasts of consolidated financial results .....	4
2.	Quarterly Consolidated Financial Statements.....	5
	(1) Consolidated balance sheet .....	5
	(2) Consolidated income statement and consolidated statement of comprehensive income.....	7
	Consolidated income statement.....	7
	(For the three-month period)	
	Consolidated statement of comprehensive income.....	8
	(For the three-month period)	
	(3) Consolidated cash flow statement .....	9
	(4) Notes on consolidated financial statements.....	10
	(Notes on going concern assumption).....	10
	(Significant changes in shareholders' equity).....	10
	(Changes in accounting policies) .....	10
	(Segment information) .....	11
	(Important subsequent events).....	12

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of operating results

During the three-month period ended June 30, 2019, 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. Although personal consumption is recovering gradually, consumer confidence is in a weakening tendency.

On the other hand, while overseas economies are envisaged to show continuous recovery, concerns arose regarding the movements in trade issues, future economic prospects of China, uncertainty related to policies of other countries, and trends in financial and capital markets.

The market for sales of home electronics remained steady as a whole, with satisfactory sales of air conditioners, refrigerators, washing machines and TVs, and steady sales of PCs.

In the market for sales of mobile phones and other mobile devices, the number of mobile phones of carrier brands sold remained sluggish because of changes in the market environment of reduced replacement demand for mobile phones that resulted from the suppression of excessive market competition by a partial amendment of the Telecommunications Business Act; furthermore, each carrier company's launch of a new price plan that separates handset price and service fees from June 2019.

In the Internet business market, with the progress and spread of smart devices that can use the Internet anywhere, mobile fast broadband service subscribership has increased significantly, while the fixed broadband service has shown a 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 share and deepen knowledge and experience, in order to enrich the assortment of new products and enhance customer services that meet the needs of our customers.

In the operation 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 5 new store openings and 2 store closures, including scrap-and-build, the number of digital home electronics retail stores stood at 178, or 208 including dedicated communications device stores, at the end of the three-month period ended June 30, 2019.

In the operation of mobile carrier stores, following new openings and acquisition of 4 stores and closure and sellout of 9 stores, including scrap-and-build, the number of stores, including both directly-operated carrier stores and franchises, stood at 641.

In the overseas business, with 3 new store openings and 4 store closures, the number of stores stood at 76.

In light of these factors, the number of stores as of June 30, 2019 is as shown below.

#### Stores in operation

Classification	Directly operated	Franchises	Total
Operation of digital home electronics retail stores	208 stores	-	208 stores
Digital home electronics retail stores	178 stores	-	178 stores
Dedicated communications device stores	30 stores	-	30 stores
Operation of mobile carrier stores	423 stores	218 stores	641 stores
Carrier stores	406 stores	212 stores	618 stores
Others	17 stores	6 stores	23 stores
Overseas business	76 stores	-	76 stores
Total	707 stores	218 stores	925 stores

As a result, for the three-month period ended June 30, 2019, we recorded net sales of 129,688 million yen (111.0% of the figure for the three-month period ended June 30, 2018), operating income of 3,658 million yen (116.3% of the figure for the three-month period ended June 30, 2018), ordinary income of 4,118 million yen (115.0% of the figure for the three-month period ended June 30, 2018), and net income attributable to shareholders of the parent company of 2,962 million yen (104.7% of the figure for the three-month period ended June 30, 2018). EBITDA(\*), which the Group considers to be an important indicator of business performance, stood at 8,254 million yen (125.2% of the figure for the three-month period ended June 30, 2018).

(\* ) EBITDA = ordinary income + interest expenses + interest on bonds + depreciation + amortization of goodwill

Business performance by segment is outlined below.

(Operation of digital home electronics retail stores)

Sales of air conditioners, refrigerators, washing machines, and PCs were satisfactory.

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 that reflected perspectives of customers and met their needs.

As a result, net sales in this segment totaled, 52,252 million yen (107.9% of the figure for the three-month period ended June 30, 2018), segment income was 2,480 million yen (117.3% of the figure for the three-month period ended June 30, 2018).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, although we enhanced our activities of recruitment, education and training to change the focus from "sales quantity" to "sales quality" for the future, sales and gross profit on sales of one of our significant subsidiaries, ITX Corporation's performance remained sluggish due to downturn of the market. In order 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 50,940 million yen (94.3% of the figure for the three-month period ended June 30, 2018), segment income was 859 million yen (99.6% of the figure for the three-month period ended June 30, 2018).

(Internet business)

Under the fiercely competitive market condition, in the Internet service provider section, we concentrated on measures for effectively attracting new customers, including sales of @nifty Hikari, a wholesale service of FLET'S Hikari provided by NTT East and NTT West, at our group stores. In the web service business section, pay-for-performance advertising in the marketplace area remained steady.

In the Internet business as a whole, operating income grew as a result of putting efforts into raising productivity.

As a result, net sales in this segment totaled 12,132 million yen (96.3% of the figure for the three-month period ended June 30, 2018), segment income was 690 million yen (136.9% of the figure for the three-month period ended June 30, 2018).

(Overseas business)

At the end of the previous fiscal year, we added a new segment of overseas business to our reporting segments as COURTS Asia Limited, which operate retail businesses of home electronic appliances, IT products and furniture in Singapore, Malaysia and Indonesia, was acquired and became a consolidated subsidiary on February 13, 2019. We will actively improve our productivity by globally applying our know-how in human resource training and sales operations.

As a result, net sales in this segment totaled 12,804 million yen (-% of the figure for the three-month period ended June 30, 2018), segment loss was 35 million yen (-% of the figure for the three-month period ended June 30, 2018).

## (2) Explanation of financial position

### Assets, liabilities and net assets

#### (Assets)

Total assets as of June 30, 2019 were 295,259 million yen, down 12,476 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 18,440 million yen to 144,729 million yen in current assets and an increase of 5,964 million yen to 150,530 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 22,408 million yen and 2,052 million yen in accounts receivable-trade and merchandise and products, respectively, despite an increase of 5,012 million yen in cash and deposits.

The main causes of the increase in non-current assets included an increase of 8,934 million yen in lease assets related to adoption of IFRS 16 “Leases” in overseas subsidiaries, despite decreases of 1,070 million yen, 991 million yen and 649 million yen in contractual intangible assets, investment securities and goodwill, respectively.

#### (Liabilities)

Total liabilities as of June 30, 2019 were 213,067 million yen, down 13,060 million yen from the end of the previous consolidated fiscal year.

This decrease was due mainly to a decrease of 6,842 million yen to 109,006 million yen in current liabilities and a decrease of 6,218 million yen to 104,060 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 12,929 million yen and 5,652 million yen and 1,827 million yen in accounts payable-trade, accrued income taxes and accounts payable-other, respectively, despite increases of 10,000 million yen and 3,284 million yen in current portion of bonds and short-term loans payable, respectively.

The main causes of the decrease in non-current liabilities included decreases of 10,000 million yen and 3,612 million yen in bonds and long-term loans payable, respectively, despite an increase of 7,356 million yen in lease obligations related to adoption of IFRS 16 “Leases” in overseas subsidiaries.

#### (Net assets)

Net assets as of June 30, 2019 totaled 82,191 million yen, up 583 million yen from the end of the previous fiscal year, due to factors including an increase of 2,106 million yen in retained earnings, despite a decrease of 1,091 million yen in valuation difference on available-for-sale securities.

These factors resulted in an equity ratio of 27.3%, up 1.4 points from the end of the previous fiscal year.

### Cash flow

Cash and cash equivalents (“funds” hereinafter) as of June 30, 2019 totaled 25,739 million yen (the figure as of June 30, 2018 was 12,633 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 8,295 million yen (219.2% of the figure for the three-month period ended June 30, 2018).

This was due mainly to decreases of 21,566 million yen in accounts receivable-trade, 4,289 million yen in net income before taxes and other adjustments and 3,309 million yen in depreciation, despite increases of 12,732 million yen in notes and accounts payable-trade and 6,464 million yen of income taxes paid.

#### (Cash flow from investment activities)

Funds used in investment activities totaled 1,712 million yen (194.6% of the figure for the three-month period ended June 30, 2018).

This was due mainly to expenditures of 1,122 million yen for purchase of tangible non-current assets in connection with new store openings and 255 million yen of payments for lease and guarantee deposits.

#### (Cash flow from financing activities)

Funds used for financing activities totaled 1,143 million yen (90.7% of the figure for the three-month period ended June 30, 2018).

This was due mainly to expenditures of 3,235 million yen and 856 million yen for repayment of long-term loans payable and payment of cash dividends, respectively, despite a net increase of 3,309 million yen in short-term loans payable.

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

Forecasts of consolidated financial results for the 2Q (cumulative) and the full-year have not been revised since the release of the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 2019” on May 7, 2019.

## 2. Quarterly Consolidated Financial Statements

## (1) Consolidated balance sheet

(Million yen)

	Previous fiscal year (as of March 31, 2019)	First quarter of the current fiscal year (as of June 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	20,798	25,810
Accounts receivable-trade	91,658	69,250
Merchandise and products	45,302	43,250
Accounts receivable-other	7,085	6,563
Other	3,010	3,657
Allowance for doubtful accounts	-4,686	-3,802
<b>Total current assets</b>	<b>163,169</b>	<b>144,729</b>
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	16,778	17,055
Tools, fixtures, and facilities (net)	2,459	2,395
Lease assets (net)	-	8,934
Land	8,488	8,488
Other (net)	805	885
<b>Total tangible non-current assets</b>	<b>28,531</b>	<b>37,759</b>
Intangible assets		
Goodwill	27,546	26,897
Software	1,636	1,624
Trademark rights	1,489	1,349
Contractual intangible assets	50,696	49,625
Customer-related intangible assets	2,646	2,481
Other	124	89
<b>Total intangible assets</b>	<b>84,140</b>	<b>82,068</b>
Investments and other assets		
Investment securities	8,311	7,319
Deferred tax assets	8,674	8,363
Lease and guarantee deposits	11,990	12,099
Other	3,029	3,028
Allowance for doubtful accounts	-112	-110
<b>Total investments and other assets</b>	<b>31,893</b>	<b>30,702</b>
<b>Total non-current assets</b>	<b>144,565</b>	<b>150,530</b>
<b>Total assets</b>	<b>307,735</b>	<b>295,259</b>

(Million yen)

	Previous fiscal year (as of March 31, 2019)	First quarter of the current fiscal year (as of June 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	59,279	46,349
Short-term loans payable	2,202	5,487
Current portion of long-term loans payable	8,996	8,979
Current portion of bonds	10	10,010
Accounts payable-other	11,877	10,050
Accrued income taxes	6,328	676
Accrued consumption tax	2,342	1,553
Unearned revenue	8,000	7,912
Reserve for points	3,644	3,491
Reserve for bonuses	1,459	885
Reserve for promotion of admissions	119	106
Lease obligations	4	2,010
Other	11,582	11,493
Total current liabilities	115,849	109,006
Non-current liabilities		
Bonds	15,015	5,015
Long-term loans payable	61,061	57,449
Reserve for guarantees for merchandise sold	3,867	3,879
Reserve for directors' retirement benefits	200	197
Retirement benefit liabilities	8,115	8,252
Deferred tax liabilities	15,389	15,411
Long-term unearned revenue	3,429	3,319
Lease obligations	-	7,356
Other	3,199	3,178
Total non-current liabilities	110,278	104,060
Total liabilities	226,127	213,067
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,330	6,330
Capital surplus	6,378	6,247
Retained earnings	69,751	71,857
Treasury stock	-2,448	-2,141
Total shareholders' equity	80,010	82,293
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	169	-921
Currency conversion adjustments	76	-330
Accumulated adjustment to retirement benefits	-498	-485
Total accumulated other comprehensive income	-252	-1,738
Stock acquisition rights	1,453	1,627
Non-controlling interests	396	9
Total net assets	81,608	82,191
Total liabilities and net assets	307,735	295,259



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

## Consolidated income statement

(For the three-month period)

(Million yen)

	First three-month period of the previous fiscal year (April 1, 2018 - June 30, 2018)	First three-month period of the current fiscal year (April 1, 2019 - June 30, 2019)
Net sales	116,793	129,688
Cost of sales	87,479	95,141
Gross profit on sales	29,313	34,546
Sales, general, and administrative expenses	26,167	30,888
Operating income	3,145	3,658
Non-operating income		
Interest income	3	17
Purchase discounts	413	412
Other	235	256
Total non-operating income	652	686
Non-operating expenses		
Interest expenses	111	152
Interest on bonds	27	27
Other	78	46
Total non-operating expenses	217	226
Ordinary income	3,580	4,118
Extraordinary income		
Gain on negative goodwill	-	28
Gain on sales of shares of subsidiaries and affiliates	419	-
Gain on sales of non-current assets	-	140
Other	0	2
Total extraordinary income	419	171
Net income before taxes and other adjustments	3,999	4,289
Income taxes-current	1,102	1,099
Income taxes-deferred	67	225
Total income taxes	1,169	1,325
Net income	2,830	2,964
Net income attributable to shareholders of the non-controlling interests	1	1
Net income attributable to shareholders of the parent company	2,828	2,962

Consolidated statement of comprehensive income

(For the three-month period)

(Million yen)

	First three-month period of the previous fiscal year (April 1, 2018 - June 30, 2018)	First three-month period of the current fiscal year (April 1, 2019 - June 30, 2019)
Net income	2,830	2,964
Other comprehensive income		
Valuation difference on available-for-sale securities	-27	-1,091
Currency conversion adjustments	2	-407
Adjustments for retirement benefit obligations	-124	12
Total other comprehensive income	-150	-1,486
Comprehensive income	2,679	1,477
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	2,678	1,476
Comprehensive income attributable to non-controlling interests	1	1

## (3) Consolidated cash flow statement

	(Million yen)	
	First three-month period of the previous fiscal year (April 1, 2018 - June 30, 2018)	First three-month period of the current fiscal year (April 1, 2019 - June 30, 2019)
<b>Cash flow from operating activities</b>		
Net income before taxes and other adjustments	3,999	4,289
Depreciation	2,207	3,309
Amortization of goodwill	708	712
Increase (decrease) in retirement benefit liabilities	116	100
Increase (decrease) in reserve for points	-152	-152
Increase (decrease) in reserve for promotion of admissions	62	-12
Increase (decrease) in reserve for guarantees for merchandise sold	59	12
Interest and dividend income	-19	-98
Interest expenses	111	152
Gain on sales of shares of subsidiaries and affiliates	-419	-
Decrease (increase) in accounts receivable-trade	17,125	21,566
Decrease (increase) in inventories	199	1,814
Decrease (increase) in accounts receivable-other	581	516
Increase (decrease) in notes and accounts payable-trade	-14,197	-12,732
Increase (decrease) in accrued expenses	110	-233
Increase (decrease) in accrued consumption taxes	-814	-790
Increase (decrease) in accounts payable-other	-457	-1,401
Other	-1,023	-2,184
Subtotal	8,198	14,870
Interest and dividend income received	35	114
Interest expenses paid	-176	-224
Income taxes paid	-4,274	-6,464
Cash flow from operating activities	3,784	8,295
<b>Cash flow from investment activities</b>		
Purchase of tangible non-current assets	-704	-1,122
Purchase of intangible assets	-132	-231
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-56
Proceeds from sales of shares of subsidiaries and affiliates	419	-
Payments for lease and guarantee deposits	-478	-255
Proceeds from collection of lease and guarantee deposits	55	78
Other	-39	-123
Cash flow from investment activities	-880	-1,712
<b>Cash flow from financing activities</b>		
Increase (decrease) in short-term loans payable	3,092	3,309
Repayment of long-term loans payable	-3,669	-3,235
Proceeds from sales of treasury stock	78	144
Cash dividends paid	-808	-856
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-	-360
Repayment of lease obligations	-	-603
Other	45	457
Cash flow from financing activities	-1,260	-1,143
Effect of exchange rate changes on cash and cash equivalents	26	-433
Increase (decrease) in cash and cash equivalents	1,669	5,005
Starting balance of cash and cash equivalents	10,963	20,733
Ending balance of cash and cash equivalents	12,633	25,739

#### (4) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

At the Board of Directors meeting held on May 7, 2019, the Company resolved to distribute dividends of 856 million yen from retained earnings.

As a result, retained earnings as of June 30, 2019 were 71,857 million yen.

(Changes in accounting policies)

(Adoption of IFRS 16 "Leases")

Subsidiaries adopting International Financial Reporting Standards have applied International Financial Reporting Standards 16 "Leases" ("IFRS 16" hereinafter) from the first quarter of the current fiscal year. Accordingly, all leases, in principle, are recorded as assets and liabilities on the balance sheet. According to the transitional treatment, IFRS 16 has been applied retroactively and the cumulative effects are reflected in the amount of retained earnings as of April 1, 2019.

As a result, "lease assets" increased 8,934 million yen, and "lease obligations" under current liabilities and "lease obligations" under non-current liabilities increased 2,008 million yen and 7,356 million yen, respectively, as of June 30, 2019. The effect of this change on income and loss for the three-month period ended June 30, 2019 is immaterial.

(Valuation of investments in securities)

Valuation gains/losses of listed stocks classified as "Investments in securities held for other purposes" were conventionally treated according to "Partial direct net assets entry method". However, during the first three-month period of the current fiscal year, significance of securities held for long-term holdings increased. Therefore, the Company has changed the accounting method to "Full direct net assets entry method" in order to improve comparability of financial information, taking into consideration the fact that the latter method, the principle method for treating valuation differences on available-for-sale securities, has become a generally adopted practice.

The change has been applied retroactively and the consolidated financial statements for the three-month period ended June 30, 2018 and for the fiscal year ended March 31, 2019 are restated accordingly.

The effect of this change on income and loss for the three-month period ended June 30, 2018 and the cumulative effects until April 1, 2018 are immaterial.

(Segment information)

[Segment information]

## I First three-month period of the previous fiscal year (April 1, 2018 – June 30, 2018)

## 1. Net sales and income (loss) by reporting segment

(Million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on quarterly consolidated income statement (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	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	2,114	863	504	3,482	165	3,648	-67	3,580

Notes:

- \*1. The “Other” business segment consists of businesses not included in the reporting segments above. These include the shopping mall business, the sports business, the training business, the mega-solar business, the animal medical business, and the software development business.
- \*2. Adjustments to segment income consist of companywide costs not distributed among reporting segments.
- \*3. Segment income is adjusted with ordinary income on the quarterly consolidated income statement.

## II First three-month period of the current fiscal year (April 1, 2019 – June 30, 2019)

## 1. Net sales and income (loss) by reporting segment

(Million yen)

	Reporting segment					Other (*1)	Total	Adjustments (*2)	Amount on quarterly consolidated income statement (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Internet business	Overseas business	Subtotal				
Net sales									
Net sales to external customers	51,991	50,910	12,066	12,804	127,772	1,916	129,688	-	129,688
Internal sales or transfers between segments	261	30	66	-	358	147	505	-505	-
Subtotal	52,252	50,940	12,132	12,804	128,130	2,063	130,193	-505	129,688
Segment income (loss)	2,480	859	690	-35	3,995	169	4,164	-46	4,118

Notes:

- \*1. The “Other” business segment consists of businesses not included in the reporting segments above. These include the shopping mall business, the sports business, the training business, the mega-solar business, the animal medical business, and the software development business.
- \*2. Adjustments to segment income consist of companywide costs not distributed among reporting segments.
- \*3. Segment income is adjusted with ordinary income on the quarterly consolidated income statement.

## 2. Change in reporting segments

From the end of the previous fiscal year, we added the operating segment of the “overseas business” to the previous reporting segments as we acquired shares of COURTS Asia Limited and it became a consolidated subsidiary. Accordingly, Nojima (Cambodia) Co., Ltd., which was included in the “operation of digital home electronics retail stores” previously, has been included in the “overseas business.”

The impact of this reclassification on the comparative information is immaterial.

## (Important subsequent events)

## (Stock options)

At the Board of Directors meeting held on July 16, 2019, the Company resolved the detailed terms for the issue of stock options following the approval of the proposal “Issuance of Stock Acquisition Rights as Stock Options Free of Charge” at the 57th Ordinary General Meeting of Shareholders and issued them on July 31, 2019.

## 1. Reason for issuing stock acquisition rights as stock options

In order to raise corporate value over a medium- to long-term period and give benefit to employees, the Company conducts trading to deliver its own shares to the Employee Stock Ownership Association through a trust.

## 2. Overview of issuance of stock acquisition rights

Date of issuing stock acquisition rights	July 31, 2019
Classification and number of people to be granted	Director of the Company: 13 Executive Officer of the Company: 5 Employees of the Company: 1,351 Directors and employees of our subsidiaries: 190
Number of stock acquisition rights	15,985
Type, content and number of shares subject to stock acquisition rights	Common stock Number of shares constituting one unit: 100
Amount to be paid for exercising stock acquisition rights	175,900 yen (1,759 yen per share)
Period of exercise of stock acquisition rights	From July 17, 2022 to July 16, 2024
Price of issued shares and amount of capital incorporation in the case of issuing shares upon exercise of stock acquisition rights	1. Issuance price: 1,759 yen 2. Amount of capital incorporation: 880.00 yen