

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



November 8, 2022

Company name: **AUCNET INC.**
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3964
 URL: <http://www.aucnet.co.jp/>
 Representative: Mr. Shinichiro Fujisaki, President & COO
 Contact: Mr. Hiroki Taniguchi, Director, Managing Executive Officer & CFO
 Phone: +81-3-6440-2552
 Scheduled date of filing quarterly report: November 8, 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 Third Quarter of the Fiscal Year Ending December 31, 2022
(January 1, 2022 - September 30, 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 | % |
| Nine months ended | | | | | | | | |
| September 30, 2022 | 30,485 | — | 5,321 | 10.9 | 5,547 | 10.7 | 3,468 | 13.7 |
| September 30, 2021 | 27,263 | 72.9 | 4,797 | 73.8 | 5,013 | 82.5 | 3,049 | 88.3 |

(Note) Comprehensive income: Nine months ended September 30, 2022: ¥3,604 million [10.4%]

Nine months ended September 30, 2021: ¥3,264 million [105.6%]

* 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 third 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 |
|--------------------|--------------------------|----------------------------|
| Nine months ended | Yen | Yen |
| September 30, 2022 | 125.55 | 124.63 |
| September 30, 2021 | 109.89 | 108.95 |

(2) Consolidated Financial Position

| | Total assets | Net assets | Equity ratio |
|--------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of September 30, 2022 | 39,192 | 24,630 | 61.9 |
| As of December 31, 2021 | 36,822 | 22,701 | 60.6 |

(Reference) Equity: As of September 30, 2022: ¥24,255 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 | – | 23.00 | – | | |
| Year ending December 31, 2022 (Forecast) | | | | 24.00 | 47.00 |

(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 |
|-----------|-------------|---|------------------|------|-----------------|------|---|------|--------------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 40,270 | – | 6,480 | 10.8 | 6,743 | 10.3 | 4,288 | 18.3 | 155.07 |

(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 forecast of consolidated results for the 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):

| | |
|---------------------|-------------------|
| September 30, 2022: | 27,963,200 shares |
| December 31, 2021: | 27,957,100 shares |
 - 2) Total number of treasury shares at the end of the period:

| | |
|---------------------|----------------|
| September 30, 2022: | 389,116 shares |
| December 31, 2021: | 140,516 shares |
 - 3) Average number of shares during the period:

| | |
|---------------------------------------|-------------------|
| Nine months ended September 30, 2022: | 27,627,825 shares |
| Nine months ended September 30, 2021: | 27,753,340 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 third 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 nine months ended September 30, 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 nine months ended September 30, 2022, although the Japanese economy showed signs of an upturn in business conditions, including the easing of movement restrictions due to the impact of novel coronavirus (COVID-19), the outlook remains uncertain, as it is necessary to keep a close eye on the impact of rising prices and movements in financial and capital markets.

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 nine months ended September 30, 2022, net sales were ¥30,485,925 thousand, operating profit was ¥5,321,756 thousand (up 10.9% from the same period of the previous fiscal year), ordinary profit was ¥5,547,623 thousand (up 10.7% from the same period of the previous fiscal year), and profit attributable to owners of parent was ¥3,468,688 thousand (up 13.7% 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 10.3% year-on-year to 3.12 million units in the nine months ended September 30, 2022. The total number of used-vehicle registrations (*7) decreased 6.8% year-on-year to 4.81 million units, and the number of vehicles listed at auctions around Japan (*8) decreased 5.6% year-on-year to 5.09 million units. The total number of vehicles sold at auction (*8) decreased 3.5% year-on-year to 3.53 million units.

Although supply shortages of used vehicles still continued, total monthly new-vehicle registrations for September increased year-on-year for the first time in 14 months. The number of vehicles listed and the number of vehicles sold at AUCNET-hosted used vehicle auctions declined year-on-year, but shared inventory sold increased year-on-year due to the effect of campaign measures.

During the current third quarter (three-month period), the number of vehicles bought in our live-linked auctions and proxy bidding service increased year-on-year thanks to an increase in bids by exporters, partly due to the weak yen, and profit increased year-on-year.

In the used vehicle inspection service, demand for used vehicle inspections remained high from the previous year, and the number of vehicles inspected for a used vehicle listing platform increased, contributing to segment net sales and income.

As a result, for the nine months ended September 30, 2022, net sales (including inter-segment net sales) were ¥8,610,832 thousand, and operating profit was ¥2,845,467 thousand (down 1.6% 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 the 2022 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 transaction amount expanded, boosted by the effect of the weakness of the yen since the start of the year, in addition to a continued increase in the number of new global buyers due to stronger digital marketing.

During the current third quarter (three-month period), the number of sales units of used devices decreased from the previous year's results, influenced by factors such as price hikes for new devices and restrained buying ahead of the launch of new models of smartphone. Although costs were incurred from measures to expand the product range and sales activities targeting overseas markets, the segment recorded an overall increase in profit with the elimination of deficits following the withdrawal of the U.S. business at the end of the previous year.

As a result, for the nine months ended September 30, 2022, net sales were ¥5,255,669 thousand, and operating profit was ¥3,556,040 thousand (up 18.1% 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, net sales and profit both increased, with the average price of units sold remaining high, in addition to a year-on-year increase in the number of items listed on auctions as a result of continuing measures to promote listing.

Net sales and profit both also increased in the business targeting consumers due to efforts to facilitate non-face-to-face purchasing, as well as a greater focus on key products for purchase and appropriate inventory control.

During the current third quarter (three-month period), the success of digital marketing measures to encourage overseas buyers to participate in auctions led to an increase in the number of buyers participating in auctions, resulting in a significant contribution to auction related revenue.

As a result, for the nine months ended September 30, 2022, net sales were ¥13,812,987 thousand, and operating profit was ¥1,281,122 thousand (up 39.0% 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 ¥3,170,496 thousand, and operating loss was ¥361,110 thousand (the operating loss for the same period of the previous year was ¥167,882 thousand).

(2) Explanation of Financial Position

Total assets as of the end of the third quarter of the current fiscal year amounted to ¥39,192,933 thousand, an increase of ¥2,370,086 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥1,444,627 thousand increase in due from auction members, a ¥210,527 thousand increase in inventories, and a ¥2,988,454 thousand increase in other current assets, despite a ¥2,126,970 thousand decrease in cash and deposits and a ¥201,988 thousand decrease in other intangible assets.

Total liabilities amounted to ¥14,562,570 thousand, an increase of ¥441,680 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥1,456,007 thousand increase in due to auction members, despite a ¥1,055,727 thousand decrease in income taxes payable.

Total net assets amounted to ¥24,630,363 thousand, an increase of ¥1,928,406 thousand from the end of the previous fiscal year. This is mainly attributable to a ¥2,249,167 thousand increase in retained earnings and a ¥155,861 thousand increase in foreign currency translation adjustment, despite a ¥393,793 thousand decrease in treasury shares due mainly to purchase of treasury shares.

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

There is no change to the performance forecast announced on August 9, 2022.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|--|-------------------------|--------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 20,615,921 | 18,488,951 |
| Notes and accounts receivable - trade | 1,121,839 | — |
| Notes and accounts receivable - trade, and contract assets | — | 1,257,694 |
| Inventories | 2,224,903 | 2,435,430 |
| Due from auction members | 3,959,798 | 5,404,425 |
| Other | 2,152,044 | 5,140,499 |
| Allowance for doubtful accounts | (56,168) | (56,062) |
| Total current assets | 30,018,339 | 32,670,938 |
| Non-current assets | | |
| Property, plant and equipment | 1,639,091 | 1,647,232 |
| Intangible assets | | |
| Goodwill | 670,397 | 580,432 |
| Other | 945,788 | 743,800 |
| Total intangible assets | 1,616,186 | 1,324,233 |
| Investments and other assets | 3,549,229 | 3,550,529 |
| Total non-current assets | 6,804,507 | 6,521,994 |
| Total assets | 36,822,846 | 39,192,933 |

(Thousand yen)

| | As of December 31, 2021 | As of September 30, 2022 |
|---|-------------------------|--------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable – trade | 751,746 | 805,561 |
| Due to auction members | 6,728,834 | 8,184,841 |
| Income taxes payable | 1,592,462 | 536,735 |
| Other provisions | 372,088 | 284,891 |
| Other | 1,594,198 | 1,574,634 |
| Total current liabilities | 11,039,329 | 11,386,665 |
| Non-current liabilities | | |
| Retirement benefit liability | 1,790,612 | 1,847,015 |
| Provision for share-based remuneration | 167,978 | 198,664 |
| Other provisions | 11,789 | 14,549 |
| Other | 1,111,179 | 1,115,676 |
| Total non-current liabilities | 3,081,560 | 3,175,905 |
| Total liabilities | 14,120,889 | 14,562,570 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,806,238 | 1,807,303 |
| Capital surplus | 6,854,864 | 6,846,425 |
| Retained earnings | 13,530,920 | 15,780,088 |
| Treasury shares | (229,927) | (623,720) |
| Total shareholders' equity | 21,962,096 | 23,810,095 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 302,147 | 245,415 |
| Foreign currency translation adjustment | 20,102 | 175,963 |
| Remeasurements of defined benefit plans | 35,013 | 23,606 |
| Total accumulated other comprehensive income | 357,262 | 444,985 |
| Non-controlling interests | 382,598 | 375,282 |
| Total net assets | 22,701,956 | 24,630,363 |
| Total liabilities and net assets | 36,822,846 | 39,192,933 |

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended September 30, 2021 and 2022

(Thousand yen)

| | For the nine months ended September 30, 2021 | For the nine months ended September 30, 2022 |
|---|---|---|
| Net sales | 27,263,383 | 30,485,925 |
| Cost of sales | 14,508,670 | 17,425,959 |
| Gross profit | 12,754,712 | 13,059,965 |
| Selling, general and administrative expenses | 7,957,656 | 7,738,209 |
| Operating profit | 4,797,056 | 5,321,756 |
| Non-operating income | | |
| Interest income | 3,276 | 2,891 |
| Dividend income | 41,282 | 51,362 |
| Foreign exchange gains | 148,981 | 159,403 |
| Subsidy income | — | 13,332 |
| Reversal of allowance for doubtful accounts | 30,785 | — |
| Other | 36,262 | 36,831 |
| Total non-operating income | 260,588 | 263,820 |
| Non-operating expenses | | |
| Interest expenses | 791 | 261 |
| Share of loss of entities accounted for using equity method | 10,566 | 10,814 |
| Fee expenses | — | 8,771 |
| Loss on cancellation of insurance policies | 25,548 | — |
| Loss on tax purpose reduction entry of non-current assets | — | 13,332 |
| Other | 7,302 | 4,774 |
| Total non-operating expenses | 44,208 | 37,952 |
| Ordinary profit | 5,013,436 | 5,547,623 |
| Extraordinary income | | |
| Gain on liquidation of subsidiaries and associates | — | 8,341 |
| Gain on sale of investment securities | 90,975 | — |
| Other | 17,096 | 1,073 |
| Total extraordinary income | 108,072 | 9,414 |
| Extraordinary losses | | |
| Loss associated with system discontinuation | — | 58,739 |
| Loss on debt transfer | 30,218 | — |
| Impairment losses | — | 75,151 |
| Other | 23,970 | 38,939 |
| Total extraordinary losses | 54,189 | 172,831 |
| Profit before income taxes | 5,067,318 | 5,384,207 |
| Income taxes | 1,972,275 | 1,867,061 |
| Profit | 3,095,043 | 3,517,145 |
| Profit attributable to non-controlling interests | 45,355 | 48,457 |
| Profit attributable to owners of parent | 3,049,687 | 3,468,688 |

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended September 30, 2021 and 2022

(Thousand yen)

| | For the nine months ended September 30, 2021 | For the nine months ended September 30, 2022 |
|--|---|---|
| Profit | 3,095,043 | 3,517,145 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 163,461 | (56,731) |
| Foreign currency translation adjustment | 10,736 | 155,861 |
| Remeasurements of defined benefit plans, net of tax | (5,157) | (11,407) |
| Total other comprehensive income | 169,040 | 87,722 |
| Comprehensive income | 3,264,083 | 3,604,868 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,218,727 | 3,556,410 |
| Comprehensive income attributable to non-controlling interests | 45,355 | 48,457 |

(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 third 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 first quarter of the current fiscal year. 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 the 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 an 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 first quarter of the current fiscal year, with the new accounting policies applied from the beginning balance.

As a result of this change, for the nine months ended September 30, 2022, net sales decreased by ¥321,471 thousand, cost of sales increased by ¥165,018 thousand, selling, general and administrative expenses decreased by ¥489,070 thousand, and operating profit, ordinary profit, and profit before income taxes each decreased by ¥2,579 thousand. In addition, the beginning balance of retained earnings increased by ¥4,880 thousand.

Due to the 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 first quarter of the current fiscal year. 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 on the disaggregation of revenue from contracts with customers for the nine months ended September 30, 2021 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 first quarter of the current fiscal year, 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 nine months ended September 30, 2021 (from January 1, 2021 to September 30, 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 | 9,048,732 | 5,353,318 | 10,451,134 | 24,853,186 | 2,410,197 | 27,263,383 | — | 27,263,383 |
| Inter-segment net sales or transfers | 99,968 | — | — | 99,968 | 290,272 | 390,241 | (390,241) | — |
| Total | 9,148,701 | 5,353,318 | 10,451,134 | 24,953,154 | 2,700,470 | 27,653,624 | (390,241) | 27,263,383 |
| Segment income (loss) | 2,892,206 | 3,010,151 | 921,685 | 6,824,042 | (167,882) | 6,656,160 | (1,859,103) | 4,797,056 |

(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 ¥1,859,103 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 nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)

1. Information on net sales and income (loss) and information on disaggregation of revenue 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 | 5,837,059 | 5,118,383 | 1,841,477 | 12,796,920 | 1,409,518 | 14,206,438 | — | 14,206,438 |
| Product sales related revenue | 277,613 | 137,285 | 11,948,239 | 12,363,139 | 608,234 | 12,971,374 | — | 12,971,374 |
| Other | 2,393,711 | — | 23,270 | 2,416,982 | 891,130 | 3,308,112 | — | 3,308,112 |
| Revenue from contracts with customers | 8,508,385 | 5,255,669 | 13,812,987 | 27,577,042 | 2,908,883 | 30,485,925 | — | 30,485,925 |
| Other revenue | — | — | — | — | — | — | — | — |
| Net sales to outside customers | 8,508,385 | 5,255,669 | 13,812,987 | 27,577,042 | 2,908,883 | 30,485,925 | — | 30,485,925 |
| Inter-segment net sales or transfers | 102,447 | — | — | 102,447 | 261,612 | 364,060 | (364,060) | — |
| Total | 8,610,832 | 5,255,669 | 13,812,987 | 27,679,489 | 3,170,496 | 30,849,986 | (364,060) | 30,485,925 |
| Segment income (loss) | 2,845,467 | 3,556,040 | 1,281,122 | 7,682,630 | (361,110) | 7,321,520 | (1,999,764) | 5,321,756 |

(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 ¥1,999,764 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.

Impairment loss not allocated to reporting segments is ¥75,151 thousand.

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 first quarter of the current fiscal year, 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 ¥442,327 thousand in the Automobile Business segment; net sales increased by ¥65,176 thousand in the Digital Product Business segment; net sales increased by ¥102,800 thousand in the Consumer Product Business segment; net sales decreased by ¥47,120 thousand in the Others segment in the nine months ended September 30, 2022. The impact on segment income is minor.

(Significant subsequent events)

(Share repurchase and self tender offer)

The Company resolved at a Board of Directors meeting held on August 9, 2022 to repurchase its shares and conduct a self tender offer as the specific purchase method, pursuant to the provisions of its Articles of Incorporation in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act (Act No. 86 of 2005, as amended). The Company subsequently implemented the share repurchase, as shown below.

1. Details of the Board of Directors' resolution regarding the share repurchase

- | | |
|--|---|
| 1) Class of shares to be repurchased: | Common shares |
| 2) Total number of shares to be repurchased: | 1,650,100 shares (maximum) (Ratio to total number of issued and outstanding shares: 5.90%) |
| 3) Total repurchase price: | ¥2,927,277,400 (maximum) |
| 4) Repurchase period: | From August 10, 2022 to October 14, 2022 |

2. Summary of the share purchase

- | | |
|---|---|
| 1) Total number of shares to be purchased: | 1,650,000 shares |
| 2) Purchase price: | ¥1,774 per share of common stock |
| 3) Purchase period: | From August 10, 2022 to September 7, 2022 (20 business days) |
| 4) Date of public notice of commencement of tender offer: | August 10, 2022 |
| 5) Settlement commencement date | October 3, 2022 |

3. Result of the share purchase

- | | |
|--|---|
| 1) Class of shares tendered: | Common shares |
| 2) Total number of shares repurchased: | 1,500,000 shares (Ratio to total number of issued and outstanding shares: 5.36%) |
| 3) Total repurchase price: | ¥2,661,000,000 |
| 4) Repurchase date: | October 3, 2022 |