

**Consolidated Financial Statements for the First Quarter of
the Fiscal Year Ending December 31, 2022
[Japanese GAAP]**



May 10, 2022

Company name: **AUCNET INC.**
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3964
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 Scheduled date of filing quarterly report: May 10, 2022
 Scheduled date of commencing dividend payments: —
 Preparation of supplementary explanatory materials: Yes
 Quarterly financial results meeting: None

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

**1. Consolidated Results for the First Quarter of the Fiscal Year Ending December 31, 2022
(January 1, 2022 - March 31, 2022)**

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended								
March 31, 2022	10,501	—	2,143	18.5	2,183	8.2	1,306	2.2
March 31, 2021	9,268	65.8	1,808	59.1	2,017	70.4	1,277	76.7

(Note) Comprehensive income: Three months ended March 31, 2022: ¥1,354 million [(4.1)%]

Three months ended March 31, 2021: ¥1,412 million [112.0%]

* The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the related standards from the beginning of the first quarter of the consolidated fiscal year ending December 31, 2022. Accordingly, the figures presented for the first quarter of the consolidated fiscal year ending December 31, 2022 are those after the adoption of the said standards, and as for net sales, change from the previous corresponding period is not stated.

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2022	47.05	46.70
March 31, 2021	46.11	45.73

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2022	41,044	23,122	55.5
As of December 31, 2021	36,822	22,701	60.6

(Reference) Equity: As of March 31, 2022: ¥22,774 million

As of December 31, 2021: ¥22,319 million

2. Cash Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2021	–	19.00	–	21.00	40.00
Year ending December 31, 2022	–				
Year ending December 31, 2022 (Forecast)		22.00	–	22.00	44.00

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

3. Forecast of Consolidated Results for the Fiscal Year Ending December 31, 2022 (January 1, 2022 - December 31, 2022)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	38,329	–	6,000	2.6	6,150	0.6	4,054	11.8	145.03

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

* The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the related standards from the beginning of the first quarter of the consolidated fiscal year ending December 31, 2022. Accordingly, the figures presented for the first quarter of the consolidated fiscal year ending December 31, 2022 are those after the adoption of the said standards, and as for net sales, change from the previous corresponding period is not stated.

*** Notes:**

- (1) Changes in significant subsidiaries during the period under review: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
- 1) Changes in accounting policies due to the revision of accounting standards: Yes
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued and outstanding shares (common shares)
- 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

March 31, 2022:	27,958,500 shares
December 31, 2021:	27,957,100 shares
 - 2) Total number of treasury shares at the end of the period:

March 31, 2022:	335,016 shares
December 31, 2021:	140,516 shares
 - 3) Average number of shares during the period:

Three months ended March 31, 2022:	27,764,674 shares
Three months ended March 31, 2021:	27,716,304 shares

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

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

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

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

Forward-looking statements in this document are based on the judgments of the Group (the Company and its subsidiaries) as of the end of the first quarter of the fiscal year under review.

The Company has adopted the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the related standards from the beginning of the first quarter of the consolidated fiscal year ending December 31, 2022. Accordingly, the figures presented for the first quarter of the consolidated fiscal year ending December 31, 2022 are those after the adoption of the said standards, and as for net sales, change from the previous corresponding period is not stated.

For details, please see “2. Quarterly Consolidated Financial Statements and Primary Notes (3) Notes to Quarterly Consolidated Financial Statements (Changes in accounting policies) (Adoption of Accounting Standard for Revenue Recognition, etc.)”.

During the three months ended March 31, 2022, it was necessary to keep a close eye on the Japanese economy primarily due to the impact from Russia’s invasion in Ukraine, economic sanctions on Russia by respective countries, and the situation of the novel coronavirus (COVID-19), which is far from over, and the outlook remains uncertain.

In these circumstances, the Group has undertaken the task of establishing circular distribution in line with our sustainability policy, “Circulating valuable goods on a global scale ~Circulation Engine.” As a company that contributes to a sustainable society by creating a system to efficiently circulate valuable goods in the market, the Group has worked to further improve its social and economic value.

As a result, for the three months ended March 31, 2022, net sales were ¥10,501,878 thousand, operating profit was ¥2,143,317 thousand (up 18.5% from the same period of the previous fiscal year), ordinary profit was ¥2,183,229 thousand (up 8.2% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥1,306,310 thousand (up 2.2% from the same period of the previous fiscal year).

Performance results by business segment are as follows.

(Automobile Business)

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

In the Japanese automotive sector, which has close connections with our business, total new-vehicle registrations (*6) decreased 16.3% year-on-year to 1.19 million units in the three months ended March 31, 2022. The total number of used-vehicle registrations (*7) decreased 8.4% year-on-year to 1.78 million units, and the number of vehicles listed (*8) at auctions around Japan decreased 7.8% year-on-year to 1.74 million units. The total number of vehicles sold at auction (*8) decreased 5.8% year-on-year to 1.20 million units.

Continuing from the previous year, the supply shortages of used vehicles have become more obvious due to prolonged delivery lead times for new vehicles, influenced by a shortage of semiconductors and insufficient supply of new vehicles mainly stemming from reduced production by automakers. In addition, partly due to the impact from the prolonged Russia-Ukraine situation, the number of vehicles listed and the number of vehicles sold at AUCNET-hosted used vehicle auctions declined year-on-year, and the number of vehicles bought in our live-linked auctions and proxy bidding service fell below the previous year’s results.

In the used vehicle inspection service, the number of vehicles inspected in AUCNET-hosted actions declined due to the market conditions, while the number of vehicles inspected for a used vehicle listing platform continued to progress favorably, thus contributing to segment net sales and income.

As a result, for the three months ended March 31, 2022, net sales (including inter-segment net sales) were

¥2,870,159 thousand, and operating profit was ¥949,398 thousand (down 9.1% from the same period of the previous year).

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

(Digital Product Business)

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

The number of sales units of used devices decreased from the previous year's results, influenced by factors such as sales of new models of smartphone. On the other hand, the number of participating companies in the auction has reached the highest in our history due to the continuous promotion for new buyers and enhancement of a support system on a global scale, and the circulation value increased due to the enhancement in buying power. In addition, the weak yen also boosted net sales, and the profit margin has improved due to successful cost control.

As a result, for the three months ended March 31, 2022, net sales were ¥2,055,659 thousand, and operating profit was ¥1,464,128 thousand (up 32.4% from the same period of the previous year).

(Consumer Product Business)

The Consumer Product Business comprises auctions for pre-owned luxury brand items and services pertaining to distribution, including those targeting consumers.

In the B2B business, demand for online auctions remained strong continuously from the previous year, and partially owing to the weak yen, items sold overseas remained favorable. The strengthening of our sales structure and web marketing increased the members both in and outside of Japan, and both the number of items listed and the number of items sold exceeded the results of the same period of the previous year. Due to the above reasons, the average price of units sold remained high and the transaction amount expanded.

In the business targeting consumers, the purchasing and sales business posted favorable performance, and the transaction amount increased. In addition to this, profit margin continued to improve due to measures including product management.

As a result, for the three months ended March 31, 2022, net sales were ¥4,623,485 thousand, and operating profit was ¥487,346 thousand (up 57.5% from the same period of the previous year).

(Others)

The Others segment comprises auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.

In this segment, net sales (including inter-segment net sales) were ¥1,074,163 thousand, and operating loss was ¥87,449 thousand (the operating loss for the same period of the previous year was ¥31,520 thousand).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter of the current fiscal year amounted to ¥41,044,620 thousand, an increase of ¥4,221,773 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥2,370,892 thousand increase in cash and deposits, a ¥1,306,413 thousand increase in due from auction members, and ¥614,454 thousand in other current assets, despite a ¥103,963 thousand decrease in other intangible assets.

Total liabilities amounted to ¥17,921,983 thousand, an increase of ¥3,801,093 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥4,778,690 thousand increase in due to auction members, despite a ¥929,219 thousand decrease in income taxes payable, and ¥88,789 thousand decrease in other provisions.

Total net assets amounted to ¥23,122,637 thousand, an increase of ¥420,680 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥724,092 thousand increase in retained earnings, and a ¥299,228 thousand decrease in treasury shares.

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

There is no change to the performance forecast announced on February 14, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	20,615,921	22,986,813
Notes and accounts receivable – trade	1,121,839	–
Notes and accounts receivable - trade, and contract assets	–	1,272,959
Inventories	2,224,903	2,152,428
Due from auction members	3,959,798	5,266,211
Other	2,152,044	2,766,499
Allowance for doubtful accounts	(56,168)	(61,824)
Total current assets	30,018,339	34,383,088
Non-current assets		
Property, plant and equipment	1,639,091	1,654,020
Intangible assets		
Goodwill	670,397	640,409
Other	945,788	841,825
Total intangible assets	1,616,186	1,482,234
Investments and other assets	3,549,229	3,525,277
Total non-current assets	6,804,507	6,661,532
Total assets	36,822,846	41,044,620

(Thousand yen)

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable – trade	751,746	750,175
Due to auction members	6,728,834	11,507,524
Income taxes payable	1,592,462	663,242
Other provisions	372,088	283,299
Other	1,594,198	1,605,770
Total current liabilities	11,039,329	14,810,011
Non-current liabilities		
Retirement benefit liability	1,790,612	1,795,314
Provision for share-based remuneration	167,978	178,206
Other provisions	11,789	12,709
Other	1,111,179	1,125,741
Total non-current liabilities	3,081,560	3,111,971
Total liabilities	14,120,889	17,921,983
Net assets		
Shareholders' equity		
Share capital	1,806,238	1,806,479
Capital surplus	6,854,864	6,857,938
Retained earnings	13,530,920	14,255,012
Treasury shares	(229,927)	(529,155)
Total shareholders' equity	21,962,096	22,390,274
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	302,147	295,182
Foreign currency translation adjustment	20,102	58,262
Remeasurements of defined benefit plans	35,013	31,275
Total accumulated other comprehensive income	357,262	384,720
Non-controlling interests	382,598	347,642
Total net assets	22,701,956	23,122,637
Total liabilities and net assets	36,822,846	41,044,620

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended March 31, 2021 and 2022

(Thousand yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Net sales	9,268,410	10,501,878
Cost of sales	4,902,781	5,898,272
Gross profit	4,365,629	4,603,606
Selling, general and administrative expenses	2,556,777	2,460,288
Operating profit	1,808,852	2,143,317
Non-operating income		
Interest income	748	896
Dividend income	6,090	16,428
Foreign exchange gains	162,839	33,397
Subsidy income	—	13,332
Reversal of allowance for doubtful accounts	30,505	—
Other	24,180	6,197
Total non-operating income	224,363	70,252
Non-operating expenses		
Interest expenses	422	116
Share of loss of entities accounted for using equity method	14,835	13,769
Loss on tax purpose reduction entry of non-current assets	—	13,332
Other	255	3,122
Total non-operating expenses	15,513	30,339
Ordinary profit	2,017,702	2,183,229
Extraordinary income		
Gain on sale of non-current assets	—	663
Gain on sale of investment securities	88,889	—
Total extraordinary income	88,889	663
Extraordinary losses		
Loss on debt transfer	30,218	—
Loss on liquidation of business	—	6,530
Other	475	653
Total extraordinary losses	30,693	7,184
Profit before income taxes	2,075,897	2,176,708
Income taxes	780,313	849,580
Profit	1,295,583	1,327,128
Profit attributable to non-controlling interests	17,602	20,817
Profit attributable to owners of parent	1,277,981	1,306,310

Quarterly Consolidated Statements of Comprehensive Income
 Three Months Ended March 31, 2021 and 2022

(Thousand yen)

	For the three months ended March 31, 2021	For the three months ended March 31, 2022
Profit	1,295,583	1,327,128
Other comprehensive income		
Valuation difference on available-for-sale securities	120,156	(6,964)
Foreign currency translation adjustment	(1,480)	38,160
Remeasurements of defined benefit plans, net of tax	(1,718)	(3,737)
Total other comprehensive income	116,957	27,457
Comprehensive income	1,412,540	1,354,586
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,394,938	1,333,768
Comprehensive income attributable to non-controlling interests	17,602	20,817

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

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

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

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

(Changes in accounting policies)

(Adoption of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Standard”) and other standards from the beginning of the reporting period. The Company recognizes revenue when control of a promised good or service is transferred to a customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

Accordingly, the Group determines whether it is a principal or an agent for each specified good or service promised to the customer in identifying performance obligations in regular commercial transactions. For determination, we assess whether or not the Group is primarily responsible for fulfilling promise, whether or not the Group has inventory risk, and whether or not the Group has discretion in establishing prices. As a result of the assessment, when the Group concludes that the nature of its promise is a performance obligation to provide the specified goods or services itself, the total amount of the consideration is used for revenue recognition. When the Group concludes it is more likely to be assessed as agent, the net amount of the consideration is used for revenue recognition.

In addition, cashback to auction members to be paid primarily according to the transaction volume was previously recorded as selling, general and administrative expenses, however, it was changed to revenue recognition by net amount which is calculated by deducting payments to customers from the total amount of the corresponding consideration.

Furthermore, some consolidated subsidiaries of the Group offer customer loyalty programs of giving points to customers according to the transaction contents and providing goods or services equivalent to the used points. In the past, in preparation for use of the allocated points, the Group recorded the expected amount of use under the account title of provision for point card certificates while the actual provision amount for point card certificates was recorded under the account title of selling, general and administrative expenses. However, the Company changed to the method of distribution of transaction prices based on their relative stand-alone selling prices calculated in consideration of the prospect of expiration and other factors.

The Company applies the Revenue Recognition Standard, etc. in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the Revenue Recognition Standard. The cumulative impact of retrospectively applying the new accounting policies to prior periods is adjusted to retained earnings at the beginning of the reporting period, with the new accounting policies applied from the beginning balance.

As a result of this change, net sales decreased by ¥77,374 thousand, cost of sales increased by ¥82,347 thousand, selling, general and administrative expenses decreased by ¥159,147 thousand, and operating profit, ordinary profit, and profit before income taxes increased by ¥574 thousand, respectively. In addition, the beginning balance of retained earnings increased by ¥4,880 thousand.

Due to application of the Revenue Recognition Standard, etc., “notes and accounts receivable – trade,” which was presented under “current assets” in the consolidated balance sheet of the previous period, has been included under “notes and accounts receivable - trade, and contract assets” from the reporting period. In addition, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Standard, figures for the previous period have not been reclassified based on the new presentation method. Furthermore, in accordance with the transitional treatment set forth in Paragraph 28-15 of Accounting Standard for Quarterly Financial Statements” (ASBJ Statement No.12, March 31, 2020), the information where the amount of revenue from contracts with customers for the previous period has been disaggregated is not presented.

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

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards from the beginning of the reporting period, and will prospectively apply the new accounting policies stipulated by the Fair Value

Measurement Standard, etc. in accordance with the transitional treatment provided in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This has no impact on the quarterly consolidated financial statements.

(Segment information, etc.)

[Segment information]

For the three months ended March 31, 2021 (from January 1, 2021 to March 31, 2021)

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Net sales to outside customers	3,067,651	2,008,665	3,392,390	8,468,707	799,703	9,268,410	—	9,268,410
Inter-segment net sales or transfers	30,244	—	—	30,244	99,253	129,497	(129,497)	—
Total	3,097,895	2,008,665	3,392,390	8,498,951	898,956	9,397,908	(129,497)	9,268,410
Segment income (loss)	1,044,439	1,105,483	309,456	2,459,379	(31,520)	2,427,858	(619,006)	1,808,852

(Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.

2. Adjustment of segment income (loss) of negative ¥619,006 thousand is corporate expenses, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.

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

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

Not applicable.

For the three months ended March 31, 2022 (from January 1, 2022 to March 31, 2022)

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

(Thousand yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Automobile Business	Digital Product Business	Consumer Product Business	Total				
Net sales								
Auction related revenue	1,960,515	1,984,974	591,887	4,537,377	452,133	4,989,510	—	4,989,510
Product sales related revenue	80,020	70,684	4,020,204	4,170,908	243,363	4,414,272	—	4,414,272
Other	797,840	—	11,393	809,233	288,860	1,098,094	—	1,098,094
Revenue from contracts with customers	2,838,375	2,055,659	4,623,485	9,517,519	984,358	10,501,878	—	10,501,878
Other revenue	—	—	—	—	—	—	—	—
Net sales to outside customers	2,838,375	2,055,659	4,623,485	9,517,519	984,358	10,501,878	—	10,501,878
Inter-segment net sales or transfers	31,784	—	—	31,784	89,804	121,589	(121,589)	—
Total	2,870,159	2,055,659	4,623,485	9,549,304	1,074,163	10,623,467	(121,589)	10,501,878
Segment income (loss)	949,398	1,464,128	487,346	2,900,873	(87,449)	2,813,424	(670,106)	2,143,317

- (Notes) 1. “Others” is the segment which is not included in reportable segments, including such businesses as auctions for used motorcycles and flowers, medical-related businesses, and overseas businesses.
2. Adjustment of segment income (loss) of negative ¥670,106 thousand is corporate expenses, which chiefly comprise general and administrative expenses not allocated to specific reportable segments.
3. Adjustments are made to reconcile segment income (loss) with operating profit reported on the quarterly consolidated statements of income.

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

Not applicable.

3. Change to reportable segments, etc.

As disclosed in “Changes in accounting policies,” the Company applied the Revenue Recognition Standard, etc. from the beginning of the reporting period, and changed the accounting method for revenue recognition. Accordingly, the Company also changed the method for calculating segment income or loss for operating segments.

As a result of this change, compared with the previous method, net sales decreased by ¥150,817 thousand in the Automobile Business segment; net sales increased by ¥37,805 thousand in the Digital Product Business segment; net sales increased by ¥41,137 thousand in the Consumer Product Business segment; net sales decreased by ¥5,499 thousand in the Others segment in the reporting period. The impact on segment income is minor.

(Significant subsequent events)

(Disposal of Treasury Shares as Restricted Stock)

The Company resolved at a Board of Directors meeting held on April 26, 2022, to dispose treasury shares (hereinafter the “Disposal of Treasury Shares” or “Disposal”). The details are as follows.

1. Outline of the Issuance

(1) Disposal date	May 25, 2022
(2) Class and number of shares to be disposed	44,000 shares of the Company’s common shares
(3) Disposal price	¥1,511 per share
(4) Total amount of Disposal	¥66,484,000
(5) Allottees, number of allottees and number of shares to be allotted	5 Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors): 15,500 shares 10 Executive Officers: 28,500 shares
(6) Other	The Disposal of Treasury Shares requires the Securities Registration Statement to come into effect in accordance with the Financial Instruments and Exchange Act.

2. Purpose and Reason for the Disposal

The Company, at a Board of Directors meeting held on February 21, 2020, resolved to introduce a restricted stock compensation plan (hereinafter the “Compensation Plan”) as a new compensation plan for the Company’s Directors (excluding Directors who are Audit & Supervisory Committee Members or Outside Directors; hereinafter “eligible Directors”) and Executive Officers (hereinafter included in the phrase “eligible Directors, etc.”). The purpose of the Compensation Plan is to provide an incentive to sustainably increase the corporate value of the Company and further share shareholder value. At the 12th Annual General Shareholders Meeting held on March 27, 2020, we gained approval to pay monetary compensation claims of up to ¥80 million per year to eligible Directors as monetary compensation for funds for acquisition of restricted stock (hereinafter “Restricted Stock Compensation”), based on the Compensation Plan, and to limit the transfer restriction period for Restricted Stock Compensation to a period of 3 to 5 years as determined by the Board of Directors.