



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

Released October 31, 2019

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 Scheduled date of quarterly report filing: November 8, 2019  
 Scheduled start date of dividend payments: December 6, 2019  
 Supplemental materials on quarterly financial results: Available  
 Briefing session on quarterly financial results for analysts: Scheduled

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

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

(1) Consolidated results of operations (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		EBITDA		Net income attributable to shareholders of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six-month period ended September 30, 2019	269,634	9.6	11,735	24.7	13,034	23.4	20,604	24.4	9,251	25.4
Six-month period ended September 30, 2018	246,012	5.1	9,409	26.0	10,558	32.2	16,558	14.5	7,380	68.3

Note: Comprehensive income: Six-month period ended September 30, 2019: 8,128 million yen (5.2%)  
 Six-month period ended September 30, 2018: 7,727 million yen (72.9%)

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

	Net income per share		Diluted net income per share	
	Yen		Yen	
Six-month period ended September 30, 2019	184.37		182.48	
Six-month period ended September 30, 2018	147.74		142.93	

### (2) Consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of September 30, 2019	292,543		89,353		29.9		1,738.53	
As of March 31, 2019	307,735		81,608		25.9		1,594.23	

Reference: Equity: As of September 30, 2019: 87,596 million yen As of March 31, 2019: 79,758 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 2019	-	17.00	-	17.00	34.00
FY ending March 2020	-	20.00	-	-	-
FY ending March 2020 (planned)	-	-	-	18.00	38.00

Note: Revisions to the most recently announced dividend forecast: Yes  
 End of 2Q FY 2020: Ordinary dividend 18.00 yen, 60<sup>th</sup> anniversary dividend 2.00 yen

### 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)

	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	%	
Full-year	550,800	7.4	19,500	1.5	21,200	0.7	34,700	4.8	13,600	-7.4	Yen 269.92

Note: Revisions to the most recently announced consolidated earnings forecast: No  
 \*Consolidated overseas subsidiaries figures are described as before the adoption of IFRS 16.

\* Notes

- (1) Significant changes in subsidiaries during this 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: Yes
  - ii Changes in accounting policies for reasons other than i: Yes
  - iii Changes in accounting estimates: No
  - iv Restatement of prior period financial statements: No

(4) Number of shares issued and outstanding (common stock)

i Number of shares issued and outstanding at the end of the period (including treasury stock)	As of September 30, 2019	51,289,616 shares	As of March 31, 2019	51,289,616 shares
ii Number of shares of treasury stock at the end of the period	As of September 30, 2019	904,443 shares	As of March 31, 2019	1,259,989 shares
iii Average number of shares during the period	Six-month period ended September 30, 2019	50,181,210 shares	Six-month period ended September 30, 2018	49,955,064 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (171,800 shares in the six-month period ended September 30, 2019 and 338,400 shares in the fiscal year ended March 31, 2019) 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 (261,667 shares in the six-month period ended September 30, 2019 and 506,255 shares in the six-month period ended September 30, 2018).

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

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

Note on forward-looking statements:

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

○ Contents of attached documents

1. Qualitative Information on Quarterly Consolidated Financial Performance.....	2
(1) Explanation of operating results.....	2
(2) Explanation of financial position .....	4
(3) Information on forward-looking statements forecasts of consolidated financial results .....	4
2. Quarterly Consolidated Financial Statements.....	5
(1) Consolidated balance sheet .....	5
(2) Consolidated Income Statement and Consolidated Statement of Comprehensive Income.....	7
Consolidated income statement.....	7
(For the six-month period).....	7
(For the three-month period) .....	8
Consolidated statement of comprehensive income.....	9
(For the six-month period).....	9
(For the three-month period) .....	10
(3) Consolidated cash flow statement.....	11
(4) Notes on consolidated financial statements.....	13
(Notes on going concern assumption) .....	13
(Significant changes in shareholders' equity) .....	13
(Changes in accounting policies).....	13
(Segment information, etc.).....	14
(Important subsequent events).....	16

## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of operating results

During the six-month period ended September 30, 2019, employment and income conditions continued to improve, and Japan's economy maintained a course toward a moderate recovery, due in part to the effects of various policies. Although personal consumption is recovering gradually, consumer confidence is experiencing a weakening tendency.

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

The market for home electronics remained stable as a whole, with satisfactory sales of air conditioners, refrigerators, washing machines and TVs, and steady sales of PCs partly because of the impacts of last-minute demand accompanying the consumption tax hike.

In the market for mobile phones and other mobile devices, the number of mobile phones of carrier brands sold remained sluggish because of changes in the market environment with reduced replacement demand for mobile phones, which resulted from the suppression of excessive market competition by a partial amendment of the Telecommunications Business Act, and also from the launch of new price plans by individual carriers that separate handset price and service fees from June 2019.

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

In overseas markets, economic growth is expected to slow in Singapore because of increased tensions over the trade problem between the United States and China. However, in Indonesia, the economy is showing a moderate recovery.

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

In the operation of digital home electronics retail stores, we hold study meetings and provide training to share and deepen knowledge and experience corresponding to the changing life style of customers, in order to enrich ranges of new products and enhance customer services that meet the needs of our customers.

In the operation of mobile carrier stores and the Internet business, we have been focusing on creating synergies within the Group and raising productivity, as well as improving the quality of stores by strengthening graduate recruitment, promoting education and training, and sharing the Group's management policies.

With eight new store openings and three store closures, including scrap-and-build, the number of digital home electronics retail stores stood at 180, or 209 including dedicated communications device stores, at the end of the six-month period ended September 30, 2019.

In the operation of mobile carrier stores, following new openings and acquisition of six stores and closure and sellout of 20 stores, including scrap-and-build, the number of stores, including both directly-operated carrier stores and franchises, stood at 632.

In the overseas business, with five new store openings and four store closures, the number of stores stood at 78.

In the light of these factors, the numbers of stores as of September 30, 2019 are as shown below.

#### Stores in operation

Classification	Directly operated	Franchised	Total
Operation of digital home electronics retail stores	209 stores	–	209 stores
Digital home electronics retail stores	180 stores	–	180 stores
Dedicated communications device stores	29 stores	–	29 stores
Operation of mobile carrier stores	418 stores	214 stores	632 stores
Carrier stores	403 stores	208 stores	611 stores
Others	15 stores	6 stores	21 stores
Overseas business	78 stores	–	78 stores
Total	705 stores	214 stores	919 stores

As a result, for the six-month period ended September 30, 2019, we recorded net sales of 269,634 million yen (109.6% of the figure for the first half of the previous fiscal year), operating income of 11,735 million yen (124.7% of the figure for the first half of the previous fiscal year), ordinary income of 13,034 million yen (123.4% of the figure for the first half of the previous fiscal year), and net income attributable to shareholders of the parent company of 9,251 million yen (125.4% of the figure for the first half of the previous fiscal year).

EBITDA (\*), which the Group considers to be an important indicator of business performance, stood at 20,604 million yen (124.4% of the figure for the first half of the previous fiscal year).

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

Business performance by segment is outlined below.

(Operation of digital home electronics retail stores)

Sales of air conditioners, TVs, refrigerators, washing machines, and PCs were satisfactory, partly due to the impacts of the last-minute demand accompanying the consumption tax hike.

Gross profit on sales increased due to an improvement in the ratio of new products and white goods, as a result of the Nojima Group's strengths in consulting-based sales that reflected the perspectives of customers who demand "quality" and met their needs.

As a result, net sales in this segment totaled 114,065 million yen (107.9% of the figure for the previous six-month period), segment income was 8,434 million yen (125.0% of the figure for the previous six-month period).

(Operation of mobile carrier stores)

In the operation of mobile carrier stores, although we enhanced our recruitment, education, and training activities to shift the focus from "sales volume" to "sales quality" in the future, sales and gross profit on sales of one of our significant subsidiaries, ITX Corporation, remained sluggish due to a downturn in the market. In order to improve marketing capabilities in the future, we are actively investing in training human resources and relocating and remodeling stores.

As a result, net sales in this segment totaled 103,887 million yen (93.0% of the figure for the previous six-month period), segment income was 2,516 million yen (103.6% of the figure for the previous six-month period).

(Internet business)

Under fiercely competitive market conditions, in the Internet service provider section, we concentrated on measures for effectively attracting new customers, including sales of @nifty Hikari, a wholesale service of FLET'S Hikari provided by NTT East and NTT West, at our group stores.,

In the web service business section, pay-for-performance advertising in the marketplace area remained steady.

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

As a result, net sales in this segment totaled 24,096 million yen (95.8% of the figure for the previous six-month period), segment income was 1,492 million yen (124.9% of the figure for the previous six-month period).

(Overseas business)

Net sales in this segment totaled 24,447 million yen and segment income was 409 million yen.

We will actively adopt consulting sales and improve the quality of customer service at our major subsidiary, Courts Asia Ltd., to further increase customer satisfaction by globally applying our know-how in human resource training and sales operations.

\*Because this segment has been a reportable segment since the end of the previous fiscal year, a year-on-year comparison is not shown.

## (2) Explanation of financial position

### Assets, liabilities and net assets

#### (Assets)

Total assets as of September 30, 2019 were 292,543 million yen, down 15,191 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 19,454 million yen to 143,715 million yen in current assets and an increase of 4,262 million yen to 148,828 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 14,585 million yen and 8,596 million yen in accounts receivable-trade and merchandise and products, respectively, despite an increase of 1,680 million yen in cash and deposits.

The main causes of the increase in non-current assets included an increase of 8,754 million yen in lease assets related to adoption of IFRS 16 “Leases” in overseas subsidiaries, despite decreases of 2,141 million yen, 1,360 million yen, and 1,062 million yen in contractual intangible assets, goodwill, and investment securities, respectively.

#### (Liabilities)

Total liabilities as of September 30, 2019 were 203,190 million yen, down 22,937 million yen from the end of the previous consolidated fiscal year.

This decrease was due mainly to a decrease of 687 million yen to 115,161 million yen in current liabilities and a decrease of 22,249 million yen to 88,029 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 7,501 million yen, 2,948 million yen, and 2,271 million yen in accounts payable-trade, accounts payable-other, and current portion of long-term loans payable, respectively, despite increases of 10,000 million yen in the current portion of bonds.

The main causes of the decrease in non-current liabilities included decreases of 18,538 million yen and 10,005 million yen in long-term loans and payable bonds, respectively, despite an increase of 7,062 million yen in lease obligations related to the adoption of IFRS 16 “Leases” in overseas subsidiaries.

#### (Net assets)

Net assets as of September 30, 2019 totaled 89,353 million yen, up 7,745 million yen from the end of the previous fiscal year, due to factors including an increase of 8,395 million yen in retained earnings, despite a decrease of 445 million yen in valuation difference on available-for-sale securities.

These factors resulted in an equity ratio of 29.9%, up 4.0 points from the end of the previous fiscal year.

### Cash flow

Cash and cash equivalents (“funds” hereinafter) as of September 30, 2019 totaled 22,409 million yen (the figure as of September 30, 2018 was 13,497 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 24,872 million yen (176.6% of the figure for the previous six-month period).

This was mainly due to decreases of 13,150 million yen in accounts receivable-trade, 12,972 million yen in net income before taxes and other adjustments and 8,389 million yen in inventories, despite decrease of 7,140 million yen in accounts payable-trade and 6,434 million yen of income taxes paid or refunded.

#### (Cash flow from investment activities)

Funds used in investment activities totaled 2,058 million yen (138.9% of the figure for the previous six-month period).

This was due mainly to expenditures of 2,098 million yen for purchases of tangible non-current assets in connection with new store openings, 559 million yen of payments for lease and guarantee deposits and 430 million yen for purchases of intangible non-current assets, despite a gain of 1,143 million yen in proceeds from investments in securities.

#### (Cash flow from financing activities)

Funds used for financing activities totaled 20,415 million yen (202.2% of the figure for the previous six-month period).

This was due mainly to expenditures of 23,236 million yen and 1,120 million yen for repayment of long-term loans payable and Lease obligations, respectively, despite an increase of 3,100 million yen in proceeds from long-term loans payable and a net increase of 893 million yen in short-term loans payable.

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

Forecasts of consolidated financial results for the full-year have not been revised from the release of the “Summary of Consolidated Financial Results for the Fiscal Year Ended March 2019” on May 7, 2019.

## 2. Quarterly Consolidated Financial Statements

## (1) Consolidated balance sheet

(Million yen)

	Previous fiscal year (as of March 31, 2019)	Second quarter of the current fiscal year (as of September 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	20,798	22,479
Accounts receivable-trade	91,658	77,072
Merchandise and products	45,302	36,706
Accounts receivable-other	7,085	7,344
Other	3,010	3,372
Allowance for doubtful accounts	-4,686	-3,260
<b>Total current assets</b>	<b>163,169</b>	<b>143,715</b>
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	16,778	17,190
Tools, fixtures, and facilities (net)	2,459	2,335
Lease assets (net)	3	8,758
Land	8,488	8,488
Other (net)	801	773
<b>Total tangible non-current assets</b>	<b>28,531</b>	<b>37,546</b>
Intangible assets		
Goodwill	27,546	26,186
Software	1,636	1,651
Trademark rights	1,489	1,209
Contractual intangible assets	50,696	48,554
Customer-related intangible assets	2,646	2,315
Other	124	94
<b>Total intangible assets</b>	<b>84,140</b>	<b>80,011</b>
Investments and other assets		
Investments in securities	8,311	7,248
Deferred tax assets	8,674	8,848
Lease and guarantee deposits	11,990	12,298
Other	3,029	2,983
Allowance for doubtful accounts	-112	-110
<b>Total investments and other assets</b>	<b>31,893</b>	<b>31,270</b>
<b>Total non-current assets</b>	<b>144,565</b>	<b>148,828</b>
<b>Total assets</b>	<b>307,735</b>	<b>292,543</b>

(Million yen)

	Previous fiscal year (as of March 31, 2019)	Second quarter of the current fiscal year (as of September 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	59,279	51,777
Short-term loans payable	2,202	3,045
Current portion of long-term loans payable	8,996	6,725
Current portion of bonds	10	10,010
Accounts payable-other	11,877	8,929
Accrued income taxes	6,328	4,569
Accrued consumption tax	2,342	1,685
Accrued expenses	4,378	3,285
Advances received	3,344	5,930
Unearned revenue	8,000	8,004
Reserve for points	3,644	4,298
Reserve for bonuses	1,459	1,492
Reserve for promotion of admissions	119	110
Lease obligations	4	2,199
Other	3,860	3,095
Total current liabilities	115,849	115,161
Non-current liabilities		
Bonds	15,015	5,010
Long-term loans payable	61,061	42,523
Reserve for guarantees for merchandise sold	3,867	3,969
Reserve for directors' retirement benefits	200	202
Retirement benefit liabilities	8,115	8,372
Deferred tax liabilities	15,389	14,743
Long-term unearned revenue	3,429	3,179
Lease obligations	-	7,062
Other	3,199	2,967
Total non-current liabilities	110,278	88,029
Total liabilities	226,127	203,190
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,330	6,330
Capital surplus	6,378	6,123
Retained earnings	69,751	78,146
Treasury stock	-2,448	-1,776
Total shareholders' equity	80,010	88,824
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	169	-275
Currency conversion adjustments	76	-479
Accumulated adjustment to retirement benefits	-498	-473
Total accumulated other comprehensive income	-252	-1,228
Stock acquisition rights	1,453	1,747
Non-controlling interests	396	10
Total net assets	81,608	89,353
Total liabilities and net assets	307,735	292,543



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

## Consolidated income statement

(For the six-month period)

	(Million yen)	
	Six-month period of the previous fiscal year (April 1, 2018 - September 30, 2018)	Six-month period of the current fiscal year (April 1, 2019 - September 30, 2019)
Net sales	246,012	269,634
Cost of sales	183,881	196,911
Gross profit on sales	62,130	72,723
Sales, general, and administrative expenses		
Advertising expenses	8,179	9,518
Salaries, allowances, and bonuses	16,499	19,646
Provision for bonuses	1,225	1,481
Retirement benefit expenses	586	538
Rents	7,159	8,087
Depreciation	4,055	5,445
Amortization of goodwill	1,424	1,425
Other	13,592	14,843
Total sales, general, and administrative expenses	52,721	60,987
Operating income	9,409	11,735
Non-operating income		
Interest income	6	34
Purchase discounts	852	846
Gain on sales of investment securities	0	431
Other	666	615
Total non-operating income	1,526	1,927
Non-operating expenses		
Interest expenses	205	404
Interest on bonds	54	54
Other	116	170
Total non-operating expenses	376	629
Ordinary income	10,558	13,034
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	419	-
Gain on sales of non-current assets	-	141
Other	7	47
Total extraordinary income	426	188
Extraordinary losses		
Impairment loss	258	250
Total extraordinary losses	258	250
Net income before taxes and other adjustments	10,726	12,972
Income taxes-current	4,314	4,766
Income taxes-deferred	-970	-1,048
Total income taxes	3,343	3,718
Net income	7,382	9,254
Net income attributable to shareholders of the non-controlling interests	2	2
Net income attributable to shareholders of the parent company	7,380	9,251

(For the three-month period)

(Million yen)

	Three-month period of the previous fiscal year (July 1, 2018 - September 30, 2018)	Three-month period of the current fiscal year (July 1, 2019 - September 30, 2019)
Net sales	129,218	139,946
Cost of sales	96,401	101,770
Gross profit on sales	32,817	38,176
Sales, general, and administrative expenses		
Advertising expenses	4,189	5,372
Salaries, allowances, and bonuses	8,269	9,643
Provision for bonuses	625	905
Retirement benefit expenses	281	269
Rents	3,635	4,341
Depreciation	2,016	2,324
Amortization of goodwill	716	712
Other	6,819	6,530
Total sales, general, and administrative expenses	26,554	30,098
Operating income	6,263	8,077
Non-operating income		
Interest income	3	16
Purchase discounts	439	434
Gain on sales of investments in securities	0	431
Other	431	375
Total non-operating income	874	1,257
Non-operating expenses		
Interest expenses	94	251
Interest on bonds	27	27
Other	37	140
Total non-operating expenses	159	419
Ordinary income	6,978	8,916
Extraordinary income		
Gain on reversal of stock subscription rights	6	16
Other	-	0
Total extraordinary income	6	17
Extraordinary losses		
Impairment loss	258	250
Total extraordinary losses	258	250
Net income before taxes and other adjustments	6,726	8,682
Income taxes-current	3,212	3,667
Income taxes-deferred	-1,037	-1,274
Total income taxes	2,174	2,392
Net income	4,552	6,290
Net income attributable to shareholders of the non-controlling interests	1	0
Net income attributable to shareholders of the parent company	4,551	6,289

Consolidated statement of comprehensive income

(For the six-month period)

(Million yen)

	Six-month period of the previous fiscal year (April 1, 2018 - September 30, 2018)	Six-month period of the current fiscal year (April 1, 2019 - September 30, 2019)
Net income	7,382	9,254
Other comprehensive income		
Valuation difference on available-for-sale securities	463	-594
Currency conversion adjustments	9	-556
Adjustments for retirement benefit obligations	-127	25
Total other comprehensive income	345	-1,125
Comprehensive income	7,727	8,128
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	7,725	8,125
Comprehensive income attributable to non-controlling interests	2	2

(For the three-month period)

	(Million yen)	
	Three-month period of the previous fiscal year (July 1, 2018 - September 30, 2018)	Three-month period of the current fiscal year (July 1, 2019 - September 30, 2019)
Net income	4,552	6,290
Other comprehensive income		
Valuation difference on available-for-sale securities	491	496
Currency conversion adjustments	7	-148
Adjustments for retirement benefit obligations	-2	12
Total other comprehensive income	495	360
Comprehensive income	5,048	6,650
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	5,047	6,649
Comprehensive income attributable to non-controlling interests	1	0

## (3) Consolidated cash flow statement

	(Million yen)	
	Six-month period of the previous fiscal year (April 1, 2018 - September 30, 2018)	Six-month period of the current fiscal year (April 1, 2019 - September 30, 2019)
<b>Cash flow from operating activities</b>		
Net income before taxes and other adjustments	10,726	12,972
Depreciation	4,498	5,880
Impairment loss	258	250
Amortization of goodwill	1,424	1,425
Increase (decrease) in net defined benefit liability	236	236
Increase (decrease) in reserve for points	-84	654
Increase (decrease) in reserve for promotion of admissions	128	-8
Increase (decrease) in reserve for guarantees for merchandise sold	118	102
Interest and dividend income	-23	-120
Interest expenses	205	404
Gain on sales of shares of subsidiaries and affiliates	-419	-
Decrease (increase) in accounts receivable-trade	10,754	13,150
Decrease (increase) in inventories	1,592	8,389
Decrease (increase) in accounts receivable-other	146	-263
Increase (decrease) in notes and accounts payable-trade	-8,873	-7,140
Increase (decrease) in accrued consumption taxes	-586	-658
Increase (decrease) in accounts payable-other	-763	-2,710
Other	-739	-883
Subtotal	18,601	31,681
Interest and dividend income received	39	136
Interest expenses paid	-263	-551
Income taxes (paid) or refunded	-4,294	-6,434
Cash flow from operating activities	14,082	24,872

(Million yen)		
	Six-month period of the previous fiscal year (April 1, 2018 - September 30, 2018)	Six-month period of the current fiscal year (April 1, 2019 - September 30, 2019)
<b>Cash flow from investment activities</b>		
Purchase of tangible non-current assets	-1,445	-2,098
Purchase of intangible assets	-261	-430
Proceeds from sales of investments in securities	0	1,143
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	-56
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	161	-
Proceeds from sales of shares of subsidiaries and affiliates	419	-
Payments for lease and guarantee deposits	-826	-559
Proceeds from collection of lease and guarantee deposits	346	147
Other	125	-204
<b>Cash flow from investment activities</b>	<b>-1,481</b>	<b>-2,058</b>
<b>Cash flow from financing activities</b>		
Increase (decrease) in short-term loans payable	748	893
Proceeds from long-term loans payable	2,650	3,100
Repayment of long-term loans payable	-11,367	-23,236
Proceeds from sales of treasury stock	162	380
Cash dividends paid	-808	-856
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-44	-354
Repayments for lease obligations	-	-1,120
Other	-1,437	779
<b>Cash flow from financing activities</b>	<b>-10,096</b>	<b>-20,415</b>
Effect of exchange rate changes on cash and cash equivalents	29	-721
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,533</b>	<b>1,675</b>
Starting balance of cash and cash equivalents	10,963	20,733
<b>Ending balance of cash and cash equivalents</b>	<b>13,497</b>	<b>22,409</b>

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

(Notes on going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

At a Board of Directors meeting held on May 7, 2019, the Company resolved to distribute dividends of 856 million yen from retained earnings during the first half of the current fiscal year.

As a result, retained earnings as of September 30, 2019 were 78,146 million yen.

(Changes in accounting policies)

(Adoption of IFRS 16 "Leases")

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

As a result, "lease assets" increased 8,758 million yen, and "lease obligations" under current liabilities and "lease obligations" under non-current liabilities increased 2,199 million yen and 7,062 million yen, respectively, as of September 30, 2019. The effects of this change on income and loss for the six-month period ended September 30, 2019 are immaterial.

(Valuation of investments in securities)

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

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

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

(Segment information, etc.)

[Segment information]

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

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

(Million yen)

	Reporting segment				Other (*1)	Total	Adjustments (*2)	Amount on consolidated quarterly income statement (*3)
	Operation of digital home electronics retail stores	Operation of mobile carrier stores	Internet business	Subtotal				
Net sales								
Net sales to external customers	105,526	111,597	25,142	242,266	3,746	246,012	–	246,012
Internal sales or transfers between segments	213	124	6	344	281	625	-625	–
Subtotal	105,740	111,721	25,148	242,610	4,027	246,638	-625	246,012
Segment income	6,747	2,429	1,195	10,372	304	10,676	-117	10,558

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

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

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

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

(Significant impairment losses on non-current assets)

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

The amount recorded in the reporting segment was 256 million yen for the operation of digital home electronics retail stores, 1 million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Not applicable



## II Six-month period ended September 30, 2019 (April 1, 2019 – September 30, 2019)

## 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	Internet business	Overseas business	Subtotal				
Net sales									
Net sales to external customers	113,528	103,820	23,976	24,447	265,773	3,861	269,634	-	269,634
Internal sales or transfers between segments	536	66	120	-	723	291	1,014	-1,014	-
Subtotal	114,065	103,887	24,096	24,447	266,497	4,152	270,649	-1,014	269,634
Segment income	8,434	2,516	1,492	409	12,853	275	13,128	-94	13,034

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

\*2. Adjustments 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 162 million yen for the operation of digital home electronics retail stores, 39 million yen for the operation of mobile carrier stores and 48 million yen for the operation of Internet business.

(Significant change in amount of goodwill)

Not applicable

## 3. Change in reporting segments

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

The impacts of this reclassification on comparative information are immaterial.

(Important subsequent events)

(Acquisition of shares of Suruga Bank, Ltd.)

On October 29, 2019, the Company obtained shares of Suruga Bank, Ltd. from its founding family and its companies\*, including S·G Investment Ltd., Suruga General Insurance Ltd., and S·G Asset Ltd.

Based on the basic agreement on business cooperation with Suruga Bank, as announced on May 15, 2019, the Company will continue to discuss business cooperation and the capital relationship after the acquisition of shares.

The Company considers “Operation of digital home electronics retail stores,” “Operation of mobile carrier stores,” and “Internet business” (hereinafter “our existing businesses”) to be its business pillars, and has established the goal of becoming a more fulfilling life hub by utilizing customers’ Internet capabilities in the IOT era, when every piece of home electronics is connected via the Internet. We also aim to create new services by integrating our existing businesses and financial services that deliver high levels of convenience to customers, in order to establish a digital economic area that contributes to revitalizing the region.

\*Those companies in which the founding family is substantially involved in management or has a specific impact.

1. Summary of acquired shares

- |                               |   |
|-------------------------------|---|
| a. Acquisition date:          | October 29, 2019                                |
| b. Number of shares acquired: | 31,290,107 shares (voting rights ratio: 13.52%) |
| c. Acquisition cost:          | 14,080 million yen                              |

\*The voting rights ratio is calculated based on 2,313,900 voting rights of all shareholders as of June 30, 2019.

(Reference)

Number of shares held by the Company

- |                                       |   |
|---------------------------------------|---|
| a. Number of shares previously owned: | 11,564,000 shares (voting rights ratio: 4.99%)  |
| b. Number of shares newly acquired:   | 31,290,107 shares (voting rights ratio: 13.52%) |
| c. Total number of shares held:       | 42,854,107 shares (voting rights ratio: 18.52%) |

(Acquisition of treasury stock)

The Group’s Board of Directors passed a resolution on October 31, 2019, concerning the purchase of treasury stocks in accordance with the provisions of Article 156 of the Companies Act applied after the modification by the provisions in paragraph 3, Article 165 of the Companies Act of Japan.

1. Reasons for acquisition of treasury stock

In order to implement flexible capital policies (such as preparing for the exercise of stock options of the Group’s officers and employees) corresponding to a change of business environment.

2. Details related to acquisition of treasury stock

- |                                     |  |
|-------------------------------------|--|
| a. Type of shares to be acquired:   | The Company’s common Stock   |
| b. Number of shares to be acquired: | 1,000,000 shares (Maximum)<br>(1.98% of total issued shares (excluding treasury shares)) |
| c. Total acquisition cost:          | 2,000 million yen (Maximum)  |
| d. Time period for acquiring:       | From November 1, 2019 to October 31, 2020  |
| e. Acquisition method:              | Market purchases on the Tokyo Stock Exchange   |