



Summary of Consolidated Financial Results for the Three-month Period Ended June 30, 2021 (Japanese accounting standards)

Released: July 30, 2021

Name of listed firm: Nojima Corporation

Listed on the Tokyo Stock Exchange

Code No.: 7419

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Scheduled start date of dividend payments: -

Supplemental materials on quarterly financial results: No

Briefing session for quarterly financial results for analysts: No

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

1. Consolidated financial results for the three-month period ended June 30, 2021 (April 1, 2021 - June 30, 2021)

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

| | Net sales | | Operating income | | Ordinary income | | EBITDA | | Net income attributable to shareholders of the parent company | |
|--|-------------|-------|------------------|------|-----------------|-------|-------------|------|---|-------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three-month period ended June 30, 2021 | 138,484 | 30.2 | 7,769 | 29.0 | 8,801 | -71.6 | 12,905 | 24.7 | 6,026 | -79.0 |
| Three-month period ended June 30, 2020 | 106,330 | -18.0 | 6,022 | 64.6 | 30,982 | 652.3 | 10,351 | 25.5 | 28,741 | 870.1 |

Note: Comprehensive income: Three-month period ended June 30, 2021: -333 million yen (-101.0%)

Three-month period ended June 30, 2020: 34,052 million yen (- %)

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 | |
| Three-month period ended June 30, 2021 | 122.25 | | 118.68 | |
| Three-month period ended June 30, 2020 | 573.61 | | 564.79 | |

Note: Regarding the conversion of Suruga Bank Ltd. into an equity-method affiliate on June 26, 2020, provisional accounting treatment was carried out during the first quarter of the fiscal year ended March 2021. It was finalized in the second quarter of the fiscal year ended March 2021 and reflected the contents of the finalization of the provisional accounting treatment for the relevant figures for the first quarter of the fiscal year ended March 2021.

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of June 30, 2021 | 299,475 | 110,810 | 36.2 | 2,194.30 |
| As of March 31, 2021 | 340,183 | 144,296 | 41.8 | 2,879.19 |

Reference: Equity: As of June 30, 2021: 108,420 million yen As of March 31, 2021: 142,030 million yen

2. Dividends

| | Dividends per share | | | | |
|--------------------------------|---------------------|-----------|-----------|----------|-------|
| | End of 1Q | End of 2Q | End of 3Q | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| FY ended March 2021 | - | 22.00 | - | 24.00 | 46.00 |
| FY ended March 2022 | - | - | - | - | - |
| FY ending March 2022 (planned) | - | 24.00 | - | 24.00 | 48.00 |

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

3. Forecasts of consolidated financial results for the fiscal year ending March 2022 (April 1, 2021 - March 31, 2022)

(Percentages indicate changes from the previous year for full-year forecasts and changes from the same quarter of the previous fiscal year for quarterly forecasts)

| | Net sales | | Operating income | | Ordinary income | | EBITDA | | Net income attributable to shareholders of the parent company | | Net income per share |
|-----------------|-------------|------|------------------|-----|-----------------|-------|-------------|-----|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Q2 (cumulative) | 280,000 | 16.3 | 18,000 | 2.8 | 19,300 | -56.3 | 26,500 | 0.2 | 13,600 | -64.5 | 275.25 |
| Full-year | 565,000 | 8.0 | 35,000 | 3.5 | 39,000 | -39.7 | 53,000 | 2.4 | 27,000 | -48.9 | 546.45 |

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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) has been applied since the beginning of the fiscal year ending March 2022. The above forecasts of consolidated financial results are amounts after applying the relevant accounting standard. The percentage changes compared to the previous year and the same quarter of the previous year are the percentage changes compared to the amount before application since the amount of impact after application is minor.

* Notes

- (1) Significant changes in subsidiaries during this period
(changes in designated subsidiaries resulting in changes in the scope of consolidation): No
Added: ___ company(ies) (name(s): _____) Removed: ___ company(ies) (name(s): _____)
- (2) Application of special accounting methods in the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions in accounting standards and other regulations: Yes
 - Changes in accounting policies for reasons other than i.: No
 - Changes in accounting estimates: No
 - Restatement of prior period financial statements: No

For detailed information, see p. 8, "2. Quarterly Consolidated Financial Statements and Main Notes: (3) Notes on consolidated financial statements (Changes in accounting policies)."

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

| | | | | |
|--|--|-------------------|--|-------------------|
| i. Number of shares issued and outstanding at the end of the period (including treasury stock) | As of June 30, 2021 | 51,289,616 shares | As of March 31, 2021 | 51,289,616 shares |
| ii. Number of shares of treasury stock at the end of the period | As of June 30, 2021 | 1,879,744 shares | As of March 31, 2021 | 1,959,508 shares |
| iii. Average number of shares during the period | Three-month period ended June 30, 2021 | 49,295,729 shares | Three-month period ended June 30, 2020 | 50,105,841 shares |

Note: The number of shares of treasury stock above includes shares held in trust accounts (199,600 shares as of June 30, 2021 and 267,400 shares as of March 31, 2021) for the employee stock ownership plan (ESOP). Shares of the Company's own stock held in ESOP trust accounts are included in treasury stock subtracted from the calculation of the average number of shares during the period (240,241 shares for the three-month period ended June 30, 2021 and 84,064 shares for the three-month period ended June 30, 2020).

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

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

Note on forward-looking statements:

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

(Reference)

Nojima Corporation made Suruga Bank, Ltd. an equity method affiliate on June 26, 2020. As a result, in the consolidated financial statements for the three-month period ended June 30, 2020, a gain on equity method investment of 24,315 million yen of Suruga Bank, Ltd. etc., including an amount equivalent to negative goodwill, was recorded as non-operating income. The consolidated financial results for the cumulative period excluding the impact are as follows.

Consolidated financial results for the three-month period ended June 30, 2021 (April 1, 2021 - June 30, 2021)

(Exclude profit and loss using the equity method)

(1) Consolidated results of operations (Cumulative)

(Percentages indicate year-on-year changes.)

| | Net sales | | Operating income | | Ordinary income | | EBITDA | | Net income attributable to shareholders of the parent company | |
|--|-------------|-------|------------------|------|-----------------|------|-------------|------|---|------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| Three-month period ended June 30, 2021 | 138,484 | 30.2 | 7,769 | 29.0 | 8,797 | 32.0 | 12,905 | 24.7 | 6,021 | 36.1 |
| Three-month period ended June 30, 2020 | 106,330 | -18.0 | 6,022 | 64.6 | 6,667 | 62.0 | 10,351 | 25.5 | 4,425 | 49.6 |

| | Net income per share | | Diluted net income per share | |
|--|----------------------|--|------------------------------|--|
| | Yen | | Yen | |
| Three-month period ended June 30, 2021 | 122.16 | | 118.59 | |
| Three-month period ended June 30, 2020 | 88.33 | | 86.97 | |

(2) Consolidated financial position

| | Total assets | | Net assets | | Equity ratio | | Net assets per share | |
|--|--------------|--|-------------|--|--------------|--|----------------------|--|
| | Million yen | | Million yen | | % | | Yen | |
| Three-month period ended June 30, 2021 | 299,464 | | 110,800 | | 36.2 | | 2,194.08 | |
| As of March 31, 2021 | 311,418 | | 115,530 | | 36.4 | | 2,296.05 | |

Reference: Equity: As of June 30, 2021: 108,409 million yen As of March 31, 2021: 113,264 million yen

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of operating results

During the three-month period ended June 30, 2021, although an economic recovery was expected due to the promotion of vaccination aimed at combating COVID-19 infections, the supply of vaccines could not keep up with demand and an increasing number of people were infected with the Indian-type mutant strain (Delta strain), which has strong infectivity; therefore, the outlook is expected to remain uncertain.

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.

As a result, for the three-month period ended June 30, 2021, we recorded net sales of 138,484 million yen (130.2% of the figure for the three-month period ended June 30, 2020), operating income of 7,769 million yen (129.0% of the figure for the three-month period ended June 30, 2020), ordinary income of 8,801 million yen (28.4% of the figure for the three-month period ended June 30, 2020), and net income attributable to shareholders of the parent company of 6,026 million yen (21.0% of the figure for the three-month period ended June 30, 2020).

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 12,905 million yen (124.7% of the figure for the three-month period ended June 30, 2020).

(* EBITDA = ordinary income + interest expenses + interest on bonds + depreciation + amortization of goodwill - gain on equity method investment

Business performance by segment is outlined below.

(Operation of digital home electronics retail stores)

In response to changes in customer needs in new daily life and continuing measures taken against COVID-19 infections, we have endeavored to improve customer satisfaction through consulting-based sales on products that are optimal for our customers.

We closed one-third of the total number of stores last year, but this year we continued to operate all stores. In addition to group synergies with our subsidiary NIFTY Corporation, our strength in consulting sales has been accepted by our customers, and sales have increased steadily for organic ELTVs, refrigerators, washing machines, etc.

As a result, net sales in this segment totaled 60,110 million yen (118.1% of the figure for the three-month period ended June 30, 2020), and segment income was 4,923 million yen (105.4% of the figure for the three-month period ended June 30, 2020).

(Operation of mobile carrier stores)

In the midst of significant changes in the industry, such as the launch of a new rate plan limited to online support by telecommunications carriers, we comprehensively managed stores with the utmost consideration given to preventing COVID-19 infections. We have continued to operate stores that provide accurate consulting to customers regarding their problems and improve the quality of customer service so that customers who come to our stores have a good experience. We have also executed relocation and renovation of stores aggressively to improve sales performance.

As a result, net sales in this segment totaled 45,974 million yen (129.2% of the figure for the three-month period ended June 30, 2020), and segment income was 1,432 million yen (121.5% of the figure for the three-month period ended June 30, 2020).

(Internet business)

In addition to increasing the use of ultra-high-speed broadband services, which are an indispensable infrastructure for daily life, we provided information on FLET'S Hikari service "@nifty Hikari" and security services provided by NTT East and NTT West at Group stores, and maximized group synergies.

We are reviewing the business structure, including optimizing expenses for Cecile Co. Ltd., which became a subsidiary in March 2021.

As a result, net sales in this segment totaled 20,146 million yen (173.6% of the figure for the three-month period ended June 30, 2020), and segment income was 1,829 million yen (176.6% of the figure for the three-month period ended June 30, 2020).

(Overseas business)

Last year, long-term lockdown measures were taken in individual countries, but this year we are continuing operations in Singapore and Indonesia. An improvement of the economic environment is still uncertain, due to events such as lockdown measures being taken again in Malaysia. Under these circumstances, we enhanced the education and training of human resources to provide higher quality customer service.

As a result, net sales in this segment totaled 10,445 million yen (156.8% of the figure for the three-month period ended June 30, 2020), and segment income was 452 million yen (Ordinary loss of 406 million yen for the three-month period ended June 30, 2020).

(Stores in operation)

With seven new store openings and two store closures, including scrap-and-build, the number of digital home electronics retail stores stood at 196, or 220 including 24 dedicated communications device stores.

In the operation of mobile carrier stores, following acquisition of five stores and the closure and sale of 14 stores, including scrap-and-build, the number of stores, including both directly-operated carrier stores and franchises, stood at 589.

In the overseas business, with one store closure, the number of stores stood at 67.

In the light of these factors, the numbers of stores as of June 30, 2021 are as shown below.

Stores in operation

| Classification | Directly operated | Franchises | Total |
|---|-------------------|------------|------------|
| Operation of digital home electronics retail stores | 220 stores | - | 220 stores |
| Digital home electronics retail stores | 196 stores | - | 196 stores |
| Dedicated communications device stores | 24 stores | - | 24 stores |
| Operation of mobile carrier stores | 395 stores | 194 stores | 589 stores |
| Carrier stores | 383 stores | 188 stores | 571 stores |
| Others | 12 stores | 6 stores | 18 stores |
| Overseas business | 67 stores | - | 67 stores |
| Total | 682 stores | 194 stores | 876 stores |

(2) Explanation of financial position

Assets, liabilities and net assets

(Assets)

Total assets as of June 30, 2021 were 299,475 million yen, a decrease of 40,708 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 13,931 million yen to 136,866 million yen in current assets and a decrease of 26,777 million yen to 162,608 million yen in non-current assets.

The primary factors underlying the decrease in current assets included decreases of 16,500 million yen in accounts receivable-trade and 2,996 million yen in accounts receivable-other, despite increases of 3,630 million yen and 1,120 million yen in merchandise and products and cash and deposit, respectively.

The main causes of the decrease in non-current assets included decreases of 34,771 million yen in investment securities and 1,076 million yen in contractual intangible assets, despite increases of 4,575 million yen and 4,055 million yen in buildings and structures and land, respectively.

(Liabilities)

Total liabilities as of June 30, 2021 were 188,664 million yen, a decrease of 7,223 million yen from the end of the previous fiscal year.

This decrease was due mainly to a decrease of 14,462 million yen to 109,828 million yen in current liabilities and an increase of 7,239 million yen to 78,836 million yen in non-current liabilities.

The primary factors underlying the decrease in current liabilities included decreases of 10,243 million yen, 6,403 million yen, and 4,171 million yen in notes and account payable-trade, income tax payable, and reserve for points, respectively, despite increases of 5,000 million yen in current portion of bonds and 3,092 million yen in contract liabilities.

The main causes of the increase in non-current liabilities included increases of 11,410 million yen and 4,745 million yen in contract liabilities and long-term loans payable, respectively, despite decreases of 5,000 million yen in bonds and 3,891 million yen in reserve for guarantees for merchandise sold.

(Net assets)

Net assets as of June 30, 2021 totaled 110,810 million yen, a decrease of 33,485 million yen from the end of the previous fiscal year, due to factors including decreases of 6,304 million yen in valuation difference on available-for-sale securities and 27,344 million yen in retained earnings.

These factors resulted in an equity ratio of 36.2% (41.8% at the end of the previous fiscal year).

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

Forecasts of consolidated financial results for the 2Q (cumulative) and the full-year have not been revised since the release of the "Summary of Consolidated Financial Results for the Fiscal Year Ended March 2021" on May 6, 2021.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Consolidated balance sheet

(Million yen)

| | Previous fiscal year (as of March 31, 2021) | First quarter of the current fiscal year (as of June 30, 2021) |
|---------------------------------------|--|--|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,513 | 19,634 |
| Accounts receivable-trade | 70,707 | 54,207 |
| Merchandise and products | 49,460 | 53,090 |
| Accounts receivable-other | 9,472 | 6,476 |
| Other | 4,331 | 4,966 |
| Allowance for doubtful accounts | -1,688 | -1,508 |
| Total current assets | 150,797 | 136,866 |
| Non-current assets | | |
| Tangible non-current assets | | |
| Buildings and structures (net) | 16,475 | 21,050 |
| Tools, fixtures, and facilities (net) | 2,747 | 2,957 |
| Lease assets (net) | 14,601 | 14,553 |
| Land | 9,269 | 13,325 |
| Other (net) | 2,148 | 900 |
| Total tangible non-current assets | 45,242 | 52,786 |
| Intangible assets | | |
| Goodwill | 21,949 | 21,255 |
| Software | 1,965 | 1,863 |
| Trademark rights | 468 | 351 |
| Contractual intangible assets | 42,134 | 41,057 |
| Customer-related intangible assets | 1,323 | 1,157 |
| Other | 113 | 135 |
| Total intangible assets | 67,955 | 65,823 |
| Investments and other assets | | |
| Investment securities | 51,333 | 16,561 |
| Deferred tax assets | 9,182 | 11,034 |
| Lease and guarantee deposits | 13,609 | 14,396 |
| Retirement benefit asset | 117 | 125 |
| Other | 2,006 | 1,945 |
| Allowance for doubtful accounts | -60 | -64 |
| Total investments and other assets | 76,188 | 43,998 |
| Total non-current assets | 189,386 | 162,608 |
| Total assets | 340,183 | 299,475 |

(Million yen)

| | Previous fiscal year (as of March 31, 2021) | First quarter of the current fiscal year (as of June 30, 2021) |
|---|--|--|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 54,806 | 44,563 |
| Electronically recorded obligations-operating | 1,085 | 1,224 |
| Short-term loans payable | 6,966 | 5,638 |
| Current portion of long-term loans payable | 9,326 | 11,445 |
| Current portion of bonds | - | 5,000 |
| Accounts payable-other | 13,855 | 12,023 |
| Accrued income taxes | 7,734 | 1,331 |
| Accrued consumption tax | 2,301 | 1,437 |
| Accrued expenses | 3,457 | 3,215 |
| Advances received | 4,638 | 4,162 |
| Unearned revenue | 6,622 | 6,479 |
| Deposits received | 2,678 | 4,262 |
| Contract liabilities | - | 3,092 |
| Reserve for points | 5,104 | 933 |
| Reserve for bonuses | 1,612 | 980 |
| Reserve for promotion of admissions | 272 | - |
| Lease obligations | 2,593 | 2,863 |
| Other | 1,234 | 1,175 |
| Total current liabilities | 124,291 | 109,828 |
| Non-current liabilities | | |
| Bonds | 5,000 | - |
| Long-term loans payable | 20,369 | 25,115 |
| Contract liabilities | - | 11,410 |
| Reserve for guarantees for merchandise sold | 3,891 | - |
| Reserve for directors' retirement benefits | 238 | 235 |
| Retirement benefit liabilities | 10,682 | 10,800 |
| Deferred tax liabilities | 12,065 | 11,851 |
| Lease obligations | 12,849 | 12,726 |
| Other | 6,499 | 6,696 |
| Total non-current liabilities | 71,596 | 78,836 |
| Total liabilities | 195,887 | 188,664 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 6,330 | 6,330 |
| Capital surplus | 5,519 | 5,432 |
| Retained earnings | 134,530 | 107,186 |
| Treasury stock | -5,121 | -4,940 |
| Total shareholders' equity | 141,259 | 114,008 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 581 | -5,722 |
| Deferred gains or losses on hedges | 60 | 30 |
| Currency conversion adjustments | 75 | 22 |
| Accumulated adjustment to retirement benefits | 54 | 81 |
| Total accumulated other comprehensive income | 771 | -5,588 |
| Stock acquisition rights | 2,265 | 2,390 |
| Total net assets | 144,296 | 110,810 |
| Total liabilities and net assets | 340,183 | 299,475 |

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

Consolidated income statement

(For the three-month period)

| | (Million yen) | |
|---|--|---|
| | Three-month period of the previous fiscal year (April 1, 2020 - June 30, 2020) | Three-month period of the current fiscal year (April 1, 2021 - June 30, 2021) |
| Net sales | 106,330 | 138,484 |
| Cost of sales | 73,422 | 96,637 |
| Gross profit on sales | 32,907 | 41,847 |
| Sales, general, and administrative expenses | 26,884 | 34,077 |
| Operating income | 6,022 | 7,769 |
| Non-operating income | | |
| Interest income | 28 | 7 |
| Dividend income | 283 | 309 |
| Purchase discounts | 432 | 545 |
| Gain on equity method investment | 24,315 | 4 |
| Other | 247 | 398 |
| Total non-operating income | 25,307 | 1,265 |
| Non-operating expenses | | |
| Interest expenses | 169 | 152 |
| Interest on bonds | 17 | 12 |
| Donations | 82 | 1 |
| Other | 77 | 67 |
| Total non-operating expenses | 347 | 233 |
| Ordinary income | 30,982 | 8,801 |
| Extraordinary income | | |
| Gain on reversal of share acquisition rights | 4 | 3 |
| Gain on sales of non-current assets | 13 | 11 |
| Total extraordinary income | 17 | 15 |
| Extraordinary losses | | |
| Impairment loss | 10 | 7 |
| Total extraordinary losses | 10 | 7 |
| Net income before taxes and other adjustments | 30,990 | 8,810 |
| Income taxes-current | 2,066 | 1,931 |
| Income taxes-deferred | 180 | 852 |
| Total income taxes | 2,246 | 2,783 |
| Net income | 28,743 | 6,026 |
| Net income attributable to shareholders of the non-controlling interests | 1 | - |
| Net income attributable to shareholders of the parent company | 28,741 | 6,026 |

Consolidated statement of comprehensive income

(For the three-month period)

(Million yen)

| | Three-month period of the previous fiscal year (April 1, 2020 - June 30, 2020) | Three-month period of the current fiscal year (April 1, 2021 - June 30, 2021) |
|---|--|---|
| Net income | 28,743 | 6,026 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 5,237 | -6,043 |
| Deferred gains or losses on hedges | - | -28 |
| Currency conversion adjustments | 66 | -52 |
| Adjustments for retirement benefit obligations | 5 | 20 |
| Share of other comprehensive income of entities accounted for using equity method | - | -255 |
| Total other comprehensive income | 5,309 | -6,359 |
| Comprehensive income | 34,052 | -333 |
| (Breakdown) | | |
| Comprehensive income attributable to shareholders of the parent company | 34,050 | -333 |
| Comprehensive income attributable to non-controlling interests | 1 | - |

(3) Notes on consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Significant changes in shareholders' equity)

Nojima Corporation excluded Suruga Bank Ltd. from the scope of equity method during the first quarter of the current fiscal year. As a result, retained earnings decreased by 28,414 million yen during the three-month period of the current fiscal year. At the Board of Directors meeting held on May 6, 2021, the Company resolved to distribute dividends of 1,190 million yen from retained earnings.

As a result, retained earnings as of June 30, 2021 were 107,186 million yen.

(Changes in accounting policies)

(Application of "Accounting Standard for Revenue Recognition")

The company has applied "Accounting Standard for Revenue Recognition, " etc. (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition") since the beginning of the first quarter of the current fiscal year, and recognizes revenue in the amount expected to be received in exchange for promised goods or services at the time when control of these goods or services is transferred to the customer. This led to the following major changes.

(1) Provision of warranty service

We provide a warranty service based on a separate contract for products sold. In the past, a reserve for guarantees for merchandise sold was recorded and the costs were recognized. If the warranty on the product is not a guarantee that it will function as intended according to the agreed specifications, but a guarantee that it will serve the customer, we have changed the method of identifying the guarantee as a performance obligation.

(2) Provision of points

In the past, the point system was used to record expenses that are expected to be required to be exchanged for points in the future as reserve for points, but when the points provide important rights to customers, they are identified as performance obligations. However, we have changed to a method of deferring the recording of revenue.

(3) Consideration paid to customers

In the past, considerations paid to customers such as cash backs have been recognized as costs by recording them in the reserve for promotion of admissions, but this has been changed to a method whereby it is deducted from the transaction price.

(4) Provision of WEB content services

In the past, revenue related to the provision of WEB content services was recognized as total revenue, but as a result of determining the role (principal or agent) in providing goods or services to customers, we have changed this to a method recognizing it as net revenue.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso to Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of the retrospective application of the new accounting policy, assuming it has been applied to periods prior to the beginning of the first quarter of the current fiscal year, are added to or subtracted from retained earnings at the beginning balance. However, the new accounting policy has not been retrospectively applied to contracts for which nearly all revenue amounts had been recognized in the accordance with the previous treatment prior to the beginning of the current fiscal year, by applying the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, after applying the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition and (1), all contract changes have been reflected for contract changes made before the beginning of the first quarter of the current fiscal year. Accounting treatment is based on the terms of the contract, and the cumulative impact amount is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales for the three-month period of the current fiscal year increased by 691 million yen, cost of sales decreased by 498 million yen, sales, general, and administrative expenses increased by 1,241 million yen, and operating income, ordinary income and net income before taxes and adjustments decreased by 51 million yen. In addition, the balance of retained earnings at the beginning of the current period decreased by 3,766 million yen.

Furthermore, in accordance with the transitional treatment set forth in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), breakdowns of revenue arising from contracts with customers for the three-month period of the previous fiscal year is not presented.

(Application of "Accounting Standard for Fair Value Measurement")

"Accounting Standard for Market Value Calculation" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as "Market Value Calculation Accounting Standard"), etc. is applied from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment set forth in Item 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), new accounting policies established by Fair Value Measurement Accounting Standard, etc. will be applied in the future. There is no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

I Three-month period of the previous fiscal year (April 1, 2020 – June 30, 2020)

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

(Million yen)

| | Reporting segment | | | | | Other (*1) | Total | Adjustments (*2) | Amount on quarterly consolidated income statement (*3) |
|--|---|------------------------------------|-------------------|-------------------|----------|------------|---------|------------------|--|
| | Operation of digital home electronics retail stores | Operation of mobile carrier stores | Internet business | Overseas business | Subtotal | | | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 50,616 | 35,531 | 11,529 | 6,659 | 104,337 | 1,992 | 106,330 | - | 106,330 |
| Internal sales or transfers between segments | 277 | 47 | 76 | - | 401 | 131 | 532 | -532 | - |
| Subtotal | 50,893 | 35,578 | 11,606 | 6,659 | 104,738 | 2,123 | 106,862 | -532 | 106,330 |
| Segment income (loss) | 4,668 | 1,178 | 1,036 | -406 | 6,477 | 24,558 | 31,036 | -53 | 30,982 |

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. Due to the application of the equity method of Suruga Bank Ltd., gain on equity method investment recorded is 24,327 million yen.
- *2. Adjustments to segment income (loss) consist of companywide costs not distributed among reporting segments.
- *3. Segment income (loss) is adjusted with ordinary income on the quarterly consolidated income statement.

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

(Significant impairment loss 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 losses.

The amount recorded in the reporting segment was 8 million yen for the operation of digital home electronics retail stores, and 2 million yen for the operation of mobile carrier stores.

(Significant change in amount of goodwill)

Not applicable

II Three-month period of the current fiscal year (April 1, 2021 – June 30, 2021)

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

(Million yen)

| | Reporting segment | | | | | Other (*1) | Total | Adjustments (*2) | Amount on quarterly consolidated income statement (*3) |
|--|---|------------------------------------|-------------------|-------------------|----------|------------|---------|------------------|--|
| | Operation of digital home electronics retail stores | Operation of mobile carrier stores | Internet business | Overseas business | Subtotal | | | | |
| Net sales | | | | | | | | | |
| Net sales to external customers | 59,701 | 45,947 | 20,038 | 10,445 | 136,133 | 2,351 | 138,484 | - | 138,484 |
| Internal sales or transfers between segments | 408 | 27 | 107 | - | 543 | 188 | 731 | -731 | - |
| Subtotal | 60,110 | 45,974 | 20,146 | 10,445 | 136,676 | 2,539 | 139,215 | -731 | 138,484 |
| Segment income | 4,923 | 1,432 | 1,829 | 452 | 8,637 | 197 | 8,835 | -33 | 8,801 |

Notes:

- *1. The "Other" business segment consists of businesses not included in the reporting segments above. These include the shopping mall business, the sports business, the training business, the mega-solar business, and the animal medical business, etc.
- *2. Adjustments to segment income consist of companywide costs not distributed among reporting segments.
- *3. Segment income is adjusted with ordinary income on the quarterly consolidated income statement.
- *4. During the six-month period of the previous fiscal year, the provisional accounting treatment for the conversion of Suruga Bank Ltd. into an equity-method affiliate was finalized, and segment information for the three-month period of the previous fiscal year reflects details of the finalization of provisional accounting treatment.

2. Matters concerning changes in reporting segments

From the first quarter of the current fiscal year, in order to more appropriately evaluate and manage the performance of each reporting segment, "Comprehensive mail-order business," which was previously included in "Other Businesses," has been changed to "Internet business."

NIFTY Cecile Co., Ltd. acquired shares of Cecile Co., Ltd. and its three subsidiaries on March 1, 2021. There is no impact of this change in reporting segment on the segment information for the three-month period of the previous fiscal year.

3. Information on impairment loss on non-current assets or goodwill for each reportable segment

(Significant impairment loss 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 losses.

The amount recorded in the reporting segment was 3 million yen for the operation of mobile carrier stores, and 3 million yen for the internet business.

(Significant change in amount of goodwill)

Not applicable

(Important subsequent events)

(Stock options)

At the Board of Directors meeting held on July 20, 2021, the Company resolved detailed terms for the issuance of stock options following approval of the proposal on the “Issuance of Stock Acquisition Rights as Stock Options” at the 59th Annual General Meeting of Shareholders.

1. Reason for issuing stock acquisition rights as stock options

The objective of adopting a program of stock options is to increase corporate value by strengthening moral and motivation in order to improve Group business performance. To achieve this objective, stock options are issued gratis.

2. Overview of issuance of stock acquisition rights

| | |
|--|---|
| Date of issuing stock acquisition rights | August 4, 2021 |
| Classification and number of people to be granted | Director of the Company: 14 Executive Officer of the Company: 4 Employees of the Company: 1,725 Directors and employees of our subsidiaries: 860 |
| Number of stock acquisition rights | 17,907 |
| Type, content, and number of shares subject to stock acquisition rights | Common stock Number of shares constituting one unit: 100 |
| Amount to be paid for exercising stock acquisition rights | TBD (Scheduled to be determined on August 4, 2021) |
| Period of exercise of stock acquisition rights | From July 21, 2024 to July 20, 2026 |
| Price of issued shares and amount of capital incorporation in the case of issuing shares upon exercise of stock acquisition rights | TBD (Scheduled to be determined on August 4, 2021) |