Summary of Consolidated Financial Results for the Nine-month Period Ended December 31, 2021 (Japanese accounting standards)

Released: January 31, 2022

Name of listed firm: Nojima Corporation
Listed on the Tokyo Stock Exchange
Code No.: 7419
URL: https://www.nojima.co.jp
Representative: Hiroshi Nojima, President & Representative Executive Officer
Tel.: +81-50-3116-1234
Contact: Jiro Shinohara, Director/Executive Officer/General Manager, Finance and Accounting Division

Scheduled date of quarterly report filing: February 10, 2022
Scheduled start date of dividend payments: -
Supplemental materials on quarterly financial results: No
Briefing session on quarterly financial results for analysts: No

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

1. Consolidated financial results for the nine-month period ended December 31, 2021 (April 1, 2021 - December 31, 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	%
Nine-month period ended December 31, 2021	413,833	9.3	21,625	-11.6	23,731	-55.0	36,614	-3.8	15,065	-65.6
Nine-month period ended December 31, 2020	378,470	-4.1	24,469	40.4	52,767	176.0	38,056	24.6	43,824	227.9

Note: Comprehensive income: Nine-month period ended December 31, 2021: 16,126 million yen (-67.4%)
Nine-month period ended December 31, 2020: 49,421 million yen (251.3 %)

・ 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."

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been applied since the beginning of the fiscal year ending March 2022. The consolidated financial results for the nine-month period ended December 31, 2021 are amounts obtained after applying the relevant accounting standards. As a result, sales decreased 13,682 million yen, and year-on-year change excluding this effect is 13.0% in real terms.

	Net income per share	Diluted net income per share
	Yen	Yen
Nine-month period ended December 31, 2021	304.42	298.21
Nine-month period ended December 31, 2020	885.24	863.64

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	331,470	129,487	37.9	2,539.84
As of March 31, 2021	340,183	144,296	41.8	2,879.19

Reference: Equity: As of December 31, 2021: 125,624 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	-	24.00	-		
FY ending March 2022 (planned)				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)

	Net sales		Operating income		Ordinary income		EBITDA		Net income attributable to shareholders of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	565,000	8.0	35,000	3.5	39,000	-39.7	53,000	2.4	27,000	-48.9	545.88

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

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been applied since the beginning of the fiscal year ending March 2022. The above forecasts of consolidated financial results are amounts obtained after applying the relevant accounting standards.

* 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

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.: No
iii. Changes in accounting estimates: No
iv. Restatement of prior period financial statements: No

・ For detailed information, see page 11, "2. Quarterly Consolidated Financial Statements and Main Notes: (3) Notes to the 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 December 31, 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 December 30, 2021	1,828,144 shares	As of March 31, 2021	1,959,508 shares
iii. Average number of shares during the period	Nine-month period ended December 31, 2021	49,490,328 shares	Nine-month period ended December 31, 2020	49,506,075 shares

Note: The number of shares of treasury stock above includes shares held in trust accounts (41,000 shares as of December 31, 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 (167,894 shares for the nine-month period ended December 31, 2021 and 314,340 shares for the nine-month period ended December 31, 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 disclosure 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)

Suruga Bank Ltd. became our equity-method affiliate on June 26, 2020. Accordingly, share of profit of entities accounted for using the equity method of 26,118 million yen, including negative goodwill associated with the application of the equity-method for an affiliate to Suruga Bank Ltd. etc., was recorded as non-operating income in the consolidated financial results for the nine-month period ended December 31, 2021. Consolidated results for the fiscal year excluding the effects of that impact are as follows.

Consolidated financial results for the nine-month period ended December 31, 2021 (April 1, 2021 - December 31, 2021)
(Excluding 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	%
Nine-month period ended December 31, 2021	413,833	9.3	21,625	-11.6	23,635	-11.3	36,614	-3.8	14,970	-15.5
Nine-month period ended December 31, 2020	378,470	-4.1	24,469	40.4	26,649	39.7	38,056	24.6	17,706	32.9

Note: The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29), etc. has been applied since the beginning of the fiscal year ending March 2022.
The consolidated financial results for the nine-month period ended December 31, 2021 are amounts obtained after applying the relevant accounting standards.
As a result, sales decreased 13,682 million yen, and year-on-year change excluding this effect is 13.0% in real terms.

	Net income per share	Diluted net income per share
	Yen	Yen
Nine-month period ended December 31, 2021	302.49	296.32
Nine-month period ended December 31, 2020	357.66	348.93

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2021	331,375	129,392	37.9	2,537.91
As of March 31, 2021	311,418	115,530	36.4	2,296.05

Reference: Equity: As of December 31, 2021: 125,528 million yen As of March 31, 2021: 113,264 million yen

○ Contents of attached documents

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of operating results

During the nine-month period ended December 31, 2021, although priority measures against new coronavirus infectious diseases such as the declaration of a state of emergency and actions to prevent their spread have been lifted, the situation is still unpredictable due to the emergence of new mutant strains such as Omicron. In addition, while consumer spending is picking up, supply chains are affected by semiconductor supply problems and soaring raw material prices, and the outlook for the economic situation 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.

In addition, from October 1, 2021, AXN Co., Ltd. became a wholly owned subsidiary and started a pay satellite broadcasting business. By providing high-quality broadcasting services, we are working to deliver even more comprehensive and excellent services.

As a result, for the nine-month period ended December 31, 2021, we recorded net sales of 413,833 million yen (109.3% of the figure for the nine-month period ended December 31, 2020), operating income of 21,625 million yen (88.4% of the figure for the nine-month period ended December 30, 2020), ordinary income of 23,635 million yen (88.7% year-on-year after deducting investment profit and loss due to the exclusion from the equity method for Suruga Bank, Ltd. in June 2021), and net income attributable to shareholders of the parent company of 14,970 million yen (84.5% of the figure compared to the same quarter of the previous year after deducting the investment profit/loss). Year-on-year changes before deducting equity in earnings of affiliates are 45.0% year-on-year in ordinary income and 34.4% year-on-year in net income attributable to shareholders of the parent company.

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. has been applied since the beginning of the fiscal year ending March 2022. As a result, sales decreased 13,682 million yen, cost of sales decreased 1,573 million yen, selling, general and administrative expenses decreased 11,517 million yen, and operating income, ordinary income and net income before tax adjustment decreased by 590 million yen, respectively. For details, please refer to "2. Quarterly Financial Statements and Main Notes (3) Notes on Quarterly Financial Statements (Changes in Accounting Policy)."

EBITDA (*), which the Group considers to be an important indicator of business performance, stood at 36,614 million yen (96.2% of the figure for the nine-month period ended December 31, 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)

Sales of PCs and air conditioners were sluggish as a consequence of a reaction to last year's demand for nesting and increased demand stimulated by government benefits, but there was also an increase resulting from time spent at home, such as for household appliances, including refrigerators and washing machines, and organic EL TVs. Sales were strong, and the digital home appliances business as a whole performed well.

Under these circumstances, we will continue to invest in human resources and provide higher quality services, as well as aggressively open stores in those areas that do not yet have stores, such as Nojima Shinjuku Takashimaya Times Square, to increase the number of stores. We have been promoting the opening and renovation of attractive stores in order to enhance customer experience. In October 2021, we marked the milestone of 200 stores with the opening of "Tokyu Store Kamakura."

As a result, net sales in this segment totaled 182,405 million yen (100.2% of the figure for the nine-month period ended December 31, 2020), and ordinary income was 12,976 million yen (77.8% of the figure for the nine-month period ended December 31, 2020). Due to the application of the "Accounting Standard for Revenue Recognition" for the current fiscal year, sales decreased 12,932 million yen and ordinary income decreased 623 million yen.

(Operation of mobile carrier stores)

In the midst of significant changes in the industry, such as the launch of new rate plans support by telecommunications carriers, the abolition of preferential treatment for high-priced plans, and a delay in the production of mobile devices due to the semiconductor supply problem.

Under these circumstances, we have continued to operate stores that provide accurate consulting services to customers regarding their problems, and have aggressively relocated and renovated stores to further improve sales performance. .

In October 2021, ITX Corporation (hereinafter, ITX), which operates the carrier shop business, was spun off and ITX Communications Co., Ltd. (hereinafter, "ITXC") started business. As a result, ITX has focused on the DoCoMo business and ITXC has concentrated on the KDDI business, making it possible to provide higher quality consulting services.

As a result, net sales in this segment totaled 136,279 million yen (105.9% of the figure for the nine-month period ended December 31, 2020), and ordinary income was 3,647 million yen (70.8% of the figure for the nine-month period ended December 31, 2020). The impact of the application of the “Accounting Standard for Revenue Recognition” in the current fiscal year is minor.

(Internet business)

Responding to the continuous increase in the use of ultra-high-speed broadband services, which form an indispensable infrastructure for daily life, we aggressively provided information on FLET'S Hikari service "@nifty Hikari," security services, and mailing services provided by NTT East and NTT West at Group stores, and maximized group synergies.

In addition, on December 24, 2021, NIFTY Lifestyle Co., Ltd., which develops behavior support platform services, was listed on the Tokyo Stock Exchange Mothers.

Regarding Cecile Co., Ltd., which became a subsidiary in March 2021, we are continuing to review the business structure and have made proposals to enrich new lifestyles utilizing the resources of the Group.

As a result, net sales in this segment totaled 56,030 million yen (160.7% of the figure for the nine-month period ended December 31, 2020), and ordinary income was 4,764 million yen (158.6% of the figure for the nine-month period ended December 31, 2020). Due to the application of the "Accounting Standard for Revenue Recognition" in the current fiscal year, sales decreased 746 million yen and ordinary income increased 35 million yen.

(Overseas business)

In Asian countries, while individual governments are taking various measures to curb the spread of infectious diseases, there are signs of convergence, but due to the rapid spread of the Delta strain infection, economic activities in each country, there have been disparities in infection control measures within the region, such as restrictions to curb infection.

Under these circumstances, we enhanced education and training of human resources to provide higher quality customer services.

In Singapore, on November 6, 2021, the new commercial facility "COURTS Nojima," which is conveniently located on Orchard Road, started the first overseas facility operation by its own company, and the floor of the home appliance and furniture specialty store "COURTS" was opened in advance. (The entire building will open in the spring of 2022). In Malaysia, we are reviewing store management through the scrap and build system.

As a result, net sales in this segment totaled 32,067 million yen (110.1% of the figure for the nine-month period ended December 31, 2020), and ordinary income was 1,336 million yen (101.2% of the figure for the nine-month period ended December 31, 2020).

(Stores in operation)

With 16 new store openings and three store closures, including scrap-and-build, the number of digital home electronics retail stores stood at 204, or 226 including 22 dedicated communications device stores following the sale of two stores.

In the operation of mobile carrier stores, following new store openings and acquisition of nine stores, and closure and sale of 21 stores, including scrap-and-build, the number of stores, including both directly-operated carrier stores and franchises, stood at 586.

In overseas business, with one store opening and four store closures, the number of stores stood at 65.

In the light of these factors, the numbers of stores as of December 31, 2021 are as shown below.

Stores in operation

Classification	Directly operated stores	Franchises	Total
Operation of digital home electronics retail stores	226	-	226
Digital home electronics retail stores	204	-	204
Dedicated communications device stores	22	-	22
Operation of mobile carrier stores	399	187	586
Carrier stores	386	182	568
Others	13	5	18
Overseas business	65	-	65
Total	690	187	877

(2) Explanation of financial position

Assets, liabilities and net assets

(Assets)

Total assets as of December 2021 were 331,470 million yen, a decrease of 8,713 million yen from the end of the previous fiscal year.

This decrease was due mainly to an increase of 13,718 million yen to 164,516 million yen in current assets and a decrease of 22,431 million yen to 166,954 million yen in non-current assets.

The primary factors underlying the increase in current assets included an increase of 17,667 million yen in cash and deposits and 4,038 million yen in merchandise and products, despite a decrease of 10,180 million yen in accounts receivable-trade and 1,168 million yen in accounts receivable-other

The main causes of the decrease in non-current assets include a decrease of 27,218 million yen in investment securities, 3,218 million yen in contractual intangible assets and 1,990 million yen in amortization of goodwill, despite an increase of 5,082 million yen in buildings and structures and 4,000 million yen in land.

(Liabilities)

Total liabilities as of December 2021 were 201,982 million yen, an increase of 6,095 million yen from the end of the previous fiscal year.

This increase was due mainly to an increase of 3,747 million yen to 128,038 million yen in current liabilities and an increase of 2,348 million yen to 73,944 million yen in non-current liabilities.

The primary factors underlying the increase in current liabilities included an increase of 7,569 million yen in notes and account payable-trade and 5,000 million yen in the current portion of bonds, despite a decrease of 4,873 million yen in accrued income tax and 4,308 million yen in short-term loans payable. Due to the application of the "Accounting Standard for Revenue Recognition," there was a decrease of 4,217 million yen in reserve for points and an increase 4,127 million yen in contract liabilities.

The main causes of the increase in non-current liabilities included an increase of 1,640 million yen in lease liabilities, despite a decrease of 5,000 million yen in bonds and 1,929 million yen in lease obligations. Due to the application of the "Accounting Standard for Revenue Recognition," there was a decrease of 3,891 million yen in reserve for guarantees for merchandise sold and an increase 12,245 million yen in contract liabilities.

(Net assets)

Net assets as of December 31, 2021 totaled 129,487 million yen, a decrease of 14,808 million yen from the end of the previous fiscal year, due to factors including decreases of 19,501 million yen in retained earnings.

These factors resulted in an equity ratio of 37.9% (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 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)	Third quarter of the current fiscal year (as of December 31, 2021)
Assets		
Current assets		
Cash and deposits	18,513	36,181
Accounts receivable-trade	70,707	60,527
Merchandise and products	49,460	53,498
Programing rights	-	1,804
Accounts receivable-other	9,472	8,304
Other	4,331	5,408
Allowance for doubtful accounts	-1,688	-1,207
Total current assets	150,797	164,516
Non-current assets		
Tangible non-current assets		
Buildings and structures (net)	16,475	21,557
Tools, fixtures, and facilities (net)	2,747	2,757
Lease assets (net)	14,601	16,168
Land	9,269	13,270
Other (net)	2,148	601
Total tangible non-current assets	45,242	54,355
Intangible assets		
Goodwill	21,949	19,958
Software	1,965	1,903
Trademark rights	468	117
Contractual intangible assets	42,134	38,915
Customer-related intangible assets	1,323	827
Other	113	362
Total intangible assets	67,955	62,085
Investments and other assets		
Investment securities	51,333	24,114
Deferred tax assets	9,182	9,593
Lease and guarantee deposits	13,609	14,751
Retirement benefit asset	117	200
Other	2,006	1,910
Allowance for doubtful accounts	-60	-56
Total investments and other assets	76,118	50,513
Total non-current assets	189,386	166,954
Total assets	340,183	331,470

(Million yen)

	Previous fiscal year (as of March 31, 2021)	Third quarter of the current fiscal year (as of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	54,806	62,376
Electronically recorded obligations-operating	1,085	1,362
Short-term loans payable	6,966	2,657
Current portion of long-term loans payable	9,326	10,766
Current portion of bonds	-	5,000
Accounts payable-other	13,855	12,831
Accrued income taxes	7,734	2,860
Accrued consumption tax	2,301	1,413
Accrued expenses	3,457	3,953
Advances received	4,638	3,126
Unearned revenue	6,622	6,445
Deposits received	2,678	4,261
Contract liabilities	-	4,127
Reserve for points	5,104	887
Reserve for bonuses	1,612	996
Reserve for promotion of admissions	272	-
Lease obligations	2,593	3,137
Other	1,234	1,834
Total current liabilities	124,291	128,038
Non-current liabilities		
Bonds	5,000	-
Long-term loans payable	20,369	18,440
Contract liabilities	-	12,245
Reserve for guarantees for merchandise sold	3,891	-
Reserve for directors’ retirement benefits	238	200
Retirement benefit liabilities	10,682	10,975
Deferred tax liabilities	12,065	10,968
Lease obligations	12,849	14,490
Other	6,499	6,624
Total non-current liabilities	71,596	73,944
Total liabilities	195,887	201,982
Net assets		
Shareholders’ equity		
Capital stock	6,330	6,330
Capital surplus	5,519	7,237
Retained earnings	134,530	115,029
Treasury stock	-5,121	-4,804
Total shareholders’ equity	141,259	123,792
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	581	1,324
Deferred gains or losses on hedges	60	19
Currency conversion adjustments	75	405
Accumulated adjustment to retirement benefits	54	81
Total accumulated other comprehensive income	771	1,831
Stock acquisition rights	2,265	2,466
Non-controlling interests	-	1,396
Total net assets	144,296	129,487
Total liabilities and net assets	340,183	331,470

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

Consolidated income statement

(For the nine-month period)

(Million yen)

	Nine-month period of the previous fiscal year (April 1, 2020 - December 31, 2020)	Nine-month period of the current fiscal year (April 1, 2021 - December 31, 2021)
Net sales	378,470	413,833
Cost of sales	265,283	291,958
Gross profit on sales	113,186	121,874
Sales, general, and administrative expenses	88,716	100,249
Operating income	24,469	21,625
Non-operating income		
Interest income	46	26
Dividend income	339	332
Purchase discounts	1,505	1,518
Gain on sales of investment securities	92	124
Gain on equity method investment	26,118	95
Other	1,048	963
Total non-operating income	29,149	3,059
Operating expenses		
Interest expenses	468	461
Interest on bonds	41	36
Donations	88	115
Other	253	338
Total non-operating expenses	851	953
Ordinary income	52,767	23,731
Extraordinary income		
Gain on reversal of share acquisition rights	127	128
Gain on sales of non-current assets	13	27
Gain on negative goodwill	-	187
Total extraordinary income	140	342
Extraordinary losses		
Losses on sale of fixed assets	-	345
Losses on valuation of investment securities	-	32
Impairment losses	548	358
Total extraordinary losses	548	736
Net income before taxes and other adjustments	52,360	23,337
Income taxes-current	9,465	7,378
Income taxes-deferred	-933	892
Total income taxes	8,531	8,271
Net income	43,828	15,065
Net income attributable to shareholders of non-controlling interests	3	-
Net income attributable to shareholders of the parent company	43,824	15,065

Consolidated statement of comprehensive income

(For the nine-month period)

(Million yen)

	Nine-month period of the previous fiscal year (April 1, 2020 - December 31, 2020)	Nine-month period of the current fiscal year (April 1, 2021 - December 31, 2021)
Net income	43,828	15,065
Other comprehensive income		
Valuation difference on available-for-sale securities	5,181	1,003
Deferred gains or losses on hedges	-	-38
Currency conversion adjustments	233	330
Adjustments for retirement benefit obligations	17	20
Share of other comprehensive income of entities accounted for using equity method	160	-255
Total other comprehensive income	5,592	1,060
Comprehensive income	49,421	16,126
(Breakdown)		
Comprehensive income attributable to shareholders of the parent company	49,417	16,126
Comprehensive income attributable to non-controlling interests	3	-

(3) Notes to the 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 the equity method during the first quarter of the current fiscal year. As a result, retained earnings decreased 28,414 million yen during the nine-month period of the current fiscal year. At a Board of Directors meeting held on May 6, 2021, the Company resolved to distribute dividends of 1,190 million yen from retained earnings. And, at a Board of Directors meeting held on Oct 18, 2021, the Company resolved to distribute dividends of 1,196 million yen from retained earnings.

As a result, retained earnings as of December 31, 2021 were 115,029 million yen.

(Changes in accounting policies)

(Application of "Accounting Standard for Revenue Recognition")

The company has applied "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, hereinafter referred to as the "Accounting Standard for Revenue Recognition"), etc. 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 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 a warranty on a product is not a guarantee that it will function as intended according to the agreed specifications, but is 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, a point system was used to record expenses that are expected to be required to be exchanged for points in the future as a reserve for points, but when 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) Considerations paid to customers

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

(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 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 nine-month period of the current fiscal year decreased 13,682 million yen, cost of sales decreased 1,573 million yen, sales, general, and administrative expenses decreased 11,517 million yen, and operating income, ordinary income, and net income before taxes and adjustments decreased 590 million yen. In addition, the balance of retained earnings at the beginning of the current period decreased 3,766 million yen.

Due to the application of the Accounting Standard for Revenue Recognition, etc., a portion of the "reserve for promotion of admissions" and "reserve for points," which were presented under "current liabilities" in the consolidated balance sheet for the previous fiscal year, and "reserve for guarantees for merchandise sold," which was presented under "non-current liabilities," have been included in "contract liabilities" from the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the balance sheet for the previous fiscal year is not reclassified by the new presentation method. 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 nine-month period of the previous fiscal year are 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 Nine-month period of the previous fiscal year (April 1, 2020 – December 31, 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	180,241	128,568	34,619	29,118	372,548	5,921	378,470	-	378,470
Internal sales or transfers between segments	1,742	134	252	-	2,129	324	2,453	-2,453	-
Subtotal	181,984	128,702	34,872	29,118	374,678	6,245	380,924	-2,453	378,470
Segment income	16,676	5,149	3,003	1,319	26,149	26,772	52,922	-154	52,767

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 application of the equity method for Suruga Bank Ltd., the gain on equity method investment recorded is 26,044 million yen.
*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.

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 473 million yen for the operation of digital home electronics retail stores, 69 million yen for the operation of mobile carrier stores and 5 million yen for internet business.

(Significant change in amount of goodwill)
Not applicable

II Nine-month period of the current fiscal year (April 1, 2021 – December 31, 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	181,302	136,162	55,719	32,067	405,252	8,580	413,833	-	413,833
Internal sales or transfers between segments	1,102	117	310	-	1,530	627	2,158	-2,158	-
Subtotal	182,405	136,279	56,030	32,067	406,782	9,208	415,991	-2,158	413,833
Segment income	12,976	3,647	4,764	1,336	22,725	1,096	23,821	-90	23,731

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 paid satellite broadcasting 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.

2. Matters concerning changes in reporting segments

As described in changes in accounting policy, the accounting method for revenue recognition was changed by applying the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year, and the calculation method for profit or loss of the business segment was changed in the same way.

As a result of this change, sales of the "operation of digital home electronics retail stores" for the nine-month period of the current fiscal year decreased 12,932 million yen, and sales of the "Internet business" decreased 746 million yen. The decreases will have a minor impact on sales of the “operation of mobile carrier stores.” The impact on each segment income is minor.

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 included in "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 the reporting segment on segment information for the nine-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 309 million yen for the operation of digital home electronics retail stores, 38 million yen for the operation of mobile carrier stores, and 10 million yen for the internet business.

(Significant change in amount of goodwill)

Not applicable