

FY2023 First Quarter Results Briefing

May 9th, 2023
AUCNET INC.
(TSE Prime Market: 3964)



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- 2. Segment Information** P. 9
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FY2023 First Quarter Consolidated Financial Results

- Both sales and profit increased in the Automobile and Consumer Product Business segment.
- As a result of lower-than-expected performance in the Digital Product Business segment, both sales and operating profit slightly increased in the consolidated financial results.

(million yen)	FY2022 1Q	FY2023 1Q	YoY	FY2023 Forecast	Rate of Progress
Net Sales	10,501	10,728	+2.2%	43,000	25.0%
Operating profit	2,143	2,146	+0.1%	6,300	34.1%
Operating profit margin	20.4%	20.0%	△0.4pt	14.7%	
EBITDA	2,343	2,321	△0.9%	-	-
Ordinary profit	2,183	2,168	△0.7%	6,322	34.3%
Profit attributable to owners of parent	1,306	1,390	+6.5%	3,945	35.3%

FY2023 First Quarter Highlights

Net Sales

10,728million yen

YoY **+2.2%**

Operating Profit

2,146million yen

YoY **+0.1%**

Ordinary Profit

2,168million yen

YoY **△0.7%**

Profit Attributable to Owner of Parent

1,390million yen

YoY **+6.5%**

Automobile Business

Net Sales 3,106 million yen (+8.3%)

Segment Income 1,047 million yen (+10.3%)

See p.9 for more details

See p.27
for the service outline

Digital Product Business

Net Sales 1,881 million yen (△8.4%)

Segment Income 1,297 million yen (△11.4%)

See p.11 for more details

See p.28
for the service outline

Consumer Product Business

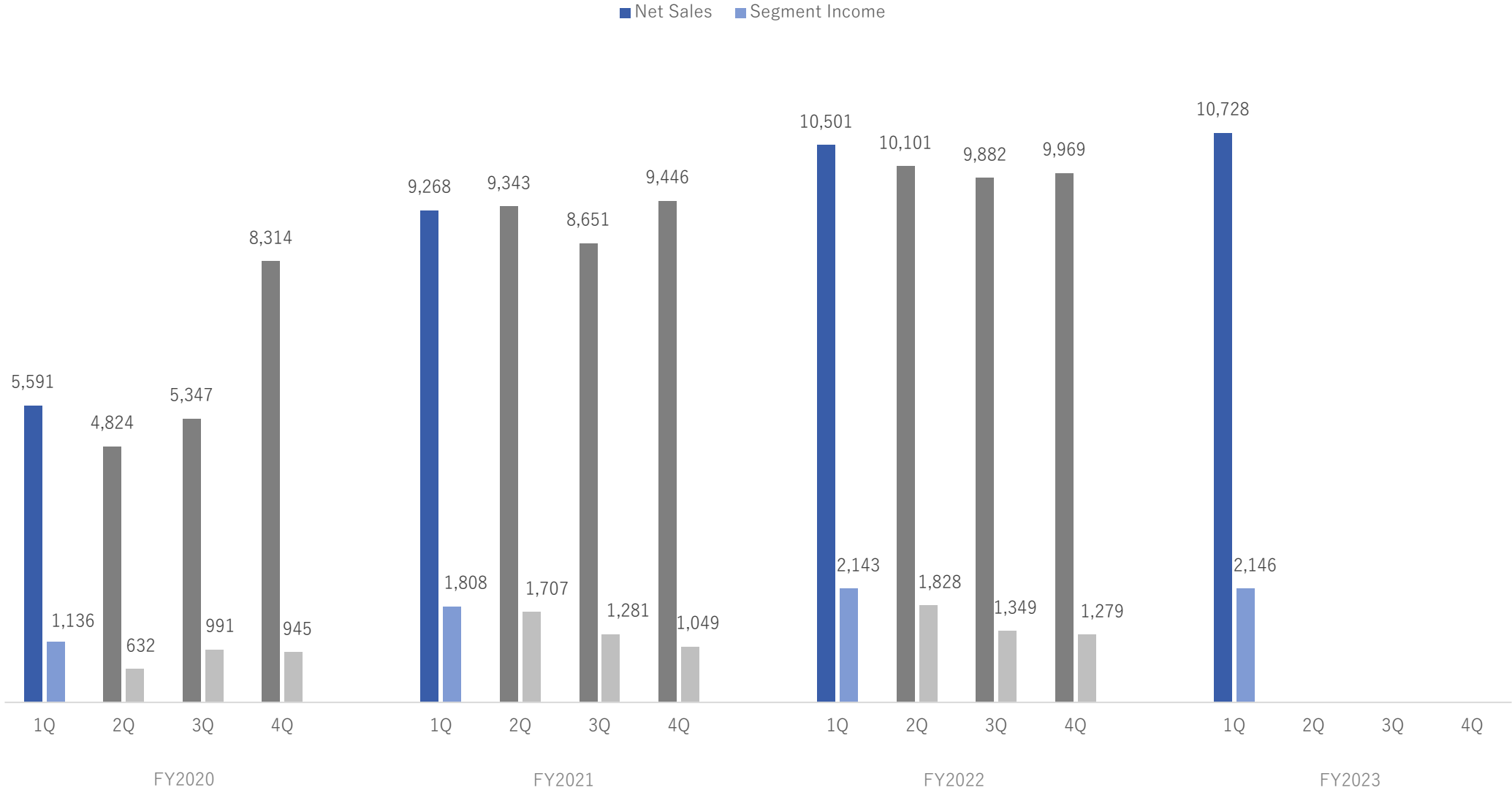
Net Sales 4,809million yen (+4.0%)

Segment Income 536 million yen (+10.0%)

See p.13 for more details

See p.29
for the service outline

FY2020~FY2023 Consolidated Financial Results by Quarter

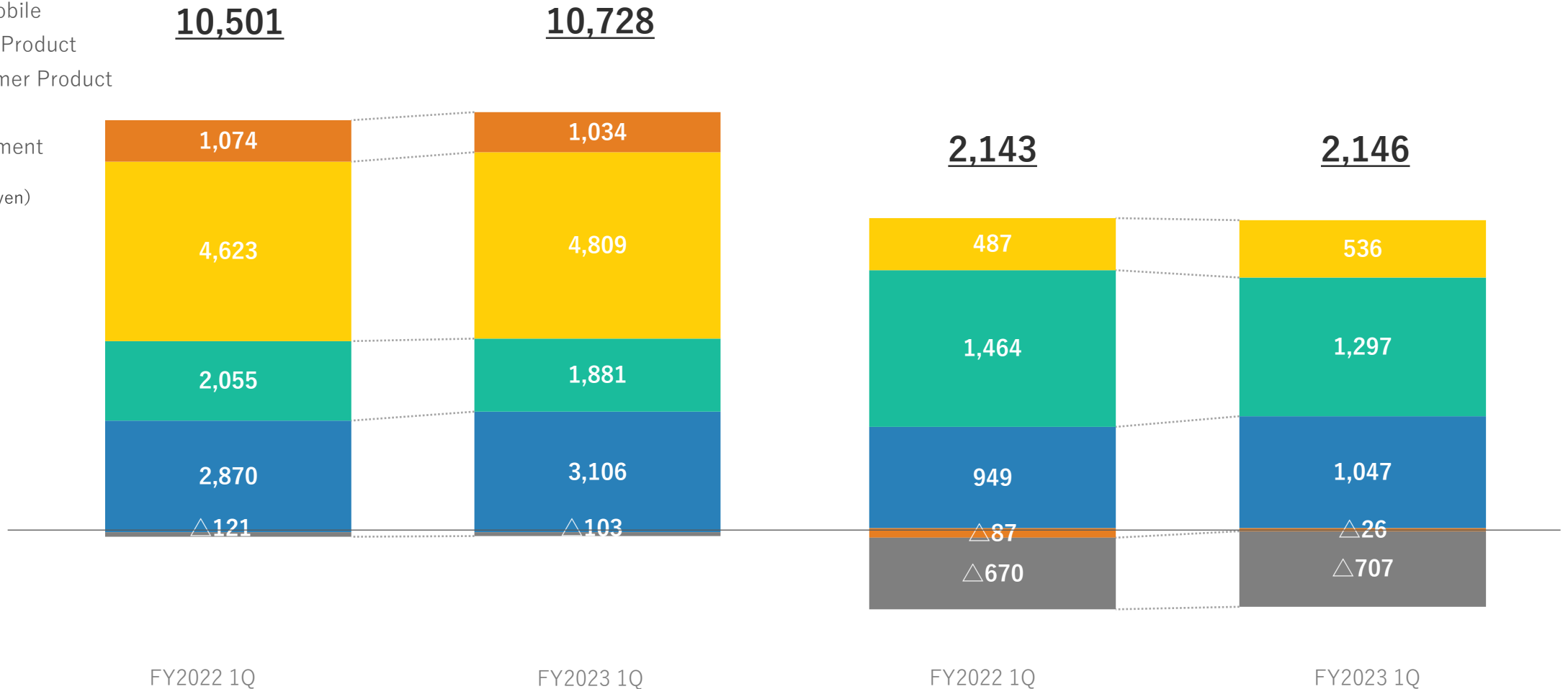


FY2023 First Quarter Segment Increase/Decrease

Net Sales

Operating Profit

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



FY2023 First Quarter Transaction Amount by Segment



Transaction Amount

135,815 million yen

(YoY +18.3%)

Automobile

104,657 million yen
(YoY +23.6%)



Digital Product

12,443 million yen
(YoY Δ 8.0%)



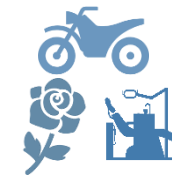
Consumer Product

13,457 million yen
(YoY +13.4%)



Others

5,258 million yen
(YoY +10.8%)



※ Used motorcycle, flower and circular commerce businesses etc.

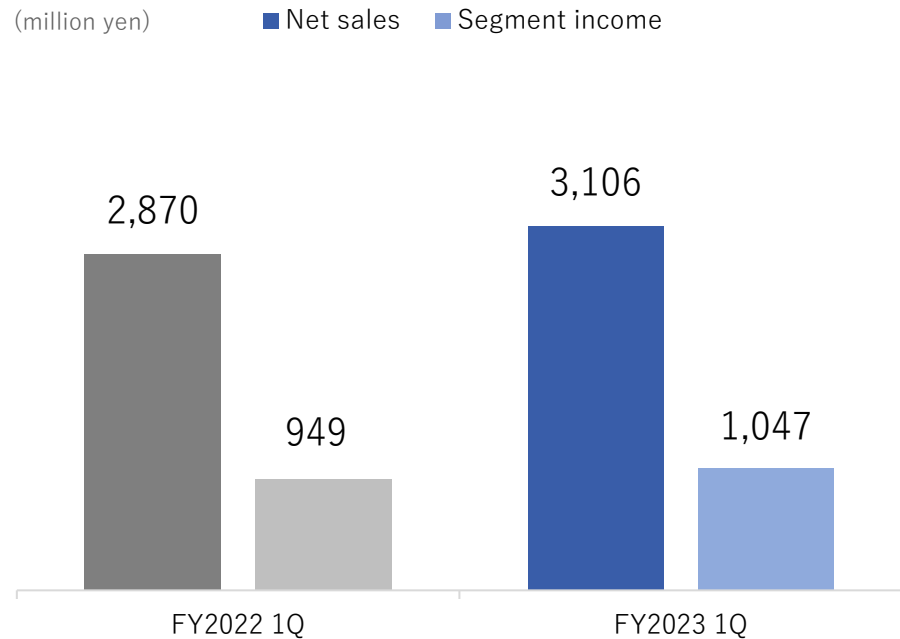
※Transaction Amount: Total value of the products distributed through the services provided by AUCNET INC. in each business

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FY2023 First Quarter Results

- Both sales and profit increased year-on-year. (Net Sales + 8.3%, Segment Income + 10.3%)
- The number of vehicles bought by mainly exporters significantly increased in the live-linked auctions and the proxy bidding service, resulting in increase in both sales and profit.
- The number of vehicles inspected increased mainly for a used vehicle listing platform led an increase in both sales and profit in the vehicle inspection service.
- Although the number of vehicles listed at Aucnet-hosted auctions and the shared inventory increased, the number of vehicle sold was sluggish, resulting in decrease in profit.



Net Sales Composition

(million yen)	FY2022 1Q	FY2023 1Q	YoY
Auction related revenues	1,960	2,008	+2.5%
Product sales related revenues	80	141	+76.5%
Other	797	928	+16.4%
Inter-segment net sales or transfers	31	28	
Net Sales	2,870	3,106	+8.3%

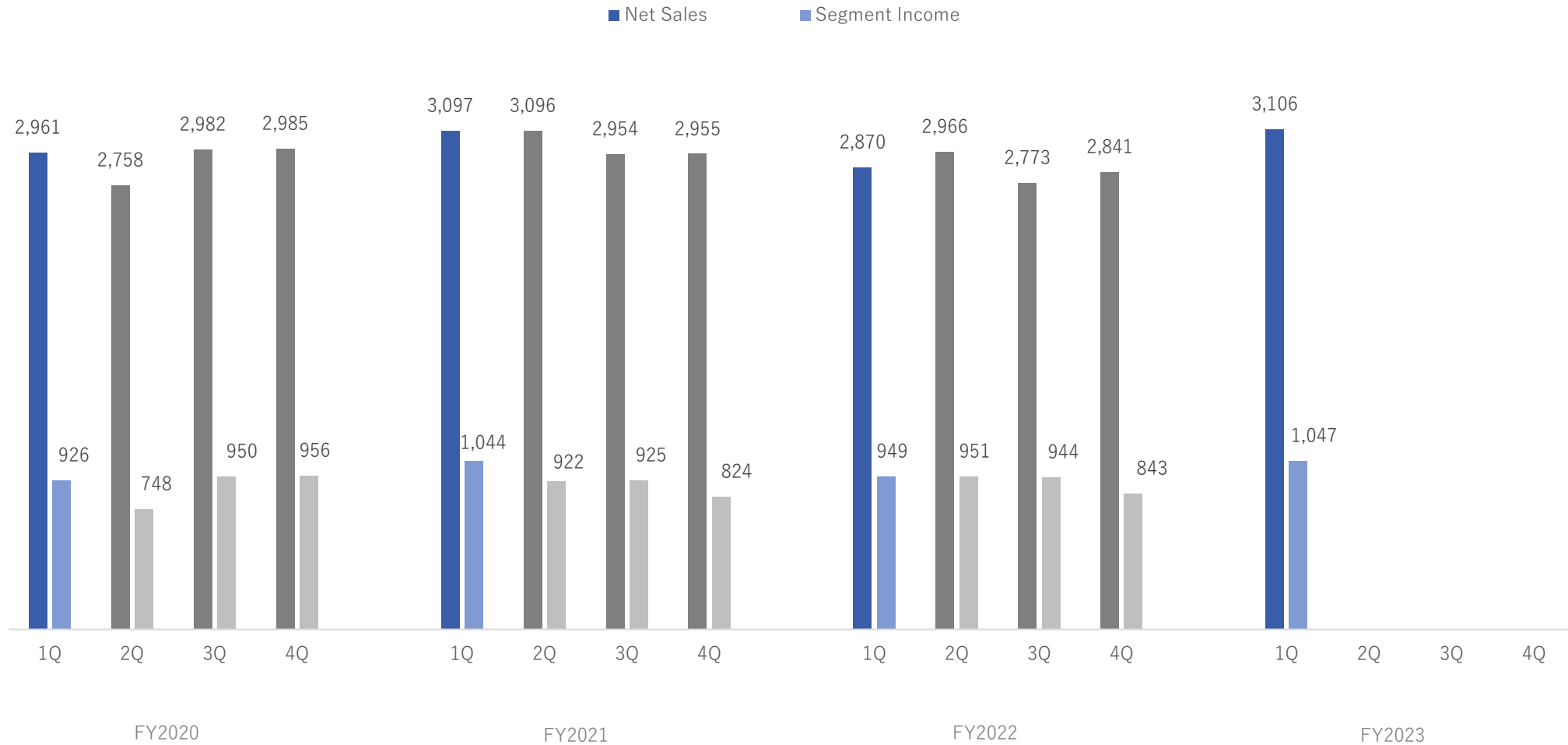
KPI

			FY2022 1Q	FY2023 1Q	YoY
Auction related	Transaction amount	(million yen)	84,641	104,657	+23.6%
	Total vehicles sold/bought	(unit)	104,115	121,962	+17.1%
Membership fee	Number of members	(member)	14,663	14,999	+2.3%
Inspection fee	Vehicles inspected	(unit)	269,476	318,348	+18.1%

※ Includes used motorcycles inspections

FY2020~FY2023 Results by Quarter

(million yen)



- Both sales and profit decreased year-on-year. (Net Sales Δ 8.4%, Segment Income Δ 11.4%)
- Although auctions were activated and unit prices of devices remained high with the increasing number of members, the number of sales units declined due to the prolonged device replacement cycle and other factors, resulting in a contraction of transaction amount year-on-year.
- Aggressive investments have been made to strengthen the sales structure, recruiting and expand overseas bases.

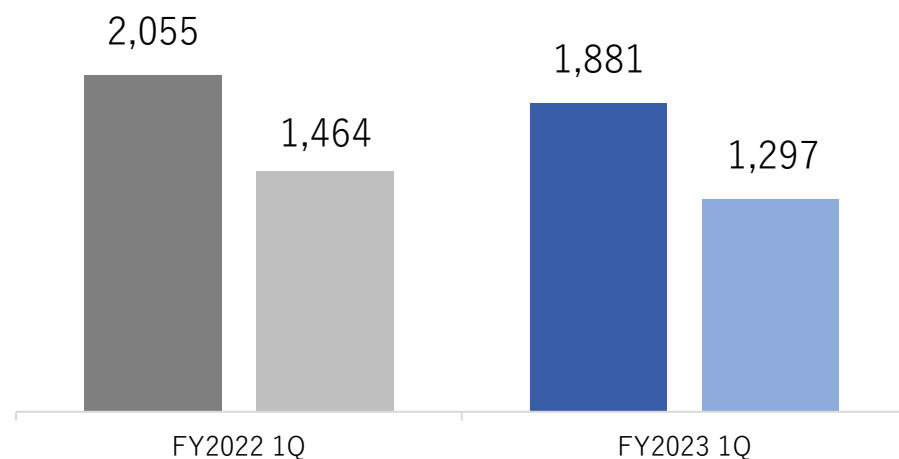
Net Sales Composition

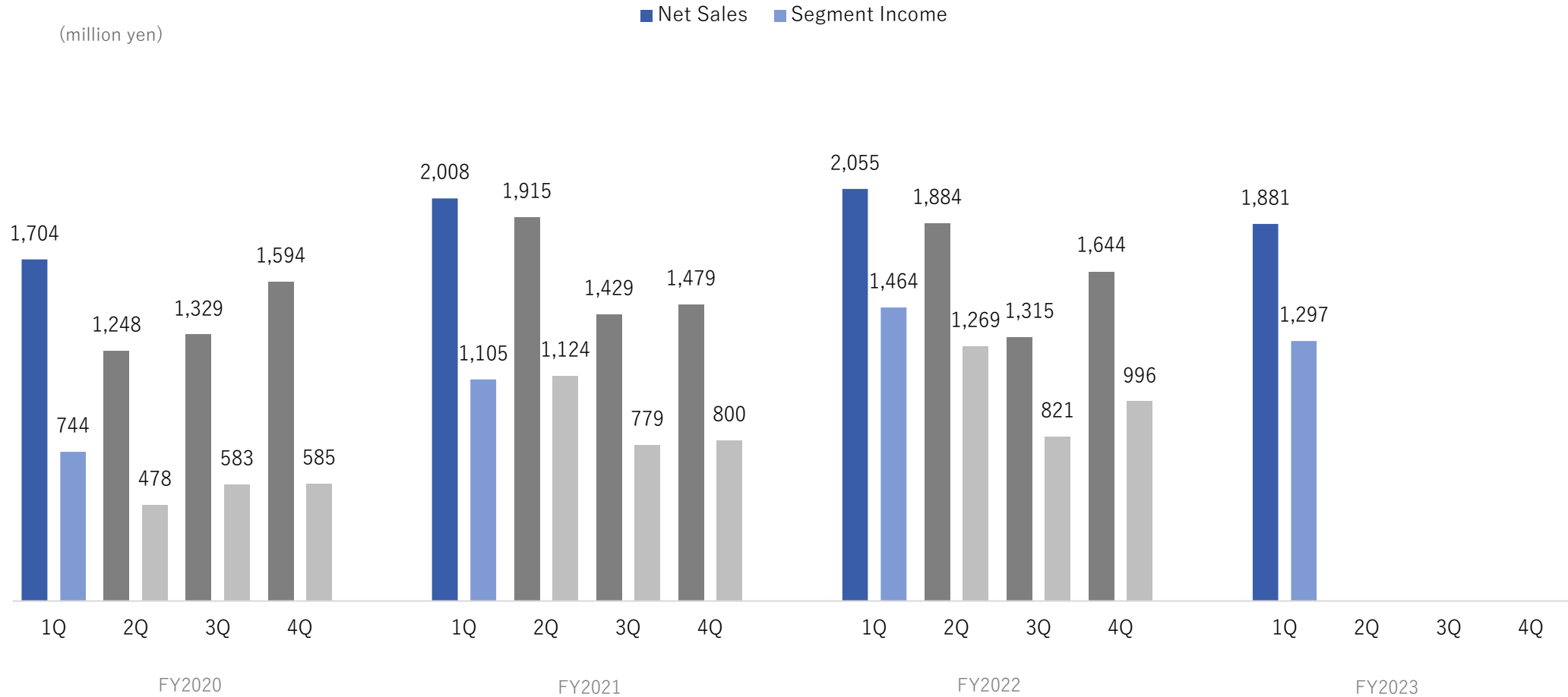
(million yen)	FY2022 1Q	FY2023 1Q	YoY
Auction related revenues	1,984	1,836	Δ 7.5%
Product sales related revenues	70	45	Δ 35.4%
Other	-	-	
Inter-segment net sales or transfers	-	-	
Net Sales	2,055	1,881	Δ 8.4%

KPI

		FY2022 1Q	FY2023 1Q	YoY
Transaction amount	(million yen)	13,526	12,443	Δ 8.0%
Sales units	(unit)	526,106	445,227	Δ 15.4%
Number of members	(member)	1,044	1,359	+30.2%

(million yen) ■ Net sales ■ Segment income





- Both sales and profit increased year-on-year. (Net Sales +4.0%, Segment Income +10.0%)
- In the B2B business, auctions activated due to an increase in members led by measures such as digital marketing. It raised the average price of units sold and increased transaction amount, resulting in an increase in both sales and profit.
- Gross profit margin increased due to continued greater focus on key items for purchase and purchase and sales control in consideration of market prices; however, investments in online advertising in order to strengthen purchases resulted in an increase in sales and a decrease in profit.

Net Sales Composition

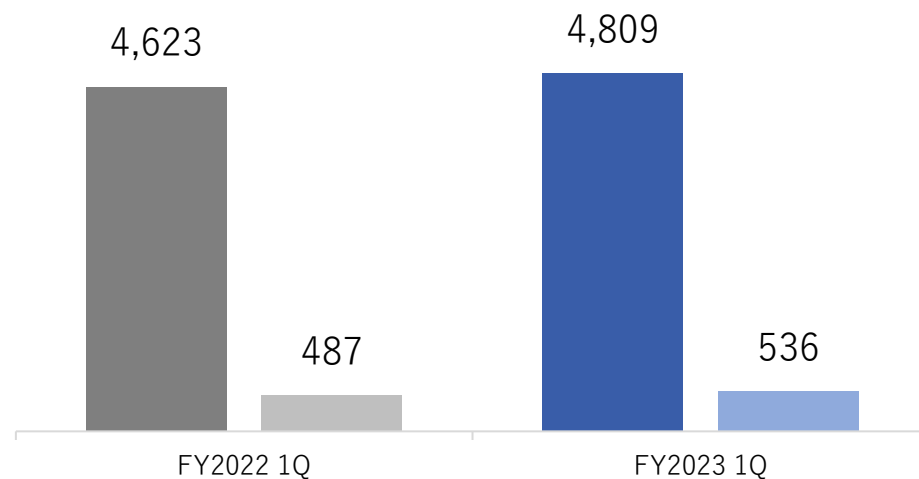
(million yen)	FY2022 1Q	FY2023 1Q	YoY
Auction related revenues	591	694	+17.4%
Product sales related revenues	4,020	4,099	+2.0%
Other	11	14	+27.4%
Inter-segment net sales or transfers	-	-	
Net Sales	4,623	4,809	+4.0%

KPI

		FY2022 1Q	FY2023 1Q	YoY
B2B business	Transaction amount (million yen)	9,117	10,644	+16.8%
	Items listed (item)	223,206	236,869	+6.1%
	Items sold (item)	160,850	174,900	+8.7%
	Number of members※ (member)	3,586	4,287	+19.5%
Business targeting C	Transaction amount (million yen)	2,747	2,812	+2.4%

※The number of overseas buyers has been included in the number of members since 3Q FY2022.

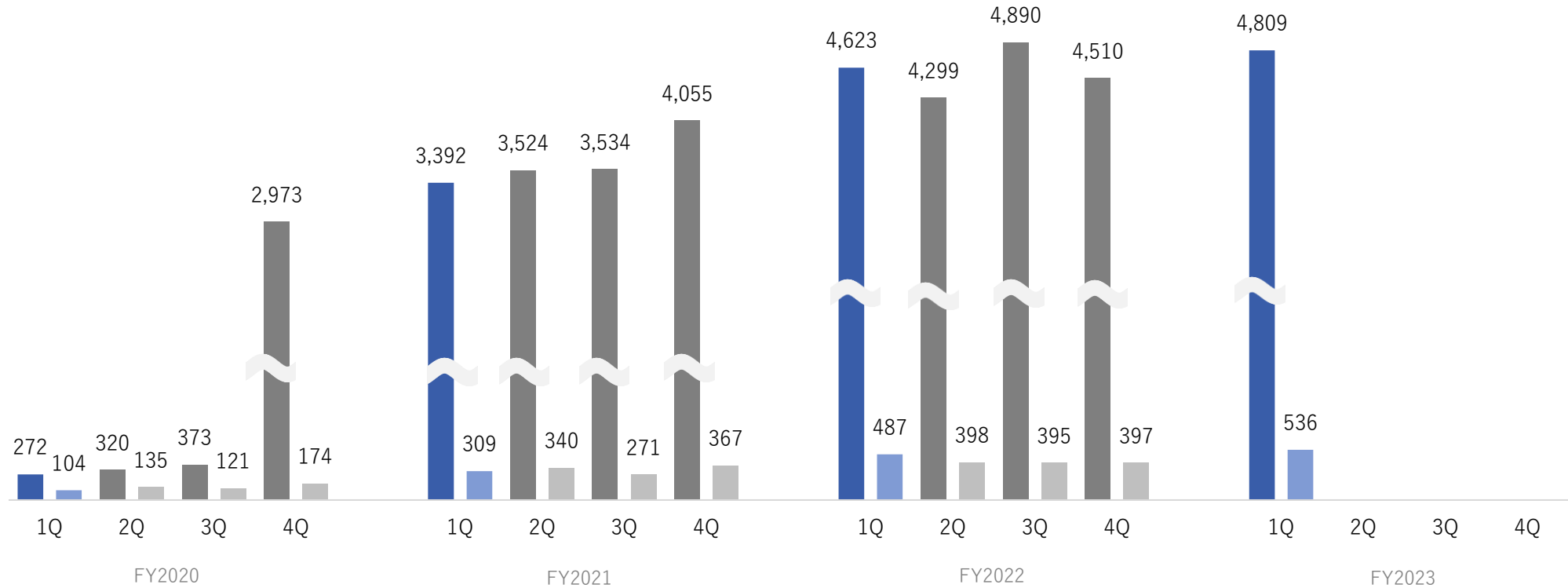
(million yen) ■ Net sales ■ Segment income



FY2020~FY2023 Results by Quarter

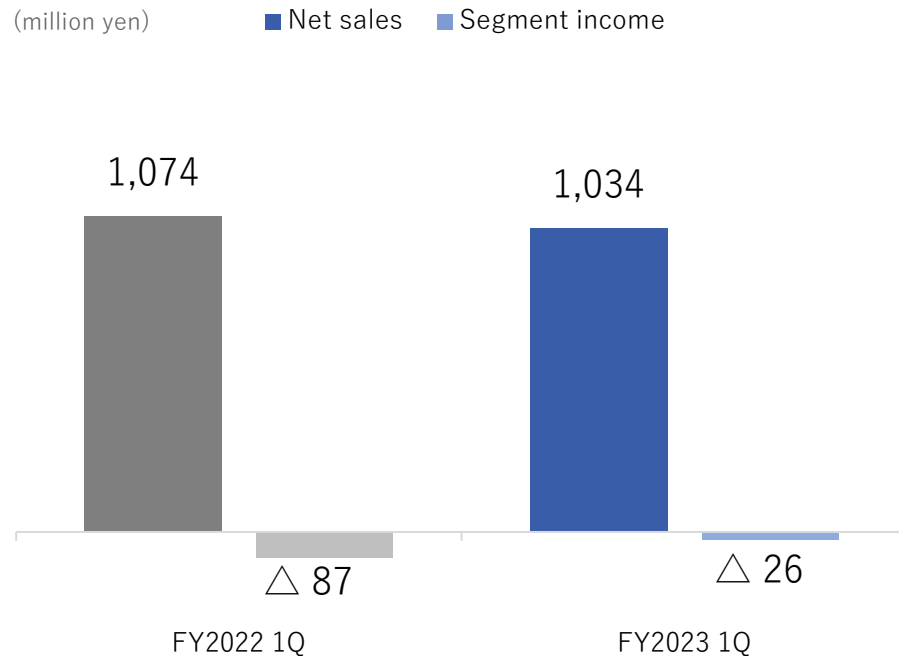
(million yen)

■ Net Sales ■ Segment Income



FY2023 First Quarter Results

- The sales decreased but the profit increased year-on-year. (Net Sales $\triangle 3.7\%$ Operating Loss in the Previous Year: 87 million yen)
- In the flower business, both sales and profit increased year-on-year due to higher average unit prices for cut flowers and an increase in the number of cut flower collections, leading an increase in transaction amount.
- In the circular commerce field, business structures have been established and a PoC has been undertaken for circular distribution of newly handled products.
- Overall segment sales decreased but segment income increased due to the impact of withdrawal of CARSERU at the end of last year.



Net Sales Composition

(million yen)	FY2022 1Q	FY2023 1Q	YoY
Auction related revenues	452	451	$\triangle 0.2\%$
Product sales related revenues	243	198	$\triangle 18.3\%$
Other	288	309	+7.0%
Inter-segment net sales or transfers	89	75	$\triangle 16.3\%$
Net Sales	1,074	1,034	$\triangle 3.7\%$

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Signing and Joining the World's Largest Sustainability Initiatives

United Nations Global Compact (UNGC)

The world's largest sustainability initiative, bringing together the United Nations and the private sector to build a healthy global society

Future

We are a signatory to the UNGC and will continue to work towards the realization of the 10 principles in four areas related to the protection of human rights, the elimination of unfair labor, addressing the environment, and the prevention of corruption.

Global Compact Network Japan (GCNJ)

GCNJ is a local network in Japan that supports companies in taking action to realize the 10 principles in 4 areas set forth by the UNGC.

Future

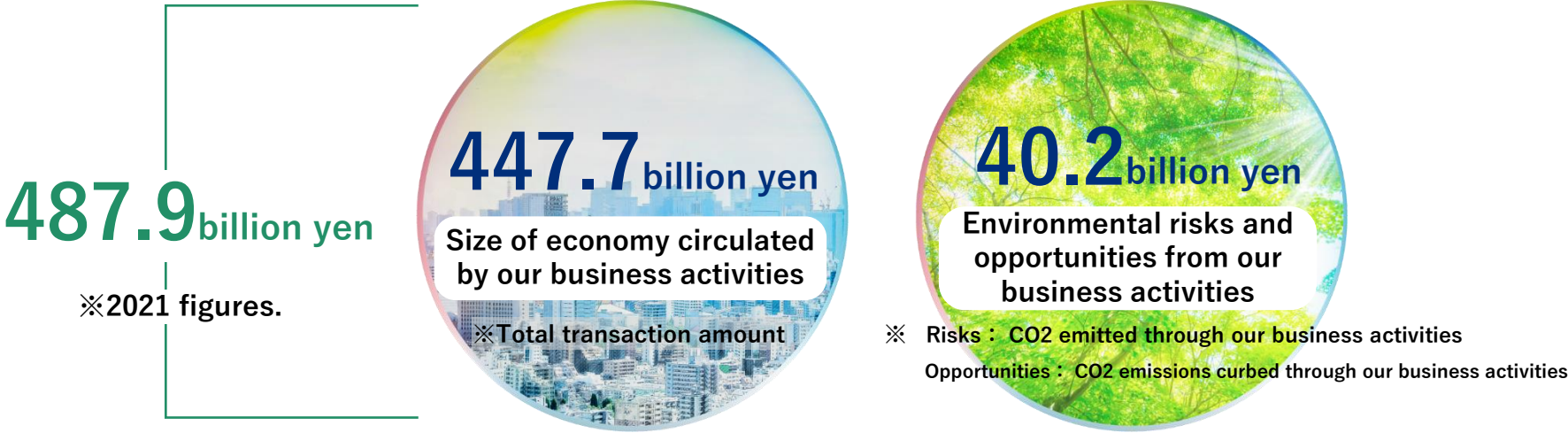
We aim to further enhance our corporate value by joining subcommittees and actively interacting with other companies to deepen our knowledge of sustainability after joining GCNJ.

Acquiring a Third-party Verification on GCV

- We aim to further expand business scale and reduce environmental impact to realize a better society.

GCV (Gross Circulation Value)

A metric used to evaluate the economic and environmental impact of Aucnet's business activities monetarily.



A third-party verification by The Association for NFI-Assurance was obtained on April 7th, 2023 to ensure reliability of GCV. We will keep working to promote GCV more externally.

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Acquisition and tender offer of own shares

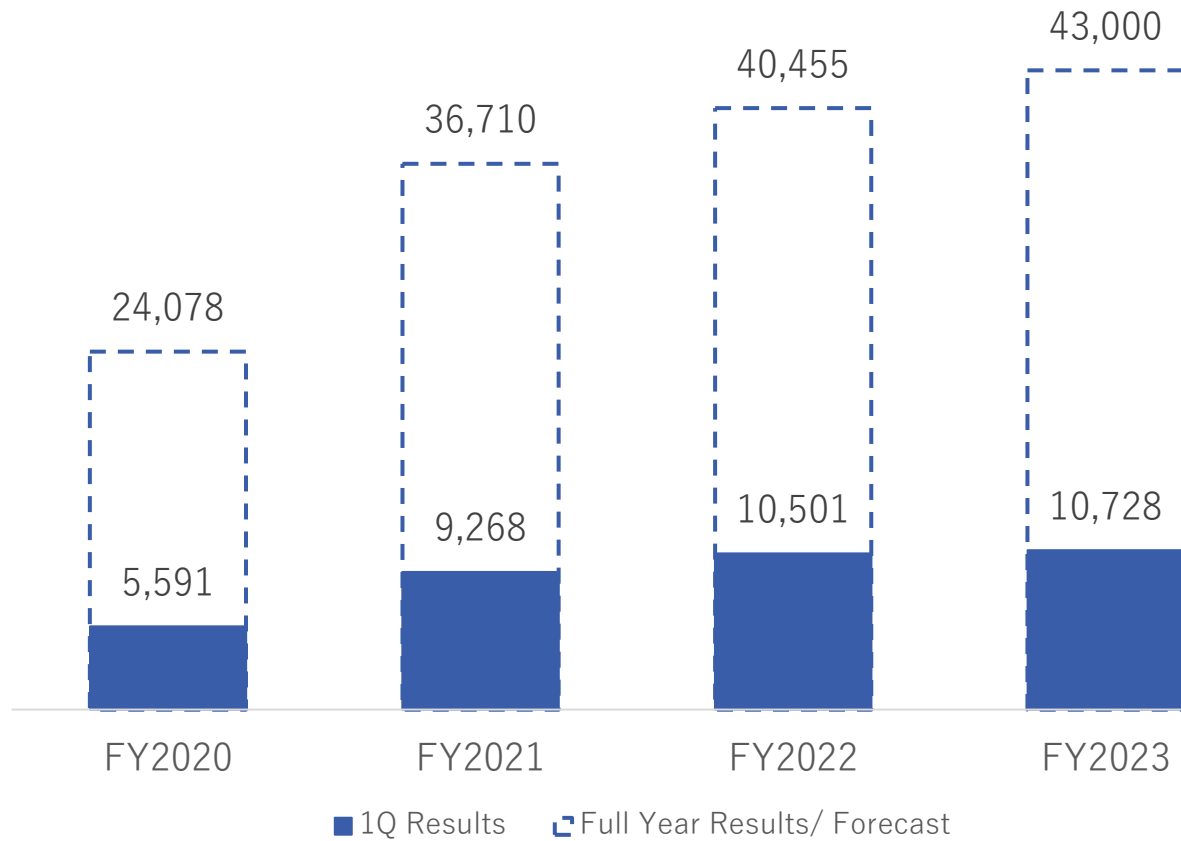
	Summary
Total number of shares to be repurchased	2,824,400 shares of common stock (maximum) (Equivalent to 10.67% of the total number of issued shares)
Price of purchase	1,380 yen per share of common stock
Total acquisition price	3,897,672,000 yen (maximum)
Tender offer period	From May 10, 2023 to June 6, 2023

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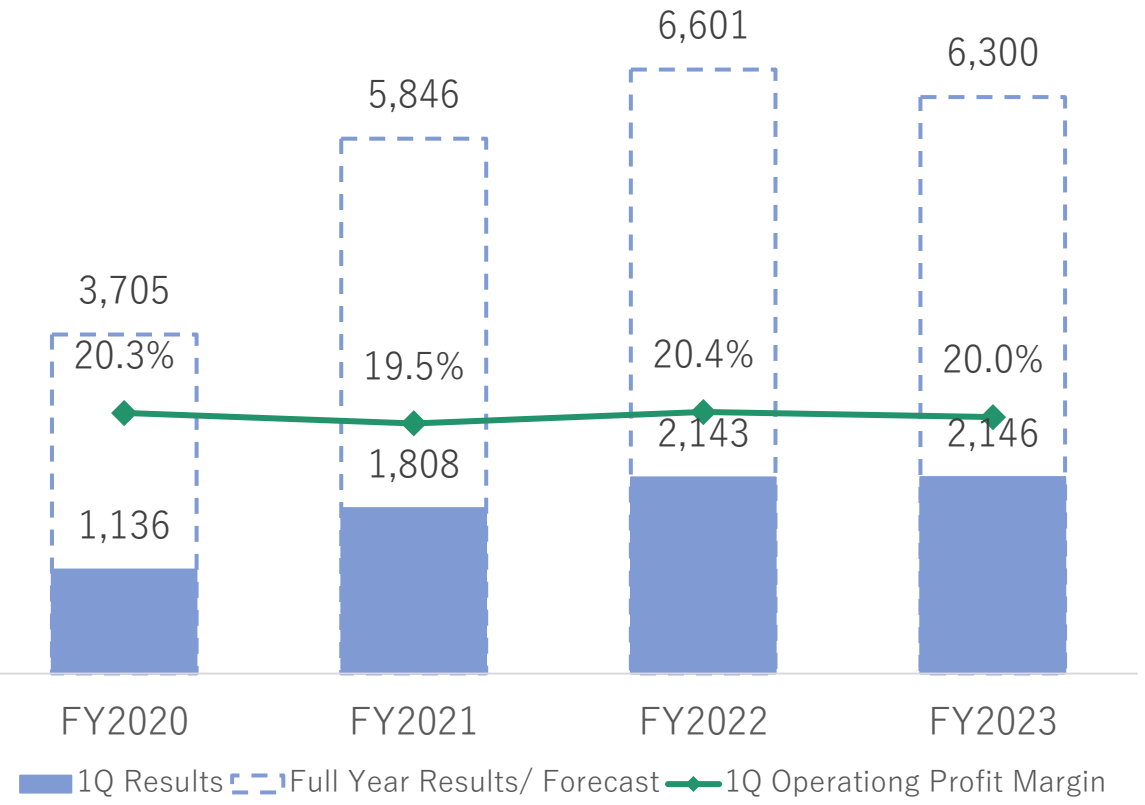
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FY2020~FY2023 Consolidated Results by Fiscal Year

Net Sales



Operating Profit



Consolidated Balance Sheets

Assets (million yen)	FY2022 end of December	FY2023 end of March	Increase/ Decrease
Current assets	30,357	33,629	+3,271
Cash and deposits	20,021	20,954	+932
Due from auction members	3,538	5,789	+2,250
Other	6,797	6,885	+88
Non-current assets	6,990	7,008	+17
Property, plant and equipment	1,637	1,630	△6
Intangible assets	1,405	1,440	+34
Other	3,946	3,936	△10
Total assets	37,348	40,637	+3,289

Liabilities and net assets (million yen)	FY2022 end of December	FY2023 end of March	Increase/ Decrease
Current liabilities	11,299	13,769	+2,469
Due to auction members	7,202	10,591	+3,388
Other	4,097	3,177	△919
Non-current liabilities	3,137	3,166	+29
Retirement benefit liability	1,816	1,841	+25
Other	1,321	1,325	+3
Total liabilities	14,437	16,935	+2,498
Total net assets	22,911	23,702	+790
Total liabilities and net assets	37,348	40,637	+3,289

KPI

				FY2020				FY2021			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Automobile	Auction related	Transaction amount	(million yen)	79,527	63,462	87,032	81,057	90,705	87,684	81,561	83,806
		Total vehicles sold/bought	(unit)	109,099	96,156	115,610	109,326	119,786	116,417	107,334	103,635
	Membership fee	Number of members	(member)	14,108	14,104	14,267	14,362	14,282	14,420	14,497	14,605
	Inspection fee※1	Vehicles inspected	(unit)	258,903	223,430	229,815	259,900	266,100	266,475	253,557	256,118
Digital Product	Transaction amount		(million yen)	9,562	76,057	78,873	9,024	12,283	12,071	8,738	9,717
	Sales units	Domestic	(unit)	591,735	520,791	487,494	543,592	656,847	661,344	510,693	467,773
		U.S.	(unit)	89,869	59,611	194,169	308,478	173,951	96,734	46,601	307
	Members	Number of members※3	(member)	665	707	766	762	800	855	922	989
Consumer Product※2	Transaction amount		(million yen)	2,768	3,720	4,349	6,543	7,324	7,996	8,209	8,912
	B2B business	Items listed	(item)	128,752	131,425	144,732	204,547	215,753	227,819	227,137	265,100
		Items sold	(item)	96,292	96,093	113,711	142,530	157,627	168,838	158,173	172,961
		Number of members※3	(member)	2,198	2,359	2,384	2,738	2,879	3,013	3,204	3,427
	Business targeting C	Transaction amount	(million yen)	-	-	-	1,654	2,140	2,179	2,027	2,466
				FY2022				FY2023			
				1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Automobile	Auction related	Transaction amount	(million yen)	84,641	100,796	106,313	96,646	104,657	-	-	-
		Total vehicles sold/bought	(unit)	104,115	114,338	111,674	105,316	121,962	-	-	-
	Membership fee	Number of members	(member)	14,663	14,706	14,847	14,949	14,999	-	-	-
	Inspection fee※1	Vehicles inspected	(unit)	269,476	268,758	262,791	284,997	318,348	-	-	-
Digital Product	Transaction amount		(million yen)	13,526	12,261	8,730	10,247	12,443	-	-	-
	Sales units	Domestic	(unit)	526,106	499,014	351,156	428,275	445,227	-	-	-
		U.S.	(unit)	-	-	-	-	-	-	-	-
	Members	Number of members※3	(member)	1,044	1,132	1,240	1,337	1,359	-	-	-
Consumer Product※2	Transaction amount		(million yen)	9,117	9,239	9,575	10,539	10,644	-	-	-
	B2B business	Items listed	(item)	223,206	262,443	251,644	288,861	236,869	-	-	-
		Items sold	(item)	160,850	174,562	166,850	187,706	174,900	-	-	-
		Number of members※3	(member)	3,586	3,690	3,893	4,092	4,287	-	-	-
	Business targeting C	Transaction amount	(million yen)	2,747	2,544	2,912	2,582	2,812	-	-	-

※1 Includes used motorcycles inspections

※2 KPI by Gallery Rare has been combined in each business from 4Q FY2020.

※3 The number of overseas buyers has been included in the number of members since 3Q FY2022.

Corporate Information

Trade name || AUCNET INC.

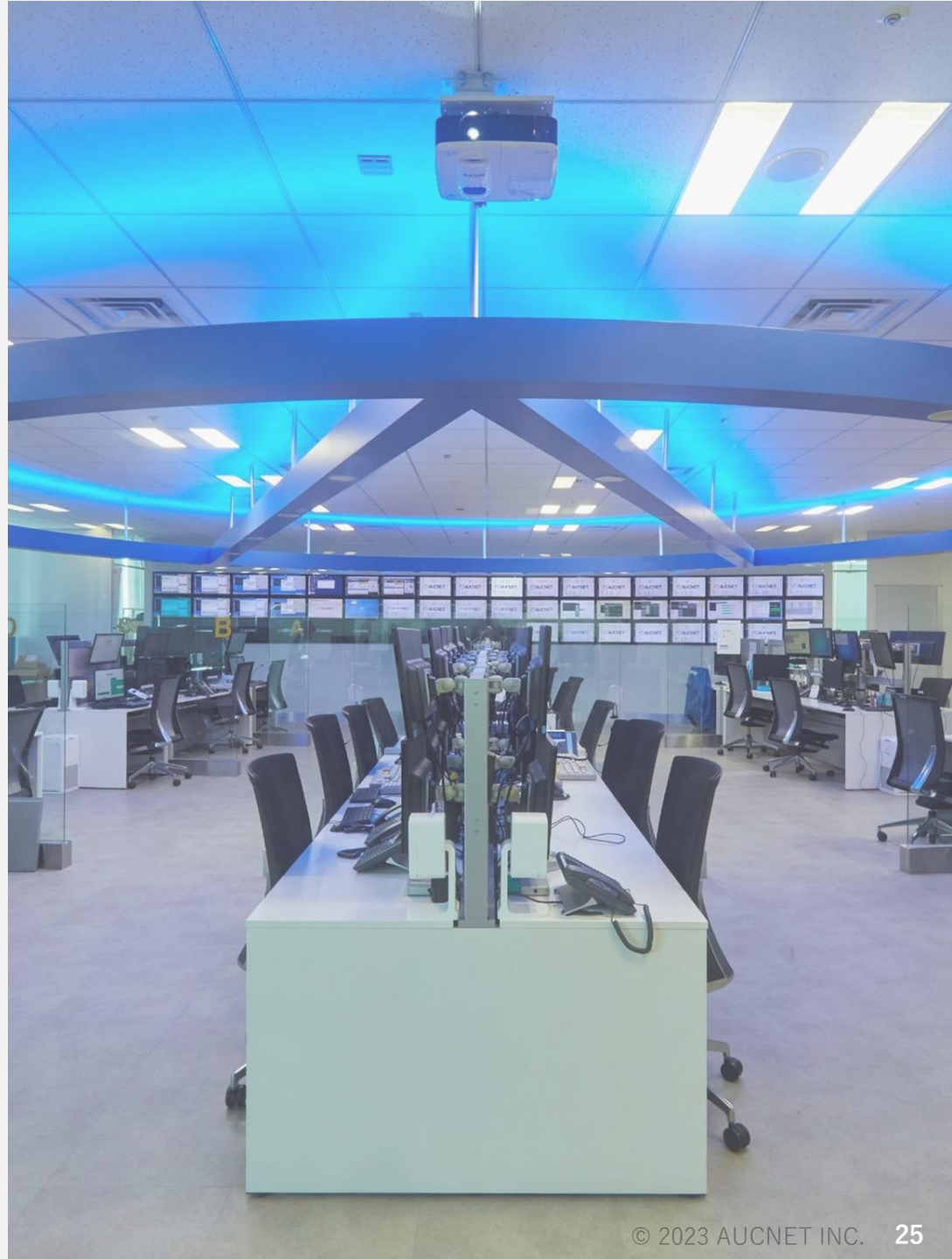
Date of start of business || June 29, 1985

Head Office || Aoyama OM Square, 5-8 Kita-Aoyama 2-chome,
Minato-ku, Tokyo, 107-8349, Japan

Closing date || December 31

Number of employees || 860 (as of December 31,2022)
(consolidated) ||

Capital, etc. || 1,807 million yen (as of December 31,2022)



philosophy

|| Aucnet's philosophy is
|| "Authenticity".

|| We have always pursued the question, "What is a genuine service?" and seek to provide services that help our partners achieve more efficient and secure transactions.

|| In the used car business and beyond, we will use the power of information to create a circular market in a wide variety of business fields in order to deliver "all kinds of valuable goods to people who need them".

Our Services – Automobile

Used vehicle distribution

 14,000+ member companies※

1

TVオークション

(Used vehicle auctions)

- ✔ Many vehicles with high year and low mileage or leased-up vehicles are listed.
- ✔ It allows our members to leave their vehicles at their store and list them for auctions without transporting them.

2

共有在庫市場

(Shared inventory market)

- ✔ **60,000+** vehicles* our nation-wide members own can be purchased anytime.

3

ライブオークション

(Live-linked auctions)

- ✔ Collaborate and live broadcasting with **76*** physical auction sites nationwide

4

AUC 株式会社 アイオーク

(Proxy bidding service)

- ✔ Proxy listing and bidding at auctions connecting with **116*** on-site physical auction sites nationwide

Used vehicle inspection

5

AIS

(Used vehicle inspection service)

- ✔ The industry's only vehicle inspection company (more than **1 million units** annually)
- ✔ Deploying nationwide on-site inspections and evaluation service consisted with about **200*** inspectors



Our Services – Digital Products

Domestic/ Overseas auctions

1

Mobile &
PC Auction



2

GLOBAL BIDDING SYSTEM

- ✓ Our products handled include used PCs, tablets etc., as well as used smartphones. We aim to develop further handling product range.

- ✓ Members exceed **1,300** companies* focusing on strengthening the overseas buyer network.

The UAE branch was established in November 2022 in addition to the subsidiary in Hong Kong.

- ✓ Blancco Japan Inc. was established in 2010 jointly with Blancco OY Ltd., the top share company of data erasure in the world

- ✓ Realizing **100%** data erasure in information-related digital devices handled in auctions

Data erasure

3

 **blancco**



Trade-in service

4

Trade-in system



- ✓ Software is planned to be provided to guide trade-ins (purchases) of digital devices owned by individual and corporate customers.

- ✓ Upon receipt of the devices at our merchandising center, they can be inspected and tested, and a certificate of personal information erasure can be issued.

Our Services – Consumer Products

B2B business

1

 **AUCNET**
Brand Auction



- ✔ Total more than **4,000** members* in the strong member network built for long time
- ✔ Industry's largest scale of transaction amount is about **38,000** million yen*

Business targeting consumers

2

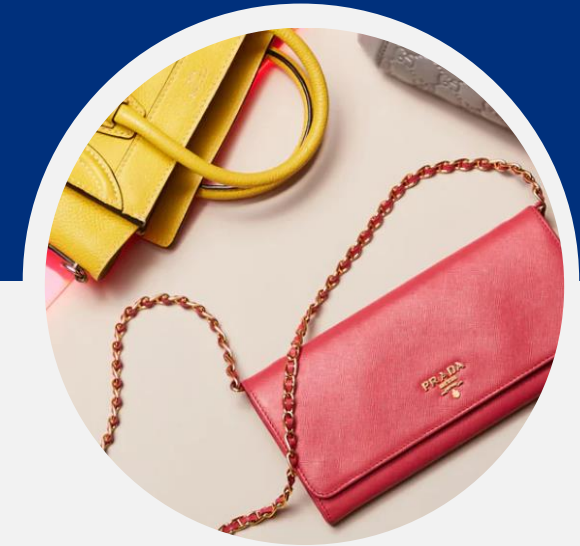
 **GALLERY RARE**



- ✔ Purchase and sales of pre-owned luxury brand bags, watches, accessories and jewelry etc.
- ✔ **8** shops* mainly in Tokyo and Osaka, focusing on not only physical shops but also EC sites.

3

VALTIQUE VINTAGE
T O K Y O



- ✔ Launched an EC platform selling high brand vintage items in September 2022
- ✔ Promoting and raising awareness of sustainability by attaching tags showing deduced amount of CO₂ or H₂O

The earnings forecast and other forward-looking statements herein are based on the information currently available and certain assumptions deemed reasonable by Aucnet Inc., and it does not guarantee its achievement. In addition, actual results may differ significantly from these forecasts due to a wide range of factors.

