

FY2022 First Quarter Results Briefing

May 10th, 2022
AUCNET INC.
(TSE Prime Market: 3964)



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FY2022 First Quarter Consolidated Financial Results

- Both the Digital Product Business and the Consumer Product Business significantly exceeded expectations.
- As a result, 1Q progress against the full-year operating profit forecast of 35.7% was achieved, despite the assumption of a difficult business environment in the first half of the year.
- The impact of the "Accounting Standard for Revenue Recognition" is minimal.

| (million yen) | FY2021 1Q | FY2022 1Q | YoY | FY2022 Forecast | Rate of Progress |
|---|-----------|------------------|--------|-----------------|------------------|
| Net sales | 9,268 | 10,501 | -※ | 38,329 | 27.4% |
| Operating profit | 1,808 | 2,143 | +18.5% | 6,000 | 35.7% |
| Operating profit margin | 19.5% | 20.4% | +0.9pt | 15.7% | |
| Ordinary profit | 2,017 | 2,183 | +8.2% | 6,150 | 35.5% |
| Profit attributable to owners of parent | 1,277 | 1,306 | +2.2% | 4,054 | 32.2% |

※ The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied from the beginning of the fiscal year ending December 31, 2022, and the figures for the first quarter of the fiscal year ending December 31, 2022 are after the application of these accounting standards. Therefore, the rate of increase/decrease from the same period of the previous year is not stated. The same applies to the rate of increase/decrease from the same period of the previous year on the following pages.

FY2022 First Quarter Highlights

Net Sales

10,501 million yen

YoY -%

Operating Profit

2,143 million yen

YoY **+18.5%**

Ordinary Profit

2,183 million yen

YoY **+8.2%**

Profit Attributable to Owner of Parent

1,306 million yen

YoY **+2.2%**

Automobile Business

Net Sales 2,870 million yen
(-%)

Segment Income 949 million yen
(△9.1%)

- Both sales and profit decreased year-on-year due to a decrease in total number of vehicles sold caused by the supply shortage of used cars and the prolonged situation of Russia and Ukraine.

Digital Product Business

Net Sales 2,055 million yen
(-%)

Segment Income 1,464 million yen
(+32.4%)

- Although the number of sales units decreased year-on-year, the both sales and profit increased due to an increase in transaction amount resulting from the expansion of the buyer network and depreciation of Japanese yen.

Consumer Product Business

Net Sales 4,623 million yen
(-%)

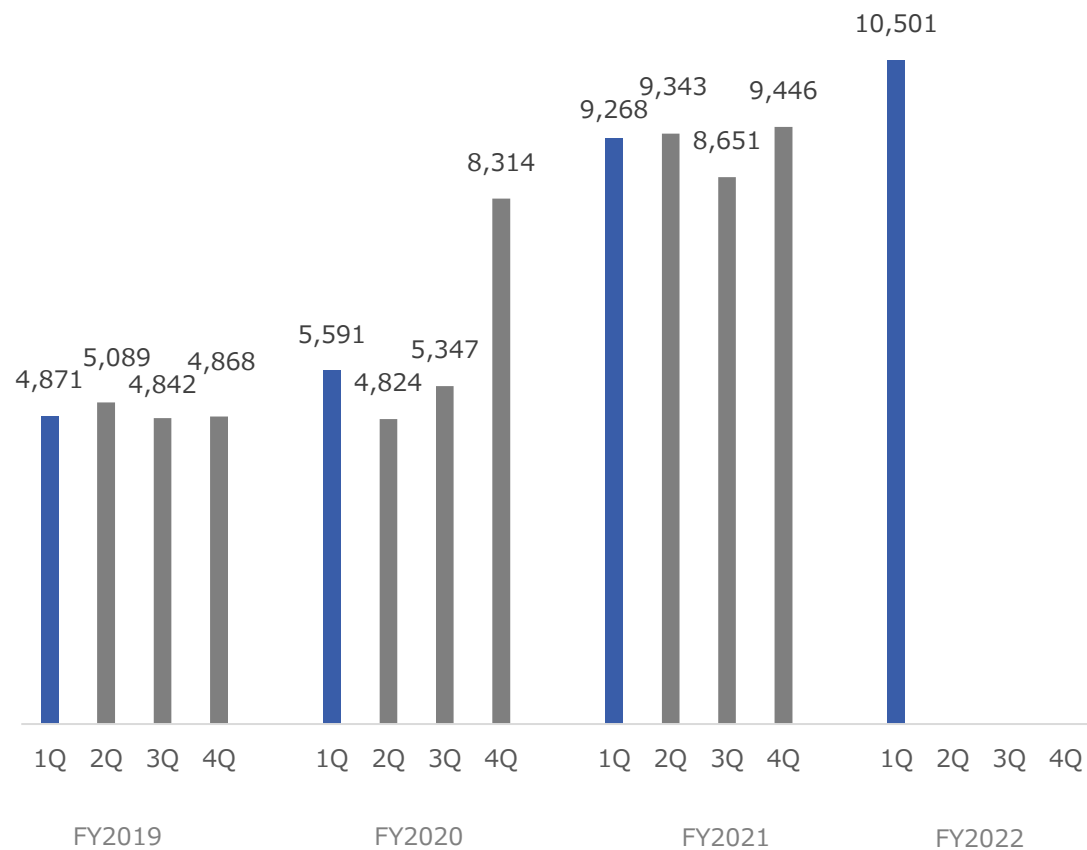
Segment Income 487 million yen
(+57.5%)

- B2B business continued to perform well following in 2021, with auction-related revenues increasing.
- Both sales and profit increased in the business targeting consumers due to strengthened product management, etc.

FY2019~FY2022 Consolidated Financial Results by Quarter

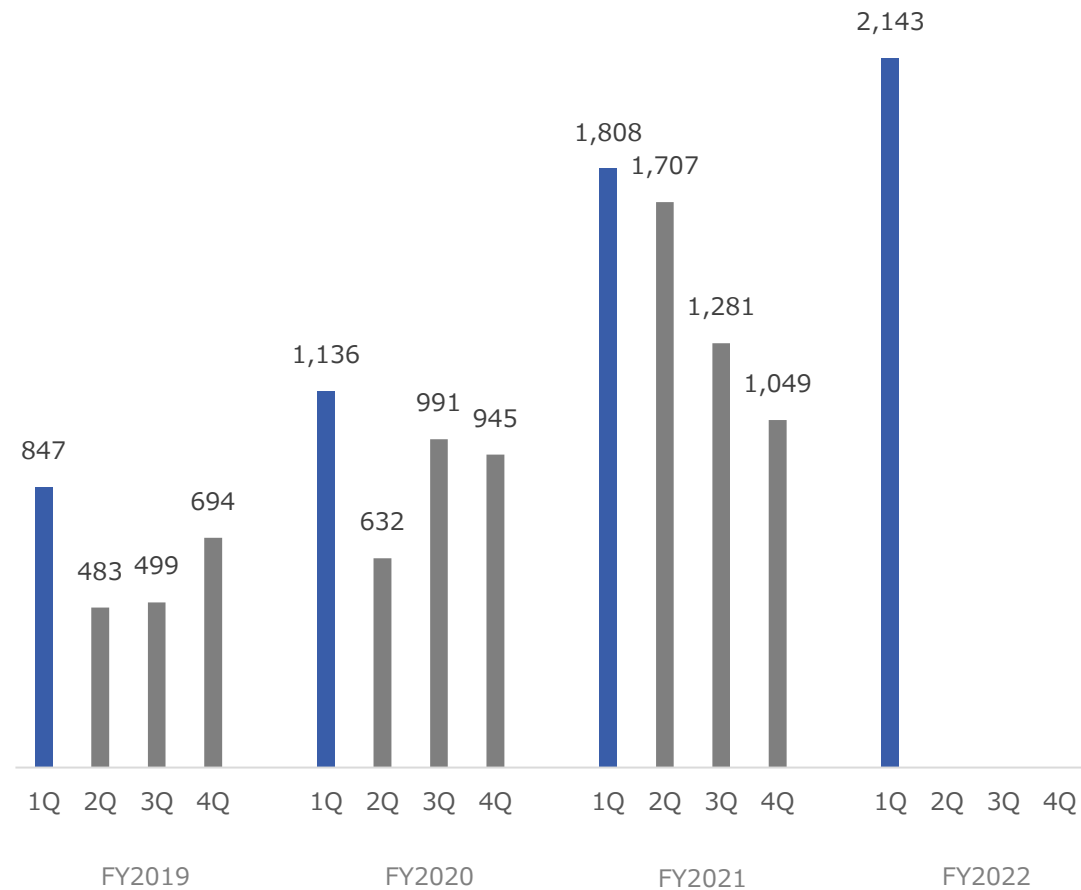
Net Sales

(million yen)



Operating Profit

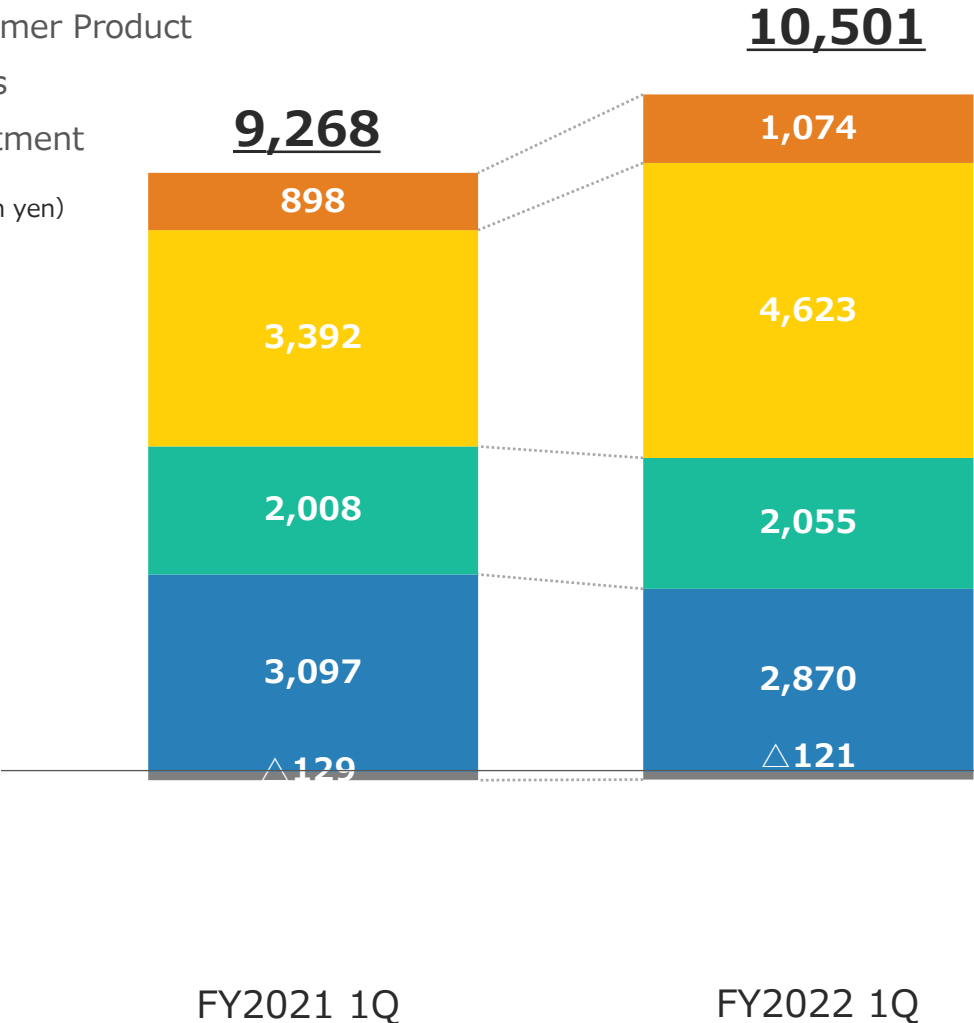
(million yen)



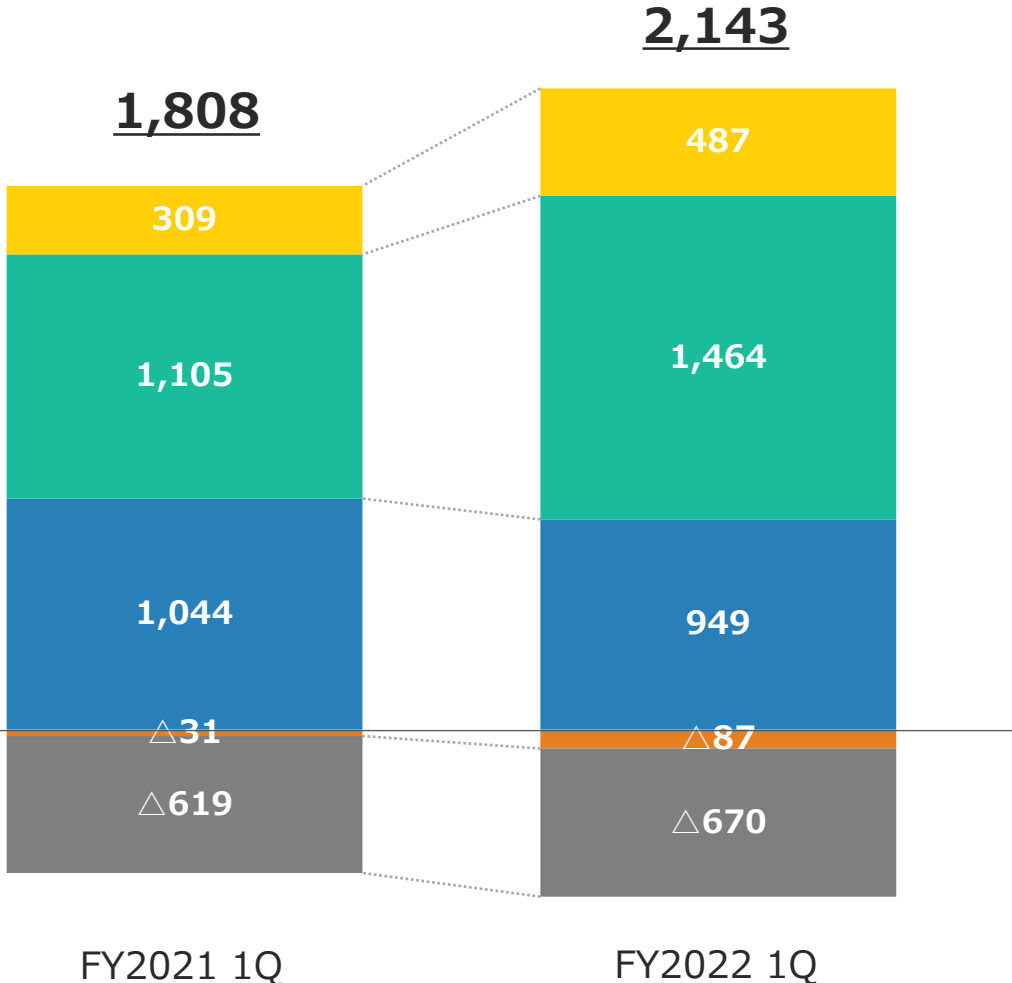
FY2022 First Quarter Segment Increase/Decrease

- Automobile
 - Digital Product
 - Consumer Product
 - Others
 - Adjustment
- (million yen)

Net Sales



Operating Profit



FY2022 First Quarter Transaction Amount by Segment



Transaction Amount

114,776 million yen (YoY Δ 1.8%)

Automobile

84,641 million yen
(YoY Δ 6.7%)



Digital Product

13,526 million yen
(YoY +10.1%)



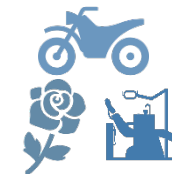
Consumer Product

11,864 million yen
(YoY +25.4%)



Others

4,743 million yen
(YoY +7.0%)



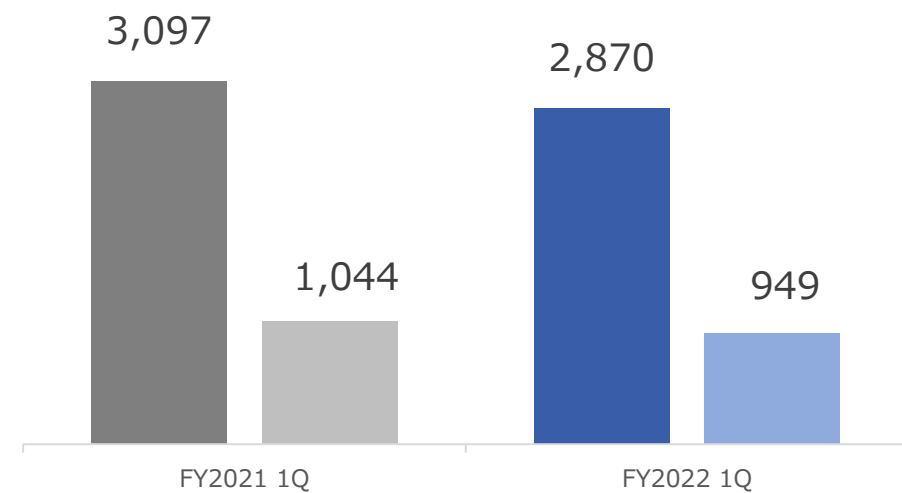
※ Used motorcycle, flower and medical-related businesses etc.
※ Transaction amount of GRAND BOUQUET OTAKI LIMITED ("GRAND BOUQUET OTAKI") from 4Q in 2021 has been consolidated for the flower business.

※Transaction Amount: Total value of the products distributed through the services provided by AUCNET INC. in each business

FY2022 First Quarter Results

- Both sales and profit decreased year-on-year. (Net Sales $-%$, Segment Income $\triangle 9.1%$)
- The supply shortage of used cars has continued since the second half of FY2021. In addition, the prolonged situation of Russia and Ukraine caused a decline in the total number of vehicles bought, leading to a decline in the auction-related revenues.
- In the vehicle inspection service, the number of vehicles inspected for a used vehicle listing platform remained strong. As a result, inspection fee sales increased.

(million yen) ■ Net sales ■ Segment income



Net Sales Composition※

| (million yen) | FY2021 1Q | FY2022 1Q | YoY |
|--------------------------------------|--------------|--------------|-----|
| Auction-related revenues | 2,212 | 1,960 | - |
| Product-sales-related revenues | 73 | 80 | - |
| Other | 780 | 797 | - |
| Inter-segment net sales or transfers | 30 | 31 | - |
| Net Sales | 3,097 | 2,870 | - |

※ Sales composition classifications have been revised in accordance with the detailed disclosure of segment sales composition. The sales composition in 2021 has not been quarterly reviewed by Grant Thornton Taiyo LLC.

KPI

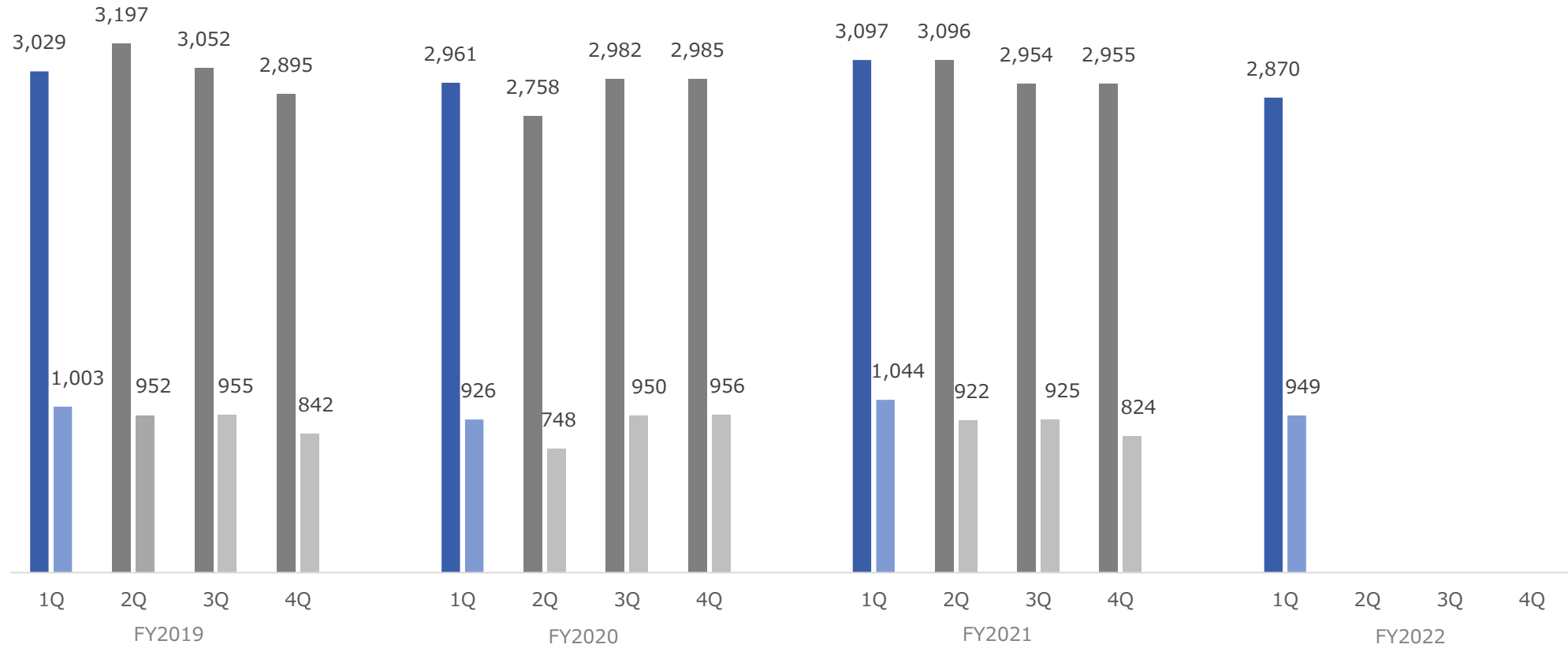
| | | | FY2021 1Q | FY2022 1Q | YoY |
|-----------------|----------------------------|---------------|-----------|----------------|-------------------|
| Auction-related | Transaction amount | (million yen) | 90,705 | 84,641 | $\triangle 6.7%$ |
| | Total vehicles sold/bought | (unit) | 119,786 | 104,115 | $\triangle 13.1%$ |
| Membership fee | Number of members | (member) | 14,282 | 14,663 | +2.7% |
| Inspection fee | Vehicles inspected | (unit) | 266,100 | 269,476 | +1.3% |

※ Includes used motorcycles inspections

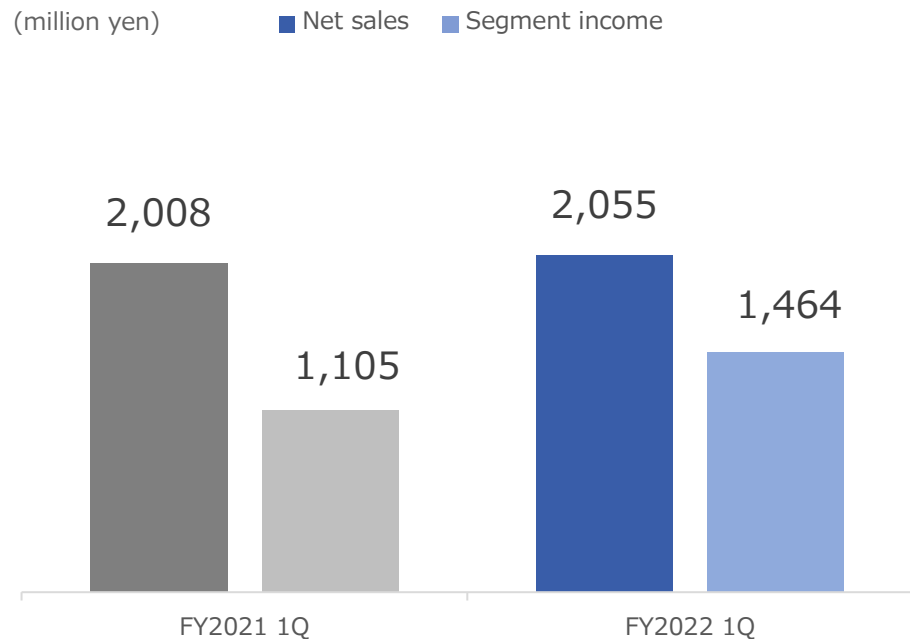
FY2019~FY2022 Results by Quarter

(million yen)

■ Net Sales ■ Segment Income



- Both sales and profit increased year-on-year. (Net Sales +%, Segment Income +32.4%)
- Although the number of sales units declined year-on-year due to the impact of new model smartphone sales and other factors, the number of auction participants reached the highest level ever and transaction amount expanded due to continuous global promotion of new buyer membership and enhancement of support system.
- Distribution value increased due to increased buying power. The weak yen is also a tailwind for sales, and cost control has improved profit margins.



Net Sales Composition※

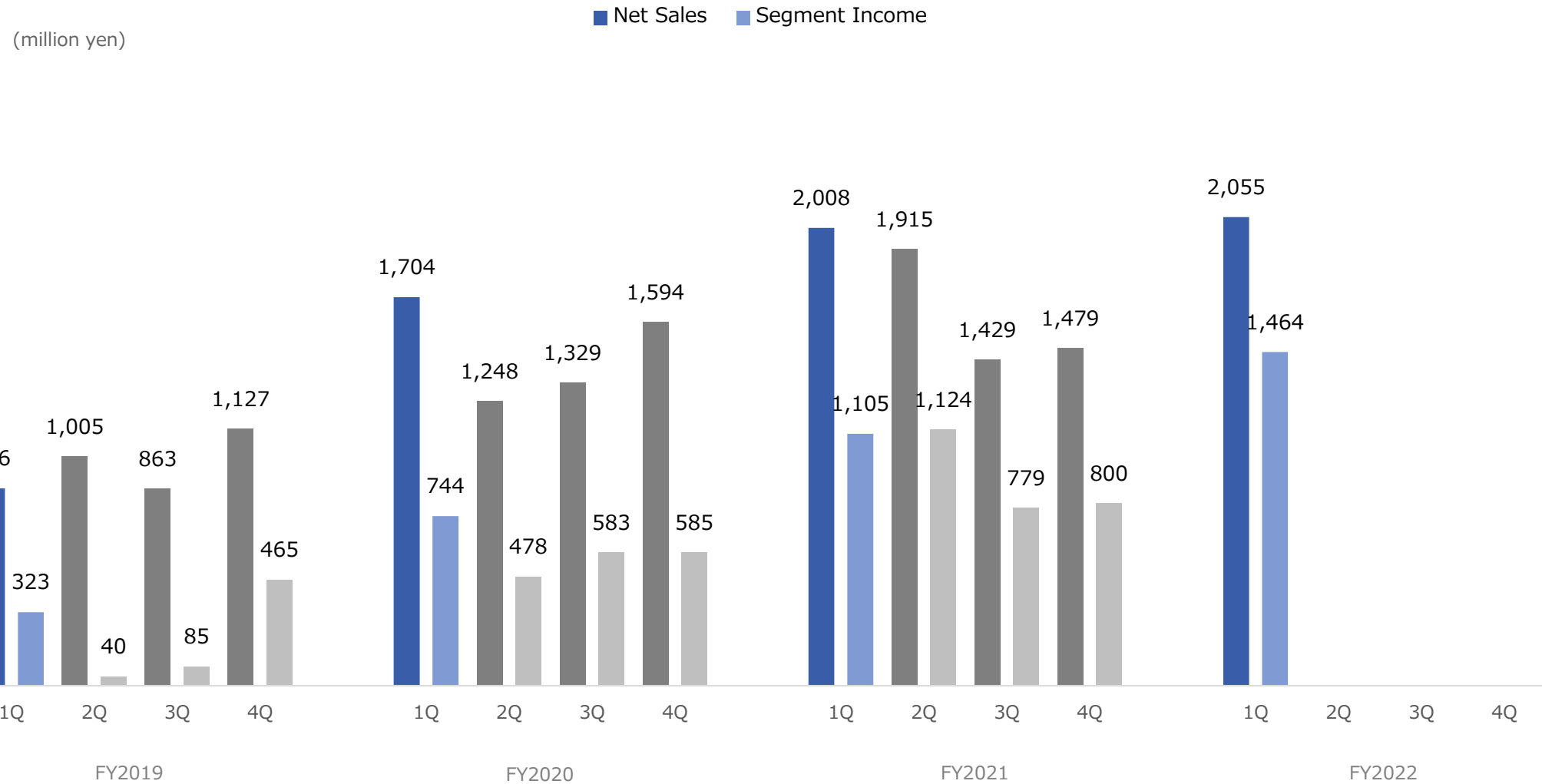
| (million yen) | FY2021 1Q | FY2022 1Q | YoY |
|--------------------------------------|--------------|--------------|----------|
| Auction-related revenues | 1,721 | 1,984 | - |
| Product-sales-related revenues | 287 | 70 | - |
| Other | - | - | - |
| Inter-segment net sales or transfers | - | - | - |
| Net Sales | 2,008 | 2,055 | - |

※ Sales composition classifications have been revised in accordance with the detailed disclosure of segment sales composition. The sales composition in 2021 has not been quarterly reviewed by Grant Thornton Taiyo LLC.

KPI

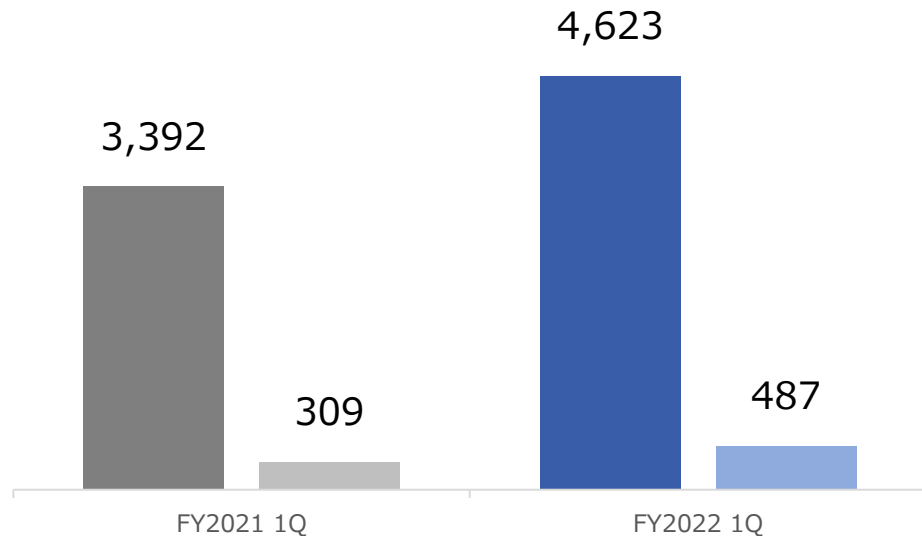
| | | FY2021 1Q | FY2022 1Q | YoY |
|--------------------|-----------------|-----------|-----------|--------|
| Transaction amount | (million yen) | 12,283 | 13,526 | +10.1% |
| Sales units | Domestic (unit) | 656,847 | 526,106 | △19.9% |
| | U.S. (unit) | 173,951 | - | - |

FY2019~FY2022 Results by Quarter



- Both sales and profit increased year-on-year. (Net Sales -%, Segment Income + 57.5%)
- In B2B business, continuation of the previous year's trend led to an increase in auction-related revenues as average unit prices of items sold remained high. Also, an increase in transaction amount due to the strengthening of the overseas buyer network as well as the impact of yen depreciation contributed to the sales increase.
- In the business targeting consumer, both sales and profit increased as a result of higher unit sales prices and improved profit margins due to strengthened product management.

(million yen) ■ Net sales ■ Segment income



Net Sales Composition※

| (million yen) | FY2021 1Q | FY2022 1Q | YoY |
|--------------------------------------|--------------|--------------|----------|
| Auction-related revenues | 507 | 591 | - |
| Product-sales-related revenues | 2,875 | 4,020 | - |
| Other | 9 | 11 | - |
| Inter-segment net sales or transfers | - | - | - |
| Net Sales | 3,392 | 4,623 | - |

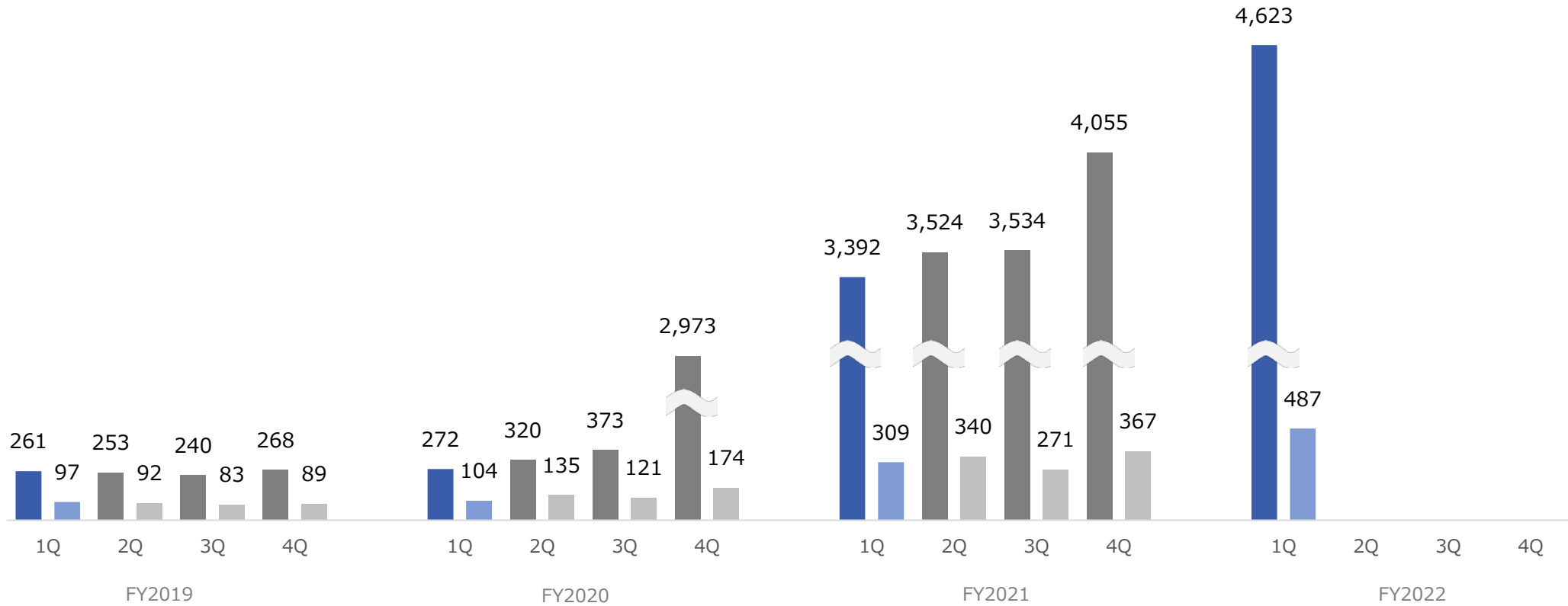
※ Sales composition classifications have been revised in accordance with the detailed disclosure of segment sales composition. The sales composition in 2021 has not been quarterly reviewed by Grant Thornton Taiyo LLC.

KPI

| | | FY2021 1Q | FY2022 1Q | YoY |
|------------------------------|----------------------------------|-----------|-----------|--------|
| B2B business | Transaction amount (million yen) | 7,324 | 9,117 | +24.5% |
| | Items sold (item) | 157,627 | 160,850 | +2.0% |
| | Number of members(member) | 2,237 | 2,763 | +23.5% |
| Business targeting consumers | Transaction amount (million yen) | 2,140 | 2,747 | +28.4% |

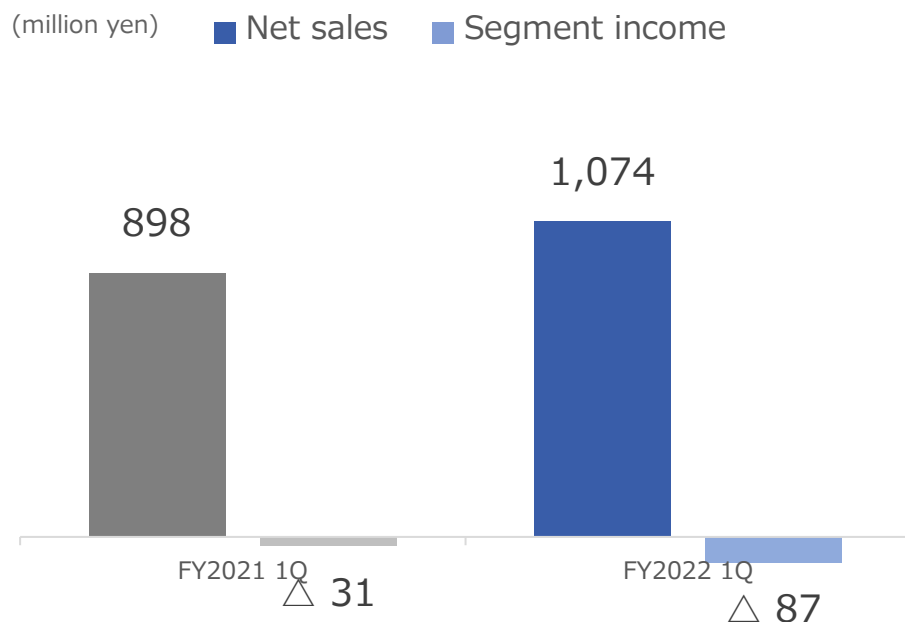
(million yen)

■ Net Sales ■ Segment Income



FY2022 First Quarter Results

- Sales increased and profit decreased year-on-year.
- In the flower business, transaction amount increased due to an increase in the number of members and export volume. Focused efforts on improving logistics efficiency led to year-on-year increases in both sales and profit.
- In addition to Aucnet's existed flower business, GRAND BOUQUET OTAKI LIMITED which became a PL consolidated subsidiary in 4Q FY2021 performed well.
- In used motorcycles, we are focusing on short-term vehicle leasing business for individuals as a new trial subscription service, which is an upfront investment.



Net Sales Composition※

| (million yen) | FY2021 1Q | FY2022 1Q | YoY |
|--------------------------------------|-----------|--------------|-----|
| Auction-related revenues | 434 | 452 | - |
| Product-sales-related revenues | 75 | 243 | - |
| Other | 289 | 288 | - |
| Inter-segment net sales or transfers | 99 | 89 | - |
| Net Sales | 898 | 1,074 | - |

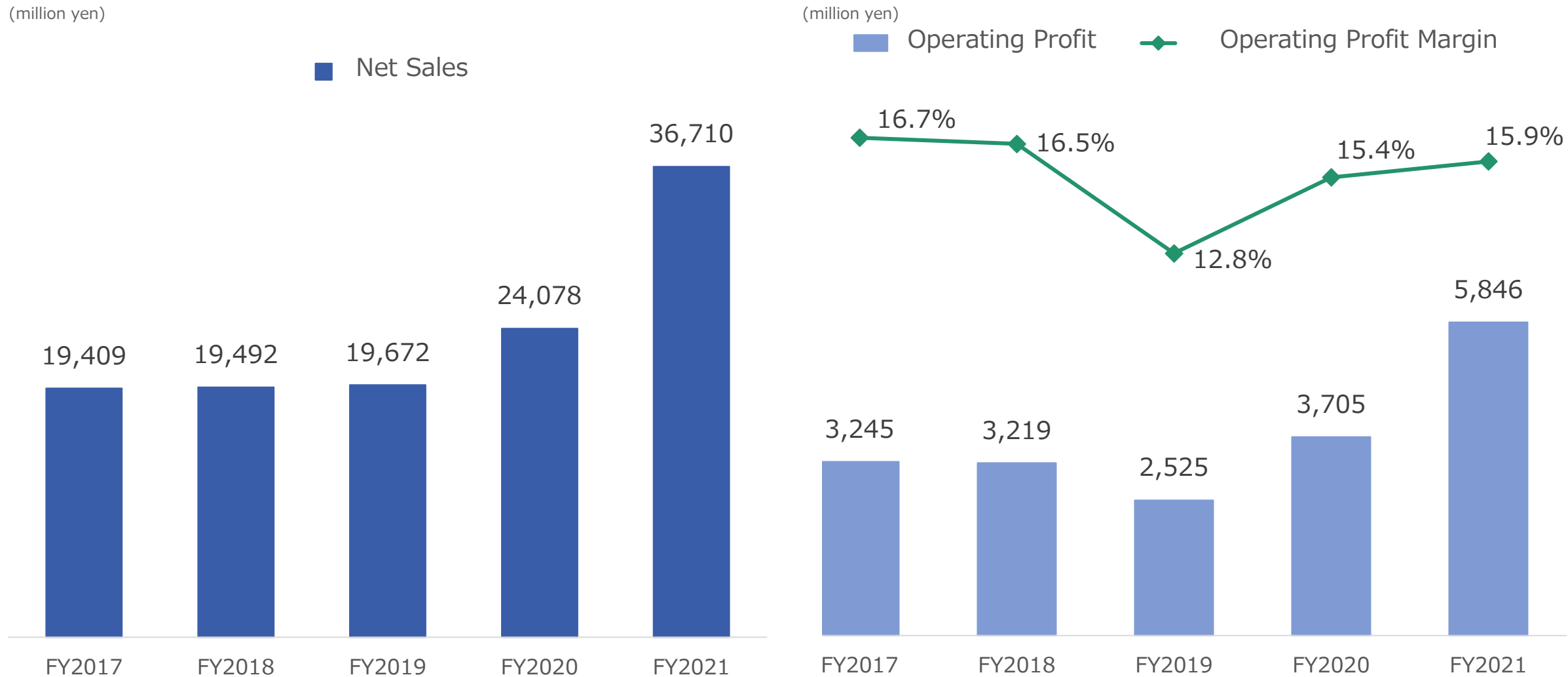
※ Sales composition classifications have been revised in accordance with the detailed disclosure of segment sales composition. The sales composition in 2021 has not been quarterly reviewed by Grant Thornton Taiyo LLC.

The mid-term management plan is scheduled to be announced on May 17th, 2022.



Reference

FY2017~FY2021 Consolidated Results by Fiscal Year



Consolidated Balance Sheets

| Assets (million yen) | FY2021 end of December | FY2022 end of March | Increase/ Decrease |
|-------------------------------|---------------------------|------------------------|-----------------------|
| Current assets | 30,018 | 34,383 | +4,364 |
| Cash and deposits | 20,615 | 22,986 | +2,370 |
| Due from auction members | 3,959 | 5,266 | +1,306 |
| Other | 5,442 | 6,130 | +687 |
| Non-current assets | 6,804 | 6,661 | △142 |
| Property, plant and equipment | 1,639 | 1,654 | +14 |
| Intangible assets | 1,616 | 1,482 | △133 |
| Other | 3,549 | 3,525 | △23 |
| Total assets | 36,822 | 41,044 | +4,221 |

| Liabilities and net assets (million yen) | FY2021 end of December | FY2022 end of March | Increase/ Decrease |
|---|---------------------------|------------------------|-----------------------|
| Current liabilities | 11,039 | 14,810 | +3,770 |
| Due to auction members | 6,728 | 11,507 | +4,778 |
| Other | 4,310 | 3,302 | △1,008 |
| Non-current liabilities | 3,081 | 3,111 | +30 |
| Retirement benefit liability | 1,790 | 1,795 | +4 |
| Other | 1,290 | 1,316 | +25 |
| Total liabilities | 14,120 | 17,921 | +3,801 |
| Total net assets | 22,701 | 23,122 | +420 |
| Total liabilities and net assets | 36,822 | 41,044 | +4,221 |

KPI

| | | | FY2019 | | | | FY2020 | | | |
|--------------------|----------------------------------|-----------------------------------|---------|---------|---------|---------|----------------|---------|---------|---------|
| | | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automobile | Auction-related | Transaction amount (million yen) | 79,678 | 75,559 | 80,728 | 73,206 | 79,527 | 63,462 | 87,032 | 81,057 |
| | | Total vehicles sold/bought (unit) | 111,672 | 106,321 | 111,119 | 104,544 | 109,099 | 96,156 | 115,610 | 109,326 |
| | Membership fee | Number of members (member) | 14,173 | 14,117 | 14,112 | 14,146 | 14,108 | 14,104 | 14,267 | 14,362 |
| | Inspection fee※1 | Vehicles inspected (unit) | 249,240 | 248,504 | 258,677 | 252,425 | 258,903 | 223,430 | 229,815 | 259,900 |
| Digital Product | Transaction amount (million yen) | | 5,858 | 5,494 | 5,178 | 7,985 | 9,562 | 7,605 | 7,887 | 9,024 |
| | Sales units | Domestic (unit) | 378,049 | 406,546 | 414,670 | 502,514 | 591,735 | 520,791 | 487,494 | 543,592 |
| | | U.S. (unit) | - | - | - | - | 89,869 | 59,611 | 194,169 | 308,478 |
| Consumer Product※2 | B2B business | Transaction amount (million yen) | 2,681 | 2,673 | 2,542 | 2,696 | 2,768 | 3,720 | 4,349 | 6,543 |
| | | Items sold (item) | 86,262 | 84,546 | 80,950 | 90,729 | 96,292 | 96,093 | 113,711 | 142,530 |
| | | Number of members (member) | 1,715 | 1,724 | 1,781 | 1,815 | 1,857 | 1,943 | 1,876 | 2,160 |
| | C business | Transaction amount (million yen) | - | - | - | - | - | - | - | 1,654 |
| | | | FY2021 | | | | FY2022 | | | |
| | | | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q |
| Automobile | Auction-related | Transaction amount (million yen) | 90,705 | 87,684 | 81,561 | 83,806 | 84,641 | - | - | - |
| | | Total vehicles sold/bought (unit) | 119,786 | 116,417 | 107,334 | 103,635 | 104,115 | - | - | - |
| | Membership fee | Number of members (member) | 14,282 | 14,420 | 14,497 | 14,605 | 14,663 | - | - | - |
| | Inspection fee※1 | Vehicles inspected (unit) | 266,100 | 266,475 | 253,557 | 256,118 | 269,476 | - | - | - |
| Digital Product | Transaction amount (million yen) | | 12,283 | 12,071 | 8,738 | 9,717 | 13,526 | - | - | - |
| | Sales units | Domestic (unit) | 656,847 | 661,344 | 510,693 | 467,773 | 526,106 | - | - | - |
| | | U.S. (unit) | 173,951 | 96,734 | 46,601 | 307 | - | - | - | - |
| Consumer Product※2 | B2B business | Transaction amount (million yen) | 7,324 | 7,996 | 8,209 | 8,912 | 9,117 | - | - | - |
| | | Items sold (item) | 157,627 | 168,838 | 158,173 | 172,961 | 160,850 | - | - | - |
| | | Number of members (member) | 2,237 | 2,311 | 2,467 | 2,652 | 2,763 | - | - | - |
| | C business | Transaction amount (million yen) | 2,140 | 2,179 | 2,027 | 2,466 | 2,747 | - | - | - |

※1 Includes used motorcycles inspections

※2 KPI by Gallery Rare has been combined in each business from 4Q FY 2020.