Summary of Consolidated Financial Results for the Fiscal Year Ended March 2019 (Japanese accounting standards)

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Name of listed firm: Nojima Corporation — Listed on the Tokyo Stock Exchange

Code No.: 7419 — URL http://www.nojima.co.jp

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Scheduled date of regular general meeting of shareholders: June 14, 2019 Scheduled start date of dividend payments: May 31, 2019
Scheduled date of securities report filing: June 24, 2019
Supplemental materials on annual results: Yes
Briefing session for annual results for analysts: Yes

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

1. Consolidated financial results for the fiscal year ended March 2019 (April 1, 2018 - March 31, 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	%	Millions yen	%
FY ended March 2019	513,057	2.2	19,212	12.7	21,046	17.3	33,095	8.7	14,680	7.7
FY ended March 2018	501,890	16.2	17,044	12.9	17,935	15.9	30,443	25.5	13,634	34.2

Note: Comprehensive income: FY ended March 2019: 14,009 million yen (0.3%) FY ended March 2018: 13,973 million yen (34.8%)

Reference: Net income before amortization of goodwill : FY ended March 2019: 22,347 million yen (1.8%) FY ended March 2018: 21,949 million yen (37.2%)

・ For detailed information, including definitions and methods used to calculate indicators, see p. 2, "1. Overview of operating results and other indicators: (1) Overview of operating results."

	Net income per share	Diluted net income per share	ROE	ROA	Operating income margin
	Yen	Yen	%	%	%
FY ended March 2019	294.09	285.11	19.8	7.4	3.7
FY ended March 2018	275.42	263.89	21.9	7.1	3.4

Reference: Equity in net income (losses) of affiliates: FY ended March 2019: 78 million yen FY ended March 2018: 45 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March 2019	307,735	81,608	25.9	1,594.23
FY ended March 2018	259,756	69,019	26.3	1,364.44

Reference: Equity: FY ended March 2019: 79,758 million yen FY ended March 2018: 68,196 million yen

(3) Consolidated cash flow

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financing activities	Cash and cash equivalents at end of year
	Million yen	Millions yen	Million yen	Million yen
FY ended March 2019	28,789	-12,820	-6,152	20,733
FY ended March 2018	25,582	-1,718	-19,075	10,963

2. Dividends

	Dividends per share					Total dividends for the year	Payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY ended March 2018	-	15.00	-	16.00	31.00	1,562	11.3	2.5
FY ended March 2019	-	17.00	-	17.00	34.00	1,710	11.6	2.3
FY ending March 2020 (planned)	-	17.00	-	17.00	34.00		12.5	

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	141.92
Full-year	550,800	7.4	19,500	1.5	21,200	0.7	34,700	4.8	13,600	-7.4	271.84

Reference: Net income before amortization of goodwill: FY ending March 2020 full-year (forecast): 22,000 million yen (-1.6%)

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

* Notes

(1) Significant changes in subsidiaries during the current fiscal year (changes in designated subsidiaries resulting in changes in the scope of consolidation): Yes

Added: five companies (names: Nojima Asia Pacific Pte. Ltd., COURTS Asia Limited, COURTS (Singapore) Pte Ltd, COURTS (Malaysia) Sdn Bhd, PT COURTS Retail Indonesia)

Removed: ___ company (name: ____________)

(2) 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

(3) 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 ended March 2019	51,289,616 shares	FY ended March 2018	50,841,016 shares
ii. Number of shares of treasury stock at the end of the period	FY ended March 2019	1,259,989 shares	FY ended March 2018	859,599 shares
iii. Average number of shares during the period	FY ended March 2019	49,919,820 shares	FY ended March 2018	49,503,290 shares

Note: The numbers of shares of treasury stock above include shares held in trust accounts (338,400 shares in FY ended March 2019 and 548,600 shares in FY ended March 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 the average number of shares during the period (454,376 shares in FY ended March 2019 and 484,312 shares in FY ended March 2018).

Reference: Summary of nonconsolidated financial results

Nonconsolidated financial results for the fiscal year ended March 2019 (April 1, 2018 - March 31, 2019)

(1) Nonconsolidated results of operations (Percentages indicate YoY changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2019	238,045	8.7	11,895	6.3	14,490	7.2	9,522	-11.6
FY ended March 2018	218,969	6.4	11,193	0.4	13,512	5.4	10,777	20.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 2019	190.75	184.93
FY ended March 2018	217.71	208.59

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY ended March 2019	156,140	64,852	40.6	1,267.24
FY ended March 2018	142,829	57,360	39.6	1,131.90

Reference: Equity: FY ended March 2019: 63,399 million yen FY ended March 2018: 56,574 million yen

* 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.

〇 Contents of attached documents

1. Overview of operating results and other indicators

(1) Overview of operating results

During the consolidated fiscal year under review, 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 2018, and steady sales of refrigerators and washing machines, despite sales of 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 the suppression of excessive market competition by a partial amendment of the Telecommunications Business Act, which was applied in 2016, as a background factor.

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, 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 experience among the team members and deepened our understanding of the customer's point of view, resulting in our being able to 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 the scrap-and-build of 19 new store openings and six store closures, the number of digital home electronics retail stores stood at 175, or 205 including dedicated communications device stores, at the end of the fiscal year ended March 31, 2019.

In the operation of mobile carrier stores, the number of stores, including both directly-operated and franchises, stood at 646, following the new openings as well as scrap-and-build, the acquisition of 30 stores, and the closure or sale of 47 stores.

In the light of these factors, the number of stores as of March 31, 2019 was 851 (excluding 77 stores directly operated by overseas subsidiaries).

Stores in operation

Classification	Directly operated	Franchised	Total
Operation of digital home electronics retail stores	205 stores	-	205 stores
Digital home electronics retail stores	175 stores	-	175 stores
Dedicated communications device stores	30 stores	-	30 stores
Operation of mobile carrier stores	421 stores	225 stores	646 stores
Carrier stores	403 stores	219 stores	622 stores
Other	18 stores	6 stores	24 stores
Total	626 stores	225 stores	851 stores

Note: Excludes 77 stores directly operated by the overseas subsidiaries including COURTS Asia Limited which we acquired at the end of the current fiscal year under review.

As a result, for the consolidated fiscal year under review, we recorded net sales of 513,057 million yen (102.2% of the figure for the previous fiscal year), operating income of 19,212 million yen (112.7% of the figure for the previous fiscal year), ordinary income of 21,046 million yen (117.3% of the figure for the previous fiscal year) and net income attributable to shareholders of the parent company of 14,680 million yen (107.7% of the figure for the previous fiscal year).

EBITDA,* which the Group considers to be an important indicator of business performance, stood at 33,095 million yen (108.7% of the figure for 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 – gain on negative goodwill

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 218,085 million yen (109.5% of the figure for the previous fiscal year), segment income was 11,590 million yen (106.6% of the figure for the previous fiscal year), and segment net income before amortization of goodwill (*) was 11,590 million yen (106.6% of the figure for the previous fiscal year).

(Operation of mobile carrier stores)

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

The number of units sold for mobile phones for one of our significant subsidiaries, ITX Corporation, decreased year on year due to the sluggish demand for replacement, thanks to strengthened sales force, however gross profit remained flat and the operation profit grew. To improve selling capabilities in the future, we are actively investing in development of human resources and relocation and renovation of stores.

As a result, net sales in this segment totaled 238,052 million yen (96.7% of the figure for the previous fiscal year), segment income was 6,542 million yen (106.0% of the figure for the previous fiscal year), and segment net income before amortization of goodwill (*) was 12,452 million yen (103.5% of the figure for the previous fiscal year).

(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 rationalizing unprofitable business since the previous fiscal year and concentrating management resources on websites. In order to substantialize a management system which enables rapid management decision 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 50,338 million yen (100.6% of the figure for the previous fiscal year), segment income was 2,762 million yen (340.9% of the figure for the previous fiscal year), and segment net income before amortization of goodwill (*) was 5,201 million yen (160.2% of the figure for the previous fiscal year).

(Overseas business)

At the end of the consolidated fiscal year under review, the overseas business segment was added due to newly consolidated subsidiary COURTS Asia Limited, which sells home appliances, IT products and furniture in retail business and credit sales in Singapore, Malaysia and Indonesia.

Only the balance sheet items of COURTS Asia Limited have been consolidated and showed as segment assets and liabilities in the segment information this 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) Overview of financial position

(Assets)

Total assets as of the end of the current fiscal year stood at 307,735 million yen, up 47,978 million yen from the end of the previous fiscal year.

This was mainly due to an increase of 42,909 million yen to 163,169 million yen in current assets and an increase of 5,068 million yen to 144,565 million yen in non-current assets.

Major causes of the increase in current assets included increases of 32,637 million yen and 9,769 million yen for accounts receivable-trade and cash and deposits, respectively.

The primary factors underlying the increase in non-current assets included increases of 5,483 million yen, 2,453 million yen and 2,583 million yen in investment securities, deferred tax assets and tangible non-current assets in connection with new store openings, respectively, despite decreases of 4,283 million yen and 2,708 million yen in contractual intangible assets and goodwill, respectively.

(Liabilities)

Total liabilities as of the end of the current fiscal year were 226,127 million yen, up 35,390 million yen from the end of the previous fiscal year.

This increase was due mainly to an increase of 19,333 million yen to 115,849 million yen in current liabilities, and an increase of 16,057 million yen to 110,278 million yen in non-current liabilities.

The main causes of the increase in current liabilities included increases of 3,015 million yen, 3,073 million yen and 2,398 million yen in accounts payable trade, unearned revenue and accounts payable-other, respectively.

The main causes of an increase in non-current liabilities included increases of 11,440 million yen and 3,429 million yen in long-term loans payable and long-term unearned revenue respectively, despite a decrease of 1,812 million yen in the deferred tax liabilities.

(Net assets)

Net assets as of the end of the current fiscal year totaled 81,608 million yen, up 12,588 million yen from the end of the previous fiscal year, due to factors including an increase of 13,018 million yen in retained earnings.

These factors resulted in an equity ratio of 25.9% (26.3% at the end of the previous fiscal year).

(3) Overview of cash flow

Cash and cash equivalents (hereinafter, “funds”) for the consolidated fiscal year under review totaled 20,733 million yen, up 9,769 million yen from 10,963 million yen for the previous fiscal year.

The status of each category of cash flow in the current fiscal year and the main reasons are described below.

(Cash flow from operating activities)

Funds gained by operating activities totaled 28,789 million yen (112.5% of the figure for the previous fiscal year).

This increase was mainly due to net income before taxes and other adjustments of 21,106 million yen, depreciation of 9,004 million yen, and 3,119 million yen of decrease in inventories. This was despite the income tax paid of 7,966 million yen, and a decrease of 5,261 million yen in notes and accounts payable-trade and other expenditures.

(Cash flow from investment activities)

Funds used in investment activities totaled 12,820 million yen (745.9% of the figure for the previous fiscal year).

This was due mainly to expenditures of 5,986 million yen, 4,387 million yen, and 2,077 million yen for purchase investment in securities, purchase of tangible non-current assets, and purchase of shares of subsidiaries resulting in change in scope of consolidation, respectively, despite a gain of 419 million yen and 496 million yen in proceeds from sales of shares of subsidiaries and affiliates and proceeds from collection of lease and guarantee deposits, respectively.

(Cash flow from financing activities)

Funds used for financing activities totaled 6,152 million yen (32.3% of the figure for the previous fiscal year).

This was mainly due an expenditure of 15,227 million yen for the repayment of long-term loans payable, despite 11,460 million yen and 368 million yen in proceeds from long-term loans payable and proceeds from sales of treasury stock, respectively, and other factors.

Reference: Trends of cash flow indicators

	53rd period FY ended March 2015	54th period FY ended March 2016	55th period FY ended March 2017	56th period FY ended March 2018	57th period FY ended March 2019
Equity ratio (%)	14.3	20.0	23.0	26.3	25.9
Market equity ratio (%)	25.5	25.3	28.6	48.4	32.7
Interest-bearing debt to cash flow (years)	14.0	3.9	4.4	2.9	3.0
Interest coverage ratio (times)	33.0	21.1	23.9	35.5	57.8

Equity ratio: equity/total assets
Market equity ratio: total market capitalization/total assets
Interest-bearing debt to cash flow: interest-bearing debt/cash flow
Interest coverage ratio: cash flow/interest expense

Notes:

1. Each of the above indicators is calculated based on financial figures on a consolidated basis.
2. Total market capitalization is calculated based on the number of shares issued and outstanding, not including treasury stock. This figure includes shares of Company stock held in an employee stock ownership plan (ESOP) trust accounts.
3. Cash flow generated by operating activities is used above for cash flow.
4. Interest-bearing debt refers to all liabilities on the consolidated balance sheet on which interest is paid.
5. 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 the 57th period, cash flow indicators for the 56th period are figures after retrospective application of the relevant accounting standards.

(4) Future outlook

Future prospects reflect expectations of a continued moderate economic recovery due to various factors, including various government economic policies and continued monetary easing by the Bank of Japan,-despite concerns about the impacts of various global instabilities, including escalation of trade war originated by USA, and the economic slowdown in China and Europe.

Market conditions of home electronics are expected to remain harsh because of competition with e-commerce firms on top of those with existing competitors, in spite of expected demands from the consumption tax increase planned on October 2019.

In the market of mobile phones and other mobile devices, effective sale prices of mobile phones are expected to be hiked due to various factors, includes revising the Telecommunications Business Law, which includes separation of mobile phone terminal prices and call rates. Sales units are projected to decrease as a result. Also penetration of a new carrier in to telecommunication business is expected, which will boost further competitions among the carriers.

In the Internet market, fixed broadband services continue to grow, as the need for high speed wide-bandwidth data communications, such as video streaming service, is increasing. We are also developing new products and services to enrich our customers' lives for IoT era.

In the light of these conditions, Nojima group will continue to invest in human resources and enhance its strengths in consulting, as well as open 20 digital home electronics retail stores and 15 carrier shops a year, and optimize our store network.

At the end of the current fiscal year, COURTS Asia Limited and its subsidiaries, which sell home appliances, IT products and furniture in retail business and credit sales in Singapore, Malaysia and Indonesia, became a subsidiary companies, and Nojima group gained business base in Southeast Asia, where further business growth is expected. We will increase added-value, using Nojima’s knowhow and other advantages from both sides to further seek for global business expansion from the Southeast Asia market.

As a result, we project the following full-year consolidated business performance for the next fiscal year: net sales of 550,800 million yen (107.4% of the figure for the current fiscal year), operating income of 19,500 million yen (101.5% of the figure for this fiscal year), ordinary income of 21,200 million yen (100.7% of the figure for this fiscal year), and net income attributable to shareholders of the parent company of 13,600 million yen (92.6% of the figure for this fiscal year).

We also project EBITDA of 34,700 million yen (104.8% of the figure for this fiscal year) and net income before amortization of goodwill of 22,000 million yen (98.4% of the figure for this fiscal year).

Note: The above forecasts of business performance are based on information currently available at the time this release was prepared. Those involve uncertainty, and actual results may differ from forecasts of full-year consolidated business performance for various reasons.

2. Basic approach to selection of accounting standards

The Nojima Group is in the process of acquiring knowledge on international accounting standards, analyzing differences between international and Japanese standards, studying the impacts of adopting international standards, and undertaking related preparations to adopt international accounting standards at some time in the future. We have yet to determine precisely when we will adopt international accounting standards.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Million yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Assets		
Current assets		
Cash and deposits	11,028	20,798
Accounts receivable	59,021	91,658
Merchandise and products	41,711	45,302
Accounts receivable-other	6,817	7,085
Other	1,936	3,010
Allowance for doubtful accounts	-255	-4,686
Total current assets	120,259	163,169
Non-current assets		
Tangible non-current assets		
Buildings and structures	27,072	30,372
Accumulated depreciation	-12,377	-13,485
Buildings and structures (net)	14,695	16,886
Machinery, equipment and vehicles	928	1,068
Accumulated depreciation	-416	-512
Machinery, equipment and vehicles (net)	511	555
Tools, fixtures, and facilities	9,354	9,249
Accumulated depreciation	-7,245	-6,896
Tools, fixtures, and facilities (net)	2,108	2,352
Land	8,537	8,488
Other (net)	95	248
Total tangible non-current assets	25,947	28,531
Intangible assets		
Goodwill	30,255	27,546
Software	1,736	1,636
Trademark rights	2,049	1,489
Contractual intangible assets	54,980	50,696
Customer-related intangible assets	3,308	2,646
Other	82	124
Total intangible assets	92,412	84,140
Investments and other assets		
Investment securities	2,828	8,311
Deferred tax assets	6,221	8,674
Lease and guarantee deposits	11,218	11,990
Other	964	3,029
Allowance for doubtful accounts	-95	-112
Total investments and other assets	21,137	31,893
Total non-current assets	139,496	144,565
Total assets	259,756	307,735

(Million yen)

	Previous fiscal year (as of March 31, 2018)	Current fiscal year (as of March 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	56,263	59,279
Short-term loans payable	904	2,202
Current portion of long-term loans payable	7,676	8,996
Accounts payable-other	9,479	11,877
Accrued income taxes	4,886	6,328
Accrued consumption tax	2,231	2,342
Unearned revenue	4,927	8,000
Reserve for points	3,288	3,644
Reserve for bonuses	1,287	1,459
Reserve for promotion of admissions	86	119
Other	5,483	11,597
Total current liabilities	96,515	115,849
Non-current liabilities		
Bonds	15,000	15,015
Long-term loans payable	49,621	61,061
Reserve for guarantees for merchandise sold	3,811	3,867
Reserve for directors’ retirement benefits	183	200
Retirement benefit liabilities	6,878	8,115
Deferred tax liabilities	17,201	15,389
Long-term unearned revenue	-	3,429
Other	1,525	3,199
Total non-current liabilities	94,221	110,278
Total liabilities	190,737	226,127
Net assets		
Shareholders’ equity		
Capital stock	6,158	6,330
Capital surplus	6,349	6,378
Retained earnings	56,582	69,601
Treasury stock	-1,400	-2,448
Total shareholders’ equity	67,690	79,861
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	441	319
Currency conversion adjustments	6	76
Accumulated adjustment to retirement benefits	59	-498
Total accumulated other comprehensive income	506	-102
Stock acquisition rights	786	1,453
Non-controlling interests	36	396
Total net assets	69,019	81,608
Total liabilities and net assets	259,756	307,735

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

Consolidated income statement

(Million yen)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Net sales	501,890	513,057
Cost of sales	383,819	384,335
Gross profit on sales	118,071	128,721
Sales, general, and administrative expenses		
Advertising expenses	16,037	18,992
Salaries, allowances, and bonuses	32,391	33,928
Provision of reserve for bonuses	1,328	1,461
Provision of reserve for directors' retirement benefits	19	25
Retirement benefit expenses	1,634	1,245
Rents	13,691	14,384
Depreciation	8,074	8,165
Amortization of goodwill	2,809	2,843
Other	25,039	28,463
Total sales, general, and administrative expenses	101,026	109,509
Operating income	17,044	19,212
Non-operating income		
Interest income	15	13
Purchase discounts	1,586	1,593
Gain on investments in partnership	11	348
Other	855	797
Total non-operating income	2,469	2,753
Non-operating expenses		
Interest expenses	668	387
Interest on bonds	99	108
Commission fees	320	42
Bond issuance costs	75	-
Other	413	380
Total non-operating expenses	1,578	919
Ordinary income	17,935	21,046
Extraordinary income		
Gain on negative goodwill	-	682
Gain on sales of shares of subsidiaries and affiliates	1,569	419
Other	93	11
Total extraordinary income	1,662	1,113
Extraordinary losses		
Loss on valuation of investment securities	-	136
Impairment loss	1,640	916
Total extraordinary losses	1,640	1,052
Net income before taxes and other adjustments	17,956	21,106
Income taxes-current	6,843	9,517
Income taxes-deferred	-2,520	-3,094
Total income taxes	4,322	6,422
Net income	13,634	14,683
Net income (loss) attributable to shareholders of the non-controlling interests	-0	2
Net income attributable to shareholders of the parent company	13,634	14,680

Consolidated statement of comprehensive income

(Million yen)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Net income	13,634	14,683
Other comprehensive income		
Valuation difference on available-for-sale securities	255	-122
Currency conversion adjustments	-12	6
Adjustments for retirement benefit obligations	58	-557
Share in other comprehensive income of equity-method affiliates	37	-
Total other comprehensive income	339	-673
Comprehensive income	13,973	14,009
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	13,974	14,007
Comprehensive income attributable to non-controlling interests	-0	2

(3) Consolidated statement of changes in net assets

Previous fiscal year (April 1, 2017 - March 31, 2018)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	5,905	6,097	44,364	-67	56,299
Changes during the fiscal year					
Issuance of new shares or exercise of stock acquisition rights	253	253			507
Distribution of surplus			-1,400		-1,400
Net income attributable to shareholders of the parent company			13,634		13,634
Acquisition of treasury stock				-1,585	-1,585
Disposal of treasury stock				253	253
Changes in surplus due to the decrease in equity-method affiliates			-15		-15
Changes during the fiscal year in ownership interests between the trade in non-controlling interests		-2			-2
Changes during the fiscal year in items other than shareholders' equity (net)					
Total changes during the fiscal year	253	251	12,218	-1,332	11,390
Balance at end of fiscal year	6,158	6,349	56,582	-1,400	67,690

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Currency conversion adjustments	Accumulated adjustment to retirement benefits	Total accumulated other comprehensive income			
Balance at start of fiscal year	185	-18	0	167	388	-	56,855
Changes during the fiscal year							
Issuance of new shares or exercise of stock acquisition rights							507
Distribution of surplus							-1,400
Net income attributable to shareholders of the parent company							13,634
Acquisition of treasury stock							-1,585
Disposal of treasury stock							253
Changes in surplus due to the decrease in equity-method affiliates							-15
Changes during the fiscal year in ownership interests between the trade in non-controlling interests							-2
Changes during the fiscal year in items other than shareholders' equity (net)	255	24	59	339	397	36	774
Total changes during the fiscal year	255	24	59	339	397	36	12,164
Balance at end of fiscal year	441	6	59	506	786	36	69,019

Current fiscal year (April 1, 2018 - March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	6,158	6,349	56,582	-1,400	67,690
Changes during the fiscal year					
Issuance of new shares or exercise of stock acquisition rights	171	171			343
Distribution of surplus			-1,662		-1,662
Net income attributable to shareholders of the parent company			14,680		14,680
Acquisition of treasury stock				-1,712	-1,712
Disposal of treasury stock		-137		664	526
Decrease in capital surplus due to purchase of shares of subsidiaries resulting in no change in scope of consolidation		-5			-5
Changes during the fiscal year in items other than shareholders' equity (net)					
Total changes during the fiscal year	171	29	13,018	-1,048	12,171
Balance at end of fiscal year	6,330	6,378	69,601	-2,448	79,861

	Accumulated other comprehensive income				Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Currency conversion adjustments	Accumulated adjustment to retirement benefits	Total accumulated other comprehensive income			
Balance at start of fiscal year	441	6	59	506	786	36	69,019
Changes during the fiscal year							
Issuance of new shares or exercise of stock acquisition rights							343
Distribution of surplus							-1,662
Net income attributable to shareholders of the parent company							14,680
Acquisition of treasury stock							-1,712
Disposal of treasury stock							526
Decrease in capital surplus of investments in subsidiaries without change in scope of consolidation							-5
Changes during the fiscal year in items other than shareholders' equity (net)	-122	70	-557	-609	666	359	417
Total changes during the fiscal year	-122	70	-557	-609	666	359	12,588
Balance at end of fiscal year	319	76	-498	-102	1,453	396	81,608

(4) Consolidated cash flow statement

(Million yen)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Cash flow from operating activities		
Net income before taxes and other adjustments	17,956	21,106
Depreciation	9,242	9,004
Impairment loss	1,640	916
Amortization of goodwill	2,809	2,843
Gain on negative goodwill	-	-682
Increase (decrease) in reserve for retirement benefits	819	595
Increase (decrease) in reserve for points	318	355
Increase (decrease) in reserve for promotion of admissions	-207	32
Increase (decrease) in reserve for guarantees for merchandise sold	160	55
Interest income and dividend income	-55	-40
Interest expenses	668	387
Commission fees	320	42
Loss on valuation of investment securities	22	136
Gain on sales of shares of subsidiaries and affiliates	-1,569	-419
Decrease (increase) in accounts receivable-trade	-2,577	203
Decrease (increase) in inventories	-3,377	3,119
Decrease (increase) in accounts receivable-other	-1,190	-140
Increase (decrease) in notes and accounts payable-trade	1,769	-5,261
Increase (decrease) in accrued consumption taxes	1,097	106
Increase (decrease) in unearned revenue	221	960
Other	3,385	3,872
Subtotal	31,454	37,196
Interest and dividend income received	86	56
Interest expenses paid	-721	-497
Income tax paid	-5,236	-7,966
Cash flow from operating activities	25,582	28,789

(Million yen)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Cash flow from investment activities		
Purchase of tangible non-current assets	-3,483	-4,387
Purchase of intangible assets	-728	-594
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-2,077
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	1,954	161
Purchase of investment securities	-946	-5,986
Purchase of shares of subsidiaries and affiliates	-570	-
Proceeds from sales of shares of subsidiaries and affiliates	2,390	419
Payments for lease and guarantee deposits	-1,059	-1,361
Proceeds from collection of lease and guarantee deposits	702	496
Other	21	510
Cash flow from investment activities	-1,718	-12,820
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	-1,774	280
Proceeds from long-term loans payable	44,225	11,460
Repayment of long-term loans payable	-73,791	-15,227
Purchase of treasury stock	-1,585	-1,712
Proceeds from sales of treasury stock	253	368
Proceeds from issuance of bonds	14,924	-
Cash dividends paid	-1,400	-1,662
Commission fees paid	-320	-42
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-46	-44
Other	442	427
Cash flow from financing activities	-19,075	-6,152
Effect of exchange rate changes on cash and cash equivalents	-99	-45
Increase (decrease) in cash and cash equivalents	4,688	9,769
Starting balance of cash and cash equivalents	6,275	10,963
Ending balance of cash and cash equivalents	10,963	20,733

(5) Notes to the consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Important principles for the preparation of consolidated financial statements)

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 24 companies

Names of significant consolidated subsidiaries:

ITX Corporation
Up Beat Corporation
MEDIASTATION.Inc.
NIFTY Corporation
NIFTY NeXus Co., Ltd.
NIFTY Lifestyle Co., Ltd.
NOJIMA STELLA SPORTS CLUB Co., Ltd.
Business Grand Works Co., Ltd.
Sygni Corporation
Nojima Information Technology, Inc.
Nojima Asia Pacific Pte. Ltd.
COURTS Asia Limited
Nojima (Cambodia) Co., Ltd.

Nishinihon Mobile Co., Ltd. was dissolved on April 1, 2018 due to the absorption-type merger wherein ITX Corporation, a consolidated subsidiary of Nojima Corporation, was the surviving company.

Nojima Fintech Co., Ltd changed its trade name to Nojima Information Technology, Inc. on April 1, 2018.

Web division preparation Co., Ltd. changed its trade name to NIFTY Lifestyle Co., Ltd. on April 1, 2018.

MEDIASTATION.Inc. was included in the scope of consolidation because of a share acquisition on July 2, 2018 by ITX Corporation, a consolidated subsidiary of Nojima Corporation.

NIFTY NeXus Co., Ltd. was newly established during the fiscal year under review and included in the scope of consolidation.

Nojima Asia Pacific Pte. Ltd. was newly established during the fiscal year under review and included in the scope of consolidation.

COURTS Asia Limited and its 9 subsidiaries have become consolidated subsidiaries from the financial year under review because of a share acquisition at the end at the current fiscal year.

(2) Names of nonconsolidated subsidiaries and other information

Not applicable

2. Application of equity method

Number of equity-method affiliates: 1 company

Name of the equity-method affiliate

Hascom Mobile Co., Ltd.

Vector One Co., Ltd. is excluded from the equity method because of the sale of its shares.

3. Fiscal years of consolidated subsidiaries and other matters

The closing dates of fiscal years of the following consolidated subsidiaries differ from the closing date of the Company's consolidated fiscal year:

Company	Year ends
MEDIASTATION.Inc.	June 30
Nojima (Cambodia) Co., Ltd.	December 31
NOJIMA STELLA SPORTS CLUB Co., Ltd.	January 31

Consolidated financial statements for these companies are prepared based on financial statements obtained from a tentative settlement of accounts undertaken as of the date of the consolidated settlement of accounts.

In the current fiscal year, Business Grand Works Co., Ltd. changed the closing date to March 31, which is the same as the closing date of the Company's consolidated fiscal year.

The closing dates of the fiscal years of other consolidated subsidiaries are the same as the closing date of the Company's consolidated fiscal year.

4. Accounting standards

(1) Standards and methods applied in the valuation of important assets

A. Securities

Available-for-sale securities:

a. Those having fair market value:

Mark-to-market based on market values and other information as of the date of the settlement of accounts (A portion of revaluation gains/losses is booked directly to net assets. Costs of securities sold are calculated using the moving average method.)

b. Those without fair market value:

Moving average cost method

For investments in an investment limited partnership and other similar partnerships (considered securities according to Article 2-2 of Financial Instruments and Exchange Act), an amount equivalent to the equity interest in the property of the silent partnership is recorded.

B. Inventories

Merchandise:

The moving average cost method (the balance sheet figure is calculated by writing down book values based on decreased profitability). For recycled (used) merchandise, the cost accounting method employed is the retail method (the balance sheet figure is calculated by writing down book values based on decreased profitability).

(2) Depreciation methods for important depreciable assets

A. Tangible non-current assets (not including leased assets)

Nojima and domestic consolidated subsidiary Business Grand Works Co., Ltd. and NIFTY Corporation primarily use the declining balance method. However, they use the straight-line method for buildings (not including equipment attached to buildings) acquired on or after April 1, 1998, and equipment attached to buildings and structures acquired on or after April 1, 2016.

Domestic consolidated subsidiaries Up Beat Corporation and ITX Corporation use the straight-line method.

The overseas consolidated subsidiary Nojima (Cambodia) Co., Ltd. and COURTS Asia Limited mainly use the straight-line method in accordance with their countries' accounting standards. However, COURTS Asia Limited adopts the declining balance method for cars and vehicles.

The main useful lives for depreciation purposes are shown below.

Buildings and structures:	5-47 years
Machinery, equipment, and vehicles:	2-17 years
Tools, fixtures, and facilities:	2-20 years

B. Intangible non-current assets (not including leased assets)

The straight-line method is applied.

Main useful lives for depreciation purposes are shown below.

Software:	5 years
Contractual intangible assets:	15 or 16 years
Customer-related intangible assets:	6 years

C. Leased assets

The straight-line method is applied using the term of the lease as the useful life of the asset and zero as the residual value.

(3) Accounting standards for important reserves

A. Allowance for doubtful accounts

Providing for losses from unrecoverable claims, the anticipated amount of unrecoverable claims is booked as follows: The actual loan loss ratio is applied for ordinary claims (general accounts receivable). For extraordinary claims (doubtful accounts receivable) such as those involving the possibility of default and those in bankruptcy reorganization, the possibility of recovery is considered for each claim.

B. Reserve for point card certificates

Providing for costs resulting from the future use of loyalty points by customers based on a system that awards points to customers based on past purchases and other factors, the anticipated amount of points used in the future is booked based on past performance.

C. Reserve for bonuses

Providing for bonuses paid to employees, some consolidated subsidiaries book the required amount of reserve for bonuses based on the anticipated amount payable.

D. Reserve for guarantees for merchandise sold

Providing for costs of after-sales services for products sold, the anticipated amount of service costs during product guarantee periods is booked based on past performance.

E. Reserve for directors' retirement benefits

Providing for retirement benefits paid to directors, the amount payable as of the end of the current fiscal year is booked based on internal rules.

F. Reserve for promotion of admissions

The amount expected to be borne after the end of the fiscal year of the consolidated fiscal year is recorded to provide for cash back payments related to a campaign conducted to promote membership.

(4) Accounting treatment of retirement benefits

A. Period of attribution of estimated retirement benefits

Straight-line attribution is used to attribute estimated amounts of retirement benefits to periods through the end of the current consolidated fiscal year in calculations of retirement benefit obligations.

B. Treatment of actuarial gains and losses and past service costs

Actuarial gains or losses are booked as expenses in the fiscal years in which they arise. Some consolidated subsidiaries book actuarial gains or losses as expenses beginning from the following consolidated fiscal year using the straight-line method, setting an amount prorated over a fixed number of years (6 or 15 years) within the average remaining number of years of employment for personnel employed at the time each of such gains or losses arise in each consolidated fiscal year.

Past service costs are booked as expenses using the straight-line method, setting a fixed number of years (6 years) within the average remaining number of years of service for personnel employed at the time such obligations arise.

C. Application of simplified method for small businesses, etc.

Some consolidated subsidiaries apply the simplified method to calculations of obligations related to retirement benefits and costs of retirement benefits, treating as the amount of retirement benefit obligations the amount payable to employees retiring voluntarily as of the end of the fiscal year.

(5) Standards for converting major assets or liabilities in foreign currencies into Japanese yen

Monetary claims and obligations in foreign currencies are converted into yen at the spot exchange rate as of the date of the consolidated settlement of accounts. Any difference from this conversion is recorded as a profit or loss. Assets and liabilities of overseas consolidated subsidiaries, etc. are converted into yen at the spot exchange rate as of the date of the consolidated settlement of accounts. Income and expenses of overseas subsidiaries, etc. are converted into yen at the average exchange rate over the fiscal year. Differences due to conversion are included under Net assets as “Currency conversion adjustments.”

(6) Method and period of amortization of goodwill

Goodwill is amortized using the straight-line method over an amortization period of 5-20 years from the fiscal year in which the goodwill arises.

(7) Scope of funds on the consolidated cash flow statement

The funds included on the consolidated cash flow statement are cash on hand, deposits that may be withdrawn at any time, and short-term investments that are easily convertible into cash and have maturities of three months or less from the date of purchase and only a minor risk of fluctuations in value.

(8) Other important matters concerning the preparation of the consolidated financial statements

Account processing of consumption tax, etc.:

The tax-excluded method is applied.

(Notes to the consolidated balance sheet)

*1 To enable the flexible and stable raising of working capital, the Nojima Group has concluded agreements with its main financial institutions on overdrafts and loan commitments. Shown below are available balances under these agreements as of the end of the consolidated fiscal year.

	Previous fiscal year (March 31, 2018)	Current fiscal year (March 31, 2019)
Credit line	29,900 million yen	59,305 million yen
Outstanding balance	79	17,350
Difference: Available balance	29,820	41,954

(Segment information, etc.)

[Segment information]

1. Overview of reporting segments

(1) Method for determining reporting segments

The Nojima Group periodically reviews its reporting segments to assess business performance and to allow informed decision-making by top management decision-making bodies on the use of management resources. The reporting segments are based on financial information for units of the Group’s organization that can be separated from the rest of the organization.

(2) Types of product and service within each reporting segment

The operating segment of digital home electronics retail stores sells digital audio video products, IT devices, and home electronics, and provides related solutions, setup, repairs, and other services.

The operating segment of mobile carrier stores sells communication devices (primarily mobile phones) and provides related services.

The operating segment of Internet business provides broadband connectivity services and services including communication, security, and various information services which use the Internet.

(3) Change in reporting segments

From the end of the current fiscal year, we added the operating segment of Overseas business to the reporting segments as we acquired shares of COURTS Asia Limited and it became a consolidated subsidiary.

2. Calculating net sales, income or loss, assets, liabilities, and other accounts by reporting segment

The account processing methods for each reporting business segment are identical to those described under “Important principles for the preparation of consolidated financial statements.”

Income figures for reporting segments are based on ordinary income.

Internal transactions and transfers between segments are recorded based on market prices.

3. Amounts of net sales, income or loss, assets, liabilities, and other accounts by reporting segment

Previous fiscal year (April 1, 2017 - March 31, 2018)

(Million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on consolidated financial statements (*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	198,820	245,246	49,997	494,065	7,825	501,890	-	501,890
Internal sales or transfers between segments	262	882	38	1,183	337	1,521	-1,521	-
Subtotal	199,083	246,129	50,036	495,248	8,163	503,411	-1,521	501,890
Segment income	10,875	6,169	810	17,855	469	18,324	-389	17,935
Segment assets	80,206	131,779	35,035	247,022	8,974	255,996	3,759	259,756
Segment liabilities	66,196	95,606	19,424	181,227	1,660	182,887	7,849	190,737
Other accounts								
Depreciation	1,299	5,478	2,195	8,973	268	9,242	-	9,242
Amortization of goodwill	-	1,488	1,307	2,796	12	2,809	-	2,809
Interest income	0	0	0	0	0	0	15	15
Interest expense	-	436	0	437	2	439	229	668
Equity in earnings (loss) of affiliates	-7	52	-	45	-	45	-	45
Impairment loss	196	51	1,144	1,392	247	1,640	-	1,640
Investment in equity-method affiliates	-	622	-	622	-	622	-	622
Unamortized balance of goodwill	-	18,474	11,781	30,255	-	30,255	-	30,255
Increase in tangible and intangible non-current assets	2,096	1,677	23,464	27,238	357	27,596	-	27,596

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 and the animal medical business.

*2. Adjustments to segment income consist of companywide costs not distributed among reporting segments. Adjustments to segment assets and liabilities consist of companywide assets and liabilities not distributed among reporting segments and offsetting between segments.

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

Current fiscal year (April 1, 2018 - March 31, 2019)

(Million yen)

	Reporting segment					Other (*1)	Total	Adjustments (*2)	Amount on consolidated financial statements (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Operation of Internet business	Overseas business	Subtotal				
Net sales									
Net sales to external customers	217,500	237,833	50,303	-	505,637	7,419	513,057	-	513,057
Internal sales or transfers between segments	584	218	35	-	838	626	1,464	-1,464	-
Subtotal	218,085	238,052	50,338	-	506,476	8,045	514,521	-1,464	513,057
Segment income (loss)	11,590	6,542	2,762	-384	20,511	750	21,262	-216	21,046
Segment assets	82,717	126,892	33,579	49,057	292,246	8,810	301,056	6,678	307,735
Segment liabilities	72,958	88,650	12,077	38,700	212,386	1,480	213,867	12,260	226,127
Other accounts									
Depreciation	1,418	5,477	1,871	-	8,767	237	9,004	-	9,004
Amortization of goodwill	-	1,534	1,309	-	2,843	-	2,843	-	2,843
Interest income	0	0	0	-	0	0	0	12	13
Interest expense	1	264	0	-	265	1	267	120	387
Equity in earnings (loss) of affiliates	-	78	-	-	78	-	78	-	78
Impairment loss	654	69	192	-	916	-	916	-	916
Investment in equity-method affiliates	-	685	-	-	685	-	685	-	685
Unamortized balance of goodwill	-	17,074	10,472	-	27,546	-	27,546	-	27,546
Increase in tangible and intangible non-current assets	2,964	1,704	657	1,653	6,980	17	6,998	-	6,998

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, and the animal medical business.

*2. Adjustments to segment income consist of companywide costs not distributed among reporting segments. Adjustments to segment assets and liabilities consist of companywide assets and liabilities not distributed among reporting segments and offsetting between segments.

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

*4. As for overseas business, only the segment assets and liabilities are described as we acquired shares of COURTS Asia Limited at the end of the current fiscal year and only its balance sheet is consolidated.

(Per-share information)

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Net assets per share	1,364.44 yen	1,594.23 yen
Net earnings per share	275.42 yen	294.09 yen
Diluted earnings per share	263.89 yen	285.11 yen

Notes:

1. Calculations of net earnings per share and diluted earnings per share are based on the following information:

	Previous fiscal year (April 1, 2017 - March 31, 2018)	Current fiscal year (April 1, 2018 - March 31, 2019)
Net earnings per share		
Net income attributable to shareholders of the parent company (millions of yen)	13,634	14,680
Amount not reverting to common shareholders (millions of yen)	—	—
Net income attributable to shareholders of the parent company related to common stock (millions of yen)	13,634	14,680
Average number of shares during the fiscal year (thousands of shares)	49,503	49,919
Diluted net earnings per share		
Adjustments of net income attributable to shareholders of the parent company (millions of yen)	—	2
Increase in common stock (thousands of shares)	2,164	1,572
(Amount of the above corresponding to stock subscription rights [thousands of shares])	(2,164)	(1,572)
Summary of potential dilution not included in the calculation of diluted net earnings per share due to lack of dilution effect	—	Stock acquisition rights no. 16 (2018 stock options) (14,993 stock subscription rights)

2. Shares of Company stock remaining in trust recorded as treasury stock under shareholders' equity are included under treasury stock excluded from calculations of the average number of shares during the fiscal year for the purposes of calculating net earnings per share and are included under treasury stock excluded from total shares issued and outstanding at the end of the fiscal year for the purposes of calculating net assets per share.
   The average number of shares of such treasury stock excluded from calculations of net income per share during the fiscal year was 484 thousand shares in the previous fiscal year and 454 thousand shares in the current fiscal year.
   The number of shares of such treasury stock excluded from calculations of net assets per share at the end of the fiscal year was 548 thousand shares in the previous fiscal year and 338 thousand shares in the current fiscal year.

(Important subsequent events)

(Stock options)

Granting of stock options (stock acquisition rights)

At its meeting held on May 7, 2019, the Board of Directors of the Company passed a resolution calling for the presentation at the 57th regular general meeting of shareholders, scheduled for June 14, 2019, of a resolution requesting approval of the issuance of stock acquisition rights as stock options and entrustment of decision-making on the terms of this issue to the Board of Directors, pursuant to the stipulations of Articles 236, 238, and 239 of the Companies Act of Japan.

1. Objective of adopting a program of stock options and reasons for issuing stock acquisition rights free of charge

   The objective of adopting a program of stock options is to increase corporate value by strengthening morale and motivation in order to improve Group business performance. To achieve this objective, stock options will be issued free of charge.

2. Overview of issuance of stock acquisition rights

(1) Persons receiving an allocation of stock acquisition rights

Company directors, executive officers, and employees as well as and directors and employees of Company subsidiaries, as authorized by the Company Board of Directors

(2) Class and number of shares subject to stock acquisition rights

The shares subject to stock acquisition rights for which the Board of Directors may determine the terms of issuance as entrusted by the general meeting of shareholders shall not exceed 1,600,000 shares of the Company's common stock.

However, if the number of shares allotted has been adjusted as described under (3) below, the maximum number of shares subject to the stock acquisition rights shall be the product of the adjusted number of shares allotted and the total number of stock acquisition rights.

(3) Total number of stock acquisition rights

The number of stock acquisition rights for which the Board of Directors may determine the terms of issuance as entrusted by the general meeting of shareholders shall not exceed 16,000.

The number of shares subject to stock acquisition rights (hereinafter, "number of shares granted") shall be 100 shares of the Company's common stock per stock acquisition right. However, if the Company undertakes a stock split (this should be understood hereinafter to include the free distribution of the Company's common stock) or common stock consolidation, the number of shares granted shall be adjusted in accordance with the formula given below. This adjustment shall be made only for the number of shares granted under stock acquisition rights not yet exercised as of the time of adjustment. Any fractional shares arising from the adjustment shall be discarded.

Adjusted number of shares granted = original number of shares granted × stock split or stock consolidation ratio

In addition to the above cases, when the Company is involved in a merger, company split, stock swap, or stock transfer (hereinafter, "merger, etc.") or needs to adjust the number of shares granted for other reasons, it reserves the right to adjust the number of shares granted within reasonable limits based on the terms of the merger, etc. and other matters.

(4) Issue price of stock acquisition rights

Stock acquisition rights shall be issued free of charge.

(5) Amount payable upon exercise of stock acquisition rights

The amount payable upon the exercise of one stock acquisition right shall be determined by multiplying the price payable per share that may be granted through the exercise of stock options (hereinafter, "exercise price") by the number of shares granted.

The exercise price shall be the closing price of the Company's common stock in ordinary trading on the Tokyo Stock Exchange on the allocation date (or the most recent closing price if no trading takes place on the allocation date).

The exercise price shall be adjusted after the allocation date in each of the following cases.

A. If the Company undertakes a stock split or a stock consolidation, the exercise price shall be adjusted by applying the formula indicated below, with the result rounded up to the nearest whole yen.

$$\text{Adjusted exercise price} = \text{original exercise price} \times \frac{1}{\text{stock split or stock consolidation ratio}}$$

B. If the Company issues new shares or sells treasury stock at below market value, the exercise price shall be adjusted by applying the formula indicated below, with the result rounded up to the nearest whole yen.

$$\text{Adjusted exercise price} = \text{original exercise price} \times \frac{\text{existing number of shares issued and outstanding} + \dfrac{\text{number of new shares issued} \times \text{price payable per share}}{\text{market value}}}{\text{existing number of shares issued and outstanding} + \text{number of new shares issued}}$$

In the formula above, "existing number of shares issued and outstanding" refers to the total number of shares issued by the Company minus the number of shares of treasury stock held by the Company. In the case of the sale of treasury stock, "number of new shares issued" above shall be read as the "number of shares of treasury stock sold."

C. Should the Company find it necessary to adjust the exercise price after the allocation date for unavoidable reasons (e.g. merger, etc.), the Company reserves the right to adjust the exercise price within reasonable limits based on the terms of the merger, etc. and other matters.

(6) Period in which stock acquisition rights may be exercised

Stock acquisition rights may be exercised for a period of two years starting on the date three years after the day after the date of the Board of Directors' resolution determining the terms of the issuance of the stock acquisition rights.

(7) Conditions for exercise of stock acquisition rights

A. A person allocated stock acquisition rights (hereinafter, "stock option holder") must hold the title of director, executive officer, or employee of the Company or a Company subsidiary at the time of exercise. This does not apply in cases deemed appropriate by the Board of Directors.

B. Stock acquisition rights may not be passed on to legal heirs.

C. A stock acquisition right must be exercised in full.

(8) Reasons for acquisition by the Company and conditions for cancellation of stock acquisition rights

A. The Company may acquire stock acquisition rights free of charge on a date specified separately by the Board of Directors if the general meeting of shareholders approves a proposal for a merger agreement whereby the Company is to be dissolved or a proposal for a share exchange agreement or a share transfer plan whereby the Company becomes a wholly-owned subsidiary.

B. If a stock option holder is unable to exercise the option because he or she no longer satisfies the requirements for execution under (7) above or has relinquished such right, the Company may acquire the stock acquisition rights free of charge.

C. The Company may cancel the stock acquisition rights it has acquired and holds free of charge at any time.

(9) Restrictions on the acquisition of stock acquisition rights through a transfer

Approval of the Company's Board of Directors is required for the acquisition of stock acquisition rights through a transfer of ownership.

(10) Increases in capital and capital reserves due to the issuance of stock through the exercise of stock acquisition rights

A. The amount of an increase in capital due to the issuance of stock through the exercise of stock acquisition rights shall be one-half of the limit for an increase in capital calculated pursuant to Article 17, Paragraph 1 of the Ordinance on Accounting of Companies, with the result rounded up to the nearest whole yen.

B. The amount of an increase in capital reserves due to the issuance of stock through the exercise of stock acquisition rights shall be the amount remaining after subtracting the increase in capital specified under A above from the limit for an increase in capital under A.

(11) Policies for the treatment of stock acquisition rights in the case of stock swap or stock transfer

If the Company is involved in a merger leading to the dissolution of the Company, an absorption-type corporate divestiture, an establishment-type corporate divestiture (in both cases, only if the Company is to be divided), or a stock swap or stock transfer (only if the Company is to become a wholly-owned subsidiary) (the term "organizational restructuring" hereafter encompasses all such events), the Company shall grant stock acquisition rights in the company described in Article 236, Paragraph 1, Item 8, A to E of the Companies Act of Japan (hereinafter, "restructured Company"), in each respective case, to stock option holders with unexercised stock acquisition rights not acquired by the Company (hereinafter, "remaining stock options") as of the date the organizational restructuring takes effect (that is, the effective date of absorption-type merger, consolidation-type merger, absorption-type corporate divestiture, establishment-type corporate divestiture, stock swap, or stock transfer). In such cases, the remaining stock options shall be cancelled, and the restructured Company shall issue new stock acquisition rights. This provision is limited to cases in which the merger agreement, new company merger agreement, absorption-type corporate divestiture agreement, establishment-type corporate divestiture plan, stock swap agreement, or stock transfer plan specifies grants of stock acquisition rights in the restructured Company in accordance with the conditions indicated below.

A. Number of stock acquisition rights in the restructured Company to be granted
The same number of stock acquisition rights as the number of remaining stock options held by each stock option holder

B. Class of stock in the restructured Company to be issued for the purpose of issuing stock acquisition rights
The restructured Company's common stock

C. Number of shares of stock in the restructured Company to be issued for the purpose of issuing stock acquisition rights
Determined in accordance with "(2) Class and number of shares subject to stock acquisition rights" above, based on consideration of the terms of the organizational restructuring and other matters.

D. Amount to be invested upon the exercise of stock acquisition rights
The amount to be invested upon the exercise of each stock acquisition right to be granted shall be determined by multiplying the number of shares of stock in the restructured Company to be issued for the purpose of issuing stock acquisition rights determined, as described under C above, by the adjusted exercise price, as described under (5) C above.

E. Period in which stock acquisition rights may be exercised
Stock acquisition rights may be exercised from the starting date of the period described under "(6) Period in which stock acquisition rights may be exercised" above or the effective date of the organizational restructuring, whichever is later, to the closing date of the period described under "(6) Period in which stock acquisition rights may be exercised" above.

F. Increases in capital and capital reserves due to the issuance of stock through the exercise of stock acquisition rights
Determined according to "(10) Increases in capital and capital reserves due to the issuance of stock through the exercise of stock acquisition rights" above.

G. Restrictions on acquisition of stock acquisition rights through transfer
Approval of the restructured Company's Board of Directors is required for the acquisition of stock acquisition rights through a transfer of ownership.

H. Reasons and conditions for acquisition of stock acquisition rights by the restructured Company
Determined according to "(8) Reasons for acquisition by the Company and conditions for cancellation of stock acquisition rights" above.

(12) Date of allocation of stock acquisition rights

The date shall be determined separately by the Board of Directors.

Note: The details above are conditional on approval at the 57th regular general meeting of shareholders scheduled for June 14, 2019 of the resolution on the issuance of stock acquisition rights free of charge as stock options and upon approval by the compensation committee at a meeting held after the 57th regular general meeting of shareholders on individual compensation for directors and executive officers.