Summary of Consolidated Financial Results for the Fiscal Year Ended March 2020
(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 19, 2020 Scheduled start date of dividend payments: June 4, 2020
Scheduled date of securities report filing: June 25, 2020
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 2020 (April 1, 2019 - March 31, 2020)

(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	%
FY ended March 2020	523,968	2.1	22,582	17.5	24,218	15.1	39,819	20.3	15,911	7.4
FY ended March 2019	513,057	2.2	19,212	12.7	21,046	17.3	33,095	8.7	14,817	8.7

Note: Comprehensive income: FY ended March 2020 10,451 million yen (-25.4%)
FY ended March 2019 14,009 million yen (0.3%)

・ 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 2020	317.12	313.17	18.9	8.2	4.3
FY ended March 2019	296.83	287.77	20.0	7.4	3.7

Reference: Equity in net income (losses) of affiliates: FY ended March 2020: 85 million yen FY ended March 2019: 78 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March 2020	286,247	90,268	30.8	1,759.32
FY ended March 2019	307,735	81,608	25.9	1,594.23

Reference: Equity: FY ended March 2020: 88,246 million yen FY ended March 2019: 79,758 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	Million yen	Million yen	Million yen
FY ended March 2020	38,866	-17,688	-24,283	17,174
FY ended March 2019	28,789	-12,820	-6,152	20,733

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 2019	-	17.00	-	17.00	34.00	1,710	11.5	2.3
FY ended March 2020	-	20.00	-	20.00	40.00	2,014	12.6	2.4
FY ending March 2021 (planned)	-	20.00	-	20.00	40.00		-	

Note: End of 2Q FY 2020: Ordinary dividend 18.00 yen, 60th anniversary dividend 2.00 yen

3. Forecasts of consolidated financial results for the fiscal year ending March 2021 (April 1, 2020 - March 31, 2021)

As it is currently difficult to reasonably assess the impacts of the spread of the new coronavirus infection on the Group, we have refrained from releasing our consolidated financial forecast for the fiscal year ending March 2021.

* Notes

(1) Significant changes in subsidiaries during the current fiscal year (changes in designated subsidiaries resulting in changes in the scope of consolidation): No

Added: ___ company(ies) (name(s): ____________) Removed: ___ company(ies) (name(s): ____________)

(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:	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

(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 2020	51,289,616 shares	FY ended March 2019	51,289,616 shares
ii.	Number of shares of treasury stock at the end of the period	FY ended March 2020	1,129,909 shares	FY ended March 2019	1,259,989 shares
iii.	Average number of shares during the period	FY ended March 2020	50,175,870 shares	FY ended March 2019	49,919,820 shares

Note: The numbers of shares of treasury stock above include shares held in trust accounts (14,000 shares in FY ended March 2020 and 338,400 shares in FY ended March 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 the average number of shares during the period (175,313 shares in FY ended March 2020 and 454,376 shares in FY ended March 2019).

Reference: Summary of nonconsolidated financial results

Nonconsolidated financial results for the fiscal year ended March 2020 (April 1, 2019 - March 31, 2020)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2020	235,073	−1.2	14,035	18.0	21,718	48.5	15,658	62.1
FY ended March 2019	238,045	8.7	11,895	6.3	14,626	8.2	9,658	−10.4

	Net income per share	Diluted net income per share
	Yen	Yen
FY ended March 2020	312.06	308.18
FY ended March 2019	193.47	187.57

(2) Nonconsolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY ended March 2020	159,336	73,860	45.1	1,432.45
FY ended March 2019	156,140	64,852	40.6	1,267.24

Reference: Equity: FY ended March 2020: 71,851 million yen FY ended March 2019: 63,399 million yen

* Financial Statements are not subject to audits by certified public accountants or auditing firms.

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 employment and household 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. However, the current economic situation is deteriorating due to the impacts of the new coronavirus infection. In addition, personal consumption has declined rapidly, along with a deterioration of consumer confidence.

Overseas, the global outbreak of the new coronavirus infection has caused the economy to deteriorate rapidly and the situation is extremely severe.

The market for home electronics remained firm with satisfactory sales of TVs due to replacement demand ahead of the Olympics and steady sales of refrigerators and air conditioners. Sales of PCs increased temporarily due to a consumption tax hike, last-minute demand following the end of support for Windows 7, and an increase in telecommuting to combat the new coronavirus infection. In March this year, sales and other activities were carried out over a shorter period, due to the spread of the new coronavirus infection.

In the market for mobile phones and other mobile devices, the number of mobile phones of carrier brands sold remained sluggish because of the suppression of market competition by a partial amendment to the Telecommunications Business Act, which became effective from October 1, 2019, and a longer purchase replacement cycle also led to lower demand. In addition, sluggish sales of carrier brand mobile phones were also partly attributable to the temporary closure of some stores as a countermeasure against the new coronavirus infection.

In the Internet business service market, with the progress and diffusion of smart devices that can use the Internet anywhere, fixed broadband services subscribership for the mainstream service, the Fiber-To-The-Home (FTTH) Internet, showed a stable growth rate with the expansion of the IoT market. Besides, the Internet advertising market continued to expand, supported by Search Advertising and programmatic advertising, including video advertising.

In overseas markets, Singapore's economy has been stagnating due to growing tensions over trade issues between the United States and China. In addition, social activities have been restricted in Malaysia and Indonesia since March this year as a countermeasure against the new coronavirus infection.

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-styles 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.

In the overseas business, having brought Courts Asia Ltd. into the Group in February 2019, we are actively adopting consulting sales to further increase customer satisfaction by globally applying our know-how in human resource training and sales operations.

With 15 new store openings and nine store closures, including scrap-and-build, the number of digital home electronics retail stores stood at 181, or 210 including dedicated communications device stores, at the end of the fiscal year ended March 31, 2020.

In the operation of mobile carrier stores, following new openings and acquisition of 12 stores and closure and sellout of 39 stores, including scrap-and-build, the number of stores, including both directly-operated carrier stores and franchises, stood at 619.

In the overseas business, with seven new store openings and seven store closures, the number of stores stood at 77.

In the light of these factors, the number of stores as of March 31, 2020 was 906.

Stores in operation

Classification	Directly operated	Franchised	Total
Operation of digital home electronics retail stores	210 stores	–	210 stores
Digital home electronics retail stores	181 stores	–	181 stores
Dedicated communications device stores	29 stores	–	29 stores
Operation of mobile carrier stores	413 stores	206 stores	619 stores
Carrier stores	398 stores	200 stores	598 stores
Others	15 stores	6 stores	21 stores
Overseas business	77 stores	–	77 stores
Total	700 stores	206 stores	906 stores

As a result, for the consolidated fiscal year under review, we recorded net sales of 523,968 million yen (102.1% of the figure for the previous fiscal year), operating income of 22,582 million yen (117.5% of the figure for the previous fiscal year), ordinary income of 24,218 million yen (115.1% of the figure for the previous fiscal year), and net income attributable to shareholders of the parent company of 15,911 million yen (107.4% of the figure for the previous fiscal year).

EBITDA,* which the Group considers to be an important indicator of business performance, stood at 39,819 million yen (120.3% of the figure for 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)

Despite cool summers and warm winters, sales of air conditioners remained almost flat. Sales of refrigerators and washing machines were solid, while sales of TVs, PCs, and other products were strong.

Gross profit on sales increased due to an improvement in the ratio of products that enrich customers' lives, as a result of the Nojima Group's strengths in consulting-based sales that meet customers' needs for "quality."

On the other hand, the global outbreak of the new coronavirus infection at the end of the fiscal year made the situation extremely difficult.

As a result, net sales in this segment totaled 216,235 million yen (99.2% of the figure for the previous fiscal year), and segment income was 13,661 million yen (117.9% of the figure for the previous fiscal year).

(Operation of mobile carrier stores)

Among investments in human resource development, we enhanced our recruitment, education, and training activities with the aim of further improving the quality of operations in the future; however, sales of one of our significant subsidiaries, ITX Corporation, remained weak due to the market downturn and the suspension of some stores as a countermeasure against the new coronavirus infection.

As a result, net sales in this segment totaled 207,441 million yen (87.1% of the figure for the previous fiscal year), and segment income was 6,773 million yen (103.5% of the figure for the previous fiscal year).

(Operation of Internet business)

Under fiercely competitive market conditions in the Internet service provider section, we concentrated on effective measures to attract new customers, including sales of @nifty Hikari, a wholesale service of FLET'S Hikari provided by NTT East and NTT West, at the Group's 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 to raise productivity.

As a result, net sales in this segment totaled 47,909 million yen (95.2% of the figure for the previous fiscal year), and segment income was 3,438 million yen (124.5% of the figure for the previous fiscal year).

(Overseas business)

In preparation for future market changes, we are transitioning from a strategy that emphasizes the provision of in-house credit to a strategy that emphasizes quality, which aims to increase the number of our company's customers who derive satisfaction from enriching their lives with good products and services. At the same time, we reduced selling, general and administrative expenses in line with structural reforms to curb excessive credit sales. As a result of the introduction of this system, sales and gross profit remained sluggish.

Consequently, net sales in this segment totaled 46,609 million yen and segment loss was 123 million yen.

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

(2) Overview of financial position

(Assets)

Total assets as of March 31, 2020 were 286,247 million yen, down 21,488 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 28,886 million yen to 134,283 million yen in current assets and an increase of 7,398 million yen to 151,964 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 21,680 million yen, 4,378 million yen, and 3,617 million yen in accounts receivable-trade, merchandise and products, and cash and deposits, respectively.

The main causes of the increase in non-current assets included increases of 9,103 million yen and 8,006 million yen in investments in securities and lease assets, respectively, related to the adoption of IFRS 16 “Leases” by overseas subsidiaries, despite decreases of 4,283 million yen and 2,788 million yen in contractual intangible assets and goodwill, respectively.

(Liabilities)

Total liabilities as of March 31, 2020 were 195,978 million yen, down 30,148 million yen from the end of the previous fiscal year.

This decline was due mainly to a decrease of 1,467 million yen to 114,381 million yen in current liabilities and a decrease of 28,681 million yen to 81,596 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 9,034 million yen, 4,443 million yen, 1,964 million yen, and 1,407 million yen in accounts payable-trade, accounts payable-other, current portion of long-term loans payable, and accrued income taxes, etc., respectively, despite increases of 10,000 million yen and 5,024 million yen in current portions of bonds and short-term loans payable, respectively.

The main causes of the decrease in non-current liabilities included decreases of 23,047 million yen and 10,010 million yen in long-term loans payable and bonds, respectively, despite an increase of 6,437 million yen in lease obligations related to the adoption of IFRS 16 “Leases” by overseas subsidiaries.

(Net assets)

Net assets as of March 31, 2020 totaled 90,268 million yen, up 8,660 million yen from the end of the previous fiscal year, due to factors including a decrease of 5,107 in the valuation difference on available-for-sale securities and an increase of 14,044 million yen in retained earnings, etc.

These factors resulted in an equity ratio of 30.8%, up 4.9 points from the end of the previous fiscal year.

(3) Overview of cash flow

Cash and cash equivalents (“funds” hereinafter) for the consolidated fiscal year under review totaled 17,174 million yen, down 3,558 million yen from 20,733 million yen for the previous fiscal year.

The status of each category of cash flow and the main reasons are described below.

(Cash flow from operating activities)

Funds earned from operating activities totaled 38,866 million yen (135.0% of the figure for the previous fiscal year).

This was mainly due to 23,294 million yen in net income before taxes and other adjustments, a decrease of 19,808 million yen in accounts receivable-trade and 12,318 million yen in depreciation, respectively, despite an expenditure of 11,228 million yen in income taxes paid or refunded and a decrease of 8,508 million yen in notes and accounts payable-trade.

(Cash flow from investment activities)

Funds used for investment activities totaled 17,688 million yen (138.0% of the figure for the previous fiscal year).

This was due mainly to expenditures of 14,353 million yen for purchases of investments in securities and 3,611 million yen for the acquisition of tangible non-current assets in connection with new store openings, despite a gain of 1,146 million yen in proceeds from sales of investments in securities.

(Cash flow from financing activities)

Funds used for financing activities totaled 24,283 million yen (394.7% of the figure for the previous fiscal year).

This was due mainly to expenditures of 30,336 million yen, 2,493 million yen, and 1,867 million yen for repayment long-term loans payable, lease obligations and cash dividends paid, respectively, despite an increase of 6,120 million yen in proceeds from long-term loans payable and a net increase of 5,126 million yen in short-term loans payable.

Reference: Trends of cash flow indicators

	54th period FY ended March 2016	55th period FY ended March 2017	56th period FY ended March 2018	57th period FY ended March 2019	58th period FY ended March 2020
Equity ratio (%)	20.0	23.0	26.3	25.9	30.8
Market equity ratio (%)	25.3	28.6	48.4	32.7	31.2
Interest-bearing debt to cash flow (years)	3.9	4.4	2.9	3.0	1.7
Interest coverage ratio (times)	21.1	23.9	35.5	57.8	45.0

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 expenses

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 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

Regarding the outlook for the future, in addition to economic trends and geopolitical risks in European countries, the impacts of the global outbreak of the new coronavirus infection are expected to continue, and the situation is expected to be extremely severe in both domestic and overseas markets.

Under these circumstances, our company has been taking appropriate measures against the new coronavirus infection, such as closing stores in commercial facilities, disinfecting open stores, and having staff wear masks.

The Company has decided to refrain from publishing its consolidated business forecast for the fiscal year ending March 2021 because the future of the market remains uncertain due to the temporary closure of stores in commercial facilities, shortening of business hours, and blockades of overseas cities in order to prevent the spread of the new coronavirus infection.

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, 2019)	Current fiscal year (as of March 31, 2020)
Assets		
Current assets		
Cash and deposits	20,798	17,181
Accounts receivable	91,658	69,987
Merchandise and products	45,302	40,923
Accounts receivable-other	7,085	6,250
Other	3,010	2,984
Allowance for doubtful accounts	-4,686	-3,035
Total current assets	163,169	134,283
Non-current assets		
Tangible non-current assets		
Buildings and structures	30,264	31,451
Accumulated depreciation	-13,485	-15,643
Buildings and structures (net)	16,778	15,808
Machinery, equipment and vehicles	1,069	1,058
Accumulated depreciation	-512	-592
Machinery, equipment and vehicles (net)	556	466
Tools, fixtures, and facilities	9,355	10,053
Accumulated depreciation	-6,896	-7,810
Tools, fixtures, and facilities (net)	2,459	2,243
Lease assets	157	10,777
Accumulated depreciation	-154	-2,767
Lease assets(net)	3	8,010
Land	8,488	8,488
Other (net)	244	355
Total tangible non-current assets	28,531	35,372
Intangible assets		
Goodwill	27,546	24,758
Software	1,636	1,563
Trademark rights	1,489	937
Contractual intangible assets	50,696	46,412
Customer-related intangible assets	2,646	1,985
Other	124	179
Total intangible assets	84,140	75,836
Investments and other assets		
Investment securities	8,311	17,415
Deferred tax assets	8,674	9,159
Lease and guarantee deposits	11,990	12,004
Other	3,029	2,262
Allowance for doubtful accounts	-112	-86
Total investments and other assets	31,893	40,755
Total non-current assets	144,565	151,964
Total assets	307,735	286,247

(Million yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	59,279	50,244
Short-term loans payable	2,202	7,226
Current portion of long-term loans payable	8,996	7,031
Current portion of bonds	10	10,010
Accounts payable-other	11,877	7,433
Accrued income taxes	6,328	4,921
Accrued consumption tax	2,342	2,203
Unearned revenue	8,000	7,218
Reserve for points	3,644	5,075
Reserve for bonuses	1,459	1,524
Reserve for promotion of admissions	119	90
Lease liabilities	4	2,140
Other	11,582	9,260
Total current liabilities	115,849	114,381
Non-current liabilities		
Bonds	15,015	5,005
Long-term loans payable	61,061	38,014
Reserve for guarantees for merchandise sold	3,867	3,794
Reserve for directors’ retirement benefits	200	210
Retirement benefit liabilities	8,115	8,423
Deferred tax liabilities	15,389	13,506
Long-term unearned revenue	3,429	3,038
Lease liabilities	-	6,437
Other	3,199	3,166
Total non-current liabilities	110,278	81,596
Total liabilities	226,127	195,978
Net assets		
Shareholders’ equity		
Capital stock	6,330	6,330
Capital surplus	6,378	6,046
Retained earnings	69,751	83,795
Treasury stock	-2,448	-2,358
Total shareholders’ equity	80,010	93,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	169	-4,938
Currency conversion adjustments	76	-535
Accumulated adjustment to retirement benefits	-498	-94
Total accumulated other comprehensive income	-252	-5,567
Stock acquisition rights	1,453	2,008
Non-controlling interests	396	12
Total net assets	81,608	90,268
Total liabilities and net assets	307,735	286,247

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

Consolidated income statement

(Million yen)

	Previous fiscal year (April 1, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Net sales	513,057	523,968
Cost of sales	384,335	379,850
Gross profit on sales	128,721	144,117
Sales, general, and administrative expenses		
Advertising expenses	18,992	19,028
Salaries, allowances, and bonuses	33,928	39,120
Provision of reserve for bonuses	1,461	1,788
Provision of reserve for directors' retirement benefits	25	13
Retirement benefit expenses	1,245	1,795
Rents	14,384	16,458
Depreciation	8,165	11,389
Amortization of goodwill	2,843	2,877
Other	28,463	29,061
Total sales, general, and administrative expenses	109,509	121,535
Operating income	19,212	22,582
Non-operating income		
Interest income	13	64
Purchase discounts	1,593	1,656
Gain on sales of investment securities	111	403
Other	1,034	1,111
Total non-operating income	2,753	3,235
Non-operating expenses		
Interest expenses	387	750
Interest on bonds	108	109
Foreign exchange losses	-	256
Other	423	485
Total non-operating expenses	919	1,600
Ordinary income	21,046	24,218
Extraordinary income		
Gain on negative goodwill	682	28
Gain on transition of retirement benefit plan	-	232
Gain on sales of shares of subsidiaries and affiliates	419	-
Gain on sales of non-current assets	0	202
Gain on reversal of share acquisition rights	10	38
Total extraordinary income	1,113	503
Extraordinary losses		
Impairment loss	916	1,426
Total extraordinary losses	916	1,426
Net income before taxes and other adjustments	21,243	23,294
Income taxes-current	9,517	10,073
Income taxes-deferred	-3,094	-2,695
Total income taxes	6,422	7,377
Net income	14,820	15,916
Net income attributable to shareholders of the non-controlling interests	2	4
Net income attributable to shareholders of the parent company	14,817	15,911

Consolidated statement of comprehensive income

(Million yen)

	Previous fiscal year (April 1, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Net income	14,820	15,916
Other comprehensive income		
Valuation difference on available-for-sale securities	-259	-5,257
Currency conversion adjustments	6	-612
Adjustments for retirement benefit obligations	-557	404
Total other comprehensive income	-810	-5,465
Comprehensive income	14,009	10,451
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	14,007	10,446
Comprehensive income attributable to non-controlling interests	2	4

(3) Consolidated statement of changes in net assets

Previous 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
Cumulative effects of changes in accounting policies			12		12
Restated balance	6,158	6,349	56,595	-1,400	67,702
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			14,817		14,817
Acquisition of treasury stock				-1,712	-1,712
Disposal of treasury stock		-137		664	526
Changes during the fiscal year in ownership interests between the trade in non-controlling interests		-5			-5
Changes during the fiscal year in items other than shareholders' equity (net)					
Total changes during the fiscal year	171	29	13,155	-1,048	12,308
Balance at end of fiscal year	6,330	6,378	69,751	-2,448	80,010

	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	69,109
Cumulative effects of changes in accounting policies	-12			-12			-
Restated balance	428	6	59	493	786	36	69,109
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							14,817
Acquisition of treasury stock							-1,712
Disposal of treasury stock							526
Changes during the fiscal year in ownership interests between the trade in non-controlling interests							-5
Changes during the fiscal year in items other than shareholders' equity (net)	-259	70	-557	-745	666	359	280
Total changes during the fiscal year	-259	70	-557	-745	666	359	12,588
Balance at end of fiscal year	169	76	-498	-252	1,453	396	81,608

Current fiscal year (April 1, 2019 - March 31, 2020)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at start of fiscal year	6,330	6,378	69,751	-2,448	80,010
Changes during the fiscal year					
Distribution of surplus			-1,867		-1,867
Net income attributable to shareholders of the parent company			15,911		15,911
Acquisition of treasury stock				-1,359	-1,359
Disposal of treasury stock		-331		1,449	1,118
Changes during the fiscal year in items other than shareholders' equity (net)					
Total changes during the fiscal year	-	-331	14,044	90	13,803
Balance at end of fiscal year	6,330	6,046	83,795	-2,358	93,814

	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	169	76	-498	-252	1,453	396	81,608
Changes during the fiscal year							
Distribution of surplus							-1,867
Net income attributable to shareholders of the parent company							15,911
Acquisition of treasury stock							-1,359
Disposal of treasury stock							1,118
Changes during the fiscal year in items other than shareholders' equity (net)	-5,107	-612	404	-5,315	555	-383	-5,143
Total changes during the fiscal year	-5,107	-612	404	-5,315	555	-383	8,660
Balance at end of fiscal year	-4,938	-535	-94	-5,567	2,008	12	90,268

(4) Consolidated cash flow statement

(Million yen)

	Previous fiscal year (April 1, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Cash flow from operating activities		
Net income before taxes and other adjustments	21,243	23,294
Depreciation	9,004	12,318
Impairment loss	916	1,426
Amortization of goodwill	2,843	2,877
Gain on negative goodwill	-682	-28
Increase (decrease) in reserve for retirement benefits	595	724
Increase (decrease) in allowance for doubtful accounts	231	-1,446
Increase (decrease) in reserve for points	355	1,430
Increase (decrease) in reserve for promotion of admissions	32	-28
Increase (decrease) in reserve for guarantees for merchandise sold	55	-72
Interest income and dividend income	-40	-192
Interest expenses	387	750
Decrease (increase) in accounts receivable-trade	203	19,808
Decrease (increase) in inventories	3,119	3,982
Decrease (increase) in accounts receivable-other	-140	828
Increase (decrease) in notes and accounts payable-trade	-5,261	-8,508
Increase (decrease) in accrued expenses	61	-745
Increase (decrease) in accrued consumption taxes	106	-140
Increase (decrease) in accounts payable-other	1,631	-3,869
Increase (decrease) in unearned revenue	960	-812
Other	1,572	-845
Subtotal	37,196	50,749
Interest and dividend income received	56	208
Interest expenses paid	-497	-863
Income tax (paid) or refund	-7,966	-11,228
Cash flow from operating activities	28,789	38,866

(Million yen)

	Previous fiscal year (April 1, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Cash flow from investment activities		
Purchase of tangible non-current assets	-4,387	-3,611
Purchase of intangible assets	-594	-844
Purchase of investment securities	-5,986	-14,353
Proceeds from sales of investment securities	273	1,146
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-2,077	-56
Payments for lease and guarantee deposits	-1,361	-758
Proceeds from collection of lease and guarantee deposits	496	313
Other	816	476
Cash flow from investment activities	-12,820	-17,688
Cash flow from financing activities		
Increase (decrease) in short-term loans payable	280	5,126
Proceeds from long-term loans payable	11,460	6,120
Repayment of long-term loans payable	-15,227	-30,336
Purchase of treasury stock	-1,712	-1,359
Proceeds from sales of treasury stock	368	568
Cash dividends paid	-1,662	-1,867
Purchase of shares of subsidiaries resulting in no change in scope of consolidation	-44	-354
Repayment of lease obligations	-	-2,493
Other	384	313
Cash flow from financing activities	-6,152	-24,283
Effect of exchange rate changes on cash and cash equivalents	-45	-453
Increase (decrease) in cash and cash equivalents	9,769	-3,558
Starting balance of cash and cash equivalents	10,963	20,733
Ending balance of cash and cash equivalents	20,733	17,174

(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.
Victoria Communication Co., Ltd.
NIFTY Corporation
NIFTY NeXus Co., Ltd.
NIFTY Lifestyle Co., Ltd.
Tryell, Inc.
NOJIMA STELLA SPORTS CLUB Co., Ltd.
Business Grand Works Co., Ltd.
Sygni Corporation
Nojima Information Technology, Inc.
Nojima Asia Pacific Pte. Ltd.
COURTS Asia Ltd.
Nojima (Cambodia) Co., Ltd.

Notes

i Victoria Communication Co., Ltd. is included in the scope of consolidation because of a share acquisition on April 1, 2019 by ITX Corporation, a consolidated subsidiary of Nojima Corporation.

ii Tryell, Inc. is included in the scope of consolidation because of a share acquisition on April 1, 2019 by NIFTY Lifestyle Co., Ltd., a consolidated subsidiary of Nojima Corporation.

iii Hardware Lifestyle Pte. Ltd. and Home Lifestyle Pte. Ltd. are excluded from the scope of consolidation as they were removed from the registration on January 15, 2020 through the striking off procedure.

(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.

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.

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 (Full 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:

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)

The Company 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 Ltd. mainly use the straight-line method in accordance with their countries' accounting standards. However, COURTS Asia Ltd. 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 number 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) Significant method of hedge accounting

A. Method of hedge accounting

Deferred hedge accounting is adopted.

B. Hedging instruments and hedged items

Hedged items and hedging instruments to which hedge accounting is applied are as follows.

a. Hedging instruments ... Interest rate swaps

Hedged ... borrowings

b. Hedging instruments ... Currency swaps

Hedged ... foreign currency financial liabilities

C. Hedging policy

The Company and consolidated subsidiaries enter into interest rate swaps for the purpose of hedging activities within the scope of debt to reduce interest rate risk and improve the financial balance.

The Company and consolidated subsidiaries also enter into currency swaps for hedging purposes to avoid the risk of fluctuations in foreign exchange rates.

D. Method for evaluating hedge effectiveness

Effectiveness is assessed by comparing a market change in a hedged instrument or cumulative change in its cash flows with a market change in a hedging instrument or cumulative change in its cash flow to observe the ratio of those changes.

However, for interest rate swaps subject to special treatment, an evaluation of their effectiveness is omitted.

(5) 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. However, some consolidated subsidiaries apply the payment calculation method.

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 (six years) within the average remaining number of years of employment for personnel employed at the time each of such gains or losses arises in each consolidated fiscal year.

At some consolidated subsidiaries, unrecognized actuarial gains and losses are charged to income as of the end of the fiscal year under review due to the system change.

Past service costs are booked as expenses using the straight-line method, setting a fixed number of years (six 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 the amount payable to employees retiring voluntarily as of the end of the fiscal year as the amount of retirement benefit obligations.

(6) 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.”

(7) 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.

(8) 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 have only a minor risk of a fluctuation in value.

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

Account processing of consumption tax, etc.:

The tax-excluded method is applied.

(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 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 the date of adoption.

As a result, “lease assets” increased 8,010 million yen, and “lease obligations” under current liabilities and “lease obligations” under non-current liabilities increased 2,140 million yen and 6,437 million yen, respectively, as of March 31, 2020. The effects of this change on income and loss and per share information for the current fiscal year are immaterial.

(Valuation of investments in securities)

Valuation gains/losses of listed stocks classified as “Investments in available-for-sale securities” were conventionally treated according to the “Partial direct net assets entry method.” However, during 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 fiscal year ended March 31, 2019 are restated accordingly.

The effects of this change on income and loss and per share information for the fiscal year ended March 31, 2019, and the cumulative effects of this change until the start of the fiscal year ended March 31, 2019 are immaterial.

(Notes to the consolidated balance sheet)

*1 "Leased assets (net)" refers to right-of-use assets (8,010 million yen) recorded by subsidiaries applying International Financial Reporting Standards.

*2 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, 2019)	Current fiscal year (March 31, 2020)
Credit line	59,305 million yen	52,979 million yen
Outstanding balance	17,350	11,986
Difference: Available balance	41,954	40,992

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

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

The segment of Overseas business sells digital audio video products, IT devices, home electronics, and home furniture, and provides solutions, setup, and other services.

(3) Change in reporting segments

From the end of the previous fiscal year, we added the segment of Overseas business to the reporting segments as we acquired shares of COURTS Asia Ltd. and it became a consolidated subsidiary. In line with this change, Nojima (Cambodia) Co., Ltd., which was included in the segment of Operation of digital home electronics retail stores before this change, is included in the segment of Overseas business. The effects of this change on comparative information are immaterial.

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, 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	82,774	126,834	33,579	49,057	292,246	8,810	301,056	6,678	307,735
Segment liabilities	58,072	88,536	12,077	38,700	197,386	1,480	198,867	27,260	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 expenses	1	264	0	-	265	1	267	120	387
Equity in earnings 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, the animal medical business, and the software development business.

*2. Adjustments to segment income (loss) 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 (loss) is adjusted with ordinary income on the consolidated income statement.

*4. Regarding the Overseas business segment, segment assets, liabilities, etc. are described as we acquired shares of COURTS Asia Ltd. at the end of the previous fiscal year and only its balance sheet is consolidated.

Current fiscal year (April 1, 2019 - March 31, 2020)

(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	214,850	207,322	47,690	46,607	516,471	7,497	523,968	-	523,968
Internal sales or transfers between segments	1,384	119	219	2	1,725	580	2,306	-2,306	-
Subtotal	216,235	207,441	47,909	46,609	518,197	8,078	526,275	-2,306	523,968
Segment income (loss)	13,661	6,773	3,438	-123	23,750	663	24,413	-195	24,218
Segment assets	79,565	111,555	30,722	44,576	266,420	8,657	275,077	11,169	286,247
Segment liabilities	59,483	73,841	8,831	35,830	177,987	1,168	179,155	16,822	195,978
Other accounts									
Depreciation	1,725	5,368	1,688	3,317	12,098	219	12,318	-	12,318
Amortization of goodwill	-	1,560	1,316	-	2,877	-	2,877	-	2,877
Interest income	-	0	0	52	53	0	53	11	64
Interest expenses	-	223	-	429	652	0	653	96	750
Equity in earnings of affiliates	-	85	-	-	85	-	85	-	85
Impairment loss	892	419	73	42	1,426	-	1,426	-	1,426
Investment in equity-method affiliates	-	754	-	-	754	-	754	-	754
Unamortized balance of goodwill	-	15,564	9,193	-	24,758	-	24,758	-	24,758
Increase in tangible and intangible non-current assets	2,770	696	469	441	4,378	27	4,406	-	4,406

Notes:

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

*2. Adjustments to segment income (loss) 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 (loss) is adjusted with ordinary income on the consolidated income statement.

*4. The increase in tangible and intangible non-current assets does not include lease assets of IFRS 16 “Leases.”

(Per-share information)

	Previous fiscal year (April 1, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Net assets per share	1,594.23 yen	1,759.32 yen
Net earnings per share	296.83 yen	317.12 yen
Diluted earnings per share	287.77 yen	313.17 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, 2018 - March 31, 2019)	Current fiscal year (April 1, 2019 - March 31, 2020)
Net earnings per share		
Net income attributable to shareholders of the parent company (million yen)	14,817	15,911
Amount not reverting to common shareholders (million yen)	–	–
Net income attributable to shareholders of the parent company related to common stock (million yen)	14,817	15,911
Average number of shares during the fiscal year (thousand shares)	49,919	50,175
Diluted net earnings per share		
Adjustments of net income attributable to shareholders of the parent company (million yen)	–	–
Increase in common stock (thousand shares)	1,572	632
(Amount of the above corresponding to stock subscription rights [thousand shares])	(1,572)	(632)
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)	Stock acquisition rights no. 16 (2018 stock options) (13,286 stock subscription rights) Stock acquisition rights no. 17 (2019 stock options) (14,851 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 454 thousand shares in the previous fiscal year and 175 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 338 thousand shares in the previous fiscal year and 14 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 12, 2020, the Board of Directors of the Company passed a resolution calling for the presentation at the 58th regular general meeting of shareholders, scheduled for June 19, 2020, 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 gratis

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 gratis.

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 gratis.

(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 gratis 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 gratis.
   C. The Company may cancel the stock acquisition rights it has acquired and holds gratis 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 58th regular general meeting of shareholders scheduled for June 19, 2020 of the resolution on the issuance of stock acquisition rights gratis as stock options and upon approval by the compensation committee at a meeting held after the 58th regular general meeting of shareholders on individual compensation for directors and executive officers.

(ESOP Trust Utilizing Employee Shareholding Association)

On May 12, 2020, the Board of Directors resolved that we would introduce an employee incentive plan called the "ESOP Trust Utilizing Employee Shareholding Association" (ESOP Trust), with the aim of raising corporate value over the medium and long terms.

1. Purpose of introducing ESOP Trust

We have decided to introduce the ESOP Trust with the purposes of encouraging employees to work harder and participate in management in order to improve our performance and of further incentivizing management to increase stock value, thereby raising corporate value over the medium and long terms.

We introduced it in May 2017; however, following its termination in March 2020, we have decided to reintroduce it.

2. Outline of ESOP Trust

We have established the ESOP Trust, in which beneficiaries are employees who join the Employee Shareholding Association named the NEX employee stock ownership plan ("Our shareholding association" hereinafter), and satisfy the prescribed conditions.

The ESOP Trust purchases stocks equivalent to the amount over the next three years that our shareholding association is expected to purchase throughout the period of the trust. The ESOP Trust sells stocks to our shareholding association once a month. In accordance with the terms of the trust, stocks remaining in the trust due to an increase in the stock price are cashed out, and the beneficiaries receive the proceeds according to their contribution ratio. Because we pay it to a bank based on the Guarantee terms of a loan agreement if the loan remains due to a stock price decline at the end of the term, there is no additional charge from employees.

3. Content of ESOP Trust

(1) Type of Trust Agreement: Specified Money in Trust
(2) Purpose: Stable and continuous supply of stock to our shareholding association and improvement of welfare for employees who are qualified as beneficiaries
(3) Consigner: Nojima Corporation
(4) Trustee: Mitsubishi UFJ Trust and Banking Corporation
(5) Beneficiary: Members of our shareholding association who satisfy the necessary conditions
(6) Administrator: A third party that does not have an interest with the Company
(7) Date of Agreement: May 18, 2020
(8) Term of Trust: May 18, 2020 to May 25, 2023 (planned)
(9) Exercise of Right to vote: ESOP Trust will exercise the right to vote according to votes of the association.
(10) Type of stock to be purchased: Common stock issued by Nojima Corporation
(11) Total amount to be purchased: 1,300 million yen
(12) Transaction Period for purchasing stocks: May 22, 2020 to September 23, 2020 (planned)
(13) Terms of acquisition: Purchase of stocks through a stock market.