

# Consolidated Financial Statements for the Second Quarter of the Fiscal Year Ending December 31, 2018 [Japanese GAAP]



August 10, 2018

Company name: **AUCNET INC.**

Stock exchange listing: Tokyo Stock Exchange

Code number: 3964

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Scheduled date of filing quarterly report: August 10, 2018

Scheduled date of commencing dividend payments: September 3, 2018

Preparation of supplementary explanatory materials: Yes

Quarterly financial results meeting: Yes (for institutional investors)

(Amounts of less than one million yen are rounded down.)

## 1. Consolidated Results for the Second Quarter of the Fiscal Year Ending December 31, 2018 (January 1, 2018 - June 30, 2018)

(1) Consolidated Operating Results (cumulative) (% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2018	10,033	0.0	1,796	(4.2)	1,843	(4.2)	957	(8.6)
June 30, 2017	10,029	(0.8)	1,874	(11.1)	1,923	(8.6)	1,047	(0.6)

(Note) Comprehensive income: Six months ended June 30, 2018: ¥877 million [-21.2%]

Six months ended June 30, 2017: ¥1,113 million [14.2%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2018	34.85	34.23
June 30, 2017	41.09	39.74

- (Notes) 1. Regarding the results for the six months ended June 30, 2016, the Company did not compile consolidated financial statements under the Financial Instruments and Exchange Act of Japan, but figures for the percentage changes in comparison with the results for the six months ended June 30, 2017 have been indicated above for reference purposes.
2. Regarding “Diluted earnings per share,” because the shares of the Company were listed on the First Section of the Tokyo Stock Exchange on March 29, 2017, calculations for the second quarter of the fiscal year ended December 31, 2017 are based on the average share price during the cumulative period between the day of listing and June 30, 2017, the last day of the second quarter of the fiscal year ended December 31, 2017 (consolidated).

**(2) Consolidated Financial Position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	27,620	17,208	61.6
As of December 31, 2017	27,644	16,759	60.0

(Reference) Equity: As of June 30, 2018: ¥17,018 million

As of December 31, 2017: ¥16,587 million

**2. Cash Dividends**

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2017	—	13.00	—	13.00	26.00
Year ending December 31, 2018	—	13.00			
Year ending December 31, 2018 (Forecast)			—	13.00	26.00

(Note) Revision to the forecast for dividends announced most recently: None

**3. Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2018 (January 1, 2018 - December 31, 2018)**

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	21,142	8.9	3,748	15.5	3,822	15.1	2,227	26.0	81.15

(Note) Revision to the forecast of consolidated results announced most recently: None

**\* Notes:**

- (1) Changes in significant subsidiaries during the period under review: None  
(Changes in specified subsidiaries resulting in changes in scope of consolidation)  
New: – Excluded: –
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement  
1) Changes in accounting policies due to the revision of accounting standards: None  
2) Changes in accounting policies other than 1) above: None  
3) Changes in accounting estimates: None  
4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)  
1) Total number of issued and outstanding shares at the end of the period (including treasury shares):  
June 30, 2018: 27,510,700 shares  
December 31, 2017: 27,447,000 shares  
2) Total number of treasury shares at the end of the period:  
June 30, 2018: 70,049 shares  
December 31, 2017: – shares  
3) Average number of shares during the period:  
Six months ended June 30, 2018: 27,471,290 shares  
Six months ended June 30, 2017: 25,491,326 shares

\* The Company has introduced Board Benefit Trust (BBT) from the second quarter of fiscal year ending December 31, 2018. The company's shares which the said BBT holds are included in the treasury shares to deduct in calculation of "Total number of treasury shares at the end of the period" and "Average number of shares during the period."

\* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm

\* Explanation of the proper use of performance forecast and other notes

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by the Company, and the Company does not guarantee their achievement. In addition, actual results may differ significantly from these forecasts due to a wide range of factors. For cautionary notes on assumptions that form the basis of the performance forecast and the use of performance forecast, please see "1. Qualitative Information on Quarterly Financial Results (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information" on page 4 of the attachments.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the six months ended June 30, 2018, the Japanese economy continued to show modest recovery with continuing improvement in corporate earnings and in the employment and income picture, due to the effects of the government's economic policies and the Bank of Japan's monetary policy. However, economic trends remained unclear, and it is necessary to pay close attention to uncertain international situations including the U.S. foreign and monetary policies and the effects of geopolitical risk in East Asia.

In line with our brand statement, "Shaping the Future of Commerce," the Company has been working to further improve its social and economic value, by (1) creating next-generation information distribution services, (2) thoroughly upgrading services to outperform competitors and (3) establishment and development of overseas business models.

Despite difficult market conditions, the Automobile Business continued to perform strongly to deliver improved results compared to the same period in the previous year. However, the results in the Digital Product Business were lower compared to the same period in the previous year due to a decrease in distribution volume, transaction commissions for used smartphones and other factors.

For the six months ended June 30, 2018, net sales were ¥10,033,770 thousand (up 0.0% from the same period of the previous year), operating income was ¥1,796,535 thousand (down 4.2% from the same period of the previous year) and ordinary income was ¥1,843,719 thousand (down 4.2% from the same period of the previous year). Profit attributable to owners of parent was ¥957,306 thousand (down 8.6% from the same period of the previous year).

Performance results by business segment are as follows.

From the first quarter of the current fiscal year, the online sales of automotive accessories which was previously included in the "Other" segment, is now included in the "Automobile Business" segment, due to the revision of business management practices.

For the following comparison with the same period of the previous year, the figures are compared by restating the figures of the same period of the previous year to match the new segment classification.

#### 1) Automobile Business

The Automobile Business comprises the Company's mainstay used vehicle auctions (\*1), shared inventory market (\*2), live linked auctions (\*3), the proxy bidding service (\*4), used vehicle inspection service (\*5), and other services.

In the Japanese automotive sector, which has close connections with our business, total new-vehicle registrations (\*6) declined 1.8% year-on-year to 2.73 million units in the six months ended June 30, 2018. The total number of used-vehicle registrations (\*7) declined 1.1% year-on-year to 3.63 million units, and the number of vehicles exhibited (\*8) at auctions around Japan declined 3.4% year-on-year to 3.84 million units. The total number of vehicles sold at auction (\*8) rose 1.1% year-on-year to 2.49 million units.

For our used vehicle auctions, the number of vehicles listed, the number of vehicles sold at auction and the rate of sales all increased, owing to successful attempts to encourage dealers, rental and lease companies, major purchasing stores, etc. to list vehicles. Additionally, we undertook measures to provide added convenience for members by newly releasing "SATEROKU Premium," a system that allows our members to appraise their used vehicles. For our live linked auctions, as a result of focusing on wider employment of "Omatome Service," a service that arranges land transportations for purchased products and consolidated multiple payments in different physical used car auctions, the number of vehicles sold at auction increased.

As a result, for the six months ended June 30, 2018, net sales of the Automobile Business (including inter-segment net sales) were ¥6,120,161 thousand (up 0.3% from the same period of the previous year), and operating income was ¥1,969,936 thousand (up 14.8% from the same period of the previous year).

(\*1) Used vehicle auctions are real-time, members-only online auctions run by the Company.

- (\*2) The shared inventory market is a system that allows Aucnet Group member sellers to share inventory with other members online. The inventory remains at the seller's premises while other members access it via the online system.
- (\*3) Live-linked auctions use an online live-link system that enables real-time remote access to participate at physical auction sites, through partnerships between AUCNET and the physical auction sites.
- (\*4) The proxy bidding service is an agency service provided by i-Auc, Inc. to buy, sell, settle payment for and transport used vehicles at auctions on behalf of its members.
- (\*5) The used vehicle inspection service and related inspection skills training services are provided by AIS INC.
- (\*6) Based on statistics compiled by Japan Automobile Dealers Association
- (\*7) Based on statistics compiled by Japan Automobile Dealers Association and Japan Light Motor Vehicle and Motorcycle Association
- (\*8) Based on U-Car Full Data Book

## 2) Digital Product Business

The Digital Product Business comprises auctions for used digital equipment including used smartphones and used PCs, and services pertaining to distribution.

Distribution volume demonstrated lower levels compared to the same period last year owing to declining replacement demand coming from phased sales of new smartphone models in the previous fiscal year and restrained spending on new devices stemming from expectations for a new smartphone which is expected to be released this fall. Additionally, the unit price of used smartphones and transaction commissions remained at a lower level compared to the same period last year due to the effect of instability in the used smartphone market in part of the Asian region.

For the six months ended June 30, 2018, net sales of the Digital Product Business were ¥2,090,979 thousand (down 11.5% from the same period of the previous year), and operating income was ¥1,187,940 thousand (down 7.6% from the same period of the previous year).

## 3) Other Information Distribution Business

The Other Information Distribution Business comprises auctions for used motorcycles, flowers (cut and potted), and pre-owned luxury brand items, and services pertaining to distribution.

In used motorcycles, we have changed sales methods to aim at distribution reform, and also started inspection and image reform to further strengthen promotion of retail support services under sluggish market conditions. However, due to less willingness to bid reflecting the effect of poor retail sales, the rate of sales at auction dropped. For flowers (cut and potted), we provided greater motivation to attend auctions by organizing the events for auction members, and also focused on expanding distribution of branch plants, leading full-scale operation of our flower gifts business including phalaenopsis orchids. Nevertheless, due to sluggish market prices, distribution volume of imported goods and transaction volume declined. For pre-owned luxury brand items, owing to the increase in new members both domestically and overseas, and with the effect of promotions to existing members, the number of listed items, sold items and transaction volume all increased significantly compared to the same period of the previous year. Additionally, by starting auctions in Singapore jointly with our partner company, we set out to build the online market for pre-owned luxury brand items in Asia.

As a result, for the six months ended June 30, 2018, net sales of the Other Information Distribution Business were ¥1,324,757 thousand (up 3.8% from the same period of the previous year), and operating income was ¥295,579 thousand (down 20.4% from the same period of the previous year).

## 4) Other Business

Other Business comprises system development and provision, communications and operations maintenance service provision, used medical equipment related businesses and overseas businesses.

For the six months ended June 30, 2018, net sales of the Other Business (including inter-segment net sales) were ¥908,267 thousand (up 52.4% from the same period of the previous year), and operating loss was

¥104,716 thousand (the operating loss for the same period of the previous year was ¥26,691 thousand) as a result of investment in overseas and new businesses.

## (2) Explanation of Financial Position

### 1) Overview of Assets, Liabilities, and Net Assets

Total assets as of the end of the second quarter of the current fiscal year amounted to ¥27,620,050 thousand, a decrease of ¥24,466 thousand from the end of the previous fiscal year. This is mainly attributable to an ¥8,494 thousand decrease in cash and deposits, a ¥19,776 thousand decrease in accounts receivable - trade, a ¥51,699 thousand decrease in property, plant and equipment, a ¥373,136 thousand decrease in intangible assets, and a ¥51,902 thousand decrease in investments and other assets, despite a ¥726,156 thousand increase in due from auction members.

Total liabilities amounted to ¥10,411,498 thousand, a decrease of ¥473,632 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥95,744 thousand decrease in accounts payable – trade, a ¥649,593 thousand decrease in due to auction members, and a ¥16,516 thousand decrease in other provision, despite a ¥108,454 thousand increase in income taxes payable, a ¥17,813 thousand increase in provision for stocks payment, and a ¥46,024 thousand increase in net defined benefit liability.

Total net assets amounted to ¥17,208,551 thousand, an increase of ¥449,166 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥608,596 thousand increase in retained earnings, a ¥11,587 thousand increase in capital stock, a ¥11,587 thousand increase in capital surplus, a ¥102,761 increase in treasury shares, and an ¥18,125 thousand increase in non-controlling interests, despite a ¥96,403 thousand decrease in valuation difference on available-for-sale securities.

### 2) Overview of Cash Flows

Cash and cash equivalents as of the end of the second quarter of the fiscal year under review amounted to ¥14,927,214 thousand, an increase of ¥1,502 thousand from the end of the previous fiscal year. The status of cash flows by activity in the six months ended June 30, 2018, and the main factors affecting cash flows are as follows.

#### (Cash Flows from Operating Activities)

Cash provided by operating activities amounted to ¥918,804 thousand. As a main breakdown of inflows, profit before income taxes was ¥1,799,176 thousand, depreciation was ¥291,213 thousand, amortization of goodwill was ¥481,675 thousand, and decrease in consumption taxes refund receivable was ¥275,074 thousand. As a main breakdown of outflows, increase in due from auction members was ¥726,156 thousand, decrease in due to auction members was ¥649,593 thousand, and income taxes paid was ¥726,295 thousand.

#### (Cash Flows from Investing Activities)

Cash used in investing activities amounted to ¥514,228 thousand. This is mainly attributable to proceeds from withdrawal of time deposits of ¥280,000 thousand, payments into time deposits of ¥260,000 thousand, and purchase of intangible assets of ¥380,616 thousand.

#### (Cash Flows from Financing Activities)

Cash used in financing activities amounted to ¥452,787 thousand. This is mainly attributable to purchase of treasury shares of ¥102,761 thousand, and cash dividends paid by parent company of ¥357,203 thousand.

## (3) Explanation of Consolidated Performance Forecast and Other Forward-looking Information

There are no changes to the performance forecast announced on February 13, 2018.

## 2. Quarterly Consolidated Financial Statements and Primary Notes

### (1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2017	As of June 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	15,785,711	15,777,217
Accounts receivable - trade	855,862	836,085
Due from auction members	3,594,272	4,320,428
Other	1,328,780	1,092,474
Allowance for doubtful accounts	(44,818)	(54,125)
Total current assets	21,519,808	21,972,080
Non-current assets		
Property, plant and equipment	1,539,404	1,487,704
Intangible assets		
Goodwill	480,776	—
Other	1,177,449	1,285,089
Total intangible assets	1,658,226	1,285,089
Investments and other assets	2,927,078	2,875,175
Total non-current assets	6,124,708	5,647,969
<b>Total assets</b>	<b>27,644,516</b>	<b>27,620,050</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	678,435	582,690
Due to auction members	5,894,808	5,245,214
Income taxes payable	675,416	783,871
Other provision	120,205	103,689
Other	1,083,103	1,247,531
Total current liabilities	8,451,969	7,962,997
Non-current liabilities		
Provision for stocks payment	—	17,813
Net defined benefit liability	1,600,829	1,646,853
Other	832,331	783,833
Total non-current liabilities	2,433,161	2,448,500
<b>Total liabilities</b>	<b>10,885,130</b>	<b>10,411,498</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,672,777	1,684,365
Capital surplus	6,763,112	6,774,700
Retained earnings	7,814,198	8,422,794
Treasury shares	—	(102,761)
Total shareholders' equity	16,250,089	16,779,098
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	334,983	238,579
Foreign currency translation adjustment	20,219	16,227
Remeasurements of defined benefit plans	(18,202)	(15,776)
Total accumulated other comprehensive income	336,999	239,030
Non-controlling interests	172,297	190,422
<b>Total net assets</b>	<b>16,759,385</b>	<b>17,208,551</b>
<b>Total liabilities and net assets</b>	<b>27,644,516</b>	<b>27,620,050</b>



(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Six Months Ended June 30, 2017 and 2018

(Thousand yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Net sales	10,029,255	10,033,770
Cost of sales	3,601,858	3,826,793
Gross profit	6,427,397	6,206,976
Selling, general and administrative expenses	4,552,613	4,410,440
Operating income	1,874,784	1,796,535
Non-operating income		
Interest income	3,899	3,876
Dividend income	27,707	11,874
Share of profit of entities accounted for using equity method	39,501	37,537
Other	19,063	17,938
Total non-operating income	90,172	71,227
Non-operating expenses		
Interest expenses	2,859	1,909
Foreign exchange losses	36,556	12,110
Provision of allowance for doubtful accounts	–	9,762
Other	1,805	260
Total non-operating expenses	41,220	24,042
Ordinary income	1,923,735	1,843,719
Extraordinary income		
Gain on sales of non-current assets	–	4,264
Gain on sales of shares of subsidiaries and associates	–	2,140
Total extraordinary income	–	6,405
Extraordinary losses		
Loss on valuation of investment securities	384	44,967
Other	23,490	5,981
Total extraordinary losses	23,874	50,948
Profit before income taxes	1,899,860	1,799,176
Income taxes	829,986	823,744
Profit	1,069,874	975,431
Profit attributable to non-controlling interests	22,415	18,125
Profit attributable to owners of parent	1,047,459	957,306

Quarterly Consolidated Statements of Comprehensive Income  
Six Months Ended June 30, 2017 and 2018

(Thousand yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Profit	1,069,874	975,431
Other comprehensive income		
Valuation difference on available-for-sale securities	50,050	(96,403)
Foreign currency translation adjustment	(9,605)	(3,991)
Remeasurements of defined benefit plans, net of tax	3,053	2,426
Total other comprehensive income	43,499	(97,968)
Comprehensive income	1,113,373	877,462
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,090,958	859,337
Comprehensive income attributable to non-controlling interests	22,415	18,125

## (3) Quarterly Consolidated Statements of Cash Flows

(Thousand yen)

	For the six months ended June 30, 2017	For the six months ended June 30, 2018
Cash flows from operating activities		
Profit before income taxes	1,899,860	1,799,176
Depreciation	240,844	291,213
Amortization of goodwill	480,776	481,675
Increase (decrease) in allowance for doubtful accounts	(2,692)	13,449
Increase (decrease) in net defined benefit liability	64,549	49,533
Increase (decrease) in provision for stocks payment	–	17,813
Interest and dividend income	(31,607)	(15,750)
Interest expenses	2,859	1,909
Share of (profit) loss of entities accounted for using equity method	(39,501)	(37,537)
Loss (gain) on sales of non-current assets	–	(4,264)
Loss (gain) on valuation of investment securities	384	44,967
Loss (gain) on sales of shares of subsidiaries and associates	–	(2,140)
Decrease (increase) in notes and accounts receivable - trade	6,317	9,988
Decrease (increase) in due from auction members	(535,415)	(726,156)
Increase (decrease) in notes and accounts payable - trade	160,709	(41,776)
Increase (decrease) in due to auction members	117,613	(649,593)
Decrease (increase) in consumption taxes refund receivable	(280,454)	275,074
Other, net	(135,305)	114,919
Subtotal	1,948,940	1,622,501
Interest and dividend income received	31,609	15,747
Interest expenses paid	(2,769)	(1,909)
Income taxes paid	(992,177)	(726,295)
Income taxes refund	104,514	8,759
Net cash provided by (used in) operating activities	1,090,116	918,804
Cash flows from investing activities		
Payments into time deposits	(300,000)	(260,000)
Proceeds from withdrawal of time deposits	413,030	280,000
Purchase of property, plant and equipment	(17,289)	(37,515)
Purchase of intangible assets	(315,016)	(380,616)
Purchase of shares of subsidiaries and associates	(73,611)	(88,214)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	–	47,361
Payments of loans receivable	(2,850)	(93,700)
Other, net	(32,300)	18,457
Net cash provided by (used in) investing activities	(328,036)	(514,228)
Cash flows from financing activities		
Decrease in short-term loans payable	(1,400,000)	10,500
Proceeds from issuance of common shares	1,455,729	23,175
Purchase of treasury shares	–	(102,761)
Proceeds from sales of treasury shares	1,534,500	–
Cash dividends paid	–	(357,203)
Other, net	(32,668)	(26,496)
Net cash provided by (used in) financing activities	1,557,560	(452,787)
Effect of exchange rate change on cash and cash equivalents	(3,873)	(2,132)
Net increase (decrease) in cash and cash equivalents	2,315,767	(50,344)
Cash and cash equivalents at beginning of period	12,460,837	14,925,711
Increase in cash and cash equivalents from newly consolidated subsidiary	–	51,847
Cash and cash equivalents at end of period	14,776,604	14,927,214

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in amount of shareholders' equity)

Not applicable.

(Changes in significant subsidiaries during the period under review)

Not applicable.

From the first quarter of the fiscal year under review, Assist Inc., our non-consolidated subsidiary, is included in the scope of consolidation due to the increase of its significance. This does not fall under the changes in specified subsidiaries. Additionally, since all shares in RUNMART INC., our consolidated subsidiary held by the Company, were transferred during the second quarter of the fiscal year under review, it has been excluded from the scope of consolidation.

(Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements)

Tax expenses are calculated by making a reasonable estimate of the effective tax rate after application of tax-effect accounting to profit before income taxes for the fiscal year (consolidated) including the second quarter of the fiscal year under review, with quarterly profit before income taxes then multiplied by the estimated effective tax rate.

However, in the event that this tax expense calculation using estimated effective tax rate results in a significantly improbable figure, a method using the statutory effective tax rate may be adopted.

(Additional Information)

(Performance-Linked Stock Compensation Plan)

Based on the resolution by the 10th Annual General Shareholders Meeting held on March 28, 2018, the Company has introduced a performance-linked stock compensation plan in the form of a Board Benefit Trust (BBT) (the "Plan"), aiming to raise the motivation for contributing to improving performance and increasing corporate value over the medium- to long-term by further clarifying the link between the compensation of Directors and Executive Officers (the "Directors, etc.") and the performance and stock value of the Company.

The Company has conformed to the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (ASBJ Practical Issues Task Force (PITE) No. 30 on March 26, 2015) with respect to the accounting methods of the aforementioned trust agreement.

(1) Outline of the Transaction

The Plan is a performance-linked stock compensation plan whereby shares in the Company are acquired through a trust using money contributed by the Company as funds (hereinafter, the trust established pursuant to the Plan is referred to as the "Trust"), and shares in the Company and cash equivalents of such shares at their market value (collectively, the "Company Shares, etc.") are delivered through the Trust to Directors, etc. pursuant to the Officer Stock Delivery Regulations established by the Company. The time for Directors, etc. to receive delivery of Company Shares, etc. shall in principle be the date on which the Directors, etc. retire.

(2) Shares of the Company Held by Trust

Shares of the Company held by Trust are recorded as treasury shares under the category of net assets at book value in the Trust (excluding accompanying expenses). Book value and the number of aforementioned treasury shares as of the end of the second quarter of the fiscal year under review were ¥102,688 thousand and 70,000 shares, respectively.

(Segment information, etc.)

[Segment information]

For the six months ended June 30, 2017 (from January 1, 2017 to June 30, 2017)

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Other Information Distribution Business	Total				
Net sales								
Net sales to outside customers	6,015,980	2,362,480	1,276,454	9,654,915	374,339	10,029,255	–	10,029,255
Inter-segment net sales or transfers	85,062	–	–	85,062	221,820	306,882	(306,882)	–
Total	6,101,042	2,362,480	1,276,454	9,739,978	596,160	10,366,138	(306,882)	10,029,255
Segment income (loss)	1,715,822	1,285,567	371,479	3,372,869	(26,691)	3,346,177	(1,471,393)	1,874,784

(Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as system development and provision, communications and operations maintenance service provision, used medical equipment related businesses and overseas businesses.

2. Adjustment of segment income (loss) of negative ¥1,471,393 thousand includes goodwill amortization of negative ¥480,776 thousand, and corporate expenses of negative ¥990,616 thousand not allocated to specific reportable segments. Corporate expenses chiefly comprise general and administrative expenses not allocated to specific reportable segments.

3. Adjustments are made to reconcile segment income (loss) with operating income reported on the quarterly consolidated statements of income.

2. Reporting segment-specific information on impairment loss on non-current assets and details of goodwill, etc.

Not applicable.

For the six months ended June 30, 2018 (from January 1, 2018 to June 30, 2018)

1. Information on net sales and income (loss) by reportable segment

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Other Information Distribution Business	Total				
Net sales								
Net sales to outside customers	6,036,058	2,090,979	1,324,757	9,451,796	581,974	10,033,770	–	10,033,770
Inter-segment net sales or transfers	84,103	–	–	84,103	326,293	410,396	(410,396)	–
Total	6,120,161	2,090,979	1,324,757	9,535,899	908,267	10,444,166	(410,396)	10,033,770
Segment income (loss)	1,969,936	1,187,940	295,579	3,453,456	(104,716)	3,348,739	(1,552,204)	1,796,535

(Notes)1. “Others” is the segment which is not included in reportable segments, including such businesses as system development and provision, communications and operations maintenance service provision,

used medical equipment related businesses and overseas businesses.

2. Adjustment of segment income (loss) of negative ¥1,552,204 thousand includes goodwill amortization of negative ¥481,675 thousand, and corporate expenses of negative ¥1,070,528 thousand not allocated to specific reportable segments. Corporate expenses chiefly comprise general and administrative expenses not allocated to specific reportable segments.
3. Adjustments are made to reconcile segment income (loss) with operating income reported on the quarterly consolidated statements of income.

2. Reporting segment-specific information on impairment loss on non-current assets and details of goodwill, etc.

Not applicable.

3. Matters on the changes, etc. of reportable segments

From the first quarter of the current fiscal year, the online sales of automotive accessories which was previously included in the “Other” segment, is now included in the “Automobile Business” segment, due to the revision of business management practices.

The segment information for the second quarter of the 2017 fiscal year has been compiled and disclosed based on the reportable segment classification after the change.