



## Summary of Consolidated Financial Results for the Nine-month Period Ended December 31, 2018 (Japanese accounting standards)

Released January 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> |
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| Scheduled date of quarterly report filing:                     | February 8, 2019   |   |
| Scheduled start date of dividend payments:                     | -  |   |
| Supplemental materials on quarterly financial results:         | None   |   |
| Briefing session for quarterly financial results for analysts: | None   |   |

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

### 1. Consolidated financial results for the nine-month period ended December 31, 2018 (April 1, 2018 - December 31, 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   | %    |
| Nine-month period ended December 31, 2018 | 377,431     | 2.5  | 14,560           | 15.2 | 16,209          | 19.6 | 25,210      | 9.5  | 9,888   | 15.9 |
| Nine-month period ended December 31, 2017 | 368,276     | 15.7 | 12,637           | 33.0 | 13,547          | 34.2 | 23,023      | 37.8 | 8,528   | 33.5 |

|            |   |                                     |                    |         |                                     |                    |         |
|------------|---|-------------------------------------|--------------------|---------|-------------------------------------|--------------------|---------|
| Note:      | Comprehensive income:                       | Nine-month ended December 31, 2018: | 9,887 million yen  | (14.1%) | Nine-month ended December 31, 2017: | 8,666 million yen  | (35.0%) |
| Reference: | Net income before amortization of goodwill: | Nine-month ended December 31, 2018: | 16,152 million yen | (9.5%)  | Nine-month ended December 31, 2017: | 14,756 million yen | (37.1%) |

· 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                          |  |
| Nine-month period ended December 31, 2018 | 198.55               |  | 192.13                       |  |
| Nine-month period ended December 31, 2017 | 172.78               |  | 163.66                       |  |

### (2) Consolidated financial position

|                         | Total assets |  | Net assets  |  | Equity ratio |  | Net assets per share |  |
|-------------------------|--------------|--|-------------|--|--------------|--|----------------------|--|
|                         | Million yen  |  | Million yen |  | %            |  | Yen                  |  |
| As of December 31, 2018 | 262,973      |  | 76,697      |  | 28.7         |  | 1,511.11             |  |
| As of March 31, 2018    | 259,756      |  | 69,019      |  | 26.3         |  | 1,364.44             |  |

Reference: Equity: As of December 31, 2018: 75,433 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: 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)

|           | 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 | 294.48               |  |

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

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)
  - ii Number of shares of treasury stock at the end of the period

|            |                   |            |                   |
|------------|-------------------|------------|-------------------|
| FY 2018 3Q | 51,289,616 shares | FY 2017    | 50,841,016 shares |
| FY 2018 3Q | 1,370,285 shares  | FY 2017    | 859,599 shares    |
| FY 2018 3Q | 49,802,131 shares | FY 2017 3Q | 49,357,537 shares |

- iii Average number of shares during the period

Note: The number of shares of treasury stock above includes shares held in trust accounts (397,800 shares in the nine-month period ended December 31, 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 (481,437 shares in the nine-month period ended December 31, 2018 and 457,873 shares in the nine-month period ended December 31, 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

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Operating Results

During the nine-month period ended December 31, 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 4K TVs, influenced by the start of new 4K/8K satellite broadcasting on December 1, steady sales of refrigerators and washing machines, despite PCs performing poorly.

In the market of mobile phones and other mobile devices, the number of mobile phone units sold for the major carrier brands remained sluggish due to changes in the market environment, because of reduced replacement demands of mobile phones resulted from suppressed excessive market competitions by a partial amendment of the Telecommunications Business Act as background factors, which was applied in 2016.

In the Internet business market, thanks to the progress and spread of smart devices that enables us to use the Internet everywhere, the mobile fast broadband service subscribership has increased significantly. Meanwhile, in regards to the market for the fixed broadband services, Fiber-To-The-Home (FTTH) Internet subscribership as the mainstream service, seemed to have been saturated, and its growth rate was low. Conversely, the Internet advertising market has continued to expand mainly in programmatic advertising, supported by increased smartphone users.

Under these circumstances, 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 shopping floors where shoppers can easily find what they wanted, and to offer customer services from customers' standpoints, while working to improve the level of consulting-based sales further and to enhance customer service to meet customers' needs.

In the operation of digital home electronics retail stores, we set up local workshops and provide training to share knowledge and experiences among the team members and deepened our understanding of customers' perspectives, thereby we could provide 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 16 new store openings and six store closures, the number of digital home electronics retail stores stood at 172, or 204 including dedicated communications device stores, at the end of the nine-month period ended December 31, 2018.

In the operation of mobile carrier stores, the number of stores, including both directly-operated and franchises, stood at 661, following the new openings as well as scrap-and-build, the acquisition of 23 stores, and the closure or sale of 25 stores.

In the light of these factors, the number of stores as of December 31, 2018 is as shown below.

#### Stores in operation

| Classification                                      | Directly operated | Franchised | Total      |
|---|-------------------|------------|------------|
| Operation of digital home electronics retail stores | 204 stores        | –          | 204 stores |
| Digital home electronics retail stores              | 172 stores        | –          | 172 stores |
| Dedicated communications device stores              | 32 stores         | –          | 32 stores  |
| Operation of mobile carrier stores                  | 436 stores        | 225 stores | 661 stores |
| Carrier stores                                      | 416 stores        | 219 stores | 635 stores |
| Others  | 20 stores         | 6 stores   | 26 stores  |
| Total   | 640 stores        | 225 stores | 865 stores |

Note: Excludes two stores directly operated by an overseas subsidiary

As a result, during the nine-month period ended December 31, 2018, we recorded net sales of 377,431 million yen (102.5% of the figure for the nine-month period ended December 31, 2017), operating income of 14,560 million yen (115.2% of the figure for the nine-month period ended December 31, 2017), ordinary income of 16,209 million yen (119.6% of the figure for nine-month period ended December 31, 2017), and net income attributable to shareholders of the parent company of 9,888 million yen (115.9% of the nine-month period ended December 31, 2017). EBITDA (\*), which the Group considers to be an important indicator of business performance, stood at 25,210 million yen (109.5% of the nine-month period ended December 31, 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.

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 joined our group in the previous year.

As a result, net sales in this segment totaled 161,148 million yen (110.0% of the nine-month period ended December 31, 2017), segment income was 10,286 million yen (114.8% of the nine-month period ended December 31, 2017), and segment net income before amortization of goodwill(\*) was 10,286 million yen (114.8% of the nine-month period ended December 31, 2017).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, to further improve corporate competitiveness, ITX Corporation merged with Nishinohon 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.

One of our significant subsidiaries, ITX Corporation's number of units sold for mobile phones decreased year over year due to the sluggish demand for replacement, and strengthening sales force being on its halfway, however gross profit remained flat. 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 173,479 million yen (96.8% of the nine-month period ended December 31, 2017), segment income was 4,048 million yen (90.0% of the nine-month period ended December 31, 2017), and segment net income before amortization of goodwill(\*) was 8,484 million yen (95.5% of the figure for the nine-month period ended December 31, 2017).

(Operation of Internet business)

Under competitive market conditions in the Internet service provider section, 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. In the web service business section, we continued to work on organizing unprofitable business since the previous fiscal year, and concentrating management resources on websites. In order to substantialize a management system which enables us quick management decision making and growth with profitability, we established NIFTY Lifestyle Co., Ltd. (curation service for real estate, job search, and hot spring sites) by spinning off in April 2018, and also spun off NIFTY NeXus Co., Ltd. (news sites, point business, and digital marketing) on October 1, 2018.

As a result, net sales in this segment totaled 37,690 million yen (100.9% of the figure for the nine-month period ended December 31, 2017), segment income was 1,504 million yen (2,794.3% of the figure for the nine-month period ended December 31, 2017), and, segment net income before amortization of goodwill(\*) was 3,333 million yen (177.0% of the figure for the nine-month period ended December 31, 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 nine-month period ended December 31, 2018 were 262,973 million yen, up 3,216 million yen from the end of the previous fiscal year.

This increase was mainly due to an increase of 3,388 million yen to 123,648 million yen in current assets and a decrease of 171 million yen to 139,325 million yen in non-current assets.

The primary factors underlying the increase in current assets included increases of 10,967 million yen and 1,636 million yen for merchandise and products and account receivable-other, respectively, despite an decrease of 7,609 million yen in accounts receivable-trade.

The main causes of the decrease in non-current assets included decreases of 3,212 million yen and 1,999 million yen in contractual intangible assets and goodwill, respectively, despite an increase of 4,201 million yen in investment securities.

#### (Liabilities)

Total liabilities as of the nine-month period ended December 31, 2018 were 186,275 million yen, down 4,461 million yen from the end of the previous fiscal year.

This decrease was due mainly to a increase of 4,772 million yen to 101,288 million yen in current liabilities, and a decrease of 9,233 million yen to 84,987 million yen in non-current liabilities.

The primary factors underlying the increase in current liabilities included increases of 6,757 million yen and 1,766 million yen in short-term loans payable and accounts payable-trade, respectively, despite a decrease of 1,617 million yen in accrued income taxes.

The main causes of the decrease in non-current liabilities included a decrease of 8,727 million yen in long-term loans payable, despite an increase of 577 million yen in retirement benefit liabilities.

#### (Net assets)

Net assets as of the nine-month period ended December 31, 2018 totaled 76,697 million yen, up 7,678 million yen from the end of the previous fiscal year, due to factors including an increase of 8,220 million yen in retained earnings.

These factors resulted in an equity ratio of 28.7%, up 2.4 points from the end of the previous fiscal year.

### Cash flow

Cash and cash equivalents (“funds” hereinafter) for the nine-month period ended December 31, 2018 totaled 9,172 million yen (the figure for the nine-month period ended December 31, 2017 was 10,142 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 12,534 million yen (79.5% of the figure for nine-month period ended December 31, 2017).

This was due mainly to 14,905 of net income before taxes and other adjustments, a decrease of 7,613 million yen in accounts receivable-trade, and 6,739 million yen of depreciation, despite an increase of 10,837 million yen in inventories, along with 7,995 million yen of income taxes paid.

#### (Cash flow from investment activities)

Funds used in investment activities totaled 8,866 million yen (660.4% of the figure for the nine-month period ended December 31, 2017).

This was due mainly to expenditures of 5,986 million yen for purchases of investment securities and 2,939 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 5,471 million yen (51.8% of the figure for the nine-month period ended December 31, 2017).

This was due mainly to expenditures of 12,406 million yen repayment of long-term loans payable, despite an increase of 6,757 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 full year and dividends have not been revised since the release of the “announcement concerning revisions to forecasts of consolidated financial results, dividend payments (an interim dividend), and the year-end dividend forecast” on October 30, 2018.

## 2. Quarterly Consolidated Financial Statements

## (1) Consolidated Balance Sheet

(Million yen)

|   | As of March 31, 2018 | As of December 31, 2018 |
|---|----------------------|-------------------------|
| <b>Assets</b>                             |                      |                         |
| Current assets                            |                      |                         |
| Cash and deposits                         | 11,028               | 9,238                   |
| Notes and accounts receivable-trade       | 59,021               | 51,411                  |
| Merchandise and products                  | 41,711               | 52,679                  |
| Accounts receivable-other                 | 6,817                | 8,453                   |
| Other                                     | 1,936                | 2,239                   |
| Allowance for doubtful accounts           | -255                 | -374                    |
| <b>Total current assets</b>               | <b>120,259</b>       | <b>123,648</b>          |
| Non-current assets                        |                      |                         |
| Tangible non-current assets               |                      |                         |
| Buildings and structures (net)            | 14,695               | 15,178                  |
| Tools, fixtures, and facilities (net)     | 2,108                | 2,369                   |
| Land                                      | 8,537                | 8,550                   |
| Other (net)                               | 607                  | 771                     |
| <b>Total tangible non-current assets</b>  | <b>25,947</b>        | <b>26,870</b>           |
| Intangible assets                         |                      |                         |
| Goodwill                                  | 30,255               | 28,256                  |
| Software                                  | 1,736                | 1,629                   |
| Trademark rights                          | 2,049                | 1,629                   |
| Contractual intangible assets             | 54,980               | 51,767                  |
| Customer-related intangible assets        | 3,308                | 2,812                   |
| Other                                     | 82                   | 88                      |
| <b>Total intangible assets</b>            | <b>92,412</b>        | <b>86,182</b>           |
| Investments and other assets              |                      |                         |
| Investment securities                     | 2,828                | 7,029                   |
| Deferred tax assets                       | 6,221                | 6,513                   |
| Lease and guarantee deposits              | 11,218               | 11,401                  |
| Other                                     | 964                  | 1,426                   |
| Allowance for doubtful accounts           | -95                  | -98                     |
| <b>Total investments and other assets</b> | <b>21,137</b>        | <b>26,272</b>           |
| <b>Total non-current assets</b>           | <b>139,496</b>       | <b>139,325</b>          |
| <b>Total assets</b>                       | <b>259,756</b>       | <b>262,973</b>          |

(Million yen)

|   | As of March 31, 2018 | As of December 31, 2018 |
|---|----------------------|-------------------------|
| <b>Liabilities</b>                                    |                      |                         |
| Current liabilities                                   |                      |                         |
| Notes and accounts payable-trade                      | 56,263               | 58,030                  |
| Short-term loans payable                              | 904                  | 7,662                   |
| Current portion of long-term loans payable            | 7,676                | 7,281                   |
| Accounts payable-other                                | 9,479                | 9,714                   |
| Accrued income taxes                                  | 4,886                | 3,268                   |
| Accrued consumption tax                               | 2,231                | 906                     |
| Deffered revenue                                      | 4,927                | 5,495                   |
| Reserve for points                                    | 3,288                | 3,194                   |
| Reserve for bonuses                                   | 1,287                | 920                     |
| Reserve for promotion of admissions                   | 86                   | 199                     |
| Other   | 5,483                | 4,612                   |
| Total current liabilities                             | 96,515               | 101,288                 |
| Non-current liabilities                               |                      |                         |
| Bonds   | 15,000               | 15,020                  |
| Long-term loans payable                               | 49,621               | 40,894                  |
| Reserve for guarantees for merchandise sold           | 3,811                | 3,919                   |
| Reserve for directors' retirement benefits            | 183                  | 196                     |
| Retirement benefit liabilities                        | 6,878                | 7,455                   |
| Deferred tax liabilities                              | 17,201               | 16,011                  |
| Other   | 1,525                | 1,491                   |
| Total non-current liabilities                         | 94,221               | 84,987                  |
| Total liabilities                                     | 190,737              | 186,275                 |
| <b>Net assets</b>                                     |                      |                         |
| Shareholders' equity                                  |                      |                         |
| Capital stock   | 6,158                | 6,330                   |
| Capital surplus                                       | 6,349                | 6,443                   |
| Retained earnings                                     | 56,582               | 64,803                  |
| Treasury stock  | -1,400               | -2,647                  |
| Total shareholders' equity                            | 67,690               | 74,929                  |
| Accumulated other comprehensive income                |                      |                         |
| Valuation difference on available-for-sale securities | 441                  | 564                     |
| Currency conversion adjustments                       | 6                    | 12                      |
| Accumulated adjustment to retirement benefits         | 59                   | -72                     |
| Total accumulated other comprehensive income          | 506                  | 503                     |
| Stock acquisition rights                              | 786                  | 1,264                   |
| Non-controlling interests                             | 36                   | -                       |
| Total net assets                                      | 69,019               | 76,697                  |
| Total liabilities and net assets                      | 259,756              | 262,973                 |

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

## Consolidated income statement

(For the nine-month period)

(Million yen)

|   | Previous fiscal year<br>(April 1, 2017 - December 31, 2017) | Current fiscal year<br>(April 1, 2018 - December 31, 2018) |
|---|---|--|
| Net sales   | 368,276   | 377,431  |
| Cost of sales   | 282,155   | 283,313  |
| Gross profit on sales   | 86,120  | 94,117   |
| Sales, general, and administrative expenses                                     | 73,482  | 79,556   |
| Operating income  | 12,637  | 14,560   |
| Non-operating income  |   |  |
| Interest income   | 11  | 10   |
| Purchase discounts  | 1,251   | 1,310  |
| Other   | 520   | 911  |
| Total non-operating income  | 1,783   | 2,233  |
| Non-operating expenses  |   |  |
| Interest expenses   | 524   | 291  |
| Interest on bonds   | 72  | 81   |
| Bond issuance costs   | 75  | -  |
| Other   | 200   | 211  |
| Total non-operating expenses  | 873   | 584  |
| Ordinary income   | 13,547  | 16,209   |
| Extraordinary income  |   |  |
| Gain on sales of shares of subsidiaries and affiliates                          | 636   | 419  |
| Other   | 89  | 9  |
| Total extraordinary income  | 725   | 428  |
| Extraordinary losses  |   |  |
| Loss on valuation of investment securities                                      | -   | 1,354  |
| Impairment loss   | 1,092   | 377  |
| Total extraordinary losses  | 1,092   | 1,731  |
| Net income before taxes and other adjustments                                   | 13,181  | 14,905   |
| Income taxes-current  | 4,626   | 6,529  |
| Income taxes-deferred   | 28  | -1,514   |
| Total income taxes  | 4,654   | 5,015  |
| Net income  | 8,527   | 9,890  |
| Net income (loss) attributable to shareholders of the non-controlling interests | -0  | 2  |
| Net income attributable to shareholders of the parent company                   | 8,528   | 9,888  |

(For the three-month period)

(Million yen)

|   | Previous fiscal year<br>(October 1, 2017 – December 31, 2017) | Current fiscal year<br>(October 1, 2018 – December 31, 2018) |
|---|---|--|
| Net sales   | 134,136   | 131,419  |
| Cost of sales   | 104,176   | 99,432   |
| Gross profit on sales   | 29,959  | 31,986   |
| Sales, general, and administrative expenses                                     | 24,790  | 26,834   |
| Operating income  | 5,168   | 5,151  |
| Non-operating income  |   |  |
| Interest income   | 3   | 3  |
| Purchase discounts  | 450   | 457  |
| Other   | 186   | 261  |
| Total non-operating income  | 641   | 722  |
| Non-operating expenses  |   |  |
| Interest expenses   | 149   | 85   |
| Interest on bonds   | 27  | 27   |
| Other   | 73  | 111  |
| Total non-operating expenses  | 249   | 224  |
| Ordinary income   | 5,560   | 5,650  |
| Extraordinary income  |   |  |
| Gain on sales of shares of subsidiaries and affiliates                          | 436   | -  |
| Other   | 84  | 2  |
| Total extraordinary income  | 521   | 2  |
| Extraordinary losses  |   |  |
| Loss on valuation of investment securities                                      | 5   | 1,356  |
| Impairment loss   | 13  | 119  |
| Total extraordinary losses  | 18  | 1,475  |
| Net income before taxes and other adjustments                                   | 6,062   | 4,176  |
| Income taxes-current  | 1,818   | 2,214  |
| Income taxes-deferred   | 100   | -543   |
| Total income taxes  | 1,919   | 1,671  |
| Net income  | 4,143   | 2,505  |
| Net income (loss) attributable to shareholders of the non-controlling interests | -0  | -  |
| Net income attributable to shareholders of the parent company                   | 4,144   | 2,505  |

## Consolidated statement of comprehensive income

(For the nine-month period)

(Million yen)

|   | Previous fiscal year<br>(April 1, 2017 - December 31, 2017) | Current fiscal year<br>(April 1, 2018 - December 31, 2018) |
|---|---|--|
| Net income  | 8,527   | 9,890  |
| Other comprehensive income  |   |  |
| Valuation difference on available-for-sale securities                   | 159   | 122  |
| Currency conversion adjustments   | -4  | 6  |
| Adjustments for retirement benefit obligations                          | -0  | -132   |
| Share in other comprehensive income of equity-method affiliates         | -15   | -  |
| Total other comprehensive income  | 139   | -3   |
| Comprehensive income  | 8,666   | 9,887  |
| (Breakdown)   |   |  |
| Comprehensive income attributable to shareholders of the parent company | 8,667   | 9,884  |
| Comprehensive income attributable to non-controlling interests          | -0  | 2  |

(For the three-month period)

(Million yen)

|   | Previous fiscal year<br>(October 1, 2017 – December 31, 2017) | Current fiscal year<br>(October 1, 2018 – December 31, 2018) |
|---|---|--|
| Net income  | 4,143   | 2,505  |
| Other comprehensive income  |   |  |
| Valuation difference on available-for-sale securities                   | 55  | -338   |
| Currency conversion adjustments   | -4  | -2   |
| Adjustments for retirement benefit obligations                          | -   | -4   |
| Share in other comprehensive income of equity-method affiliates         | 3   | -  |
| Total other comprehensive income  | 55  | -346   |
| Comprehensive income  | 4,198   | 2,159  |
| (Breakdown)   |   |  |
| Comprehensive income attributable to shareholders of the parent company | 4,199   | 2,159  |
| Comprehensive income attributable to non-controlling interests          | -0  | -  |

## (3) Consolidated Cash Flow Statement

(Million yen)

|  | Previous fiscal year<br>(April 1, 2017 - December 31, 2017) | Current fiscal year<br>(April 1, 2018 - December 31, 2018) |
|--|---|--|
| <b>Cash flow from operating activities</b>                         |   |  |
| Net income before taxes and other adjustments                      | 13,181  | 14,905   |
| Depreciation   | 6,998   | 6,739  |
| Impairment loss  | 1,092   | 377  |
| Amortization of goodwill   | 2,099   | 2,135  |
| Increase (decrease) in net defined benefit liability               | 85  | 387  |
| Increase (decrease) in reserve for points                          | -285  | -94  |
| Increase (decrease) in reserve for promotion of admissions         | -105  | 113  |
| Increase (decrease) in reserve for guarantees for merchandise sold | 125   | 107  |
| Interest and dividend income                                       | -51   | -36  |
| Interest expenses  | 524   | 291  |
| Loss (gain) on valuation of investment securities                  | -0  | 1,354  |
| Gain on sales of shares of subsidiaries and affiliates             | -636  | -419   |
| Decrease (increase) in accounts receivable-trade                   | 2,238   | 7,613  |
| Decrease (increase) in inventories                                 | -9,703  | -10,837  |
| Decrease (increase) in accounts receivable-other                   | -1,847  | -1,634   |
| Increase (decrease) in notes and accounts payable-trade            | 8,171   | 1,766  |
| Increase (decrease) in accrued consumption taxes                   | -89   | -1,329   |
| Increase (decrease) in unearned revenue                            | -131  | 568  |
| Other  | -289  | -1,120   |
| Subtotal   | 21,374  | 20,888   |
| Interest and dividend income received                              | 81  | 52   |
| Interest expenses paid   | -546  | -411   |
| Income taxes paid  | -5,141  | -7,995   |
| Cash flow from operating activities                                | 15,768  | 12,534   |

(Million yen)

|  | Previous fiscal year<br>(April 1, 2017 - December 31, 2017) | Current fiscal year<br>(April 1, 2018 - December 31, 2018) |
|--|---|--|
| <b>Cash flow from investment activities</b>  |   |  |
| Purchase of tangible non-current assets  | -2,911  | -2,939   |
| Purchase of intangible assets  | -492  | -426   |
| Purchase of investment securities  | -28   | -5,986   |
| 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                                   | 1,060   | 419  |
| Payments for lease and guarantee deposits  | -844  | -953   |
| Proceeds from collection of lease and guarantee deposits                                       | 540   | 387  |
| Other  | -50   | 471  |
| <b>Cash flow from investment activities</b>  | <b>-1,342</b>   | <b>-8,866</b>  |
| <b>Cash flow from financing activities</b>   |   |  |
| Increase (decrease) in short-term loans payable  | 1,481   | 6,757  |
| Proceeds from long-term loans payable  | 3,025   | 2,950  |
| Repayment of long-term loans payable   | -27,768   | -12,406  |
| Purchase of treasury stock   | -1,309  | -1,712   |
| Proceeds from sales of treasury stock  | 196   | 272  |
| Proceeds from issuance of bonds  | 14,924  | -  |
| Cash dividends paid  | -1,400  | -1,662   |
| Purchase of shares of subsidiaries resulting in no change in scope of consolidation            | -43   | -44  |
| Other  | 332   | 373  |
| <b>Cash flow from financing activities</b>   | <b>-10,561</b>  | <b>-5,471</b>  |
| Effect of exchange rate changes on cash and cash equivalents                                   | 2   | 12   |
| Increase (decrease) in cash and cash equivalents   | 3,867   | -1,790   |
| Starting balance of cash and cash equivalents  | 6,275   | 10,963   |
| Ending balance of cash and cash equivalents  | 10,142  | 9,172  |

#### (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, based upon a resolution of the Board of Directors on May 8, 2018, and total dividends of 853 million yen from retained earnings, based upon a resolution of the Board of Directors on October 30, 2018, during the nine-month period ended December 31, 2018.

As a result, retained earnings for the nine-month period ended December 31, 2018 were 64,803 million yen.

(Segment information, etc.)

[Segment information]

I Nine-month period ended December 31, 2017 (April 1, 2017 – December 31, 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              | 146,379   | 178,499                            | 37,348                         | 362,227  | 6,049      | 368,276 | -                | 368,276  |
| Internal sales or transfers between segments | 170   | 790                                | 24                             | 984      | 218        | 1,203   | -1,203           | -  |
| Subtotal                                     | 146,549   | 179,290                            | 37,372                         | 363,211  | 6,268      | 369,479 | -1,203           | 368,276  |
| Segment income (loss)                        | 8,961   | 4,498                              | 53                             | 13,513   | 354        | 13,868  | -320             | 13,547   |

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 36 million yen for the operation of digital home electronics retail stores, 30 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 Nine-month period ended December 31, 2018 (April 1, 2018 – December 31, 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              | 160,797   | 173,294                            | 37,672                         | 371,763  | 5,667      | 377,431 | -                | 377,431  |
| Internal sales or transfers between segments | 351   | 185                                | 17                             | 554      | 436        | 990     | -990             | -  |
| Subtotal                                     | 161,148   | 173,479                            | 37,690                         | 372,318  | 6,103      | 378,421 | -990             | 377,431  |
| Segment income (loss)                        | 10,286  | 4,048                              | 1,504                          | 15,839   | 530        | 16,370  | -161             | 16,209   |

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 360 million yen for the operation of digital home electronics retail stores, 8 million yen for the operation of mobile carrier stores and 8 million yen for the operation of Internet business.

## (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<br>accounting period<br>(March 31, 2018) | This consolidated<br>accounting period<br>(December 31, 2018) |
|---|--|---|
| Agreement amount                                      | 13,500 million yen   | 13,500 million yen  |
| Remaining balance of debt    Short-term loans payable | -  | 4,000   |

2. The following restrictive financial covenants apply under the loan agreement concluded by the consolidated subsidiary ITX Corporation as of December 24, 2014, which we re-financed on March 27, 2018 aiming to strengthen our financial position by reducing interest-bearing debt to raise funds to acquire stock in ITX Corporation (pre-merger) and working capital for ITX Corporation.
  - 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<br>accounting period<br>(March 31, 2018) | This consolidated<br>accounting period<br>(December 31, 2018) |
|--|--|---|
| Agreement amount   | 38,000 million yen   | 38,000 million yen  |
| Remaining balance of debt    Current portion of<br>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 for acquiring stock in NIFTY Corporation.
  - i) From the fiscal year ended March 2017, the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of each fiscal year and the first half of each fiscal year must be maintained at not less than the higher of the following figures:
    - A. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the fiscal year ended March 2016
    - B. 80% of the amount of net assets indicated on the consolidated and nonconsolidated balance sheets on the closing date of the immediately preceding fiscal year or first half of the fiscal year
  - ii) From the fiscal year ended March 2017, an ordinary loss may not be recorded on the consolidated or nonconsolidated income statement for any fiscal year.

The amounts of agreements and remaining balances of debt are shown below.

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

Debt under these agreements was 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 on the Consolidated Balance Sheet, in the 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 thousand shares, respectively at the end of previous fiscal year, and 697 million yen and 397 thousand shares, respectively as of December 31, 2018.

3. Amount of ESOP Loan included in the Consolidated Balance Sheet

982 million yen at the end of the previous fiscal year and 655 million yen as of December 31, 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 Events)

(Announcement of Commencement of Tender Offer)

We announced that our board of directors decided on January 17, 2019 to make a voluntary tender offer for a cash consideration (hereinafter referred to as “Tender Offer”) via our subsidiary Nojima Asia Pacific Pte. Ltd., which has been established on December 19 2018, targets to acquire all the issued and paid-up shares of Courts Asia Limited (hereinafter referred to as “CAL”). CAL is a retailer of consumer electrical appliances, IT products and furniture which conducts its business mainly in Singapore and Malaysia having its headquarter in Singapore and of which shares are listed on Singapore Exchange (SGX).

The tender offer set forth under paragraph 1 of Article 27.2 of the Financial Instruments and Exchange Act of Japan does not apply to the Tender Offer.

1. Reasons for Share Purchase

Our group mainly operates stores selling digital home electronics, including digital AV equipment, consumer electrical products, and IT/information equipment and providing incidental services. It also operates mobile carrier stores, which sell mobile phones and provide incidental services, and has a business for providing Internet connection and Web services in Japan. With respect to overseas business, we have two stores in Cambodia, which specialize in digital home electronics.

CAL and its subsidiaries (hereinafter referred to as the “CAL Group”) is a leading electrical, IT, and furniture retailer in Southeast Asia. As a retail group, the CAL Group works closely with supplier partners to retail and distribute electrical, IT, and furniture products to customers in the Singapore, Indonesia, and Malaysia markets. With its roots as a furniture retailer in the United Kingdom, the Company was established in Singapore and Malaysia in 1974 and 1987, respectively, and entered the Indonesia market in 2014. Since 2012, shares of CAL have been listed on SGX.

We have been examining the possibilities of a full-scale entry into the consumer appliance retail market in Southeast Asia where further market growth is expected in the future. At this time, we will gain a business base in Southeast Asia through the acquisition of shares of CAL, and will obtain added-value utilizing our knowhow and the competitive advantages of both companies. We are seeking further global business expansion in the South Asia market.

## 2. Outline of the Tender Offer

|  |  |
|--|--|
| Tender Offeror   | Nojima Asia Pacific Pte. Ltd.  |
| Target Company   | Courts Asia Limited  |
| Tender Offer Period  | The Tender Offer will be conducted in the following timeline, provided however that such timeline is subject to change depending on the conditions, etc. of the acceptance of the Tender Offer.<br>End of January / early February, 2019: Dispatchment of Offer Documents to Shareholders<br>Early March, 2019: Closing of acceptance (Scheduled)  |
| Class of Share Certificates to be Purchased in the Tender Offer                  | Shares of common stock   |
| Tender Offer Price   | SGD0.205 per share of common stock (Approx. JPY16.4)<br>(Note) Tender Offer Price was decided after taking into consideration of CAL Group's earnings and other factors comprehensively.<br>(Note) At the currency exchange rate of one SGD = JPY80.<br>The same shall apply hereinafter.  |
| Fund Required for the Purchase   | Approximately SGD110,000,000 (Approx. JPY8,800,000,000)<br>(Note) Above is the amount required for the settlement of the purchase of all of issued and paid-up shares of CAL (fund for the purchase will be paid from our own fund in its entirety).   |
| Number of Share Certificates, etc. Scheduled to be Purchased in the Tender Offer | Number to be purchased : 517,464,469 shares(as of December 13, 2018). In accordance with laws and regulations of Singapore, in order to make the Tender Offer effective it is required to secure acceptance of more than 50% of total shares issued by CAL (excluding treasury stocks) to the Tender Offer at the closing of the tender offer period. There is no upper limit requirement set for the Tender Offer.  |
| Change in Share Ownership as a Result of the Purchase                            | Number of shares owned before the purchase: nil<br>Number of shares owned by specially related persons: nil<br>Number of shares owned after the purchase (projection): 517,464,469 shares<br>Number of shares owned after the purchase (projection) is the number on the assumption of purchase of all of the issued shares in common stock (excluding treasury stock) under projection, and the figure does not include potential new shares that may be issued by exercise of the right to subscribe new shares. |
| Others   | In the Tender Offer, Singapore Retail Group Limited, a major shareholder of CAL (73.8% of total issued and paid-up capital), has undertaken to accept the Tender Offer. If this is implemented, the number of shares in the tender at the time of the closing of the tender offer period will be more than 50% of the total number of issued shares of CAL, and hence the Tender Offer is expected to be effective.  |

## 3. Outline of the Target Company (CAL)

|                                    |   |
|------------------------------------|---|
| Name                               | Courts Asia Limited   |
| Location                           | 50 Tampines North Drive 2, Singapore 528766                             |
| Name and Title of Representative   | Terence Donald O'Connor, Executive Director and Chief Executive Officer |
| Description of Business Activities | Retailer of consumer electrical appliances, IT products and furniture   |
| Capital                            | SGD 267,329,001 (Approx. JPY 21,386,320,080)                            |
| Date of Establishment              | January 18, 2010  |