

*This document is an English translation of excerpts from the Annual Securities Report disclosed on June 30, 2023.
In the event of any discrepancy between this translated document and Japanese original, the original shall prevail.*

Annual Securities Report

English excerpt translation of the “Yukashoken-Houkokusho”
for the 45th fiscal year (from April 1, 2022 to March 31, 2023)

PROTO CORPORATION

Situation of accounting

1. Regarding methods for producing consolidated and non-consolidated financial statements

(1) Our consolidated financial statements are produced in accordance with the “regulation concerning terminology, forms and method of preparation of consolidated financial statements, etc.” (the Ministry of Finance. Ordinance No. 28, 1976).

(2) Our non-consolidated financial statements are produced in accordance with the “regulation concerning terminology, forms and method of preparation of financial statements, etc.” (the Ministry of Finance. Ordinance No. 59, 1963).

In addition, our company is recognized as a company that has a comptroller to submit consolidated financial statements, so we produce financial statements in accordance with Article 127 of Regulations for Financial Statements, etc.

2. Regarding audit certification (Japanese version only)

In accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, KPMG AZSA LLC audits our company’s consolidated financial statements for the consolidated accounting year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements for the accounting year (from April 1, 2022 to March 31, 2023).

3. Regarding special measures for securing the appropriateness of consolidated financial statements, etc.

Our company takes special measures for securing the appropriateness of consolidated financial statements, etc. In detail, we joined Financial Accounting Standards Foundation, in order to develop a system for grasping the contents of the accounting standards, etc. appropriately or responding to changes in the accounting standards, etc. properly. In addition, we actively attend the trainings, etc. held by the foundation.

1 【Consolidated Financial Statements】

(1) 【Consolidated Financial Statements】

① 【Consolidated Balance Sheets】

(Million yen)

| | As of March 31,2022 | As of March 31,2023 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 26,159 | 23,739 |
| Notes receivable - trade | 249 | 347 |
| Accounts receivable - trade | 5,362 | 5,760 |
| Inventories | ※1 4,208 | ※1 7,669 |
| Other | 1,662 | 2,025 |
| Allowance for doubtful accounts | (7) | (4) |
| Total current assets | 37,635 | 39,537 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | ※2 5,433 | ※2 5,729 |
| Land | ※2 4,588 | ※2 5,590 |
| Other, net | 723 | 758 |
| Total property, plant and equipment | ※3 10,744 | ※3 12,078 |
| Intangible assets | | |
| Goodwill | 547 | 2,365 |
| Other | 1,403 | 1,858 |
| Total intangible assets | 1,950 | 4,224 |
| Investments and other assets | | |
| Investment securities | 2,343 | 2,367 |
| Deferred tax assets | 263 | 462 |
| Other | 1,647 | 1,941 |
| Allowance for doubtful accounts | (58) | (59) |
| Total investments and other assets | 4,195 | 4,712 |
| Total non-current assets | 16,890 | 21,016 |
| Total assets | 54,525 | 60,553 |

(Million yen)

| | As of March 31,2022 | As of March 31,2023 |
|--|---------------------|---------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 1,713 | 1,709 |
| Electronically recorded obligations - operating | 953 | 1,482 |
| Short-term borrowings | ※2,4 2,550 | ※4 3,600 |
| Current portion of long-term borrowings | ※2 224 | ※2 123 |
| Accrued expenses | 2,387 | 2,693 |
| Income taxes payable | 1,594 | 1,160 |
| Contract liabilities | 33 | 37 |
| Provision for bonuses | 165 | 210 |
| Provision for merchandise warranties | 18 | 16 |
| Provision for loss on disaster | 41 | — |
| Other | 3,353 | 4,505 |
| Total current liabilities | 13,035 | 15,538 |
| Non-current liabilities | | |
| Long-term borrowings | ※2 230 | 529 |
| Provision for retirement benefits for directors (and other officers) | 238 | 256 |
| Retirement benefit liability | 91 | 135 |
| Asset retirement obligations | 281 | 343 |
| Other | 251 | 234 |
| Total non-current liabilities | 1,093 | 1,499 |
| Total liabilities | 14,128 | 17,038 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,849 | 1,849 |
| Capital surplus | 2,058 | 2,070 |
| Retained earnings | 37,121 | 40,139 |
| Treasury shares | (1,279) | (1,260) |
| Total shareholders' equity | 39,750 | 42,799 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 610 | 396 |
| Foreign currency translation adjustment | 0 | (11) |
| Total accumulated other comprehensive income | 611 | 385 |
| Non-controlling interests | 35 | 330 |
| Total net assets | 40,397 | 43,515 |
| Total liabilities and net assets | 54,525 | 60,553 |

② 【Consolidated Statements of Income and Comprehensive Income】

【Consolidated Statements of Income】

(Million yen)

| | For the fiscal year ended March 31,2022 | For the fiscal year ended March 31,2023 |
|---|--|--|
| Net sales | ※1 57,446 | ※1 105,596 |
| Cost of sales | ※2 32,819 | ※2 77,653 |
| Gross profit | 24,627 | 27,943 |
| Selling, general and administrative expenses | ※3,4 18,205 | ※3,4 20,606 |
| Operating profit | 6,422 | 7,336 |
| Non-operating income | | |
| Interest and dividend income | 7 | 11 |
| Share of profit of entities accounted for using equity method | 0 | 2 |
| Compensation income | — | 13 |
| Subsidy income | 4 | 16 |
| Foreign exchange gains | 250 | — |
| Other | 55 | 63 |
| Total non-operating income | 318 | 107 |
| Non-operating expenses | | |
| Interest expenses | 10 | 16 |
| Loss on investments in investment partnerships | 20 | 49 |
| Loss on valuation of derivatives | 69 | 375 |
| Foreign exchange losses | — | 11 |
| Other | 18 | 28 |
| Total non-operating expenses | 117 | 480 |
| Ordinary profit | 6,622 | 6,963 |
| Extraordinary income | | |
| Gain on sale of non-current assets | ※5 18 | ※5 4 |
| Gain on sale of shares of subsidiaries and associates | 2,146 | — |
| Gain on liquidation of subsidiaries | 476 | — |
| Settlement income | — | 15 |
| Gain on bargain purchase | — | 11 |
| Other | 1 | — |
| Total extraordinary income | 2,642 | 31 |
| Extraordinary losses | | |
| Loss on sale and retirement of non-current assets | ※6 58 | ※6 14 |
| Loss on valuation of investment securities | — | 169 |
| Provision for loss on disaster | 41 | — |
| Other | 1 | 1 |
| Total extraordinary losses | 101 | 186 |
| Profit before income taxes | 9,163 | 6,808 |
| Income taxes - current | 2,531 | 2,374 |
| Income taxes - deferred | 749 | (46) |
| Total income taxes | 3,281 | 2,327 |
| Profit | 5,882 | 4,481 |
| Profit attributable to non-controlling interests | 2 | 56 |
| Profit attributable to owners of parent | 5,880 | 4,424 |

【Consolidated Statements of Comprehensive Income】

(Million yen)

| | For the fiscal year ended March 31,2021 | For the fiscal year ended March 31,2022 |
|--|--|--|
| Profit | 5,882 | 4,481 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 66 | (213) |
| Foreign currency translation adjustment | (330) | (11) |
| Total other comprehensive income | ※ (263) | ※ (225) |
| Comprehensive income | 5,619 | 4,225 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 5,616 | 4,119 |
| Comprehensive income attributable to non-controlling interests | 2 | 56 |

③ 【Consolidated Statements of Changes in Net Assets】

For the fiscal year ended March 31,2022

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 1,849 | 2,036 | 32,447 | (1,306) | 35,026 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,205) | | (1,205) |
| Profit attributable to owners of parent | | | 5,880 | | 5,880 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | 22 | | 26 | 49 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 22 | 4,674 | 26 | 4,723 |
| Balance at end of period | 1,849 | 2,058 | 37,121 | (1,279) | 39,750 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|--|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 543 | 330 | 874 | 33 | 35,934 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (1,205) |
| Profit attributable to owners of parent | | | | | 5,880 |
| Purchase of treasury shares | | | | | (0) |
| Disposal of treasury shares | | | | | 49 |
| Net changes in items other than shareholders' equity | 66 | (330) | (263) | 2 | (261) |
| Total changes during period | 66 | (330) | (263) | 2 | 4,462 |
| Balance at end of period | 610 | 0 | 611 | 35 | 40,397 |

For the fiscal year ended March 31,2022

(Million yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of period | 1,849 | 2,058 | 37,121 | (1,279) | 39,750 |
| Changes during period | | | | | |
| Dividends of surplus | | | (1,406) | | (1,406) |
| Profit attributable to owners of parent | | | 4,424 | | 4,424 |
| Purchase of treasury shares | | | | (0) | (0) |
| Disposal of treasury shares | | 11 | | 19 | 19 |
| Net changes in items other than shareholders' equity | | | | | |
| Total changes during period | — | 11 | 3,017 | 18 | 3,048 |
| Balance at end of period | 1,849 | 2,070 | 40,139 | (1,260) | 42,799 |

| | Accumulated other comprehensive income | | | Non-controlling interests | Total net assets |
|--|---|---|--|---------------------------|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total accumulated other comprehensive income | | |
| Balance at beginning of period | 610 | 0 | 611 | 35 | 40,397 |
| Changes during period | | | | | |
| Dividends of surplus | | | | | (1,406) |
| Profit attributable to owners of parent | | | | | 4,424 |
| Purchase of treasury shares | | | | | (0) |
| Disposal of treasury shares | | | | | 31 |
| Net changes in items other than shareholders' equity | (213) | (11) | (225) | 295 | 69 |
| Total changes during period | (213) | (11) | (225) | 295 | 3,118 |
| Balance at end of period | 396 | (11) | 385 | 330 | 43,515 |

④ 【Consolidated Statements of Cash Flows】

(Million yen)

| | For the fiscal year ended March 31,2022 | For the fiscal year ended March 31,2023 |
|---|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 9,163 | 6,808 |
| Depreciation | 877 | 987 |
| Amortization of goodwill | 360 | 521 |
| Gain on bargain purchase | — | (11) |
| Increase (decrease) in contract liabilities | 1 | 4 |
| Increase (decrease) in allowance for doubtful accounts | 42 | (2) |
| Increase (decrease) in provision for bonuses | 24 | 23 |
| Increase (decrease) in provision for merchandise warranties | (6) | (2) |
| Increase (decrease) in provision for retirement benefits for directors (and other officers) | 12 | 18 |
| Increase (decrease) in retirement benefit liability | 16 | 24 |
| Increase (decrease) in provision for loss on disaster | 41 | (41) |
| Loss (gain) on valuation of investment securities | — | 169 |
| Interest and dividend income | (7) | (11) |
| Interest expenses | 10 | 16 |
| Compensation income | — | (13) |
| Subsidy income | (4) | (16) |
| Foreign exchange losses (gains) | (10) | 12 |
| Share of loss (profit) of entities accounted for using equity method | (0) | (2) |
| Loss (gain) on investments in investment partnerships | 20 | 49 |
| Loss (gain) on valuation of derivatives | 69 | 375 |
| Loss (gain) on sale and retirement of non-current assets | 40 | 9 |
| Loss (gain) on sale of shares of subsidiaries and associates | (2,146) | — |
| Decrease (increase) in trade receivables | (652) | (340) |
| Decrease (increase) in inventories | (477) | (2,172) |
| Increase (decrease) in trade payables | 194 | 324 |
| Increase (decrease) in accrued expenses | (132) | 240 |
| Other, net | (785) | 432 |
| Subtotal | 6,650 | 7,406 |
| Interest and dividends received | 7 | 11 |
| Interest paid | (10) | (16) |
| Income taxes refund (paid) | (2,115) | (3,070) |
| Net cash provided by (used in) operating activities | 4,533 | 4,330 |

(Million yen)

| | For the fiscal year ended March 31,2022 | For the fiscal year ended March 31,2023 |
|--|--|--|
| Cash flows from investing activities | | |
| Payments into time deposits | — | (12) |
| Purchase of property, plant and equipment | (359) | (1,701) |
| Proceeds from sale of property, plant and equipment | 90 | 5 |
| Payments for retirement of property, plant and equipment | (2) | — |
| Purchase of intangible assets | (774) | (905) |
| Purchase of long-term prepaid expenses | (16) | (8) |
| Purchase of investment securities | (119) | (500) |
| Payments for investments in capital | (359) | (181) |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | — | ※2 (1,262) |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | 89 | — |
| Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation | ※3 2,854 | — |
| Other, net | 56 | (72) |
| Net cash provided by (used in) investing activities | 1,458 | (4,638) |
| Cash flows from financing activities | | |
| Increase (decrease) in short-term borrowings | 50 | (450) |
| Repayments of long-term borrowings | (295) | (234) |
| Dividends paid | (1,205) | (1,406) |
| Proceeds from disposal of treasury shares | — | 31 |
| Repayments of lease liabilities | (96) | (80) |
| Other | (0) | 11 |
| Net cash provided by (used in) financing activities | (1,547) | (2,128) |
| Effect of exchange rate change on cash and cash equivalents | 10 | (9) |
| Net increase (decrease) in cash and cash equivalents | 4,454 | (2,444) |
| Cash and cash equivalents at beginning of period | 21,485 | 25,939 |
| Cash and cash equivalents at end of period | ※1 25,939 | ※1 23,494 |

【Notes】

(Matters Concerning the Going Concern Assumption)

None

(Basic Items for Preparing Consolidated Financial Statement)

1. Matters relating to the scope of consolidation

All of the subsidiaries are consolidated.

The number of consolidated subsidiaries: 18

COSMIC RYUTSUU SANGYO CO., LTD.

AUTOWAY Co., Ltd.

PROTO SOLUTION Co., Ltd.

TIRE WORLD KAN BEST CO., LTD.

GOONET EXCHANGE

CAR CREDO Co., Ltd

PROTO-RIOS INC.

PROTO Ventures

and 10 other companies

COSMIC RYUTSUU SANGYO CO., LTD. and COSMIC GIFT CARD SYSTEM CO., LTD. became consolidated subsidiaries this fiscal year as our company newly acquired all shares thereof on April 1st, 2022.

Okinawa Basketball Co., Ltd. and its subsidiaries, Okinawa Arena Co., Ltd., and Okinawa Sports Academy Co., Ltd. became consolidated subsidiaries this fiscal year as PROTO SOLUTION Co., Ltd., our consolidated subsidiary, newly acquired the shares of Okinawa Basketball Co., Ltd. on July 1st, 2022.

2. Matters concerning application of the equity method

We apply the equity method to all of our affiliated companies.

The number of affiliated companies under the equity method: 1

Name of the affiliated company under the equity method: UB Datatech, Inc.

3. Matters concerning the fiscal year, etc. of consolidated subsidiaries

Among consolidated subsidiaries, Okinawa Basketball Co., Ltd. closes accounts on June 30th. When producing consolidated financial statements, we provisionally close accounts for this company on the day of consolidated financial settlement to make the financial statements thereof.

The account closing date of CAR CREDO (Thailand) Co., Ltd. is December 31. Financial statements as of that date are used to prepare for consolidated financial statements, and necessary adjustments for consolidation are made with regard to major transactions occurring between the date and the consolidated closing date.

4. Matters relating to accounting policies

(1) Standards and methods for evaluating important assets

① Securities

Other securities

- a. Items other than shares without market values, etc.

Market price method (Valuation difference is directly recorded as net assets, and cost of sales is calculated by the moving average method)

- b. Shares without market values, etc.

Moving-average cost method

Investments

- a. Investments without market values, etc.

Moving-average cost method

- b. Investments in investment limited partnership and similar investment associations (as defined as securities by Article 2, Paragraph 2 of the Financial Instruments and Exchanges Law)

The company books the net value of equity equivalents based on the latest available financial report of the association according to the financial closing date set forth in the partnership contract.

② Inventory assets

The cost method (method to reduce book value due to a decline in profitability) is used as a valuation standard.

- a. Goods procured

Primarily the specific cost method and the moving-average cost method

- b. Goods produced

Specific cost method

- c. Goods in process

Specific cost method

- d. Raw materials

Specific cost method

- e. Stored goods

Last purchase price method

③ Derivatives

Market value method

(2) Method of depreciation for important depreciable assets

① Property, plant and equipment (excluding lease assets)

Buildings (excluding building fixtures)

- a. Those acquired on or before March 31, 1998

Old declining balance method

- b. Those acquired between April 1, 1998, and March 31, 2007

Old straight-line method

- c. Those acquired on or after April 1, 2007

Straight-line method

Items other than buildings

a. Those acquired on or before March 31, 2007

Old declining balance method

b. Those acquired on or after April 1, 2007

Declining balance method

However, the straight-line method is adopted for building fixtures and structures acquired on or after April 1, 2016.

The major useful life is as follows:

Buildings and structures: 6 years to 50 years

Assets of small value acquired at the cost of 100,000 yen or more but less than 200,000 yen are depreciated with the straight-line method over three years.

② Intangible assets (excluding lease assets)

Straight-line method

The major useful lives are as follows:

Software for internal use: 5 years

Software for sale: 3 years

③ Lease assets

Lease assets related to finance lease transactions not involving transfer of ownership

Straight-line method over the useful lives until the residual value reaches zero.

(3) Standards for significant allowances and reserves

① Allowance for doubtful accounts

In preparation for a loss due to bad debts, the estimated uncollectable amount is posted for general accounts receivable by using the ratio of bad debts and for specific receivables, such as doubtful accounts receivable, by considering the collectability of each item.

② Reserve for bonuses

For some of the subsidiaries, we record the expected burden in the current consolidated fiscal year, in order to allocate the funds to the bonuses to be paid to their employees.

③ Allowance for product warranties

In order to prepare for anticipated expenditure concerning replacements and refunds on the recalled goods of AUTOWAY Co., Ltd., the estimated amount is recorded.

④ Allowance for executives' retirement benefits

To prepare for expenditure for directors' retirement benefits, the estimated amount to be paid at the end of the consolidated fiscal year pursuant to the internal rules is recorded.

⑤ Provision for loss on disaster

In order to prepare for expenses required for recovery of damaged assets due to disasters, the estimated amount is recorded.

(4) Accounting method concerning retirement benefit obligations

Some consolidated subsidiaries applied the simplified method which uses a method to assume the company's benefit obligation to be equal to the amount of payment required for voluntary retirement at the end of the fiscal year related to the retirement benefit, to the calculation of retirement benefit obligations and retirement benefit costs.

(5) Standard for translation of important assets or liabilities denominated in foreign currency to Japanese currency

Monetary receivables and payables denominated in foreign currencies are translated into the Japanese yen using the spot exchange rate on the consolidated closing date, and difference resulting from the translation is treated as a profit or loss. In addition, the assets and liabilities of the foreign subsidiaries are translated into the Japanese yen using the spot exchange rate on the closing date of each company, and the earnings and costs are translated into the Japanese yen using the average market price during the period, and difference arising from the translation is included in foreign-currency translation adjustments account under the net assets.

(6) Amortization method and amortization period of goodwill

Goodwill is amortized using the straight-line method over a reasonable period of time, not exceeding 20 years, after reasonably estimating the time period in which effects of investment emerge.

(7) Scope of funds in the consolidated statements of cash flows

The funds (cash and cash equivalents) in the consolidated cash flow statement consist of cash on hand, demand deposits and short-term investments with a maturity of three months or less from the date of acquisition that are easily convertible to cash, with insignificant risk of value fluctuations.

(8) Accounting standard for significant revenues and expenses

Our group recognizes revenues based on the following 5 steps:

Step 1: Identify contracts with customers

Step 2: Identify obligations in contracts

Step 3: Calculate transaction prices

Step 4: Allocate transaction prices to individual obligations in contracts.

Step 5: Recognize revenues when or as the obligations are fulfilled

The details of primary obligations and the timing of satisfying such obligations concerning revenue arising from contracts of the company and its consolidated subsidiaries with their customers in main businesses are as follows:

① Media

We receive service usage fees as compensation for expanding our customers' sales opportunities by providing consumers with inventory data of products held by used-vehicle retailers of our customers, mainly through our information media. We have the obligation to provide the services for a period of time set forth in contracts. Such obligations are satisfied over time, and we recognize revenues as we receive the monthly fees specified in contracts.

② Service

We receive service usage fees from our customers by providing them with sales support tools primarily for new-vehicle dealers. We have the obligation to provide the services for a period of time set forth in contracts. Such performance obligations are satisfied over time, and we recognize revenues as we receive the monthly fees specified in contracts.

③ Sale of goods

We sell tires and wheels mainly through the websites operated by our group and through our directly managed stores, and recognize revenues at the time when products are shipped to our customers.

Moreover, for the product sales for which our company and its consolidated subsidiaries are determined as an agency, we recognize the net amount obtained by deducting the amount payable to other parties from the amount we receive in exchange for the products provided by other parties, as revenue.

④ Ticket sales

We mainly sell coupons, vouchers, etc. via websites operated by our company and our directly managed stores, and recognize revenues at the point of shipment or delivery of each product to a client.

(Changes in Accounting Policy)

The “Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, Jun 17, 2021) has been applied from the beginning of the current consolidated fiscal year, and pursuant to the transitional handling set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the company shall continue to apply the new accounting policy set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement in the future. There is no impact on the company’s consolidated financial statements as a result of this.

(Change display method)

(Notes on the Consolidated Balance Sheet)

While “Electronically recorded obligations - operating” were included in “Notes and accounts payable - trade” of “Current liabilities” in the last fiscal year, they will be stated separately from this fiscal year as the importance of the amount thereof has increased. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this classification change.

Consequently, 2,666 million yen stated in “Notes and accounts payable – trade” under “Current liabilities” on the consolidated balance sheet for the previous fiscal year has been reclassified as 1,713 million yen in “Notes and accounts payable – trade” and 953 thousand yen in “Electronically recorded obligations - operating.”

(Notes on the Consolidated Profit and Loss Statement)

While “Subsidy income” was included in “Other” of “Non-operating income” in the previous fiscal year, it will be stated separately from this fiscal year as it exceeded one tenth of total non-operating income. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this classification change.

Consequently, 59 million yen stated in “Other” under “Non-operating income” in the consolidated statement of income for the previous fiscal year has been reclassified as 4 million yen in “Subsidy income” and 55 million yen in “Other.”

(Notes on the Consolidated Statement of Cash Flows)

While “Subsidy income” was included in “Other” of “Cash flows from operating activities” in the last fiscal year, it will be stated separately from this fiscal year as the importance of the amount thereof increased. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this classification change.

Consequently, 789 million yen stated in “Other” under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified as 4 million yen in “Subsidy income” and 785 million yen in “Other.”

While “Purchase of treasury shares” used to be stated under “Cash flow from financing activities,” they will be included in “Other” from this fiscal year as the importance of the amount thereof decreased. The consolidated financial statements for the previous fiscal year have been rearranged to reflect this classification change.

Consequently, -0 million yen stated in “Purchase of treasury shares” under “Cash flows from financing activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified as -0 million yen in “Other, net.”

(Consolidated Balance Sheets)

*1 The breakdown of inventory assets is as follows.

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--------------------------------|---|--|
| Merchandise and finished goods | 4,045 million yen | 7,398 million yen |
| Goods in process | 128 million yen | 236 million yen |
| Raw materials and stored goods | 34 million yen | 34 million yen |
| Total | 4,208 million yen | 7,669 million yen |

*2 Collateral assets and secured liabilities

Assets used for collateral are as follows.

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--------------------------|---|--|
| Buildings and structures | 591 million yen | 559 million yen |
| Lands | 267 million yen | 267 million yen |
| Total | 859 million yen | 826 million yen |

Secured liabilities are as follows.

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|---|---|--|
| Short-term borrowings | 983 million yen | — million yen |
| Current portion of long-term borrowings | 134 million yen | 18 million yen |
| Long-term borrowings | 122 million yen | — million yen |
| Total | 1,240 million yen | 18 million yen |

*3 Amount of accumulated depreciation on property, plant and equipment

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--|---|--|
| Cumulative depreciation on property, plant and equipment | 6,605 million yen | 7,300 million yen |

*4 Account overdraft agreement

Our consolidated subsidiaries; AUTOWAY Co., Ltd., GOONET EXCHANGE, TIRE WORLD KAN BEST CO., LTD., COSMIC RYUTSUU SANGYO CO., LTD. ,and Onion Inc. have entered into account overdraft agreements with 9 financing banks in order to efficiently procure working capital. Unused lines of credit at the end of the consolidated fiscal year based on these agreements are as follows.

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|-------------------------|---|--|
| Account overdraft limit | 13,000 million yen | 10,550 million yen |
| Borrowing balance | 2,550 million yen | 3,600 million yen |
| Difference | 10,450 million yen | 6,950 million yen |

(Consolidated Profit and Loss Statement)

*1 Revenues from contracts with customers

Sales are classified into revenues arising from contracts with customers and other revenues. The amount of revenues arising from contracts with customers is stated in Consolidated Financial Statements “Notes (to Segment Information, etc.)”

*2 Valuation of inventories that are included in cost of sales

The year-end inventories are those after the write-down due to the drop in profitability, and the following appraisal losses are included in the cost of sales.

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|--|---|
| | 50 million yen | 54 million yen |

*3 Major items and the amounts of selling, general and administrative expenses are as follows.

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|--|---|
| Allowance for executives’ compensation and salary | 5,755 million yen | 6,264 million yen |
| Reserve for executives’ retirement benefits | 18 million yen | 18 million yen |
| Reserve for bonuses | 130 million yen | 141 million yen |
| Retirement benefit obligations | 11 million yen | 11 million yen |
| Advertising and promotional expenses | 5,153 million yen | 5,628 million yen |
| Allowance for doubtful accounts | 9 million yen | 1 million yen |

*4 The sum of research and development expenses included in general and administrative expenses

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|--|---|
| | 155 million yen | 194 million yen |

*5 Details of gain on sales of non-current assets

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|---------------------------------------|--|---|
| Other (Property, plant and equipment) | 18 million yen | 4 million yen |
| Total | 18 million yen | 4 million yen |

*6 Details of loss on sales of non-current assets

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|---------------------------------------|--|---|
| Buildings and structures | 5 million yen | 7 million yen |
| Land | 40 million yen | — million yen |
| Other (Property, plant and equipment) | 7 million yen | 1 million yen |
| Other (Intangible assets) | 5 million yen | 5 million yen |
| Total | 58 million yen | 14 million yen |

(Consolidated statement of comprehensive income)

* Reclassification adjustments and tax effect relating to other comprehensive income

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|---|--|---|
| Valuation difference on available-for-sale securities | | |
| Amount accrued during the fiscal year | 95 million yen | (312 million yen) |
| Reclassification adjustments | — million yen | — million yen |
| Before tax effect adjustment | 95 million yen | (312 million yen) |
| Amount of tax effect | (28 million yen) | 98 million yen |
| Valuation difference on available-for-sale securities | 66 million yen | (213 million yen) |
| Foreign currency translation adjustments | | |
| Amount accrued during the fiscal year | 0 million yen | (11 million yen) |
| Reclassification adjustments | (476 million yen) | — million yen |
| Before tax effect adjustment | (475 million yen) | (11 million yen) |
| Amount of tax effect | 145 million yen | — million yen |
| Foreign currency translation adjustments | (330 million yen) | (11 million yen) |
| Total other comprehensive income | (263 million yen) | (225 million yen) |

(Consolidated statement of shareholders' equity-related items)

Previous Consolidated Fiscal Year (From April 1, 2021, to March 31, 2022)

1. Information on outstanding shares

| Type of shares | At the beginning of Current Consolidated Fiscal Year | Increase | Decrease | At the end of Current Consolidated Fiscal Year |
|-----------------------|--|----------|----------|--|
| Common Stock (shares) | 41,925,300 | — | — | 41,925,300 |

2. Information on treasury shares

| Type of shares | At the beginning of Current Consolidated Fiscal Year | Increase | Decrease | At the end of Current Consolidated Fiscal Year |
|-----------------------|--|----------|----------|--|
| Common Stock (shares) | 1,766,217 | 80 | 36,300 | 1,729,997 |

(Outline of the cause of changes)

The details of the increase are as follows.

| | |
|--|---------------|
| Increase caused by the purchase of fractional shares | 80 shares |
| Decrease due to the retirement of treasury stock as transfer-restricted share-based compensation | 36,300 shares |

3. Matters related to share acquisition rights, etc.

No applicable items.

4. Matters related to dividends

(1) Dividend payments

| Resolution | Type of shares | Sum of the dividends (million yen) | Dividend per share (yen) | Record Date | Effective Date |
|--|----------------|---------------------------------------|-----------------------------|--------------------|-------------------|
| The Board of Directors meeting on May 13, 2021 | Common Stock | 501 | 12.50 | March 31, 2021 | June 8, 2021 |
| The Board of Directors meeting on October 29, 2021 | Common Stock | 703 | 17.50 | September 30, 2021 | November 19, 2021 |

(2) Dividends with the effective date in the next consolidated fiscal year, of which the record date is in the current consolidated fiscal year.

| Resolution | Type of shares | Source of dividends | Sum of the dividends (million yen) | Dividend per share (yen) | Record Date | Effective Date |
|--|----------------|---------------------|---------------------------------------|--------------------------|----------------|----------------|
| The Board of Directors meeting on May 13, 2022 | Common Stock | Retained Earnings | 703 | 17.50 | March 31, 2022 | June 8, 2022 |

Current Consolidated Fiscal Year (From April 1, 2022, to March 31, 2023)

1. Matters relating to outstanding shares

| Type of shares | At the beginning of Current Consolidated Fiscal Year | Increase | Decrease | At the end of Current Consolidated Fiscal Year |
|-----------------------|--|----------|----------|--|
| Common Stock (shares) | 41,925,300 | — | — | 41,925,300 |

2. Matters relating to treasury shares

| Type of shares | At the beginning of Current Consolidated Fiscal Year | Increase | Decrease | At the end of Current Consolidated Fiscal Year |
|-----------------------|--|----------|----------|--|
| Common Stock (shares) | 1,729,997 | 160 | 25,930 | 1,704,227 |

(Outline of the cause of changes)

The details of the increase are as follows.

Increase caused by the purchase of fractional shares 160 shares

The details of the decrease are as follows.

Decrease due to the retirement of treasury stock as transfer- special incentive funds - 25,930 shares

3. Matters related to share acquisition rights, etc.

No applicable items.

4. Matters relating to dividends

(1) Dividend payment amount

| Resolution | Type of shares | Sum of the dividends (million yen) | Dividend per share (yen) | Record Date | Effective Date |
|--|----------------|---------------------------------------|-----------------------------|--------------------|-------------------|
| The Board of Directors meeting on May 13, 2022 | Common Shares | 703 | 17.50 | March 31, 2022 | June 8, 2022 |
| The Board of Directors meeting on October 31, 2022 | Common Shares | 703 | 17.50 | September 30, 2022 | November 21, 2022 |

(2) Dividends with the effective date in the next consolidated fiscal year, of which the record date is in the current consolidated fiscal year.

| Resolution | Type of shares | Source of dividends | The sum of the dividends (million yen) | The amount of dividend per share (yen) | Record Date | Effective Date |
|--|----------------|---------------------|---|---|----------------|----------------|
| The Board of Directors meeting on May 12, 2023 | Common Shares | Retained Earnings | 703 | 17.50 | March 31, 2023 | June 8, 2023 |

(Consolidated Statements of Cash Flows)

*1 The relationship of cash and cash equivalents at the end of the fiscal year and the amounts of items stated in the consolidated balance sheet

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--------------------------------|--|---|
| Cash and deposits | 26,159 million yen | 23,739 million yen |
| Time deposits of over 3 months | (220 million yen) | (245 million yen) |
| Cash and cash equivalents | 25,939 million yen | 23,494 million yen |

*2 Main breakdown of assets and liabilities of companies that newly consolidated through stock acquisition

Previous consolidated fiscal year (April 1, 2021 - March 31, 2022)

Omitted as no significant items to note.

Current consolidated fiscal year (April 1, 2022 - March 31, 2023)

The breakdown of assets and liabilities as well as the acquisition price and expenses for the acquisition when COSMIC RYUTSUU SANGYO CO., LTD. and other four companies were newly consolidated through share acquisition are as follows.

| | |
|--------------------------------|-------------------|
| Current assets | 3,491 million yen |
| Non-current asset | 310 million yen |
| Goodwill | 2,329 million yen |
| Current liabilities | 2,408 million yen |
| Non-current liabilities | 484 million yen |
| Gain on bargain purchase | 11 million yen |
| Non-controlling interests | 227 million yen |
| Acquisition price of shares | 3,000 million yen |
| Cash and cash equivalents | 1,737 million yen |
| Deduction: proceeds from sales | 1,262 million yen |

- *3 Main breakdown of assets and liabilities of companies that ceased to be consolidated subsidiaries due to the sale of shares
Previous consolidated fiscal year (April 1, 2021 - March 31, 2022)

The breakdown of assets and liabilities as well as the sale price of the shares and the revenue from the sale at the time of sale of shares of PROTO MEDICAL CARE and its wholly-owned subsidiaries MARUFUJI and SILVER HEART, as they had ceased to be consolidated subsidiaries, are as follows:

| | |
|--------------------------------|-------------------|
| Current assets | 1,889 million yen |
| Non-current asset | 589 million yen |
| Current liabilities | 344 million yen |
| Non-current liabilities | 30 million yen |
| Gain on sale of shares | 2,146 million yen |
| Sale price of shares | 4,250 million yen |
| Cash and cash equivalents | 1,395 million yen |
| Deduction: proceeds from sales | 2,854 million yen |

Current consolidated fiscal year (April 1, 2022 - March 31, 2023)

No applicable items.

(Leasing Transactions)

Omitted as no significant items to note.

(Financial Instruments)

1. Status of financial instruments

(1) Policy on Financial Instruments

Our corporate group limits our fund management to short-term deposits, etc., and procure funds through an increase in cash flow from operating activities, but if there is significant demand for funds due to large-scale capital investments, new business development, or the like, we will procure funds through bank borrowings, finance, etc.

In addition, our policy is to use derivatives to avoid risks and not to engage in speculative trading.

(2) Details of financial instruments, risks thereof and risk management systems

Trade notes and accounts receivable, which are operating receivables, are exposed to the credit risk of customers. With regard to such risks, in accordance with internal regulations, we manage the due date and balance for each business partner, and have a system to periodically grasp the credit information of our main business partners.

Investment securities are mainly high-rated bonds and shares of companies with which we have business relationships, which are exposed to market risk. With regard to such risks, we regularly monitor the market value and financial position of the issuer.

Trade notes and accounts payable and electronically recorded obligations - operating, which are operating obligations, are due within one year.

Debts are mainly for the purpose of procuring working capital, and the redemption date is within 10 years after the closing date. With regard to liquidity risks related to fund procurement, we have created and updated our financial plan in a timely manner and reduced risk by maintaining on-hand liquidity.

Derivative transactions are foreign exchange reservation transactions, etc. by some consolidated subsidiaries, and execution and management are in accordance with our internal regulations that stipulate the group's trading authority.

In addition, in order to mitigate credit risks, we conduct transactions only with financial institutions with high credit ratings.

(3) Supplementary explanation on the market value of financial instruments

Since fluctuation factors are considered in the calculation of the market value of financial instruments, the value may vary according to assumptions.

2. Matters related to the market value, etc. of financial instruments

The amounts recorded in the consolidated balance sheet, market values, and the differences between them are as follows:

Previous Consolidated Fiscal Year (March 31, 2022)

| | Amount recorded on the consolidated balance sheet (million yen) | Market value (million yen) | Difference (million yen) |
|--|---|----------------------------|--------------------------|
| Investment securities | | | |
| Other securities | 2,051 | 2,051 | — |
| Total assets | 2,051 | 2,051 | — |
| Long-term debt (including current portion of long-term borrowings) | 454 | 458 | 3 |
| Total liabilities | 454 | 458 | 3 |
| Derivative transactions ³ | 8 | 8 | — |

- * 1. “Cash and deposits,” “notes receivable - trade,” “accounts receivable – trade,” “notes and accounts payable - trade,” “electronically recorded obligations – operating,” “short-term borrowings” and “income taxes payable” are omitted as their market values approximate their book values as they are cash, and because they are settled in a short periods of time.
2. Among shares, etc. without market prices, the amounts of unlisted stocks (items recorded on the consolidated balance sheet are investment securities) and investments in investment limited partnerships (non-current assets and other items recorded on the consolidated balance sheet) in the consolidated balance sheet are as follows:

| Type | Previous Consolidated Fiscal Year (million yen) (March 31, 2022) |
|---|--|
| Unlisted shares | 291 |
| Investment in Investment Limited Partnerships | 1,127 |

3. Net receivables and liabilities arising from derivative transactions are indicated as net amounts.

Current Consolidated Fiscal Year (March 31, 2023)

| | Amount recorded in the consolidated balance sheet (million yen) | Market value (million yen) | Difference (million yen) |
|--|---|----------------------------|--------------------------|
| Investment securities | | | |
| Other securities | 2,243 | 2,243 | — |
| Total assets | 2,243 | 2,243 | — |
| Long-term debt (including current portion of long-term borrowings) | 653 | 606 | (46) |
| Total Debt | 653 | 606 | (46) |
| Long-term debt ³ | (366) | (366) | — |

- * 1. “Cash and deposits,” “notes receivable - trade,” “accounts receivable – trade,” “notes and accounts payable - trade,” “electronically recorded obligations – operating,” “short-term borrowings” and “income taxes payable” are omitted as their market values approximate their book values as they are cash, and because they are settled in a short period of time.
2. Among shares, etc. without market prices, the amounts of unlisted stocks (items recorded on the consolidated balance sheet are investment securities) and investments in investment limited partnerships (non-current assets and other items recorded on the consolidated balance sheet) in the consolidated balance sheet are as follows:

| Type | Current consolidated fiscal year (million yen) (March 31, 2023) |
|---|---|
| Unlisted shares | 123 |
| Investment in Investment Limited Partnerships | 1,252 |

3. Net receivables and liabilities arising from derivative transactions are indicated as net amounts.

Note 1. The amounts of monetary claims and securities with maturities to be redeemed after the consolidated closing date

Previous Consolidated Fiscal Year (March 31, 2022)

| | Within 1 year (million yen) | 1 – 5 years (million yen) | 5 – 10 years (million yen) | Over 10 years (million yen) |
|---|--------------------------------|------------------------------|-------------------------------|--------------------------------|
| Cash and deposits | 26,159 | — | — | — |
| Notes receivable - trade | 249 | — | — | — |
| Accounts receivable - trade | 5,362 | — | — | — |
| Investment securities | | | | |
| Other securities with maturities (corporate bonds) | — | — | — | 501 |
| Total | 31,772 | — | — | 501 |

Current Consolidated Fiscal Year (March 31, 2023)

| | Within 1 year (million yen) | 1 – 5 years (million yen) | 5 – 10 years (million yen) | Over 10 years (million yen) |
|---|--------------------------------|------------------------------|-------------------------------|--------------------------------|
| Cash and deposits | 23,739 | — | — | — |
| Notes receivable - trade | 347 | — | — | — |
| Accounts receivable - trade | 5,760 | — | — | — |
| Investment securities | | | | |
| Other securities with maturities (corporate bonds) | — | — | — | 496 |
| Total | 29,847 | — | — | 496 |

2. Amounts of short- and long-term debts scheduled to be repaid after the consolidated settlement date

Previous Consolidated Fiscal Year (March 31, 2022)

| | Within 1 year (million yen) | 1 – 2 years (million yen) | 2 – 3 years (million yen) | 3 – 4 years (million yen) | 4 – 5 years (million yen) | Over 5 years (million yen) |
|-----------------------|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| Short-term borrowings | 2,550 | — | — | — | — | — |
| Long-term borrowings | 224 | 110 | 48 | 32 | 8 | 29 |
| Total | 2,774 | 110 | 48 | 32 | 8 | 29 |

Current Consolidated Fiscal Year (March 31, 2023)

| | Within 1 year (million yen) | 1 – 2 years (million yen) | 2 – 3 years (million yen) | 3 – 4 years (million yen) | 4 – 5 years (million yen) | Over 5 years (million yen) |
|-----------------------|--------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|
| Short-term borrowings | 3,600 | — | — | — | — | — |
| Long-term borrowings | 123 | 71 | 76 | 62 | 62 | 256 |
| Total | 3,723 | 71 | 76 | 62 | 62 | 256 |

3. Details of market values of financial instruments at each level

The market values of financial instruments are classified into the following three levels according to the observability and importance of inputs related to the calculation of market value.

Level 1: A market value of the inputs to the calculation of those observable calculated based on the market value of the asset or liability subject to the calculation of such market value formed in an active market

Level 2: A market value of the inputs related to the calculation of observable market value calculated using inputs related to the calculation of market value other than level 1 inputs

Level 3: A market value calculated using inputs related to the calculation of unobservable market value

* When multiple inputs that have a significant impact on the calculation of market value are used, the market value is classified into the lowest priority level in the calculation of market value among the levels to which each input belongs.

(1) Financial instruments recorded on the consolidated balance sheet at market value

Previous Consolidated Fiscal Year (March 31, 2022)

| Type | Market value (million yen) | | | |
|-------------------------|----------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment Securities | | | | |
| Other Securities | 1,550 | 501 | — | 2,051 |
| Total assets | 1,550 | 501 | — | 2,051 |
| Derivative transactions | — | 8 | — | 8 |

Current Consolidated Fiscal Year (March 31, 2023)

| Type | Market value (million yen) | | | |
|-------------------------|----------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Investment Securities | | | | |
| Other Securities | 1,746 | 496 | — | 2,243 |
| Total assets | 1,746 | 496 | — | 2,243 |
| Derivative transactions | — | (366) | — | (366) |

(2) Financial instruments other than those recorded on the consolidated balance sheet at market value

Previous Consolidated Fiscal Year (March 31, 2022)

| Type | Market value (million yen) | | | |
|---|----------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term debt (including current portion of long-term borrowings) | — | 458 | — | 458 |
| Total Debt | — | 458 | — | 458 |

Current Consolidated Fiscal Year (March 31, 2023)

| Type | Market value (million yen) | | | |
|---|----------------------------|---------|---------|-------|
| | Level 1 | Level 2 | Level 3 | Total |
| Long-term debt (including current portion of long-term borrowings) | — | 606 | — | 606 |
| Total Debt | — | 606 | — | 606 |

Notes Explanation of valuation techniques used for and inputs related to the calculation of market value

Investment securities

Listed stocks are classified as Level 1 market value as they are calculated based on the price of the exchange and are traded on active markets. Corporate bonds are calculated based on prices offered by financial institutions, etc., and are classified as Level 2 market prices.

Long-term debt

Calculated based on the present value discounted by the interest rate assumed in the case of similar new borrowings and are classified as Level 2 market value.

Derivative transactions

Calculated based on the prices offered by the business partner financial institutions, etc., and is classified as a Level 2 market value.

(Securities)

Previous Consolidated Fiscal Year (March 31, 2022)

1 Other Securities (as of March 31, 2022)

| Type | Amount recorded in the consolidated balance sheet (million yen) | Acquisition cost (million yen) | Difference (million yen) |
|--|---|--------------------------------|--------------------------|
| Amount recorded in the consolidated balance sheet exceeds acquisition cost | | | |
| (1) Shares | 1,406 | 499 | 906 |
| (2) Bonds | — | — | — |
| (3) Others | — | — | — |
| Subtotal | 1,406 | 499 | 906 |
| Amount recorded in the consolidated balance sheet does not exceed acquisition cost | | | |
| (1) Shares | 144 | 157 | (13) |
| (2) Bonds | 501 | 506 | (5) |
| (3) Others | — | — | — |
| Subtotal | 645 | 663 | (18) |
| Total | 2,051 | 1,163 | 887 |

Note: Unlisted shares (Amount recorded in the consolidated balance sheet: 291 million yen) and investments in investment limited partnerships (Amount recorded in the consolidated balance sheet: 1,127 million yen) are not included in the "Other Securities" section of the table above.

2 Other securities sold during the current consolidated fiscal year (April 1, 2021 - March 31, 2022)

No applicable items.

3 Securities that have been impaired

No applicable items.

If the market value at the end of the fiscal year falls by 50% or more compared to acquisition cost, all impairment losses are posted, and in the case of a decline of about 30 - 50%, impairment losses are posted for amounts deemed necessary in consideration of the possibility of recovery, etc.

Current Consolidated Fiscal Year (March 31, 2023)

1 Other Securities (as of March 31, 2023)

| Type | Amount recorded in the consolidated balance sheet (million yen) | Acquisition cost (million yen) | Difference (million yen) |
|--|---|--------------------------------|--------------------------|
| Amount recorded in the consolidated balance sheet exceeds acquisition cost | | | |
| (1) Shares | 1,746 | 1,160 | 586 |
| (2) Bonds | — | — | — |
| (3) Others | — | — | — |
| Subtotal | 1,746 | 1,160 | 586 |
| Amount recorded in the consolidated balance sheet does not exceed acquisition cost | | | |
| (1) Shares | — | — | — |
| (2) Bonds | 496 | 506 | (10) |
| (3) Others | — | — | — |
| Subtotal | 496 | 506 | (10) |
| Total | 2,243 | 1,667 | 575 |

Note: Unlisted shares (Amount recorded in the consolidated balance sheet: 123 million yen) and investments in investment limited partnerships (Amount recorded in the consolidated balance sheet: 1,252 million yen) are not included in the "Other Securities" section of the table above.

2 Other securities sold during the current consolidated fiscal year (April 1, 2022 - March 31, 2023)

No applicable items.

3 Securities that have been impaired

Impairment loss of 169 million yen was recognized for unlisted shares of other securities in the current fiscal year.

If the market value at the end of the fiscal year falls by 50% or more compared to acquisition cost, all impairment losses are posted, and in the case of a decline of about 30 - 50%, impairment losses are posted for amounts deemed necessary in consideration of the possibility of recovery, etc.

(Derivative Transactions)

Derivative Transactions without Hedging Accounting

Foreign Currencies

Previous Consolidated Fiscal Year (March 31, 2022)

| Type | Kind | Contract amount, etc. (million yen) | For over 1 year (million yen) | market value (million yen) | Valuation gain/loss (million yen) |
|---|---|---|----------------------------------|-------------------------------|--------------------------------------|
| Trading other than market trading | Foreign Exchange Reservation Transactions Bought US Dollars | 113 | — | 8 | 8 |
| | Total | 113 | — | 8 | 8 |

Current Consolidated Fiscal Year (March 31, 2023)

| Type | Kind | Contract amount, etc. (million yen) | For over 1 year (million yen) | market value (million yen) | Valuation gain/loss (million yen) |
|---|---|---|----------------------------------|-------------------------------|--------------------------------------|
| Trading other than market trading | Currency Options Trading Put for sale US Dollars | 6,198 | — | (45) | (45) |
| | Call for buy US Dollars | 6,198 | — | (294) | (294) |
| | Foreign Exchange Reservation Transactions Bought US Dollars | 826 | — | (26) | (26) |
| | Total | 13,224 | — | (366) | (366) |

(Retirement benefits)

1. Outline of the retirement benefit plan adopted

Some consolidated subsidiaries have adopted a lump-sum retirement benefit system and a defined contribution system based on the retirement allowance regulations. In addition, in calculating the liabilities and retirement benefit expenses related to retirement benefits, we apply the simplified method that makes the amount of self-convenience required at the end of the term related to retirement benefits obligations as retirement benefit obligations.

2. Defined benefit system with a simplified method

- (1) Adjustment table of the balance of liabilities related to retirement benefits at the beginning of the term and the balance at the end of the fiscal year under the system with a simplified method

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|--|---|
| Outstanding balance of liabilities related to retirement benefits at the beginning of the term | 8 million yen | 91 million yen |
| Retirement benefit costs | 21 million yen | 27 million yen |
| Retirement benefits paid | (5million yen) | (3 million yen) |
| Increase due to acquisition of consolidated subsidiaries | 70million yen | 18 million yen |
| Decrease due to the sale of consolidated subsidiaries | (3million yen) | — million yen |
| Year-end balance of liabilities related to retirement benefits | 91 million yen | 135 million yen |

- (2) Adjustment table of the year-end balance of retirement benefit obligations & the liabilities related to retirement benefits recorded in the consolidated balance sheet

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--|---|--|
| Non-savings plan retirement benefit obligations | 91 million yen | 135 million yen |
| Liabilities recorded in the consolidated balance sheet | 91 million yen | 135 million yen |
| Liabilities related to retirement benefits | 91 million yen | 135 million yen |
| Liabilities recorded in the consolidated balance sheet | 91 million yen | 135 million yen |

- (3) Retirement benefit costs

The retirement benefit costs calculated with the simplified method were 25 million yen in the previous consolidated fiscal year and 30 million yen in the current consolidated fiscal year.

3. Defined Contribution Scheme

The required contributions to the defined contribution plan of consolidated subsidiaries were 0 million yen for the previous consolidated fiscal year and 2 million yen for the current consolidated fiscal year.

(Tax effect accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|---|--|---|
| Deferred tax assets | | |
| Tax loss carried forward ^(Note 2) | 378 million yen | 354 million yen |
| Accumulated impairment loss | 139 million yen | 139 million yen |
| Excess amount of depreciation | 27 million yen | 31 million yen |
| Asset retirement obligations | 86 million yen | 107 million yen |
| Provision for retirement benefits for executives | 73 million yen | 78 million yen |
| Enterprise tax payable | 98 million yen | 67 million yen |
| Loss on the valuation of investments and other assets | 161 million yen | 182 million yen |
| Allowance for doubtful accounts | 22 million yen | 22 million yen |
| Loss on the valuation of goods | 22 million yen | 21 million yen |
| Other | 281 million yen | 374 million yen |
| Subtotal of deferred tax assets | 1,291 million yen | 1,379 million yen |
| Valuation allowance for tax loss carried forward ^(Note) | (374 million yen) | (316 million yen) |
| Valuation allowance for total future deductible temporary differences, etc. | (350 million yen) | (400 million yen) |
| Subtotal of valuation allowance | (724 million yen) | (716 million yen) |
| Total deferred tax assets | 566 million yen | 662 million yen |
| Deferred tax liabilities | | |
| Asset retirement obligations Asset | (25 million yen) | (34 million yen) |
| Net unrealized gains (losses) on revaluation of other marketable securities | (277 million yen) | (178 million yen) |
| Other | (0 million yen) | (0 million yen) |
| Total deferred tax liabilities | (303 million yen) | (214 million yen) |
| Net deferred tax assets | 262 million yen | 448 million yen |

(Notes) Tax loss carried forward and their deferred tax assets by expiration date

Previous Consolidated Fiscal Year (March 31, 2022)

| | Within 1 year | 1 – 2 years | 2 – 3 years | 3 – 4 years | 4 – 5 years | Over 5 years | Total |
|------------------------------|---------------|-------------|-------------|-------------|------------------|-------------------|-------------------|
| Tax loss carried forward (a) | — | — | — | — | 40 million yen | 338 million yen | 378 million yen |
| Valuation allowance | — | — | — | — | (35 million yen) | (338 million yen) | (374 million yen) |
| Deferred tax asset | — | — | — | — | 4 million yen | — | 4 million yen |

(a) Tax loss carried forward is obtained by multiplying by the statutory effective tax rate.

Current Consolidated Fiscal Year (March 31, 2023)

| | Within 1 year | 1 – 2 years | 2 – 3 years | 3 – 4 years | 4 – 5 years | Over 5 years | Total |
|------------------------------|---------------|-------------|---------------|-----------------|------------------|-------------------|-------------------|
| Tax loss carried forward (a) | — | — | 8 million yen | 18 million yen | 57 million yen | 269 million yen | 354 million yen |
| Valuation allowance | — | — | — | (4 million yen) | (53 million yen) | (258 million yen) | (316 million yen) |
| Deferred tax asset | — | — | 8 million yen | 14 million yen | 4 million yen | 11 million yen | 38 million yen |

(a) Tax loss carried forward is obtained by multiplying by the statutory effective tax rate.

2. Breakdown of major causes and components of the difference between the statutory effective tax rate and the income tax rate after the application of tax effect accounting

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|--|---|--|
| Statutory effective tax rate | 30.6% | 30.6% |
| (Adjustment) | | |
| Amortization of goodwill | 1.3 | 2.3 |
| Temporary differences related to investments in consolidated subsidiaries | 3.5 | (0.2) |
| Inhabitant taxes on per capita basis | 0.5 | 0.6 |
| Entertainment expenses and other items not permanently deductible for tax purposes | 0.0 | 0.4 |
| Changes in valuation allowance | (1.3) | (0.4) |
| Special deduction for corporate tax | (0.1) | (0.2) |
| Difference in applicable tax rate from consolidated subsidiaries | 0.4 | 0.7 |
| Other | 0.8 | (0.0) |
| Effective tax rate after application of tax effect accounting | 35.8 | 33.7 |

(Related to Business Combination, etc.)

Business combination through acquisition

Acquisition of shares of COSMIC RYUTSUU SANGYO CO., LTD. and COSMIC GIFT CARD SYSTEM CO., LTD.

(1) Outline of the transaction

① Acquired company name and business description

| Name | Business |
|-----------------------------------|---|
| COSMIC RYUTSUU SANGYO CO., LTD. | Operation of stores and websites to sell discount tickets, etc. |
| COSMIC GIFT CARD SYSTEM CO., LTD. | Operation of stores and websites to sell gift coupons, etc. |

② Purpose of the share acquisition

Our company provides information services such as the Search Engine for Automobile Repair Shops “Goo-net Pit” based on our Automobile Information Media “Goo-net” with the largest number of used vehicle registration in the country. Further, we are working on promoting DX by AI utilizing various data obtained through such media operations, promoting DX in mobility-related areas, and expanding our business domains, by providing a sales support tool for new-vehicle dealers called “DataLine SalesGuide.”

On the other hand, COSMIC RYUTSUU SANGYO LTD., INC. and COSMIC GC SYSTEM LTD., INC. has operated shops of coupons of products, gifts, etc. in terminal stations, large-scale shopping malls, etc. in the Tokyo Metropolitan Area, and has grown their business while fostering trusting relationships with customers in each region.

Our company resolved to acquire their shares, to make them subsidiaries and commence new businesses based on our belief that, from this share acquisition, we will be able to secure more contact points with consumers and maximize synergies, by integrating our know-how for online media and DX and the know-how COSMIC RYUTSUU SANGYO LTD., INC. and COSMIC GC SYSTEM LTD., INC. that have been building and developing over the years as distribution businesses that operate shops specializing in selling vouchers and gift coupons.

③ Share transfer date

April 1, 2022

④ Legal form of business combination

Acquisition of shares for cash

- ⑤ Name of company after combination
No change
- ⑥ Acquired voting rights ratio
COSMIC RYUTSUU SANGYO CO., LTD. 100%
COSMIC GIFT CARD SYSTEM CO., LTD. 100%
- ⑦ Major reason for determining the company to be acquired
Our company acquired its shares with cash & deposits.
- (2) The accounting period of the acquired companies included in our consolidated financial statements
From April 1, 2022 to March 31, 2023
- (3) Total cost for acquiring the company and its breakdown
- a. COSMIC RYUTSUU SANGYO CO., LTD.
- | | |
|-----------------------------------|----------------------|
| Acquisition cost (cash) | 1,449 million |
| Advisory fee, etc. | 75 million |
| Total cost for acquisition | 1,524 million |
- b. COSMIC GIFT CARD SYSTEM CO., LTD.
- | | |
|-----------------------------------|-------------------|
| Acquisition cost (cash) | 50 million |
| Advisory fee, etc. | 2 million |
| Total cost for acquisition | 53 million |
- (4) Rough breakdown and amounts of acquisition-related expenditure
- a. COSMIC RYUTSUU SANGYO CO., LTD.
- | | |
|--------------------|------------|
| Advisory fee, etc. | 75 million |
|--------------------|------------|
- b. COSMIC GIFT CARD SYSTEM CO., LTD.
- | | |
|--------------------|-----------|
| Advisory fee, etc. | 2 million |
|--------------------|-----------|
- (5) Acquired goodwill, reason for the acquisition of goodwill, goodwill amortization method and period
- a. COSMIC RYUTSUU SANGYO CO., LTD.
- ① Amount of the acquired goodwill
1,082 million
- ② Reason for the acquisition of goodwill
Goodwill arose from the expected excess return from future business operation.
- ③ Amortization method and period
Straight-line amortization for 15 years
- b. COSMIC GIFT CARD SYSTEM CO., LTD.
- ① Income from gain on bargain purchase
11 million
- ② Reason for posting it
The acquisition cost fell below the market value of net assets at the time of business combination. That difference was recognized as the income from gain on bargain purchase.
- (6) Amounts of assets and liabilities we received on the day of business combination, and their rough breakdown

a. COSMIC RYUTSUU SANGYO CO., LTD.

| | |
|--------------------------|----------------------|
| Current assets | 1,950 million |
| Non-current assets | 181 million |
| Total assets | 2,131 million |
| Current liabilities | 1,608 million |
| Non-current liabilities | 155 million |
| Total liabilities | 1,764 million |

b. COSMIC GIFT CARD SYSTEM CO., LTD.

| | |
|--------------------------|--------------------|
| Current assets | 239 million |
| Non-current assets | 16 million |
| Total assets | 255 million |
| Current liabilities | 184 million |
| Non-current liabilities | 9 million |
| Total liabilities | 193 million |

- (7) Estimated amount and calculation method of the impact of business combination on the consolidated statement of income for this consolidated fiscal year assuming it was completed on the first day of the consolidated fiscal year

As business combination has been completed on the first day of the consolidated fiscal year, no notes are required.

Acquisition of shares of okinawa basketball inc.

(1) Outline of the transaction

① Acquired company name and business description

| Name | Business |
|-----------------------------|--|
| okinawa basketball inc. | Management of professional basketball team “RYUKYU GOLDEN KINGS” |
| okinawa arena inc. | Operation of OKINAWA ARENA facilities |
| okinawa sports academy inc. | Management of sports academy |

② Purpose of the share acquisition

PROTO SOLUTION Co., Ltd., our consolidated subsidiary, engages in the operation of services useful for the daily lives of customers in Okinawa Prefecture, such as the car information media “Goo-net Okinawa,” the real estate information media “Goo Home” and the bicycle sharing service “CYCY.” Meanwhile, okinawa basketball inc. was founded as the management company for the professional basketball team “RYUKYU GOLDEN KINGS” based in Okinawa Prefecture and aims to bring emotional experiences to customers through entertainment business and make the local society better, with “make Okinawa more exciting!” as the philosophy for their activities. We acquired the shares of okinawa basketball inc. as we considered that by working toward the fusion of the media operation business know-how cultivated by PROTO SOLUTION Co., Ltd. and the brand potential of “RYUKYU GOLDEN KINGS” as well as the sports business know-how cultivated by okinawa basketball inc., we will be able to maximize the synergy of the two companies in further reinforcing the brand, expanding the clientele, creating opportunities for entertainment business, etc.

③ Share transfer date

July 1, 2022

④ Legal form of business combination

Acquisition of shares for cash

- ⑤ Name of company after combination
No change
- ⑥ Acquired voting rights ratio
okinawa basketball inc. 52.68%
- ⑦ Major reason for determining the company to be acquired
Our company acquired its shares with cash & deposits.
- (2) The accounting period of the acquired companies included in our consolidated financial statements
From July 1, 2022 to March 31, 2023
- (3) Total cost for acquiring the company and its breakdown
okinawa basketball inc.
- | | |
|----------------------------|---------------|
| Acquisition cost (cash) | 1,500 million |
| Advisory fee, etc. | 11 million |
| <hr/> | <hr/> |
| Total cost for acquisition | 1,511 million |
- (4) Rough breakdown and amounts of acquisition-related expenditure
- | | |
|--------------------|------------|
| Advisory fee, etc. | 11 million |
|--------------------|------------|
- (5) Acquired goodwill, reason for the acquisition of goodwill, goodwill amortization method and period
- ① Amount of the acquired goodwill
1,247 million
- ② Reason for the acquisition of goodwill
Goodwill arose from the expected excess return from future business operation.
- ③ Amortization method and period
Straight-line amortization for 10 years
- (6) Amounts of assets and liabilities we received on the day of business combination, and their rough breakdown
- | | |
|-------------------------|---------------|
| Current assets | 1,302 million |
| Non-current assets | 112 million |
| <hr/> | <hr/> |
| Total assets | 1,414 million |
| Current liabilities | 615 million |
| Non-current liabilities | 319 million |
| <hr/> | <hr/> |
| Total liabilities | 935 million |
- (7) Estimated amount and calculation method of the impact of business combination on the consolidated statement of income for this consolidated fiscal year assuming it was completed on the first day of the consolidated fiscal year
- | | |
|---|-------------|
| Net sales | 968 million |
| Operating income | 78 million |
| Ordinary income | 87 million |
| Profit before income taxes | 87 million |
| Profit attributable to owners of parent | 22 million |
| Net income per share | 0.57 yen |

(Calculation method for the estimated amount)

The difference between sales and income calculated assuming that business combination was completed on the first day of the consolidated fiscal year and the sales and income stated in the consolidated profit-and-loss statement of the acquired company is considered to be the estimated amount of the impact. Moreover, the estimated amount of the impact is calculated surmising that goodwill recognized at business combination arose at the beginning of the fiscal year.

Furthermore, said explanatory note has not been audited.

(Asset retirement obligations)

Asset retirement obligations recorded in the consolidated balance sheet

(1) Summary of asset retirement obligations

Obligations for restoration to the original state in connection with real estate lease contracts for outdoor advertising signs and offices, etc.

(2) Calculation method of the amount of the asset retirement obligations

The amount of the asset retirement obligation is calculated using the expected usable period as the useful life and the discount rate based on the yield of government bonds in circulation that corresponds to the expected usable period.

(3) Increase/decrease in the total amount of asset retirement obligations

| | Previous Consolidated Fiscal Year (March 31, 2022) | Current Consolidated Fiscal Year (March 31, 2023) |
|---|---|--|
| Balance at the beginning of the period | 300 million yen | 281 million yen |
| Increase due to acquisition of property, plant, and equipment | 6 million yen | 15 million yen |
| Adjustments due to passage of time | 1 million yen | 2 million yen |
| Decrease due to fulfillment of asset retirement obligations | — million yen | (1 million yen) |
| Increase due to acquisition of consolidated subsidiary | — million yen | 46 million yen |
| Decrease due to sale of consolidated subsidiaries | (27 Million yen) | — million yen |
| Balance at the end of the period | 281 million yen | 343 million yen |

(Rental and other real estate)

The Company Group has office buildings and residential properties for rent in Aichi Prefecture and other areas.

Rental income (loss) related to said rental properties for the fiscal year ending March 31, 2022 is 103 million yen (rental revenue is included in net sales and major rental expenses are included in the cost of sales).

Rental income (loss) related to said rental properties for the fiscal year ending March 31, 2023 is 92 million yen (rental revenue is included in net sales and major rental expenses are included in the cost of sales).

The consolidated balance sheet amount, changes during the period, and market value of the relevant leased property are as follows.

(Unit: Millions of yen)

| | | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|--|--|---|
| Amounts posted in the consolidated balance sheet | Balance at the beginning of the period | 1,335 | 1,289 |
| | Increase/decrease during the period | (46) | (100) |
| | Balance at the end of the period | 1,289 | 1,188 |
| End-of-Term Price | | 1,783 | 1,409 |

Notes 1. The amount posted in the consolidated balance sheet is obtained by subtracting the accumulated depreciation from the acquisition cost.

2. The decrease in the amount of decrease during the previous consolidated fiscal year and the current consolidated fiscal year is mainly due to the depreciation of real estate.

3. The market value at the end of the period is mainly based on the amount calculated by the Company in accordance with the "Real Estate Appraisal Standards" (including those adjusted by using indices, etc.).

(Revenue Recognition)

1. Information on the breakdown of revenues from contracts with customers

Information that classifies revenues from contracts with customers is shown in "Notes (Segment Information)."

2. Information that provides a basis for understanding revenues from contracts with customers

Information that provides a basis for understanding revenues from contracts with customers is shown in "Notes (Basis of Presenting Consolidated Financial Statements) (8) Basis for recording significant revenues and expenses.

3 Information on the relationship between the fulfillment of the obligations specified in contracts with customers and cash flows from such contracts, and the amount and timing of revenues expected to be recognized from contracts with customers existing at the end of the current fiscal year through the following fiscal year

This information is omitted due to immateriality.

(Segment information, etc.)

[Segment information]

1. Overview of Segments to be Reported

(1) Method of determining reportable segments

The Company's segments are components of the Group for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

The Company's segments are based composed of three segments: "platform," " commerce," and "Other."

(2) The major items included in each segment

The major items included in each segment are as follows.

| Segment | Main services, etc. |
|----------|--|
| Platform | Car information media "Goo-net" Car information magazine "Goo" and the imported car information magazine "Goo World" Car maintenance site "Goo-net Pit" Goo Bike, a comprehensive motorcycle information media Used car auction market information magazine "Auction Information" DataLine, a management support platform for new car dealers Monthly Body Shop Report" and the sheet-metal coating estimation system "Morenon NEXT" RacroS II, an integrated system for sheet metal in the automotive maintenance industry Real estate information site "Goo Home" Inspection of usedcar |
| Commerce | Sale of tires, wheels, etc. Used Car Export Business Ticket Sales |
| Other | BPO (Business Process Outsourcing) Solar power generation Development, sale, etc. of software Video production Agriculture business Investment business Management of basketball teams Preservation and management of real estate, including rental ones |

(3) Notes on Changes, etc. in Reported Segments

In this fiscal year, we changed the original reported segments of "Automobile-related information," "Lifestyle-related information," "Real estate" and "Other business" to "Platform," "Commerce" and "Other business" in order to reflect the current organizational structure in a clearer way. Furthermore, in step with the aforementioned, we changed the categories of revenues arising from contracts with our clients from the original "Ad-related," "Information and services," "Sales of goods" and "Other" to "Media," "Services," "Sales of goods," "Ticket sales" and "Other."

Moreover, categories following the change were used in creating segment information, etc. for the previous fiscal year.

2. Method of calculating sales, profit or loss, assets, and other items in each segment

The accounting method for reported business segments is generally the same as that described in "Basis of Presenting Consolidated Financial Statements."

3. Information on net sales, income or loss, assets, and other items by reportable segment and breakdown of income

Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

| | Segment | | | | Adjustment (Note 1) | Amount recorded in the consolidated statements of income (Note 2) |
|---|----------|---------|-------|--------|------------------------|---|
| | Platform | Commece | Other | Total | | |
| Net sales | | | | | | |
| Media | 23,032 | — | — | 23,032 | — | 23,032 |
| Services | 5,742 | — | — | 5,742 | — | 5,742 |
| Sales of goods | — | 24,492 | — | 24,492 | — | 24,492 |
| Ticket sales | — | — | — | — | — | — |
| Other | — | — | 3,772 | 3,772 | — | 3,772 |
| Revenues from contracts with customers | 28,775 | 24,492 | 3,772 | 57,040 | — | 57,040 |
| Other income (Note 3) | — | — | 405 | 405 | — | 405 |
| Sales to external customers | 28,775 | 24,492 | 4,178 | 57,446 | — | 57,446 |
| Intersegment sales and transfers | 36 | 0 | 1,680 | 1,716 | (1,716) | — |
| Total | 28,811 | 24,492 | 5,859 | 59,163 | (1,716) | 57,446 |
| Segment profit | 7,835 | 66 | 437 | 8,339 | (1,917) | 6422 |
| Segment assets | 10,568 | 15,736 | 7,052 | 33,358 | 21,167 | 54,525 |
| Other items | | | | | | |
| Depreciation and amortization | 347 | 310 | 158 | 817 | 59 | 877 |
| Amortization of goodwill | — | 333 | 27 | 360 | — | 360 |
| Increase in property, plant and equipment and intangible assets | 435 | 239 | 173 | 848 | 389 | 1,237 |

Notes 1. Adjustments are as follows

- (1) Adjustment of segment income includes elimination of intersegment transactions of -31 million yen and corporate expenses of -1,886 million yen. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
- (2) The segment assets adjustment of 21,167 million yen is corporate assets that are not allocated to each segment. Corporate assets consist mainly of surplus operating funds (cash and deposits) and long-term investment funds (investment securities and investments) of the parent company.
- (3) The adjustment of 389 million yen for the increase in property, plant, equipment, and intangible assets represents capital expenditures related to software and other assets that are not allocated to each segment.

2 Segment income is adjusted with operating income in the consolidated statements of income.

3 Other income includes rental income based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

| | Segment | | | | Adjustment (Note 1) | Amount recorded in the consolidated statements of income (Note 2) |
|---|----------|---------|-------|---------|------------------------|---|
| | Platform | Commece | Other | Total | | |
| Net sales | | | | | | |
| Media | 24,431 | — | — | 24,431 | — | 24,431 |
| Services | 5,873 | — | — | 5,873 | — | 5,873 |
| Sales of goods | — | 29,573 | — | 29,573 | — | 29,573 |
| Ticket sales | — | 38,974 | — | 38,974 | — | 38,974 |
| Other | — | — | 6,590 | 6,590 | — | 6,590 |
| Revenues from contracts with customers | 30,305 | 68,548 | 6,590 | 105,444 | — | 105,444 |
| Other income (Note 3) | — | — | 152 | 152 | — | 152 |
| Sales to external customers | 30,305 | 68,548 | 6,742 | 105,596 | — | 105,596 |
| Intersegment sales and transfers | 65 | 1 | 2,006 | 2,073 | (2,073) | — |
| Total | 30,370 | 68,549 | 8,749 | 107,670 | (2,073) | 105,596 |
| Segment profit | 8,565 | 417 | 378 | 9,361 | (2,025) | 7,336 |
| Segment assets | 11,889 | 22,736 | 9,184 | 43,809 | 16,774 | 60,553 |
| Other items | | | | | | |
| Depreciation and amortization | 352 | 373 | 177 | 904 | 84 | 988 |
| Amortization of goodwill | — | 407 | 114 | 521 | — | 521 |
| Increase in property, plant and equipment and intangible assets | 721 | 868 | 225 | 1,814 | 1,084 | 2,898 |

Notes 1. Adjustments are as follows

- (1) Adjustment of segment income includes the elimination of intersegment transactions of -36 million yen and corporate expenses of -1,988 million yen. Corporate expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.
- (2) The segment assets adjustment of 16,744 million yen is corporate assets that are not allocated to each segment. Corporate assets consist mainly of surplus operating funds (cash and deposits) and long-term investment funds (investment securities and investments) of the parent company.
- (3) The adjustment of 1,084 million yen for the increase in property, plant, equipment, and intangible assets represents capital expenditures related to land and other assets that are not allocated to each segment.

2 Segment income is adjusted with operating income in the consolidated statements of income.

3 Other income includes rental income based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

[Related information]

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

1. Information on each product and each service

This information is omitted because the same information is disclosed in the section of segment information.

2. Information on each region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

The description of this item is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information on each major customer

This information is omitted because there are no customers whose sales to external customers account for 10% or more of the net sales on the consolidated statements of income.

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

1. Information on each product and each service

This information is omitted because the same information is disclosed in the section of segment information.

2. Information on each region

(1) Net sales

This information is omitted because sales to external customers in Japan account for more than 90% of net sales in the consolidated statements of income.

(2) Property, plant and equipment

Description of this item is omitted because the amount of property, plant and equipment located in Japan exceeds 90% of the amount of property, plant and equipment in the consolidated balance sheet.

3. Information on each major customer

This information is omitted because there are no customers whose sales to external customers account for 10% or more of the net sales in the consolidated statements of income.

[Information on impairment loss on non-current assets by segment]

Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

No applicable items.

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

No applicable items.

[Information on amortization of goodwill and unamortized balance by segment]

Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

(Unit: Millions of yen)

| | Segment | | | | Adjusted amount | Total |
|--------------------------------------|----------|----------|-------|-------|-----------------|-------|
| | Platform | Commerce | Other | Total | | |
| Amortization for the current period | — | 333 | 27 | 360 | — | 360 |
| Balance at the end of current period | — | 333 | 213 | 547 | — | 547 |

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

(Unit: Millions of yen)

| | Segment | | | | Adjusted amount | Total |
|--------------------------------------|----------|----------|-------|-------|-----------------|-------|
| | Platform | Commerce | Other | Total | | |
| Amortization for the current period | — | 407 | 114 | 521 | — | 521 |
| Balance at the end of current period | — | 1,019 | 1,346 | 2,365 | — | 2,365 |

[Information on gain on negative goodwill by segment]

Previous Consolidated Fiscal Year (April 1, 2021 to March 31, 2022)

No applicable items.

Current Consolidated Fiscal Year (April 1, 2022 to March 31, 2023)

The shares of COSMIC GIFT CARD SYSTEM CO., LTD. were acquired in this fiscal year and included in the scope of consolidation in the “commerce” segment. Accordingly, a gain on bargain purchase of 11 million yen was recorded in this fiscal year.

[Related Party Information]

1. Transactions with Related Parties

(1) Transactions between the company submitting the consolidated financial statements and related parties

For the previous consolidated fiscal year (April 1, 2021 to March 31, 2022) and the current consolidated fiscal year (April 1, 2022 to March 31, 2023)

No applicable items.

(2) Transactions between consolidated subsidiaries of companies submitting consolidated financial statements and related parties

For the previous consolidated fiscal year (April 1, 2021 to March 31, 2022) and the current consolidated fiscal year (April 1, 2022 to March 31, 2023)

No applicable items.

2. Notes on the Parent Company and Significant Affiliates

For the previous consolidated fiscal year (April 1, 2021 to March 31, 2022) and the current consolidated fiscal year (April 1, 2022 to March 31, 2023)

No applicable items.

(Per-share information)

| | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|----------------------|--|---|
| Net assets per share | 1,004.13 yen | 1,073.68 yen |
| Net income per share | 146.34 yen | 110.05 yen |

(Notes) 1. Diluted net income per share is not shown because there are no latent shares.

2. The basis for calculation of net income per share is as follows

| | | Previous Consolidated Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Consolidated Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|----------------------|---|--|
| Net income attributable to owners of parent | (Millions of yen) | 5,880 | 4,424 |
| Amount not attributable to common shareholders | (Millions of yen) | — | — |
| Net income attributable to owners of parent associated with common stock. | (Millions of yen) | 5,880 | 4,424 |
| Average number of common shares during the period | (Thousand shares) | 40,181 | 40,207 |

3. The basis for calculation of net assets per share is as follows.

| | | End of the Previous Fiscal Year (March 31, 2022) | End of the Current Fiscal Year (March 31, 2023) |
|--|----------------------|---|--|
| Total amount of net assets | (Millions of yen) | 40,397 | 43,515 |
| Amount deducted from total net assets | (Millions of yen) | 35 | 330 |
| (Non-controlling interest) | (Millions of yen) | (35) | (330) |
| Net assets related to common stock at the end of the period | (Millions of yen) | 40,361 | 43,184 |
| Number of common shares issued | (Thousand shares) | 41,925 | 41,925 |
| Number of common shares held in treasury | (Thousand shares) | 1,729 | 1,704 |
| Number of common shares used in the calculation of net assets per share at the end of the fiscal year | (Thousand shares) | 40,195 | 40,221 |

(Significant Subsequent Events)

No applicable items.

Consolidated Supplementary Schedules

[Schedule of Bonds]

None

[Breakdown of debt, etc.]

| Category | Opening balance of the current period (million yen) | Closing balance of the current period (million yen) | Average interest rate (%) | Repayment deadline |
|---|---|---|---------------------------|--------------------|
| Short-term borrowing | 2,550 | 3,600 | 0.17 | — |
| Current portion of long-term borrowings | 224 | 123 | 0.27 | — |
| Current portion of lease obligations | 75 | 50 | 0.58 | — |
| Long-term debt (excluding current portion) | 230 | 529 | 0.11 | 2024-2038 |
| Lease obligations (excluding current portion) | 177 | 143 | 0.43 | 2024-2030 |
| Other interest-bearing liabilities | — | — | — | — |
| Total | 3,257 | 4,446 | — | — |

Notes 1. "Average interest rate" is the weighted average interest rate for the balance of borrowings, etc. at the end of the fiscal year.

2. Total amount of long-term debt and lease obligations (excluding current portion) each year within five years of the consolidated balance sheet date.

| Category | 1 – 2 years (million yen) | 2 – 3 years (million yen) | 3 – 4 years (million yen) | 4 – 5 years (million yen) |
|-------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Long-term loan | 71 | 76 | 62 | 62 |
| Lease obligations | 35 | 32 | 26 | 12 |

[Asset Retirement Obligations]

The amount of asset retirement obligations at the beginning and end of the current fiscal year is less than or equal to 1/100 of the total liabilities and net assets at the beginning and end of the current fiscal year, therefore, the description of asset retirement obligations is omitted.

(2) [Other]

Quarterly information, etc. for the current consolidated fiscal year

| (Cumulative period) | First quarter | Second quarter | Third quarter | Current Consolidated Fiscal Year |
|---|---------------|----------------|---------------|----------------------------------|
| Net sales (Millions of yen) | 23,784 | 49,881 | 79,329 | 105,596 |
| Quarterly net income for the current period before adjustment for taxes, etc. (Millions of yen) | 2,110 | 3,673 | 5,381 | 6,808 |
| Quarterly net income for the current period attributable to owners of parent (Millions of yen) | 1,398 | 2,401 | 3,490 | 4,424 |
| Quarterly net income per share (Yen) | 34.80 | 59.74 | 86.83 | 110.05 |

| (Accounting period) | First quarter | Second quarter | Third quarter | Fourth quarter |
|--------------------------------------|---------------|----------------|---------------|----------------|
| Quarterly net income per share (Yen) | 34.80 | 24.94 | 27.10 | 23.22 |

2 [Financial Statement]

(1) [Financial Statement]

① [Balance Sheet]

(unit: million yen)

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|--|--|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 18,357 | 13,169 |
| Notes receivable | 16 | 19 |
| Electronically recorded monetary claims | 53 | 53 |
| Accounts receivable | ※1 2,273 | ※1 2,420 |
| Merchandise and finished goods | 7 | 8 |
| Work in process | 0 | 1 |
| Raw materials and supplies | 4 | 7 |
| Advance payments | 226 | 161 |
| Prepaid expenses | 273 | 387 |
| Short-term loans receivable from subsidiaries and associates | 1,000 | 4,000 |
| Current portion of long-term loans receivable from subsidiaries and associates | 1,369 | 119 |
| Other | ※1 117 | ※1 49 |
| Allowance for doubtful accounts | (0) | (1) |
| Total current assets | 23,697 | 20,396 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings, net | 3,291 | 3,404 |
| Structures, net | 79 | 69 |
| Machinery and equipment, net | 0 | 0 |
| Vehicles, net | 3 | 7 |
| Tools, furniture and fixtures, net | 33 | 85 |
| Land | 2,440 | 3,310 |
| Leased assets, net | 2 | 1 |
| Construction in progress | 112 | — |
| Total property, plant and equipment | ※2 5,963 | ※2 6,878 |
| Intangible assets | | |
| Software | 421 | 791 |
| Software in progress | 118 | 23 |
| Telephone subscription right | 23 | 23 |
| Right of using water facilities | 0 | 0 |
| Other | — | 0 |
| Total intangible assets | 563 | 838 |
| Investments and other assets | | |
| Investment securities | 1,621 | 1,195 |
| Shares of subsidiaries and associates | 7,338 | 8,961 |
| Investments in capital | 0 | 0 |
| Investments in capital of subsidiaries and associates | 763 | 1,059 |
| Long-term loans receivable from subsidiaries and associates | 2,198 | 4,879 |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 10 | 12 |
| Long-term prepaid expenses | 70 | 78 |
| Deferred tax assets | 19 | 124 |
| Lease and guarantee deposits | 181 | 220 |
| Other | ※1 17 | ※1 23 |
| Allowance for doubtful accounts | (10) | (12) |
| Total investments and other assets | 12,209 | 16,496 |
| Total non-current assets | 18,736 | 24,214 |
| Total assets | 42,433 | 44,610 |

(unit: million yen)

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|---|--|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | ※1 300 | ※1 324 |
| Lease obligations | 0 | 0 |
| Accounts payable | ※1 187 | ※1 84 |
| Accrued expenses | ※1 2,011 | ※1 2,146 |
| Income taxes payable | 1,357 | 942 |
| Advances received | 474 | 606 |
| Deposits received | 145 | 146 |
| Provision for loss on disaster | 30 | — |
| Other | 259 | 158 |
| Total current liabilities | 4,765 | 4,409 |
| Non-current liabilities | | |
| Provision for directors' retirement benefits | 220 | 234 |
| Asset retirement obligations | 219 | 229 |
| Lease obligations | 1 | 0 |
| Other | 51 | 51 |
| Total non-current liabilities | 492 | 516 |
| Total liabilities | 5,258 | 4,925 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,849 | 1,849 |
| Capital surplus | | |
| Legal capital surplus | 2,036 | 2,036 |
| Other capital surplus | 22 | 34 |
| Total capital surplus | 2,058 | 2,070 |
| Retained earnings | | |
| Legal retained earnings | 254 | 254 |
| Other retained earnings | | |
| General reserve | 25,700 | 30,700 |
| Retained earnings brought forward | 7,976 | 5,665 |
| Total retained earnings | 33,930 | 36,619 |
| Treasury shares | (1,279) | (1,260) |
| Total shareholders' equity | 36,559 | 39,278 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 616 | 406 |
| Total valuation and translation adjustments | 616 | 406 |
| Total net assets | 37,175 | 39,685 |
| Total liabilities and net assets | 42,433 | 44,610 |

② [Statement of income]

(unit: million yen)

| | Previous Fiscal Year (April 1, 2021 to March 31, 2022) | Current Fiscal Year (April 1, 2022 to March 31, 2023) |
|--|---|--|
| Net sales | ※1 28,910 | ※1 30,516 |
| Cost of sales | ※1 11,197 | ※1 11,529 |
| Gross profit | 17,712 | 18,986 |
| Selling, general and administrative expenses | ※1,2 12,031 | ※1,2 12,823 |
| Operating income | 5,681 | 6,163 |
| Non-operating income | | |
| Interest income | ※1 19 | ※1 28 |
| Dividend income | 2 | 5 |
| Gain on sales of used paper | 2 | 2 |
| Other | 11 | 12 |
| Total non-operating income | 35 | 48 |
| Non-operating expenses | | |
| Loss on investments in partnership | 32 | 134 |
| Other | 0 | 0 |
| Total non-operating expenses | 33 | 134 |
| Ordinary income | 5,683 | 6,076 |
| Extraordinary income | | |
| Gain on sales of non-current assets | ※3 17 | ※3 2 |
| Gain on sales of shares of subsidiaries and associates | 3,667 | — |
| Total extraordinary income | 3,685 | 2 |
| Extraordinary losses | | |
| Loss on sales of non-current assets | ※4 40 | — |
| Loss on retirement of non-current assets | 4 | 7 |
| Loss on valuation of shares of investment securities | — | 69 |
| Provision for loss on disaster | 30 | — |
| Other | 0 | 1 |
| Total extraordinary losses | 75 | 79 |
| Profit before income taxes | 9,293 | 5,999 |
| Income taxes - current | 2,043 | 1,896 |
| Income taxes - deferred | 836 | 8 |
| Total income taxes | 2,880 | 1,904 |
| Profit | 6,412 | 4,095 |

③ [Statement of changes in equity]

Previous Fiscal Year (April 1, 2021 to March 31, 2022)

(unit: million yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|---------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | Total retained earnings |
| | | | | | General reserve | Retained earnings brought forward | | |
| Balance at beginning of current period | 1,849 | 2,036 | 0 | 2,036 | 254 | 20,700 | 7,769 | 28,723 |
| Changes of items during period | | | | | | | | |
| Dividends of surplus | | | | | | | (1,205) | (1,205) |
| Provision of general reserve | | | | | | 5,000 | (5,000) | — |
| Profit | | | | | | | 6,412 | 6,412 |
| Purchase of treasury shares | | | | | | | | |
| Disposal of treasury shares | | | 22 | 22 | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during period | — | — | 22 | 22 | — | 5,000 | 207 | 5,207 |
| Balance at end of current period | 1,849 | 2,036 | 22 | 2,058 | 254 | 25,700 | 7,976 | 33,930 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of current period | (1,306) | 31,302 | 547 | 547 | 31,850 |
| Changes of items during period | | | | | |
| Dividends of surplus | | (1,205) | | | (1,205) |
| Provision of general reserve | | — | | | — |
| Profit | | 6,412 | | | 6,412 |
| Purchase of treasury shares | 0 | 0 | | | 0) |
| Disposal of treasury shares | 26 | 49 | | | 49 |
| Net changes of items other than shareholders' equity | | | 68 | 68 | 68 |
| Total changes of items during period | 26 | 5,256 | 68 | 68 | 5,325 |
| Balance at end of current period | (1,279) | 36,559 | 616 | 616 | 37,175 |

Current Fiscal Year (April 1, 2022 to March 31, 2023)

(unit: million yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|---------|-------------------------|
| | Capital stock | Capital surplus | | | Retained earnings | | | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings | | Total retained earnings |
| | | | | | General reserve | Retained earnings brought forward | | |
| Balance at beginning of current period | 1,849 | 2,036 | 22 | 2,058 | 254 | 25,700 | 7,976 | 33,930 |
| Changes of items during period | | | | | | | | |
| Dividends of surplus | | | | | | | (1,406) | (1,406) |
| Provision of general reserve | | | | | | 5,000 | (5,000) | — |
| Profit | | | | | | | 4,095 | 4,095 |
| Purchase of treasury shares | | | | | | | | |
| Disposal of treasury shares | | | 11 | 11 | | | | |
| Net changes of items other than shareholders' equity | | | | | | | | |
| Total changes of items during period | — | — | 11 | 11 | — | 5,000 | (2,311) | 2,688 |
| Balance at end of current period | 1,849 | 2,036 | 34 | 2,070 | 254 | 30,700 | 5,665 | 36,619 |

| | Shareholders' equity | | Valuation and translation adjustments | | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
| | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of current period | (1,279) | 36,559 | 616 | 616 | 37,175 |
| Changes of items during period | | | | | |
| Dividends of surplus | | (1,406) | | | (1,406) |
| Provision of general reserve | | — | | | — |
| Profit | | 4,095 | | | 4,095 |
| Purchase of treasury shares | (0) | (0) | | | (0) |
| Disposal of treasury shares | 19 | 31 | | | 31 |
| Net changes of items other than shareholders' equity | | | (209) | (209) | (209) |
| Total changes of items during period | 18 | 2,719 | (209) | (209) | 2,509 |
| Balance at end of current period | (1,260) | 39,278 | 406 | 406 | 39,685 |

[Notes]

(Items regarding the premise of a going concern)

No applicable items.

(Important accounting policy)

1. Standards and methods for evaluating securities

Shares of subsidiaries

Moving-average cost method

Other securities

a. Securities other than shares, etc. that have no market price

Market value method (the valuation difference is posted in net assets, while the cost for selling them is calculated with the moving-average method)

b. Shares, etc. that have no market price

Moving-average cost method

Contributions

a. Contributions, etc. with no market prices

Moving-average cost method

b. Contributions to limited partnerships for investment and other partnerships similar to them (considered as securities in accordance with Article 2, Paragraph 2 of the Financial Instruments and Exchange Act)

Method of posting the net amount of equity equivalent with reference to the latest financial statements available according to the results reporting date specified in the partnership contracts

2. Standards and methods for evaluating inventory assets

The evaluation standards are based on the cost method (method to reduce book value due to a decline in profitability).

| | | |
|------------------|-------|----------------------------|
| Goods procured | ····· | Specific cost method |
| Goods produced | ····· | Specific cost method |
| Goods in process | ····· | Specific cost method |
| Raw materials | ····· | Specific cost method |
| Stored goods | ····· | Last purchase price method |

3. Method for depreciation of non-current assets

(1) Property, plant, and equipment (excluding lease assets)

Buildings (excluding building fixtures)

a. Those acquired on or before March 31, 1998

Old declining balance method

b. Those acquired between April 1, 1998, and March 31, 2007

Old straight-line method

c. Those acquired on or after April 1, 2007

Straight-line method

Items other than buildings

a. Those acquired on or before March 31, 2007

Old declining balance method

b. Those acquired on or after April 1, 2007

Declining balance method

However, the straight-line method is adopted for building fixtures and structures acquired on or after April 1, 2016.

The major useful life is as follows:

Buildings: 6-50 years

Structures: 10-20 years

Machinery and equipment: 10 years

Vehicles: 5-6 years

Tools, furniture and fixtures: 3-20 years

Assets of small value acquired at the cost of 100,000 yen or more but less than 200,000 yen are depreciated with the straight-line method over three years.

(2) Intangible assets (excluding lease assets)

Straight-line method

For the software used in house, the straight-line method is used based on the usable period inside the company (five years).

(3) Lease assets

Lease assets related to finance lease transactions not involving transfer of ownership

Straight-line method over the useful lives until the residual value reaches zero

4. Standards for allowances and reserves

(1) Allowance for doubtful accounts

In preparation for a loss due to bad debts, the estimated uncollectable amount is posted for general accounts receivable by using the ratio of bad debts and for specific receivables, such as doubtful accounts receivable, by considering the collectability of each item.

(2) Allowance for executives' retirement benefits

To prepare for expenditure for directors' retirement benefits, the estimated amount to be paid at the end of the consolidated fiscal year pursuant to the internal rules is recorded.

(3) Provision for loss on disaster

In order to prepare for expenses required for recovery of damaged assets due to disasters, the estimated amount is recorded.

5. Accounting standard for significant revenues and expenses

Our group recognizes revenues based on the following 5 steps:

Step 1: Identify contracts with customers

Step 2: Identify obligations in contracts

Step 3: Calculate transaction prices.

Step 4: Allocate transaction prices to individual obligations in contracts.

Step 5: Recognize revenues when or as the obligations are fulfilled

The details of primary obligations and the timing of satisfying such obligations concerning revenue arising from contracts with our customers in main businesses are as follows:

① Advertising-related items

We receive service usage fees as compensation for expanding our customers' sales opportunities by providing consumers with inventory data of products held by used-vehicle retailers of our customers, mainly through our information media. We have the obligation to provide the services for a period of time set forth in contracts. Such obligations are satisfied over time, and we recognize revenues as we receive the monthly fees specified in contracts.

② Information and services

We receive service usage fees from our customers by providing them with sales support tools primarily for new-vehicle dealers. We have the obligation to provide the services for a period of time set forth in contracts. Such performance obligations are satisfied over time, and we recognize revenues as we receive the monthly fees specified in contracts.

③ Sale of goods

We sell tires, wheels, etc. mainly via the platform we operate, and recognize revenues at the time when products are shipped to our customers.

Regarding the product sales for which our company is determined as an agency, we recognize the net amount obtained by deducting the amount payable to other parties from the amount we receive in exchange for the products provided by other parties, as revenue.

(Changes in Accounting Policy)

(Application of the Accounting Standard for Fair Value Measurement, etc.)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, Jun 17, 2021) has been applied from the beginning of the current consolidated fiscal year, and pursuant to the transitional handling set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the company shall continue to apply the new accounting policy set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement in the future. There is no impact on the company's consolidated financial statements as a result of this.

(Change in the Indication Method)

(Items Related to Profit-and-loss Statements)

While "Compensation income" was stated separately under "Non-operating income" in the previous business year, it was included in "Other" under "Non-operating income" this fiscal year as the importance of the amount thereof diminished. As a result, 3 million yen of "Settlement received" in "Non-operating income" was divided into 11 million yen of "Other."

(Items Related to the Balance Sheet)

※1 Monetary claims and liabilities toward affiliated companies

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|---------------------------------|--|---|
| Short-term monetary claims | 23 million yen | 17 million yen |
| Long-term monetary claims | 16 million yen | 22 million yen |
| Short-term monetary liabilities | 839 million yen | 889 million yen |

※2 Cumulative depreciation of property, plant and equipment

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|---|--|---|
| Cumulative depreciation of property, plant and equipment | 4,062 million yen | 4,223 million yen |

※3 Repayment guarantee

We guaranteed the repayment of borrowings from financial institutions for the following affiliated company, and the maximum guaranteed amount is as follows.

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|----------------------------------|--|---|
| TIRE WORLD KAN BEST CO., LTD. | 500 million yen | — million yen |

※4 Account overdraft agreement

Our company has entered into account overdraft agreements with two financing banks to efficiently procure working capital. Unused lines of credit at the end of the fiscal year based on these agreements are as follows.

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|-------------------------|--|---|
| Account overdraft limit | 6,000 million yen | — million yen |
| Borrowing balance | — million yen | — million yen |
| Difference | 6,000 million yen | — million yen |

(Items Related to Profit-and-loss Statements)

※1 Volume of transactions with affiliated companies

| | Previous Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Fiscal Year (From April 1, 2022 to March 31, 2023) |
|---|---|--|
| Volume of business transactions | | |
| Sales | 337 million yen | 346 million yen |
| Procurement amount | 5,490 million yen | 5,958 million yen |
| Volume of other business transactions | 1,679 million yen | 1,838 million yen |
| Volume of transactions other than business ones | 20 million yen | 29 million yen |

※2 The roughly estimated ratio of selling expenses was 58% in the previous fiscal year and 60% in the current fiscal year. The roughly estimated ratio of general administrative expenses was 42% in the previous fiscal year and 40% in the current fiscal year.

Major items and amounts in selling and general administrative expenses are as follows.

| | Previous Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Fiscal Year (From April 1, 2022 to March 31, 2023) |
|---|---|--|
| Remuneration of executives | 274 million yen | 266 million yen |
| Salaries and bonuses | 3,084 million yen | 3,092 million yen |
| Reserve for executives' retirement benefits | 13 million yen | 13 million yen |
| Advertising and promotional expenses | 4,036 million yen | 4,478 million yen |
| Sales promotion expenses | 1,228 million yen | 1,228 million yen |
| Allowance for doubtful accounts | 9 million yen | 4 million yen |
| Depreciation | 78 million yen | 104 million yen |

※3 Breakdown of gain on sale of non-current assets

| | Previous Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Fiscal Year (From April 1, 2022 to March 31, 2023) |
|-------------------------------|---|--|
| Vehicles | 17 million yen | 2 million yen |
| Tools, furniture and fixtures | 0 million yen | — million yen |
| Total | 17 million yen | 2 million yen |

※4 Breakdown of loss on sale of non-current assets

| | Previous Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Fiscal Year (From April 1, 2022 to March 31, 2023) |
|-------|---|--|
| Land | 40 million yen | — million yen |
| Total | 40 million yen | — million yen |

(Items Related to Securities)

The shares of subsidiaries and Investment in affiliated companies are not written, because they have no market price. The balance sheet carrying amounts of shares of subsidiaries, such as shares without market prices, and investments in subsidiaries and affiliates are as follows.

| | Previous Fiscal Year (From April 1, 2021 to March 31, 2022) | Current Fiscal Year (From April 1, 2022 to March 31, 2023) |
|--|---|--|
| Shares of subsidiaries and associates | 7,338 million yen | 8,916 million yen |
| Investments in capital of subsidiaries and associates | 763 million yen | 1,059 million yen |
| Total | 8,101 million yen | 9,975 million yen |

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 2023) |
|--|--|---|
| Deferred tax assets | | |
| Accumulated impairment loss | 123 million yen | 128 million yen |
| Excess amount of depreciation | 21 million yen | 18 million yen |
| Asset retirement obligations | 67 million yen | 70 million yen |
| Provision for retirement benefits for executives | 67 million yen | 71 million yen |
| Enterprise tax payable | 69 million yen | 48 million yen |
| Loss on the valuation of investments and other assets | 1,398 million yen | 1,420 million yen |
| Allowance for doubtful accounts | 3 million yen | 4 million yen |
| Other | 45 million yen | 50 million yen |
| Subtotal of deferred tax assets | 1,793 million yen | 1,813 million yen |
| Valuation allowance | (1,490 million yen) | (1,511 million yen) |
| Total deferred tax assets | 307 million yen | 301 million yen |
| Deferred tax liabilities | | |
| Asset retirement obligations Asset | (11 million yen) | (13 million yen) |
| Net unrealized gains (losses) on revaluation of other marketable securities | (277 million yen) | (164 million yen) |
| Total deferred tax liabilities | (288 million yen) | (177 million yen) |
| Net deferred tax assets | 19 million yen | 124 million yen |

2. Breakdown of major causes and components of the difference between the statutory effective tax rate and the income tax rate after the application of tax effect accounting

| | Previous Fiscal Year (March 31, 2022) | Current Fiscal Year (March 31, 20223) |
|---|--|--|
| Statutory effective tax rate | 30.6% | 30.6% |
| (Adjustment) | | |
| Inhabitant tax on per capita basis | 0.4 | 0.6 |
| Dividends received and other items nor permanently included in gross revenue | (0.0) | (0.0) |
| Entertainment expenses and other items not permanently deductible for tax purposes | 0.1 | 0.3 |
| Other | (0.1) | 0.2 |
| Effective tax rate after application of tax effect accounting | 31.0 | 31.7 |

(Items Related to Business Combination, etc.)

Business combination through acquisition

The items are the same as those mentioned in “Notes (related to business combination, etc.)” of consolidated financial statements, so they are omitted.

(Revenue Recognition)

The basic information for understanding the revenues arising out of contracts with customers is omitted, because it is mentioned in “Notes (related to revenue recognition)” of consolidated financial statements.

(Significant Subsequent Events)

No applicable items.

④ [Accessory statements]

[Statements of property, plant and equipment, etc.]

(unit: million yen)

| Category | Type of assets | Balance at the beginning of the current term | Increase in the current term | Decrease in the current term | Depreciation in the current term | Balance at the end of the current term | Cumulative depreciation |
|-------------------------------|---------------------------------|--|------------------------------|------------------------------|----------------------------------|--|-------------------------|
| Property, plant and equipment | Buildings | 3,291 | 284 | 3 | 167 | 3,404 | 3,013 |
| | Structures | 79 | 1 | — | 12 | 69 | 484 |
| | Machinery and equipment | 0 | — | — | — | 0 | 270 |
| | Vehicles | 3 | 6 | 0 | 2 | 7 | 16 |
| | Tools, furniture and fixtures | 33 | 81 | 0 | 29 | 85 | 137 |
| | Land | 2,440 | 869 | — | — | 3,310 | 299 |
| | Lease assets (tangible) | 2 | — | — | 0 | 1 | 3 |
| | Construction in progress | 112 | 215 | 327 | — | — | — |
| | Total | 5,963 | 1,459 | 332 | 212 | 6,878 | 4,223 |
| 23 Intangible assets | Software | 421 | 542 | 3 | 169 | 791 | |
| | Telephone subscription rights | 23 | — | — | — | 23 | |
| | Right of using water facilities | 0 | — | — | 0 | 0 | |
| | Software in process | 118 | 127 | 222 | — | 23 | |
| | Other | — | 0 | — | 0 | 0 | |
| | Total | 563 | 669 | 225 | 169 | 838 | |

(Notes) 1. The increase in the current term is composed of mainly the following items.

Land 869 million yen Neighboring land of the headquarters acquired
Buildings 197 million yen PROTO EAST building constructed

2. The decrease in the current term is composed of mainly the following items.

Construction in progress 287 million yen The second building of the headquarters acquired cost
Software in process 89 million yen New accounting system introduction cost

3. Cumulative depreciation includes cumulative impairment loss.

[Statement of reserves]

(unit: million yen)

| Item | Balance at the beginning of the current term | Increase in the current term | Decrease in the current term | Balance at the end of the current term |
|--|--|------------------------------|------------------------------|--|
| Allowance for doubtful accounts (current) | 0 | 1 | — | 1 |
| Allowance for doubtful accounts (Non-current) | 10 | 2 | — | 12 |
| Provision for retirement benefits for directors (and other officers) | 220 | 13 | — | 234 |
| Provision for loss on disaster | 30 | — | 30 | — |

(2) [Details of major assets and liabilities]

Omitted because we produced consolidated financial statements.

(3) [Other]

No applicable items.

[Outline of Handling of Shares of the Company that Submitted Financial Statements]

| | |
|--|--|
| Fiscal year | From April 1 to March 31 |
| Annual meeting of shareholders | June |
| Record date | March 31 |
| Record dates of dividends of surplus | September 30 March 31 |
| Number of shares per lot | 100 |
| Purchase and sale of fractional shares | (Special account) |
| Share handling site | The securities agency section of Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo |
| Shareholder registry administrator | (Special account) Mitsubishi UFJ Trust and Banking Corporation 1-4-5 Marunouchi, Chiyoda-ku, Tokyo |
| Commissions for purchase and sale | Free |
| Method for giving public notice | Electronic public notice. If there is an accident or a compelling reason that makes it impossible to give electronic public notice, we will give notice via Nihon Keizai Shimbun. (URL: https://www.proto-g.co.jp/IR/library.html) |
| Shareholder benefits | None |

(Notes) In accordance with the Articles of Incorporation of our company, our shareholders cannot exercise the rights other than the rights mentioned below for fractional shares they hold.

- (1) Rights mentioned in Article 189, Paragraph 2 of the Companies Act
- (2) Right to demand the acquisition of shares with put option
- (3) Right to receive shares or share acquisition rights for subscription according to the number of shares they hold
- (4) Right to demand the sale of shares so that a unit of shares is formed when combined with the fractional shares they hold

[Reference Information of the Company that has Submitted Financial Statements]

1 [Information on the Parent Company or The Like of The Company that has Submitted Financial Statements]

There is no parent company of our company defined in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 [Other Reference Information]

We submitted the following documents during a period from the date of start of the current fiscal year to the date of submission of financial statements.

| | | | | |
|-----|--|---|--|---|
| (1) | Financial statements, attachments, and written confirmations | Fiscal year (The 44rd term) | From April 1, 2021 to March 31, 2022 | Submitted to the chief of Tokai Local Finance Bureau on June 30, 2022 |
| (2) | Internal control reports and attachments | | | Submitted to the chief of Tokai Local Finance Bureau on June 30, 2022 |
| (3) | Quarterly reports and written confirmations | 1 st quarter of the 45 th term | From April 1, 2022 to June 30, 2022 | Submitted to the chief of Tokai Local Finance Bureau on August 9, 2022 |
| | | 2 nd quarter of the 45 th term | From July 1, 2022 to September 30, 2022 | Submitted to the chief of Tokai Local Finance Bureau on November 14, 2022 |
| | | 3 rd quarter of the 45 th term | From October 1, 2022 to December 31, 2022 | Submitted to the chief of Tokai Local Finance Bureau on February 14, 2023 |
| (4) | Extraordinary reports | Extraordinary reports as set forth in Article 24-5, Paragraph 4 of the Financial Instruments and Exchange Act and Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Ordinance regarding the disclosure of the details of enterprises, etc. (Results of the exercise of voting rights at a general meeting of shareholders). | | Submitted to the chief of Tokai Local Finance Bureau on June 29, 2023 |

[Information on The Guarantee Companies, etc. of The Company that has Submitted Financial Statements]

No applicable items.