

FY March 2017 Consolidated Financial Results [Japan GAAP] (April 1, 2016 to March 31, 2017)

Corporate Name: PROTO CORPORATION
Securities Code: 4298
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May 10, 2017
Stock Exchange Listing: TSE
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Scheduled dates:
Scheduled date for General Shareholders' Meeting: June 27, 2017
Scheduled date for dividend payment: June 6, 2017
Scheduled date of filing of financial report: June 28, 2017

Earnings supplementary explanatory documents: Yes
Earnings presentation: Yes (for institutional investors and analysts)

(Figures are rounded down to million yen.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (April 1, 2016 to March 31, 2017)

(1) Consolidated Operating Results

(Percentage represents change to the corresponding period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year Ended March 31, 2017	56,717	4.5	2,795	(31.3)	2,883	(31.2)	1,506	—
Year Ended March 31, 2016	54,297	11.7	4,071	(3.8)	4,190	(7.9)	(390)	—

Note: Comprehensive income As of March 31, 2017: 1,504 million yen; (-) As of March 31, 2016: (701) million yen; (-)

	Net Income per Share	Net Income per Share (fully diluted)	ROE (Net Income/ Shareholders' Equity)	ROA (Ordinary Income/ Total Assets)	Operating Income Ratio
	Yen	Yen	%	%	%
Year Ended March 31, 2017	75.02	—	5.8	7.0	4.9
Year Ended March 31, 2016	(19.28)	—	(1.5)	10.1	7.5

Reference: Equity in net income of affiliated companies Year Ended March 31, 2017: - Year Ended March 31, 2016: -

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2017	41,934	26,401	63.0	1,316.22
As of March 31, 2016	40,885	26,001	63.6	1,286.93

Reference: Equity capital March 31, 2017: 26,401 million yen March 31, 2016: 26,001 million yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents, End of Period
	Million yen	Million yen	Million yen	Million yen
Year Ended March 31, 2017	3,179	(1,197)	(886)	12,383
Year Ended March 31, 2016	3,523	(3,373)	(839)	11,286

2. Cash Dividends

	Cash Dividends per Share					Total Annual Dividends Paid	Payout Ratio (Cons.)	Dividends on Net Assets (Cons.)
	1st Quarter	2nd Quarter	3rd Quarter	Year-End	Annual			
Year Ended March 2016	—	19.00	—	20.00	39.00	787	—	2.9
Year Ended March 2017	—	25.00	—	25.00	50.00	1,002	66.6	3.8
Year Ended March 2018 (Forecast.)	—	25.00	—	25.00	50.00		33.6	

3. Forecast for the Fiscal Year Ending March 2018 (April 1, 2017 to March 31, 2018)

(Percentage represents change to the corresponding previous period.)

	Net Sales		Operating Income		Ordinary Income		Net income attributable to owners of parent		Net Income per Share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six Months Ending September 30, 2017	29,370	11.3	1,577	17.8	1,593	22.0	1,008	43.6	50.27
Year Ending March 31, 2018	65,570	15.6	4,500	61.0	4,532	57.2	2,982	97.9	148.66

*** Notes**

(1) Major changes in consolidated subsidiaries during period: None

(2) Changes in accounting policies, accounting estimates and restatement of corrections

- 1) Changes in accounting policies resulting from the revision of the accounting standards and other regulations: Yes
- 2) Other changes in accounting policies: None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None

(3) Numbers of shares issued (common stock)

1) Number of shares issued
(including treasury stock)

As of March 31, 2017	20,940,000 shares	As of March 31, 2016	20,940,000 shares
As of March 31, 2017	881,430 shares	As of March 31, 2016	735,930 shares
Year Ended March 31, 2017	20,082,993 shares	Year Ended March 31, 2016	20,249,655 shares

2) Number of treasury stock

3) The average number of outstanding shares over period (cumulative term)

Reference: Non-Consolidated Performance Summary
Non-Consolidated Operating Results for the Fiscal Year Ended March 31, 2017
(April 1, 2016 to March 31, 2017)

(1) Non-Consolidated Operating Results (Percentage represents change to the corresponding period of the previous year)

	Net Sales		Operating Income		Ordinary Income		Net Income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year Ended March 31, 2017	25,726	3.4	2,452	(39.8)	2,587	(39.5)	1,335	—
Year Ended March 31, 2016	24,875	1.4	4,074	(1.9)	4,276	(1.0)	(566)	—

	Net Income per Share	Net Income per Share (fully diluted)
	Yen	Yen
Year Ended March 31, 2017	66.50	—
Year Ended March 31, 2016	(27.97)	—

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Million yen	Million yen	%	Yen
As of March 31, 2017	29,184	25,747	88.2	1,283.63
As of March 31, 2016	29,049	25,481	87.7	1,261.20

Reference: Equity capital

March 31, 2017: 25,747 million yen

March 31, 2016: 25,481 million yen

*** Summary of financial results is out of scope of audit.**

*** Explanation for appropriate use of forecasts and other notes**

1. The forward-looking statements such as operational forecasts contained in this statements summary are based on the information currently available to the Company and certain assumptions which are regarded as legitimate. Actual results may differ significantly from these forecasts due to various factors.
2. The company will have a financial results briefing for institutional investors and analysts on May 10, 2017. The document to use on the day for the financial briefing will be posted on the company website.

1. Business Performance Overview

(1) Business Performance Overview for Current Term

(a) Business Performance Overview for Current Term

The Japanese economy in this consolidated fiscal year saw a mild upswing in corporate earnings and the job climate, but due to a slowdown in the economy of China and other developing nations and concern towards foreign political situations, such as the U.S. transitioning to a new administration and the U.K. declaring their withdrawal from the EU, the future still remains uncertain.

Under this economic circumstance, despite there being an impact from the issue of unfair light motor vehicle fuel within the automobile sales industry which is the main clientele of the PROTO Group, quantity sold of new cars and the number of registered used cars remained at the same level as last year.

In this situation, the PROTO Group strengthened the development and supply of private brand items and services in the eyes of users while aiming to take the top rank in the automobile-related information field via active business investments. Furthermore, by strengthening an alliance with prominent websites, the Group managed to expand their contact points with users and improve their new car domain.

As a result, sales in this consolidated fiscal year were 56,717 million yen (4.5% yr-on-yr increase). Due to increases in personnel expenses from expanding business and augmenting promotion in connection to Goo-net and ID cars (Goo-inspected cars and manufacturer-certified used cars), operating income was 2,795 million yen (31.3% yr-on-yr decrease) while ordinary income was 2,883 million yen (31.2% yr-on-yr decrease). Net income attributable to owners of parent was 1,506 million yen (net loss attributable to owners of parent of 390 million yen in the previous fiscal year).

The segment results are as follows.

(b) Overview by segment

Automobile-related Information

Surrounded by the difficult external circumstances, the Group adopted the business policy of engaging in comprehensive management support for used car dealers and made efforts to expand the number of business partners and endeavored to maintain and increase the transaction unit price associated with each customer while enhancing services to cover user needs in their car life.

During the current consolidated fiscal year, the Group has continued to promote comprehensive business support for used car dealers through provision of “MOTOR GATE,” a background system of “Goo-net.”

In September 2016, the Group changed the publication cycle for car info magazine series Goo - Goo Metropolitan, Goo Tokai, and Goo Kansai - making a drastic revision to the cost structure and optimizing the roles of the information magazines and website.

As for the service to disclose information on the state of used cars, the Group standardized the ID cars, released in August 2016, which will reduce uneasiness when choosing a used car, allowing them to improve their responsive capabilities to user needs and distinguish the Group from competitors.

For services in the maintenance market, the Group started offering service tickets for tire fitting at GooPit maintenance shops on major e-commerce websites as well as providing assistance in gathering customers to maintenance shops by strengthening their alliance with Goo Checkup and prominent websites.

Regarding tire and wheel sales, the Group has worked towards improving sales of main brand items as well as tire and wheel package sales and have also made efforts to expand sales opportunities by seeking synergy with the company’s Goo-net, GooPit and MOTOR GATE Shopping.

Meanwhile the situation of the Group’s global operation of the automobile-related information business is severe, due to the sluggishness in the used car market in Malaysia and Taiwan as well as the intensive competitive environment. As a result of the aforementioned points, sales were 51,025

million yen (3.1% yr-on-yr increase). Operating income was 3,939 million yen (25.4% yr-on-yr decrease) due to augmenting promotion for Goo-net and ID cars.

Lifestyle-related Information

Regarding the medical, nursing and welfare-related business that PROTO MEDICAL CARE is undertaking, their subsidiaries, MARUFUJI and SILVER HEART have worked to extend their contents and services as well as pursue synergy in their business areas by improving business efficiency and actively conducting M&A and regional business activities.

As for the culture and reuse information businesses that the company has been undertaking, we have made efforts to improve profitability by revising the organizational structure and we have started providing a comprehensive managerial support service by launching ReuseGATE – a managerial support system for reuse shops – in the reuse information enterprise.

In addition, Proto Solution's real estate information magazine, GooHome, has continued to increase the number of business partners and extend their listed properties.

Due to the above points, sales were 4,236 million yen (22.2% yr-on-yr increase). The main factor for the increase in sales was the welfare equipment rental service provided by MARUFUJI and SILVER HEART. Operating income was 478 million yen (55.9% yr-on-yr increase) because of medical, nursing and welfare-related business contributing to increase in profit as well as improvements to profitability in culture information, reuse information, and GooHome.

Real Estate Business

The company along with PROTO-RIOS INC. primarily managed rent for their own properties, leading to sales at 187 million yen (15.5% yr-on-yr increase) and operating income at 147 million yen (34.8% yr-on-yr increase)

Other Business

Sales were 1,268 million yen (7.3% yr-on-yr increase) due to contribution from PROTO SOLUTION's BPO business, software development and sales. Operating income was an operating loss of 136 million yen (operating loss of 66 million in the previous fiscal year).

(c) Future Forecast

The PROTO Group has the “Mid-Term Management Plan (FY March 2017 to FY March 2019)” based on the diversifying users’ needs and predicted changes of the future market environment. Based on the Mid-Term Management Plan, with the business policy of “Establishment of Corporate and Products Brand”, the PROTO Group will make efforts to grow its business in the field of automobile-related information by strengthening the products and services for the used car dealers, maintenance shops and new car dealers, and improve profitability through achieving group synergy and reviewing the cost structure.

The PROTO Group will proceed with standardizing their ID cars – the service that discloses information on the state of the vehicle, which they consider one of the strengths of the company - in the Group’s primary enterprise which is the field of automobile-related information, while improving Goo Media and increasing the number of business partners for MOTOR GATE, a background system. In addition, the Group is working on enhancing services to completely cover user needs in their car life through commercializing goods and services such as Goo Warranty and Goo Purchase.

For the maintenance industry, the PROTO Group will promote fee-based services of “GooPit”, a specialized website for car maintenance and also strengthen “Goo Safety Inspection” which offers transportation services for the customers of maintenance shops. For the new car dealership industry, the Group will try to increase the number of business partners (new car dealers) by providing “DataLine SalesGuide”, a sales support tool for the dealers. Furthermore, the Group will pursue to achieve synergy by sharing customers among AUTOWAY Co., Ltd., which mainly deals with sales of tires and wheels, TIRE WORLD KAN BEST CO., LTD., and PROTO-RIOS INC., which provides software for automobile repair and sheet metal factories. It will also develop businesses that take into account the entire automobile industry by expanding the services in the used car sales industry, maintenance industry and new car sales industry.

For the field of lifestyle-related information, medical, nursing and welfare have been designated as the areas of utmost priority, and the Group plans to expand business in advertising and welfare equipment rental services as well as strengthen goods and services for cultural information, recycling and reusing information.

For SG&A expenses, despite the decrease in promotion costs for the main business Goo Series and ID cars, the Group expects to see increases in personnel expenses from improving the goods development system and promotion costs for enhancing the business foundation of GooPit and Goo Checkup.

Due to the above result, the next term (ending Mar. 2018), the consolidated business forecast will consider the progress of initiatives towards the maintenance industry and expects sales to be 65,570 million yen (15.6% yr-on-yr increase), operating income to be 4,500 million yen (61.0% yr-on-yr increase), ordinary income to be 4,532 million yen (57.2% yr-on-yr increase), and net income attributable to owners of parent to be 2,982 million yen (97.9% yr-on-yr increase).

(2) Financial Standing Overview for Current Term

(a) Assets, Liabilities and Net Assets

Total assets at the end of the current consolidated fiscal year were 41,934 million yen and compared to the previous year, there was an increase of 1,048 million yen. The states of assets, liabilities and net assets are as follows.

i. Assets

Current assets were 23,731 million yen, up 1,658 million yen from the end of the previous fiscal year, due to having secured operating cash flows that exceed expenditure, leading to cash and deposits rising as well as inventory, despite dividend payments growing due to the amount rising at the end and in the middle of the term.

Fixed assets were 18,203 million yen, down 609 million yen from the end of the previous fiscal year, due to depreciation and amortization of goodwill.

ii. Liabilities

Current liabilities were 12,627 million yen, up 822 million yen from the end of the previous fiscal year, due to current portion of long-term borrowings decreasing while short-term loans payable rose along with accrued expenses from strengthening promotion.

Long-term liabilities were 2,905 million yen, down 173 million yen from the previous fiscal year, due to the repayment of long-term loans payable, despite long-term leasing debts growing.

iii. Net assets

Net assets totaled 26,401 million yen, increasing 400 million yen from the end of the previous fiscal year, due to retained earnings rising because of net income attributable to owners of parent totaling 1,506 million yen, despite dividend payments from retained earnings worth 905 million yen and 198 million yen for acquiring treasury shares.

(b) Consolidated Cash Flows

Cash and cash equivalents at the end of the current consolidated fiscal year stood at 12,383 million yen, an increase of 1,096 million yen from the end of the previous fiscal year. Major factors for this increase were as follows.

i. Cash flows from operating activities

Cash flows from operating activities yielded 3,179 million yen, including 2,785 million yen of income before income taxes, a total of 1,785 million yen due to depreciation that did not accompany expenditure, amortization of goodwill and impairment loss, and an increase in accrued expenses amounting to 336 million yen, despite payment for corporate tax of 1,479 million yen and inventory increasing by 532 million yen.

ii. Cash flows from investing activities

Cash flows from investing activities stood at expenditure of 1,197 million yen due to expenditure of 1,221 million yen for acquiring fixed assets and 499 million yen for acquiring investment securities, despite income from reimbursement of long-term deposit worth 600 million yen.

iii. Cash flows from financing activities

Cash flows from financing activities stood at expenditure of 886 million yen due to dividend payments of 905 million yen and 198 million yen of expenditure for acquiring treasury shares even though income received from sale and leaseback amounted to 176 million yen.

(Reference) Cash Flow Indicators

	Year Ended March 31, 2013	Year Ended March 31, 2014	Year Ended March 31, 2015	Year Ended March 31, 2016	Year Ended March 31, 2017
Equity ratio (%)	68.2	59.6	66.3	63.6	63.0
Equity ratio based on market value (%)	85.6	66.8	94.7	68.4	69.9
Debt coverage (%)	172.2	236.5	94.7	187.8	210.0
Interest coverage ratio (times)	138.7	46.9	105.6	77.8	80.9

Equity ratio:

Equity capital/Total assets

Equity ratio based on market value:

Total stock based on market/Total assets

Debt coverage:

Interest-bearing debt/Operating cash flow

Interest coverage ratio:

Operating cash flow/Interest paid

Notes:

1. Each index is calculated based on consolidated financial figures.
2. Market value of total stock is calculated by multiplying the closing stock price at the end of the year by the number of shares outstanding at the end of the year (after deduction of treasury stock).
3. Cash flow and interest paid are calculated using operating cash flow and interest payment amounts recorded in Consolidated Statement of Cash Flows.
4. Interest-bearing debt refers to all debt that incurs interest (listed in the Consolidated Balance Sheets).

(3) Profit Appropriation Policy, Cash Dividends

PROTO CORPORATION's basic profit appropriation policy emphasizes reinforcement of the Company's business foundation while recognizing the importance of returning profits to shareholders. Through this balanced approach, we adopt a comprehensive perspective by retaining sufficient internal reserves to finance future growth while rewarding shareholders with steady returns. Internal reserves are used efficiently to fund existing and new businesses aimed at further reinforcing our business foundation and expanding the scope of operations. In addition, regarding the acquisition of treasury shares, we will take into consideration the progress status of financial flexibility and free cash flow.

In accordance with the above policy, allocation of earnings retained for the term ended March 2017 will be a regular dividend of 25.00 yen per share for the end of the second quarter and end of the full term, with an annual dividend of 50.00 yen.

Allocation of earnings retained for the term ending March 2018 is scheduled to be a regular dividend of 25.00 yen per share for the end of the second quarter and end of the full term, with an annual dividend of 50.00 yen.

2. Management Policies

(1) Basic Management Policies

The PROTO CORPORATION manages itself under the unchanging philosophy of “Bringing companies and people together for the benefit of society, using intelligence and information rather than simply selling commodities.” The company’s fundamental idea is that people and corporations exist in both society and the industry, and it is through being truly needed that they can discover their value. Society overflows with people and things, so in order to be truly needed, people must use their information and intelligence as weapons and open up the next generation with a vivacious, challenging spirit and quick action – even when faced with a certain amount of risk. The company believes that it is important to feel the joy of significant growth.

In addition, to realize the corporate goal of “becoming a wonderful company,” we will make an effort to enhance the corporate value through mid- and long-term growth by ensuring “the establishment of the corporate and product brand” and increasing the satisfaction level of the users and clients by offering useful information and services. Furthermore, through the effort to reinforce corporate governance, we will work to build a highly transparent and healthy management setup which will earn the trust of society.

(2) Performance Indicators

In addition to the growth potential of sales and operating income for business scale expansion, the Group considers ROE (Return on Equity) as one of the important management indices in sustainably improving corporate value. We aim to achieve an ROE of 15% or higher in the term ending March 2019.

Reference values when numeric goals are achieved are as follows:

Consolidated sales for the term ending Mar. 2019	76.7 billion yen
Consolidated operating income for the term ending Mar. 2019	6.8 billion yen
ROE for the term ending Mar. 2019	15% or higher

(3) Medium- and Long-term Strategies

The environment surrounding the automobile distribution market has considerably been changing recently. These changes include diversified needs and lifestyles of car users, mutual entering to business domains of used car dealers, maintenance shops, new car dealers and car goods retails, as well as entering to automobile-related industries by major IT companies in conjunction with the evolution of information technology.

In order to cope with such changes, the Group will set the following major strategies in the mid-term management plan (for the period from the term ending March 2017 to the term ending March 2019) to enhance the corporate value on a mid- and long-term basis:

(Automobile-related information)

- (a) Establishment of a system for providing full support for car life
- (b) Standardization of ID cars
- (c) Cost structure reform
- (d) Realization of group synergy
- (e) Overseas business development
- (f) Promotion of M&A and alliances

(Lifestyle-related Information)

- (a) Expansion of business scale in the medical, nursing care and welfare fields

The details about the above major strategies are mentioned in “(4) Company Issues to Address” below.

(4) Company Issues to Address

The PROTO Group defines the following 7 major strategies in our mid-term management plan (for the period from the term ending March 2017 to the term ending March 2019) as issues to be addressed:

Automobile-related Information

(a) Establishment of a system for providing full support for car life

The company has secured a large share in the used car search market through the operation of Goo-net. Nevertheless, the renewal cycle by users tend to be longer as well as the average car lifespan and vehicle age. Because of this, we will expand our contact points with users in not only the area of searching for and buying used cars, but in driving and renewing as well, and build a system that can offer complete coverage over the life of the car. Specifically, we will distinguish ourselves from competitors in the territory of searching for and buying used cars through standardizing our ID cars, which is a service that discloses information on the state of the vehicle and something we consider a strength of the company, in order to create an environment in which car users can purchase used cars at ease and we will broaden user contact points by offering GooPit and Goo Purchase in the area of driving and renewing as well. For new car users, we will offer a service that will enable them to consider the appropriate repurchase in the form of our new sales assistance tool – DataLine SalesGuide – which will be available at new car dealers.

We will provide this form of service to completely cover user needs in their car life while also building a comprehensive car life support framework by increasing our share of business partners in used car dealers, maintenance shops and new car dealers.

(b) Standardization of ID cars

The company standardizes “ID cars,” a service to disclose information on vehicle conditions, to establish an environment for car users so that they can purchase a used car without anxiety. Regarding the vehicle state information disclosure service, we have worked to improve the precision of car inspection services and expanded the scale of the business by launching “Goo-inspection” nationwide in 2008 and subsequently establishing a subsidiary for examinations, CAR CREDO Co., Ltd., in February 2012. Moreover, we released “ID cars” in August 2016, making advancements in disclosing information on the state of vehicles and have made efforts to distinguish ourselves from our competitors.

Hereafter, in addition to further increase in awareness of “ID cars” by users, we will enrich our vehicle inspection system and standardize “ID cars” at the time of purchase of used cars.

(c) Cost structure reform

In Goo Series which is the main business of PROTO CORPORATION, we will revise our viewpoint on the paper version of the series, fundamentally reviewing the cost structure including issue change. Furthermore, in regard to the business framework in this business, we have also built an efficient operation system and improved productivity. Moreover, through the review of sales, logistics and purchase functions owned by each group business, we will optimize the cost structure including possible reorganization and commoditizing of the functions, improving the profit ratio.

(d) Realization of group synergy

In Japan, we have expanded the number of partner companies, which make transactions with used car dealers, maintenance shops and new car dealers, mainly in PROTO CORPORATION. From this time forward, we will sustainably increase sales and operating income to the customer base by providing management resources owned by each group business (such as tire, wheel and software for maintenance shops).

(e) Overseas business development

In terms of expanding business outside of Japan, our utmost priority is working to recover business results by expanding business primarily with GooKANTEI – a service disclosing information on the state of vehicles – in Malaysia and Taiwan.

(f) Promotion of M&A and alliances

In propelling “enrichment of contents” and “expansion of services,” we will make effective use of management resources possessed by each group company and accelerate the rate of business growth by taking active actions through M&A and alliances for contents and services not owned by the Group.

Lifestyle-related Information

(a) Expansion of business scale in the medical, nursing care and welfare fields

In addition to promoting the growth of the media service with know-how of the automobile-related information business, we will expand areas that our welfare equipment rental service business covers and aim to achieve sustainable growth of sales and profitability by regarding the medical, nursing care and welfare fields that are growing markets as crucial fields.

3. Basic Principle of Selecting Accounting Standard

The Group is intending to develop consolidated financial statements based on the Japanese standard for the time being, in consideration for the financial statements’ comparability between periods and comparability between companies.

Appropriate actions will be taken to apply IFRS in the future based on careful consideration of various domestic and international situations.

4. Consolidated Financial Statements and Annotation

(1) Consolidated Balance Sheets

(Thousands of yen)

	March 31, 2016	March 31, 2017
ASSETS		
Current Assets		
Cash	11,688,003	12,784,134
Notes and accounts receivable	4,980,004	4,857,295
Electronically Recorded Monetary Claims	6,300	20,040
Goods and products	3,978,075	4,481,993
Goods in process	136,037	158,207
Raw material and inventory goods	20,558	27,170
Deferred tax assets	183,125	178,184
Other current assets	1,093,151	1,235,838
Allowance for doubtful accounts	(11,933)	(11,437)
Total Current Assets	22,073,323	23,731,427
Fixed Assets		
Tangible Fixed Assets		
Buildings and structures	8,962,557	9,308,270
Accumulated depreciation	(3,473,195)	(3,788,151)
Building and structures -Net	5,489,361	5,520,118
Land	4,803,102	4,793,608
Other tangible fixed assets	1,241,089	1,410,654
Accumulated depreciation	(741,802)	(822,102)
Other tangible fixed assets -Net	499,286	588,551
Total Tangible Fixed Assets	10,791,751	10,902,278
Intangible Fixed Assets		
Goodwill	4,729,065	4,106,727
Other intangible fixed assets	1,943,562	1,856,076
Total Intangible Fixed Assets	6,672,627	5,962,803
Investment and Other Assets		
Investments in securities	349,603	900,094
Deferred tax assets	118,660	106,387
Other investments	911,708	391,952
Allowance for doubtful accounts	(31,677)	(60,398)
Total investments and other assets	1,348,295	1,338,035
Total Fixed Assets	18,812,674	18,203,118
Total Assets	40,885,997	41,934,545

(Thousands of yen)

	March 31, 2016	March 31, 2017
LIABILITIES		
Current Liabilities		
Notes and accounts payable-trade	2,194,004	2,127,447
Short-term loans payable	2,905,000	3,850,000
Current portion of long-term borrowings	1,189,875	738,435
Accrued expenses	1,852,007	2,142,069
Accrued income taxes	718,196	589,411
Allowance for sales returns	85,640	73,278
Allowance for bonus payable	138,093	147,194
Provision for repayment	556	27
Provision for point card certificates	20,800	19,687
Other current liabilities	2,701,100	2,940,012
Total Current Liabilities	11,805,276	12,627,564
Long-Term Liabilities		
Long-term borrowings	2,523,154	2,090,659
Allowance for directors' retirement benefits	243,240	256,340
Asset retirement obligation	180,186	186,007
Other long-term liabilities	132,923	372,535
Total Long-Term Liabilities	3,079,503	2,905,542
Total Liabilities	14,884,780	15,533,107
NET ASSETS		
Shareholder's equity		
Common stock	1,824,620	1,824,620
Capital surplus	2,011,734	2,011,734
Retained earnings	22,436,553	23,037,683
Treasury stock	(1,107,184)	(1,305,778)
Total Shareholders' Equity	25,165,723	25,568,260
Accumulated other comprehensive income/(loss)		
Valuation difference on available-for-sale securities	108,764	143,871
Foreign currency translation adjustments	726,729	689,306
Total accumulated other comprehensive income/(loss)	835,493	833,177
Total Net Assets	26,001,217	26,401,438
Total Liabilities and Net Assets	40,885,997	41,934,545

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
Consolidated Statements of Income

(Thousands of yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net Sales	54,297,253	56,717,929
Cost of Sales	33,084,408	34,908,255
Gross Profit	21,212,845	21,809,674
Reversal of Reserve for Returned Products	104,813	83,683
Transfer to Reserve for Returned Products	88,188	72,800
Adjusted Gross Profit	21,229,470	21,820,557
Selling, General and Administrative Expenses		
Salaries for directors and employees	6,528,596	6,698,825
Provision for allowance for directors' retirement benefits	18,775	16,400
Provision for allowance for bonus payable	100,444	97,134
Advertising	2,423,904	4,167,414
Provision for allowance for doubtful accounts	7,701	41,685
Provision for point card certificates	1,252	152
Amortization of goodwill	1,032,030	638,338
Others	7,045,005	7,364,819
Total Selling, General and Administrative Expenses	17,157,710	19,024,770
Operating Income	4,071,759	2,795,786
Non-Operating Income		
Interest income	28,625	17,411
Dividend income	12,437	13,743
Income from sales of used paper	27,054	24,803
Foreign exchange gains	43,097	49,841
Other income	91,495	64,661
Total Non-Operating Income	202,711	170,461
Non-Operating Expenses		
Interest expenses of loans	46,080	41,723
Loss on valuation of derivatives	22,391	29,927
Other expenses	15,205	11,470
Total Non-Operating Expenses	83,677	83,121
Ordinary Income	4,190,794	2,883,126

	(Thousands of yen)	
	Year Ended March 31, 2016	Year Ended March 31, 2017
Extraordinary Income		
Gains from sales of fixed assets	2,526	1,764
Gains from sales of securities	13,917	—
Gain on transfer of business	6,960	—
Total Extraordinary Income	23,403	1,764
Extraordinary Losses		
Losses from sales of fixed assets	—	8,738
Losses from disposals of fixed assets	50,569	29,177
Impairment losses	2,594,219	35,300
Losses of disaster	—	25,353
Losses of liquidation of subsidiaries	—	541
Total Extraordinary Losses	2,644,789	99,111
Income before Income Taxes	1,569,408	2,785,779
Income Taxes	1,637,713	1,290,640
Adjustment of Corporate Income Tax	322,100	(11,535)
Corporate Income Tax Total	1,959,814	1,279,104
Net income (loss)	(390,405)	1,506,675
Net income (loss) attributable to owners of parent	(390,405)	1,506,675

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Net income (loss)	(390,405)	1,506,675
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(12,908)	35,107
Foreign currency translation adjustments	(298,482)	(37,422)
Other comprehensive income	(311,391)	(2,315)
Comprehensive Income	(701,796)	1,504,359
(Breakdown)		
Comprehensive income concerning shareholders of the parent company	(701,796)	1,504,359

(3) Consolidated Statements of Changes in Shareholders' Equity

Year Ended March 31, 2016

(Thousands of yen)

	Shareholder's Equity				Total Shareholder's Equity
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	
Balance at the beginning of current year	1,824,620	2,011,734	23,596,966	(908,000)	26,525,320
Increase (decrease) during the year					
Cash dividends			(770,007)		(770,007)
Net loss attributable to owners of parent			(390,405)		(390,405)
Acquisition of treasury stocks				(199,183)	(199,183)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	(1,160,412)	(199,183)	(1,359,596)
Balance at end of period	1,824,620	2,011,734	22,436,553	(1,107,184)	25,165,723

	Accumulated other comprehensive income/(loss)			Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income/(loss)	
Balance at the beginning of current year	121,673	1,025,211	1,146,885	27,672,205
Increase (decrease) during the year				
Cash dividends				(770,007)
Net loss attributable to owners of parent				(390,405)
Acquisition of treasury stocks				(199,183)
Net changes of items other than shareholders' equity	(12,908)	(298,482)	(311,391)	(311,391)
Total increase (decrease) during the period	(12,908)	(298,482)	(311,391)	(1,670,987)
Balance at end of period	108,764	726,729	835,493	26,001,217

Year Ended March 31, 2017

(Thousands of yen)

	Shareholder's Equity				Total Shareholder's Equity
	Capital stock	Capital Surplus	Retained earnings	Treasury stock	
Balance at the beginning of current year	1,824,620	2,011,734	22,436,553	(1,107,184)	25,165,723
Increase (decrease) during the year					
Cash dividends			(905,545)		(905,545)
Net loss attributable to owners of parent			1,506,675		1,506,675
Acquisition of treasury stocks				(198,593)	(198,593)
Net changes of items other than shareholders' equity					
Total increase (decrease) during the period	—	—	601,129	(198,593)	402,536
Balance at end of period	1,824,620	2,011,734	23,037,683	(1,305,778)	25,568,260

	Accumulated other comprehensive income/(loss)			Total Net Assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income/(loss)	
Balance at the beginning of current year	108,764	726,729	835,493	26,001,217
Increase (decrease) during the year				
Cash dividends				(905,545)
Net loss attributable to owners of parent				1,506,675
Acquisition of treasury stocks				(198,593)
Net changes of items other than shareholders' equity	35,107	(37,422)	(2,315)	(2,315)
Total increase (decrease) during the period	35,107	(37,422)	(2,315)	400,220
Balance at end of period	143,871	689,306	833,177	26,401,438

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Cash Flows from Operating Activities		
Income before income taxes	1,569,408	2,785,779
Depreciation	1,046,056	1,112,259
Impairment loss	2,594,219	35,300
Amortization of goodwill	1,032,030	638,338
Loss (gain) on valuation of derivatives	22,391	29,927
Increase (decrease) in reserve for directors' retirement allowances	(47,535)	13,100
Increase (decrease) in reserve for bonuses	(1,438)	9,101
Increase (decrease) in reserve for returned products	(16,625)	(10,881)
Increase (decrease) in allowance for doubtful accounts	(112,011)	29,133
Increase (decrease) in provision for point card certificates	(2,071)	(1,112)
Interest and dividend income	(41,063)	(31,155)
Interest expenses	46,080	41,723
Foreign exchange losses (gains)	(36,902)	(12,048)
Loss (gain) on sales of investment securities	(13,917)	—
Loss (gain) on sales/disposal of property and equipment	48,042	36,150
Loss (gain) on transfer of business	(6,960)	—
Loss on disaster	—	25,353
Loss (gain) on liquidation of subsidiaries	—	541
Decrease (increase) in trade receivables	128,049	97,698
Decrease (increase) in inventories	52,959	(532,852)
Increase (decrease) in accounts payable	356,487	(63,950)
Increase (decrease) in accrued expenses	(235,614)	336,405
Increase (decrease) in advances received	89,054	171,759
Increase (decrease) in accrued consumption taxes, etc	(623,735)	(56,248)
Others	(304,951)	(38,615)
Subtotal	5,541,953	4,615,707
Interest and dividends received	41,063	31,155
Interest paid	(45,269)	(39,295)
Income taxes paid	(2,024,796)	(1,479,311)
Income taxes refunded	10,658	51,543
Net Cash Provided by (Used in) Operating Activities	3,523,609	3,179,799

(Thousands of yen)

	Year Ended March 31, 2016	Year Ended March 31, 2017
Cash Flows from Investing Activities		
Decrease in time deposits	(60)	(55)
Increase in time deposits	—	600,000
Acquisition of property and equipment	(792,199)	(628,189)
Proceeds from sales of property and equipment	850	7,003
Acquisition of intangible fixed assets	(504,936)	(593,600)
Payment of long-term prepaid expenses	(26,714)	(16,577)
Purchase of investment securities	—	(499,999)
Addition to investment securities	23,456	1,651
Payment for acquisition of subsidiary's shares accompanying changes in scope of consolidation	(2,085,180)	—
Payment for acquisition of business	(8,000)	(16,000)
Proceeds from transfer of business	7,516	—
Others	12,208	(51,675)
Net Cash Provided by (Used in) Investing Activities	(3,373,059)	(1,197,443)
Cash Flows from Financing Activities		
Net increase (decrease) in short-term loans payable	505,000	945,000
Proceeds from long-term borrowings	1,000,000	900,000
Payment for repaying of long-term borrowings	(1,381,189)	(1,783,935)
Acquisition of treasury stock	(199,183)	(198,593)
Dividends paid	(770,266)	(905,517)
Proceeds from sales and leasebacks	6,890	176,580
Repayments of lease obligations	(1,022)	(19,667)
Net Cash Provided by (Used in) Financing Activities	(839,771)	(886,134)
Translation Gain (Loss) Related to Cash and Cash Equivalents	(54,428)	(145)
Net Change in Cash and Cash Equivalents	(743,649)	1,096,075
Cash and Cash Equivalents at Beginning of Term	12,030,649	11,286,999
Cash and Cash Equivalents at End of Term	11,286,999	12,383,075